Pakistan: Balakot Hydropower Development Project

Project Name: Balakot Hydropower Development Project
Project Number: 49055-007
Country: Pakistan
Project Status: Approved
Project Type / Modality of Assistance: Loan

Source of Funding / Amount:
- Loan 4057-PAK: Balakot Hydropower Development Project
  - Ordinary capital resources
  - US$ 300.00 million
- Loan 8397-PAK: Balakot Hydropower Development Project
  - Asian Infrastructure Investment Bank
  - US$ 280.00 million

Strategic Agendas:
- Environmentally sustainable growth
- Inclusive economic growth

Drivers of Change:
- Governance and capacity development
- Knowledge solutions
- Partnerships

Sector / Subsector:
- Energy - Large hydropower generation

Gender Equity and Mainstreaming:
- Effective gender mainstreaming

Description:
The project will provide financing to construct a 300 megawatt (MW) run-of-river hydro power plant located on the Kunhar river in Mansehra District, Khyber Pakhtunkhwa (KBK) province of Pakistan. 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 targets to improve the quality of life for women in communities surrounding the project area and promotes gender mainstreaming.

Project Rationale and Linkage to Country/Regional Strategy:
Pakistan is rich in hydropower resources. Despite its 100 gigawatts (GW) recognized and 60 GW identified hydropower potential (30 GW of which is located in KPK Province), only 9,825 MW (16%) has been harnessed. Considering the huge hydro potential and need for clean energy, under ideal situation Pakistan’s energy mix should be rationalized and made more hydro and renewable energy-dependent rather than thermal. Rationalization of the generation mix is aligned with ADB’s Country Partnership Strategy outcomes which prioritize development of domestic energy resources (such as hydropower and renewable energy) and greater availability, affordability, and efficiency in the sector. The proposed project is included in the current Country Operations Business Plan and supports, (i) operational priority 1, 2, 3, 5 and 6 of the ADB Strategy 2030 by contributing to addressing poverty and reducing inequalities, gender equality and reducing time poverty for women, building climate and disaster resilience, environmental sustainability, rural development, and improvement in financial management of PEDO; and (ii) Sustainable Development Goals 7 and 13 by providing affordable, clean and sustainable energy, and in meeting the country’s climate change mitigation and adoption priorities and objectives.

Recognizing the challenges, the government introduced the Power Generation Policy 2015 to (i) bestow power and authority to the provincial governments to function as a facilitator for IPPs; (ii) simplify investment decision making by local and federal authorities, identifying zones of responsibilities in processing and implementation of generation projects; and (iii) extend the federal government’s support backing up the payment obligation of the federal power purchaser and political and other risks in the projects to the provincial government-initiated projects when conforming to certain requirements. In line with this, the government of KPK issued the KPK Hydropower Policy 2016, which assigns Khyber Pakhtunkhwa Energy Development Organization (PEDO) as the single facilitator for all investors for hydropower projects in KPK, and aims to develop projects through the private and public sectors window.

Impact:
- Reduced carbon footprint and energy sector made more renewable, efficient and reliable

Project Outcome:
- Description of Outcome: Energy security in Khyber Pakhtunkhwa enhanced
- Progress Toward Outcome:
- Implementation Progress:
  - Description of Project Outputs: Climate-resilient hydropower plant commissioned
  - Capacity for climate change risk management in hydropower production enhanced
  - PEDO’s revenues from indigenous resources increased
  - Income-earning opportunities and skills for local communities increased

Geographical Location:
- Balakot

Safeguard Categories:
- Environment: A
- Involuntary Resettlement: A
- Indigenous Peoples: C
Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer
Tareen, Adnan

Responsible ADB Department
Central and West Asia Department

Responsible ADB Division
Energy Division, CWRD

Executing Agencies
Energy and Power Department, Government of Khyber Paktunkhwa
ZAIN.SHAH@KPKEP.GOV.PK
E&P-GoKPK, Abdul Wali Khan Multiplex,
Block k, Civil Secretariat, Peshawar, Pakistan

Timetable

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<tr>
<th>Activity</th>
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<td>Fact Finding</td>
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<td>MRM</td>
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Loan 4057-PAK

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Loan 8397-PAK

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Project Page https://www.adb.org/projects/49055-007/main
Request for Information http://www.adb.org/forms/request-information-form?subject=49055-007
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