

**INFORMATION SUMMARY FOR THE PUBLIC
K-ELECTRIC LIMITED POWER GRID UPDATE**

Host Country:	Islamic Republic of Pakistan
Name of Borrower(s):	K-Electric Limited (“KE”)
Project Description:	The project is part of a comprehensive upgrade to KE’s transmission and distribution systems in order to reduce losses as well as increase stability, reliability and capacity of the grid (the “Project”). The Project will solidify the financial and operational gains KE has been able to achieve over the last few years. Maintaining KE’s trajectory of improvement is vital to Pakistan’s economy and attracting further private investment into the power sector in the country.
Proposed OPIC Loan:	USD 250 million with a 10 year tenor
Total Project Costs:	USD 333 million
U.S. Sponsor:	Citibank, N.A.
Foreign Sponsor:	Abraaj Capital
Policy Review	
U.S. Economic Impact:	The Project is not expected to have a negative impact on the U.S. economy. There is no U.S. procurement associated with this Project; therefore, the Project is expected to have a neutral impact on U.S. employment. The Project is expected to have a net negative five-year U.S. balance of payments impact.
Developmental Effects:	<p>One of the biggest constraints to Pakistan’s economic growth is the state of the country’s power sector. According to the World Economic Forum’s Global Competitiveness Report, Pakistan’s electricity infrastructure ranks 133rd out of 144 countries. The sector is characterized by widespread under-investment, poor governance, inadequate tariffs, structural shortcomings and high losses. These factors have resulted in a power supply crisis, with a supply shortfall of 6 GW, as compared to 24 GW of total installed capacity in the country. This major shortage is estimated to cut the country’s GDP growth by about 2% each year.</p> <p>Load shedding in Pakistan is a major issue. Regular load shed can last up to 10 hours per day in large cities (other than Karachi) and up to seven hours per day for high loss areas in Karachi. The Project will not generate additional power, but will help to improve the reliability and capacity of the electric grid in Karachi. The Project will also utilize the latest in grid</p>

	<p>technology to cut transmission and distribution losses, both from theft and inefficiencies.</p>
<p>Environment:</p>	<p>Screening: The Project has been reviewed against OPIC’s categorical prohibitions and determined to be categorically eligible. Projects involving the rehabilitation and upgrading of electricity transmission and distribution infrastructure in urban and suburban areas are screened as Category B under OPIC’s environmental and social guidelines because impacts are site specific and readily mitigated.</p> <p>Applicable Standards: OPIC’s environmental and social due diligence indicates that the Project will have impacts that must be managed in a manner consistent with the following of the International Finance Corporation’s (IFC) 2012 Performance Standards (PS):</p> <ul style="list-style-type: none"> PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; PS 4: Community Health, Safety and Security; and PS 5: Land Acquisition and Involuntary Resettlement. <p>K-Electric represents that the transmission infrastructure is not located in or near protected areas or sensitive ecosystems and significant biodiversity impacts are not anticipated. Additionally, the Project is not expected to have adverse impacts on Indigenous Peoples or cultural heritage. K-Electric has a Chance Finds Procedure in place which requires workers to stop work immediately and contact the relevant authorities if cultural heritage sites or artifacts are found during excavation activities. Therefore, PS 6 through PS 8 are not triggered by the Project at this time.</p> <p>In addition to the above standards, the Project will also be required to meet the requirements of the IFC’s April 30, 2007 Environmental, Health, and Safety (EHS) General Guidelines, and the IFC’s April 30, 2007 EHS Guidelines for Electric Power Transmission and Distribution.</p> <p>Environmental and Social Risks and Mitigation: The major environmental and social issues relating to this Project are management of contractors, construction waste, acquisition of land and rights-of-way, occupational health and safety, and community health and safety.</p> <p>K-Electric has a contractor management procedure describing its Health, Safety, Environment, and Quality (HSEQ) requirements for bids and HSEQ management of the</p>

	<p>contractors/suppliers it hires to carry out Project-related activities. K-Electric requires that each of its contractors appoint personnel dedicated to ensuring compliance with K-Electric’s HSEQ requirements. For each sub-project, K-Electric appoints a safety coordinator responsible for disseminating K-Electric’s HSEQ requirements to the sub-project contractors and providing oversight to ensure HSEQ compliance.</p> <p>K-Electric requires acceptable waste management procedures to be followed by contractors for each sub-project, including proper collection and storage of wastes and subsequent disposal by a third-party EPA-certified waste contractor. K-Electric has also implemented procedures to minimize waste generated and reuse/recycle waste material when possible.</p> <p>K-Electric cannot resort to expropriation of land, and all of its land is acquired/leased from willing sellers using a standard land acquisition process. When possible, K-Electric uses existing public RoWs (e.g., sidewalks, roadsides, road medians, etc.) to route transmission lines and underground cables to avoid land acquisition.</p> <p>K-Electric requires that proper OHS plans and procedures are in place, including provision of proper PPE and worker training. OHS practices (specific to the type of work being performed at each sub-project) are set out in K-Electric’s HSEQ Manual, further supplemented by Standard Operating Procedures (SOPs), which all contractors are required to follow.</p> <p>K-Electric’s contractors are required to provide, erect, and maintain all necessary barricades, traffic signals, danger signals, and signs to protect construction sites and ensure the safety of the public. K-Electric invests in annual public safety marketing campaigns in electronic/print/outdoor media, and outreach activities at malls and other public places. K-Electric has implemented several public safety initiatives including public reporting of safety hazards on its website through “Safe Card”, SMS, call center, social media and, safety warning signs on poles, and encouraging the public to report electrical hazards. K-Electric has implemented a quick response mechanism to resolve reported safety issues, and also regularly prints safety contact information on customers’ monthly bills.</p>
<p>Worker Rights:</p>	<p>OPIC’s statutorily required standard worker rights language will be supplemented with provisions concerning the right of association, organization and collective bargaining, minimum age, hours of work, the timely payment of wages, and hazardous work situations. The Project will also be required to operate in a manner consistent with the requirements of the</p>

	<p>International Finance Corporation’s Performance Standard 2 on Labor and Working Conditions. Standard and supplemental contract language will be applied to all workers engaged by the Project.</p> <p>KE is engaged with the International Finance Corporation and the Asian Development Bank and has implemented a labor management system in accordance with the ADB Safeguard policies and the IFC Performance Standards on Social and Environmental Sustainability. KE has a Human Resource Manual for Officers which aligns with the labor requirements of Pakistani law and an established mechanism for employees to submit grievances. Additionally, KE has a Sustainability Policy which commits the Company to provide and maintain a clean, healthy and safe operating environment for employees; open and transparent communications with employees; respect for the universal declaration of human rights, International Labor Organization’s fundamental conventions on core standards and to operate as an equal opportunity employer; and encourage business partners to adopt responsible business practices, strong business ethics and the highest standards of an honest code of conduct.</p> <p>KE currently employs 10,481 employees: 5,477 managerial employees, 4,673 professional / technical level employees and 331 unskilled laborers. KE expects to hire an additional 218 employees as a result of this Project. This includes 38 new managers, 120 professional/technical staff, and 60 unskilled workers.</p>
Human Rights:	OPIC issued a human rights clearance for this Project on August 18, 2015.