



# Social Safeguards Report

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## PAK: Uch II Power Project

Social Compliance Audit Report  
October 2010

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Asian Development Bank

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### **I. INTRODUCTION**

1. Uch II Power Project (the “Project”) is a proposed 404 megawatt (“MW”) combined cycle power plant which will be undertaken by Uch-II (Private) Limited (the “Company”). The Project will be constructed within the fenced Uch site where an existing 586 MW combined cycle power plant is located. The existing plant is owned and operated by the Uch Power (Private) Limited (“UPL”), a separate legal entity. It will be located approximately 600 kilometer (“km”) north west of Karachi in Dera Murad Jamali, Baluchistan; ADB is considering financial assistance to the Company for the construction, and operation of the Project.

2. A mission was fielded on 26-27 August 2010 to conduct due diligence of the Project, and the mission reviewed the documents in UPL Head Office located in Main Margalla Road, F-7/2, Islamabad, Pakistan. The site photos provided by the Company are attached (Attachment).

### **II. MISSION FINDINGS**

#### **1. Social Safeguard findings**

3. **Involuntary Resettlement Safeguard.** The Uch site (within the boundary wall) covers an area of 260 hectares (“ha”) (642 acres) and an area (outside the boundary wall) of 21 ha (52 acres) comprising of access road and utility strip – a total of nearly of 280.8 ha (694 acres). The land was acquired in 1996 and is located in Dera Murad Jamali, Baluchistan. It is essentially arid and not highly suitable for agriculture and with low population density. The Uch site is approximately 40% occupied by the existing power plant and the rest is vacant, which was originally acquired for future expansion. The Project will lease land from UPL and will require 83.5 ha (206 acres) for the power plant and other auxiliary facilities, including residential and other amenities associated with the Project. The right of way (“ROW”) will be shared with UPL. The mission was able to confirm that the land, where the Project will be constructed, is within the fenced Uch site, next to the existing plant, and has no occupants or no sign of occupancy. The finding was made possible by a video camera facility (real time) mainly used for security purposes that is accessible at the UPL Head Office in Islamabad. On the aspect of land acquisition that happened in 1996, the mission was able to review the following documents:

- (1) the proceedings (dated 24 April 1996) relating to the acquisition of an area of land situated in Khasra No. 164 under the Land Acquisition Act of 1894, containing a total area of 35 acres, 1 rod and 07 poles;
- (2) the proceedings (dated 8 May 1996) relating to the acquisition of an area of land situated in Khasra Nos. 110, 115, 116 and 153 under the Land Acquisition Act of 1894, containing a total area of 38 acres, 2 rods and 14 poles;
- (3) document (dated 13 May 1996) on the execution and registration of conveyance deed executed by Governor of Baluchistan in favor of UPL containing an area of 621 acres, 0 rod and 14 poles; and
- (4) document (dated 13 May 1996) on the execution and registration of conveyance deed executed by Governor of Baluchistan in favor of UPL containing an area of 73 acres, 3 rod and 21 poles.

4. Detailed information on the proceedings of land acquisition, shows that the cost of acquisition in 1996 was pegged at Rs 25,000 per acre plus the mandated 25% additional cost of acquisition following the provisions of the Land Acquisition Act of 1894. The pegged amount, as confirmed by UPL, was said to be above the fair market value during the time it was acquired. As for crops compensation, an agreed amount of Rs 3,500 per acre was offered to affected crop owners cultivating sorghum.

5. The execution and registration of Conveyance Deed was done between and by the Governor of Baluchistan and UPL essentially transferring ownership of property in perpetuity and absolutely, free from all claims, burdens, encumbrances, liens, charges, mortgages, possessory interests and other encumbrances.

6. UPL confirmed that it is not aware of any outstanding complaints or grievance emanating from the original owners of the land, and has provided proof of their good standing relationship with the communities/villages., having continued engagement with them through the corporate social responsibility ("CSR") initiatives since inception. UPL, in addition, confirmed their commitment to continue community/village engagement during the construction phase and until the operation phase of the Project.

7. **Indigenous Peoples Safeguard.** There are eight villages near the Project area: three on the southern side, one on the western, two on the northern, and two near the access road leading to the site. These villages are composed of 169 households whose main tribal affiliations are as follows: Bhangar, Bangul-zai, Bahrani, Jamali, Jakhrani, and Khosa. Other tribes in these villages are: Machi, Lango, Bugti, Raeesani, Brohi, Soomro, Pechwa, Solangi, Gola, Lashari, Lahri, Lanha, Jat, Bbbor, Kaprani, and Marri.

8. While the residents of the villages located near the Project area may have tribal affiliations, the Project will not in any way affect their dignity, human rights, livelihood systems and culture. This is demonstrated by a similar plant which has been operating in the area for 10 years. Moreover, the land where the Project will be constructed is not owned, used, occupied, or claimed as ancestral domain or asset by any of these groups.

## **2. Other Social Dimensions**

9. **Gas Pipeline, Proposed Transmission Line and New Pipeline for Water Supply.** The mission was informed that the fuel gas for the Project will be supplied through the existing 47 km pipeline from the Uch Gas Field, owned and operated by Oil and Gas Development Company Limited. The current size and configuration of the existing pipeline is sufficient, per available technical information. There will be no construction work on the main fuel delivery gas pipeline. The diversion pipeline that would connect to the Project will be constructed from the existing gas receiving skid, as confirmed by UPL.

10. The transmission line will be built by the National Transmission and Despatch Company Limited ("NTDC"), the national agency in charge of transmission lines construction and operation. The proposed transmission line for the Project is still under consideration and NTDC has presented two different options for transmission line interconnection in its load study. Proposed construction and modification activities under the recommended option are listed below.

- (1) construction of a 220 kilovolt (“kV”) double circuit (“D/C”) transmission line, approximately 125 km long on twin bundled conductor from the Project to Sibbi;
- (2) a 220 kV D/C transmission line, approximately 0.5 km long on twin bundled conductor for looping in and out of the Uch site – Shikarpur new 220 kV S/C transmission line at the Project; and
- (3) reconductoring of 220 kV line section approximately 1 km between existing and the Project from single rail to twin bundled rail conductor.

The final land requirement shall be determined after NTDC’s decision on the final configuration. Based on the transmission line arrangements, NTDC will acquire necessary land or ROW and compensation will be made in accordance with the Land Acquisition Act of 1894 and other relevant policies. It should also be noted that most of NTDC’s transmission line projects are either funded by the World Bank or ADB (through the multitranche financing facility – Power Transmission and Distribution Enhancement) and NTDC will be obliged to comply with the safeguard requirements by the World Bank and/or ADB as the case may be.

11. The Project will require water supply for its operations. A new water supply line will be built within the existing 3 km (50 meter wide) ROW from the existing canal pump house. UPL confirms that the ROW is vacant and there is no encroachment by the local villagers. From the pictures and related information provided, an issue as regards to social safeguards was confirmed to be not foreseeable. The Project will utilize part of the water supply allocation. Based on estimates made by UPL, the existing plant and the Project are likely to utilize about 42% of existing water supply allocation to the Uch site. Therefore, no conflict with the local community is expected with respect to water utilization.

12. **Employee Engagement.** UPL has an existing human resources policy and manuals covering employee benefits, equal opportunity, non discrimination, grievance mechanism and others. Excerpts of some relevant provisions below:

- (1) Employees are given benefits on top of earned remuneration such as participation in provident and gratuity funds, overtime pay (for shift staff and drivers), shift allowance (for shift operations staff only), family stay (limited to 75 days for summer vacation), and medical health and group life insurances.
- (2) On female employee, they are entitled to maternity benefits to bear maternity expenses in addition to the usual company benefits. Additional special arrangement is also available covering their daily pick-up and drop-off from work station. Currently, there is no female staff at UPL.
- (3) On equal opportunity: “UPL has a clear policy of recruiting, compensating and developing people with suitable qualifications, experience and personal attributes without regard to the person’s race, color, religious creed, age, gender, marital status, national or ethnic origin, ancestry or other factors unrelated to a person’s ability to perform his/her job. The Company gives preference to the hiring of locals/Pakistani nationals. However, in case a need cannot be met locally, and if all legal regulations are complied with, the Company may hire foreign nationals.” (extracted from UPL’s human resource policy manual)

- (4) On Non-discrimination: “Employees who have questions or concerns about discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor. Employees can raise concerns and make reports without fear of reprisal. Discrimination or harassment of any kind against colleagues could result in disciplinary proceedings.” (extracted from UPL’s human resource policy manual)
- (5) On Grievance Mechanism: “UPL wishes to maintain a congenial work environment where adherence to the above mentioned standards of fairness and integrity are part of employees’ daily lives. Accordingly, UPL has defined a process for resolving employee grievances regarding working conditions or relationships in the workplace should they arise. Employees may discuss their problems and concerns with their immediate supervisor / managers. They may also request that their concerns be referred to a higher authority at any time. The following procedures shall apply to ensure that genuine grievances are resolved rapidly and in a constructive manner. (extracted from UPL’s human resource policy manual)

13. **Local Labor Engagement.** The preference of UPL is to hire local labor during project construction provided they meet the required education and qualification criteria. It also has a standard clause in the contractor’s agreements, binding the contractor to comply with the local labor laws and covers ILO standard. UPL currently employs 212 Baluchistan domiciled people or 46% of the total workforce at the Uch site. The mission reviewed the site rules for contractors, dated 1 July 1998. The document details prescriptions as regards work place safety requirements, security and other personal safety considerations.

14. **Corporate Social Responsibility.** UPL engages the neighboring communities/villages and the wider community where it does business through its CSR initiatives. It has a robust CSR programs geared towards community welfare and support activities, which includes the execution of socio-economic development projects mainly in District Naseerabad, Baluchistan and surrounding areas; contribution towards other noteworthy causes in Baluchistan as well as the rest of Pakistan. This program is guided by a committee comprised of representatives from the local administration and provincial government. It reviews the developmental requirements of the local communities and selects activities that would be most beneficial and appropriate.

15. Over the last 4 years, UPL has nearly spent Rs 254.5 million for its CSR activities including Rs 148.4 million spent on different social uplift projects in District Naseerabad, Baluchistan and surrounding areas. It translates into an average of Rs 39.38 million per annum.

### III. Conclusion

16. Based on the review of available documentation and interviews with UPL staff, there are no outstanding land acquisition or compensation issue with respect to the land acquisition undertaken in the past for the site and its ROW for the water supply pipeline. Such acquisition also did not affect any Indigenous Peoples as the lands were previously owned by Government and private owners. The information gathered from the available documents and discussions with relevant UPL staff and affirmation from UPL management regarding their continued harmonious relationship with the communities in the Project area are considered sufficient to support the social compliance audit findings relevant to social safeguards. With respect to ADB’s SPS, the Project’s categorization on involuntary resettlement and indigenous peoples has been confirmed ‘C’ respectively, and no corrective action plan will be required.

17. With respect to the gas pipelines and transmission lines, ADB's SPS does not apply since these are associated facilities that are not under the proposed Project to be financed and/or administered by ADB.

18. With respect to other social dimensions such as recruitment of UPL employees and local labor engagement through contracts and CSR programs by UPL, they are found to be satisfactory. UPL has existing policies and procedures (e.g., human resource policy, contractual arrangements with contractors) to address potential concerns and issues. During implementation of the Project, the Company is expected to apply the same policies and procedures as those UPL maintains, and it will be required to monitor and report to ADB on contractor's engagement of local employees and laborers following the relevant clauses on contractor's agreement and the Company's human resources policy. The Company will also be encouraged to report on their CSR activities to demonstrate how the Project can contribute to development of the local communities.

## PROJECT SITE PHOTOS

Satellite view of the Uch site showing the existing facilities and boundary wall with security watch towers marked as 'Picket'



General view of the Uch site





**General view of the Project area (viewed from the Uch site facility)**



**View of gas receiving skid within the Uch site  
and the existing transmission line towers outside of the Uch site**





**Canal pump house**

