

CONFORMED COPY

CREDIT NUMBER 2425 LA

(Provincial Grid Integration Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 23, 1992

CREDIT NUMBER 2425 LA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 23, 1992, between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS: (B) the Project will be carried out by Electricit du Laos, as hereinafter defined, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the proceeds of the Credit as provided in this Agreement; and

WHEREAS: (C) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Electricit du Laos:

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "EdL" means Electricit du Laos, an enterprise organized and existing under the laws of, and wholly owned by, the Borrower;

(b) "EdL's Subsidiaries" means the electricity authorities of the Borrower's provinces of Savannakhet, Khammouane, Champassak, Saravane and Luang Prabang, all of whose assets have been duly purchased, and all of whose liabilities duly assumed, by EdL at different times during 1991;

(c) "EGAT" means Electricity Generating Authority of Thailand, a company organized and existing under the laws of, and wholly owned by, the Kingdom of Thailand;

(d) "Fiscal Year" and "FY" mean EdL's fiscal year which commences on January 1 and ends on December 31;

(e) "Project Agreement" means the agreement between the Association and EdL, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(g) "Subsidiary Loan" means the loan to be extended by the Borrower to EdL pursuant to the terms of the Subsidiary Loan Agreement; and

(h) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EdL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty five million three hundred thousand Special Drawing Rights (SDR25,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in Banque Pour Le Commerce Ext rieur Lao on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date, or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions, or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing January 1, 2003, and ending July 1, 2032. Each installment to and including the installment payable on July 1, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association, and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General

Conditions.

Section 2.09. EdL is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

#### ARTICLE III

##### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause EdL to perform in accordance with the provisions of the Project Agreement all the obligations of EdL therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EdL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to EdL under a subsidiary loan agreement to be entered into between the Borrower and EdL, under terms and conditions satisfactory to the Association which shall include, without limitation, the principal terms and conditions set forth in Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by EdL pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation to the provisions of Section 3.01 hereof, the Borrower shall: (a) take measures, including increase of EdL electricity tariffs, necessary to enable EdL to meet its obligations under Sections 4.04 and 4.05 of the Project Agreement; (b) by April 30, 1994, complete an action program, satisfactory to the Association, to decrease EdL receivables from agencies of the Borrower; and (c) cause EdL to enter into such agreements, and carry out such actions, as shall be necessary on EdL's part to duly purchase all of the assets, and assume all of the liabilities, of the electricity authorities of the Bolikhamxay and Sekong provinces of the Borrower by June 30, 1994.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, separate records

and accounts reflecting such expenditures;

- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and
  - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section, and those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
  - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) EdL shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that EdL will be able to perform its obligations under the Project Agreement.
- (c) Any law, decree or regulation governing the organization and operation of EdL shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EdL to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EdL, or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

- (a) Any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association



INDEVAS  
Washington, D.C.

248423 (RCA),  
82987 (FTCC),  
64145 (WUI) or  
197688 (TRT)

IN WITNESS WHEREOF, the parties here

to, acting through their  
duly authorized representatives, have caused this Agreement to be  
signed in their respective names in the District of Columbia, United  
States of America, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

/s/ Linthong Phetsavan

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Gautam S. Kaji

By

Regional Vice President  
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be  
financed out of the proceeds of the Credit, the allocation of the  
amounts of the Credit to each Category and the percentage of  
expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment, materials and installation		100% of foreign expenditures, 100% of local expenditures
(a) under Part A of the Project	11,300,000	(ex-factory cost) and 80% of local
(b) under Parts B, C and D of of the Project	8,500,000	expenditures for other items procured locally
(2) Spare parts	1,400,000	80%
(3) Consultants' services and training	2,900,000	100%
(4) Unallocated	1,200,000	
TOTAL	25,300,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR100,000, may be made in respect of Category (3) on account of payments made for expenditures before that date but after June 1, 1992; and (b) under Category 1 (a), unless evidence satisfactory to the Association shall have been furnished to the Association that contractual arrangements in respect of interconnections with EGAT's electricity grids specified in Part A.1 of the Project have been made and are in force between EdL and EGAT.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) extend electricity supply in the central and southern regions of the Borrower; (ii) improve the quality of electricity supply for existing consumers in the said regions; (iii) develop additional power export prospects for the Borrower; (iv) improve EdL's power system efficiency; and (v) assist in EdL's institutional development.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Central Region Electrification

1. Construction of: (i) a new 115 kv overhead river-crossing line to interconnect with EGAT's electricity grid at Savannakhet, and a new 22 kv double-circuit overhead river-crossing line at Thakhek; (ii) new 22 kv lines to interconnect with EGAT's electricity grid at both Se Bang Fai and Paksane; and (iii) a new 115 kv/22 kv substation at Savannakhet and two 22 kv new substations, one each at Se Bang Fai and Paksane.

2. Extension of electricity networks in the Savannakhet, Khammouane and Bolikhamxay provinces of the Borrower.

#### Part B: Southern Region Electrification

Extension of electricity networks in additional areas in the Champassak, Sekong, and Saravane provinces of the Borrower.

#### Part C: System Efficiency

1. Undertaking of an action program for EdL to monitor and reduce system losses, increase collections and improve billing practices.

2. Provision and installation of equipment and materials, including spare parts, with a view to improving EdL's operation and maintenance services and particularly those of EdL's Subsidiaries.

#### Part D: Institutional Development

1. Provision of technical assistance to EdL and EdL Subsidiaries' financial staff in the fields of accounting and finance.

2. Carrying out of an organization and management study for the development of policies, regulations, systems, procedures and guidelines needed to enable EdL to function effectively as a decentralized national public utility.



3. Provision of computer hardware and software and associated technical assistance to assist EdL in screening, ranking and appraising investment options involving extensions of electric power to consumers in nonelectrified areas of the Borrower.

4. Provision of training and equipment to acquaint EdL's staff with such practices as are currently followed by public utility companies in the South-East Asian region.

Part E: Future Power Projects

Preparation of a feasibility and design study for: (i) the installation of additional capacity at the Nam Ngum hydroelectric station; and (ii) the upgrading of the transmission line from Nam Ngum to the border with the Kingdom of Thailand.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.  
(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account

such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 4

Subsidiary Loan Agreement  
Principal Terms and Conditions

The following sets forth the principal terms and conditions under which the proceeds of the Credit shall be relent by the Borrower to EdL in accordance with the provisions of Section 3.01 (b) of this Agreement.

1. The principal amount of the Subsidiary Loan repayable by EdL to the Borrower shall be the equivalent in the currency of the Borrower (determined as of the date or respective dates, of repayment) of the currency or currencies withdrawn from the Credit Account on account of expenditure for the Project.

2. EdL shall repay the Borrower the principal amount of the Subsidiary Loan over a period not exceeding twenty (20) years, inclusive of a grace period of five (5) years.

3. EdL shall pay the Borrower interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at the rate of eight percent (8%) per annum.

