



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
POWER GRID IMPROVEMENT PROJECT  
APPROVED ON JUNE 23, 2015  
TO  
LAO PEOPLE'S DEMOCRATIC REPUBLIC (LAO PDR)

ENERGY & EXTRACTIVES

EAST ASIA AND PACIFIC

Regional Vice President:	Victoria Kwakwa
Country Director:	Mariam J. Sherman
Regional Director:	Ranjit J. Lamech
Practice Manager:	Jie Tang
Task Team Leader(s):	Leopold Sedogo



## ABBREVIATIONS AND ACRONYMS

AMIS	Advance Meter Infrastructure System
COVID-19	Corona Virus Outbreak 2019
EDL	Electricite du Laos
FMIS	Financial Management and Information System
HR	Human Resource
IFR	Interim Financial Report
ISR	Implementation Status Report
PDO	Project Development Objective
PGI	Power Grid Improvement Project
SAP	Systems Applications and Products
WIMAX	Worldwide Interoperability for Microwave Access



**BASIC DATA**

**Product Information**

Project ID P149599	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 23-Jun-2015	Current Closing Date 31-Mar-2020

**Organizations**

Borrower Lao People's Democratic Republic (Lao PDR)	Responsible Agency ELECTRICITE DU LAOS
--	---

**Project Development Objective (PDO)**

Original PDO

The project development objective is to help improve efficiency and reliability of power distribution in the selected load areas served by EDL.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IDA-56750	23-Jun-2015	17-Aug-2015	30-Dec-2015	31-Mar-2020	30.00	22.21	7.67

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Background

1. The Power Grid Improvement (PGI) Project was approved on June 23, 2015 in an amount of US\$ 30 million equivalent with the Project Development Objective (PDO) “to help improve efficiency and reliability of the power distribution in selected load areas served by the Electricite du Laos (EDL)”. The project became effective on December 30, 2015; the project original closing date was March 31, 2020.

### B. Project Status

2. Progress towards achieving the PDO has remained Satisfactory or better for at least three years and the objectives remain achievable. Implementation Progress is also rated Satisfactory. The PDO, *to help improve efficiency and reliability of power distribution in the selected load areas served by EDL*, continues to be relevant and the progress against the PDO is largely achieved. Major services and goods contracts to help improve efficiency and reliability of power distribution in the Xaythany District have been procured and most technical assistance packages have been completed. Various training sessions were carried out to strengthen EDL institutional capacity to utilize new technologies in addressing distribution losses and improving power grid efficiency. The following contracted three activities are still implementing with substantial delay:

- a. ***The Supply and Installation of Advance Meter Infrastructure System (AMIS)-(US\$5,525,293)***: The installation of the AMIS was expected by the end of March 2020 following the delivery of the equipment in early 2019. However, the commencement of the installation was delayed since EDL did not anticipate that the meters should be submitted to the Ministry of Science and Technology for verification and certification before installation. It is estimated that an additional 8-9 months of implementation period would be required to complete the certification and installation. Hence, the completion of the installation should be completed by the end of CY2020.
- b. ***The Supply of Safety Equipment to EDL- (US\$369,615)***: This activity is financed from the project’s cost saving and aims to improve EDL’s working environment. The factory closures due to COVID-19 outbreak has delayed the schedule of delivery of the equipment by the Chinese contractor, Hunan Machinery & Equipment Imp. & Exp. Co. Ltd. It was initially planned for delivery by mid-March 2020, the updated schedule of delivery anticipates another five months delay taking into account of ongoing development of COVID-19 situation. The PIU is closely monitoring the delivery schedule.
- c. ***The Design and Installation of the Human Resource (HR) Payroll System-(US\$850,000)***: This activity, which is also financed by the project’s cost saving, will provide EDL with the missing module to the Systems Applications and Products (SAP) and improve resources management. The total financing of the design and installation is US\$ 1.2 million, out of which US\$ 0.85 million is funded by the Project. Procurement was delayed for five months because EDL needed to identify financial resources to fill in the financing gap.

3. **Safeguards.** The project is in compliance with safeguard policies and performance is rated Satisfactory. This restructuring does not impact the current safeguards instruments and arrangements.
4. **Fiduciary.** The project Financial Management and Procurement management ratings have been Satisfactory and/or Highly Satisfactory over last 12 to 24 months respectively. There is no outstanding Audit or Interim Financial Report (IFR).



5. **Legal Covenants.** The following recurrent legal covenants (continuous frequency with no specific due date) are not currently met: *“EDL total debt-to-equity ratio of not exceeding 2:1”* and *“Update the Financial Action Plan”*. While the latter is expected to be part of the larger on-going discussion for a follow up World Bank support on a comprehensive EDL financial recovery program, there is no scope for improvement for the former. The nature and the scope of the PGI activities and instruments are not able to provide such level of improvement, nor are they realistic or effective in providing security of repayment considering the considerable financial distress that EDL is under. Implementation of Financial Action Plan would be reviewed and revised under the upcoming comprehensive World Bank support (to be provided upon receipt of a request by the Government).
6. **Results Framework.** The Project is on track to achieve its results indicators. However, intermediate result indicators (i) *“Number of months to issue audited financial statements”* will be adjusted to *“Number of months to issue financial statements”* to accurately reflect expected improvements from the installation of the Financial Management and Information System (FMIS) at project preparation; and (ii) *“Fiber optic cable”* will be dropped as the communication infrastructure was changed from the fiber optic to Worldwide Interoperability for Microwave Access (WIMAX) protocol deemed more suitable for the project at implementation.
7. **Disbursement.** As of February 2020, the disbursement rate stands at 73% with 100% of project’s total budget committed contractually. Disbursement is expected to increase in the coming months as payments for the three main contracts are processed, and the project will be fully disbursed upon completion of the remaining contracts. Borrower performance has been rated Satisfactory throughout implementation.

### C. Rationale for restructuring

8. This restructuring stems mainly from the need for additional implementation time to complete the above mentioned three activities. During the implementation support mission in March 2-6, 2020, both teams agreed that a one-year extension of the closing date is needed for all the project activities to be completed and take account of recent development of the COVID-19 outbreak. On March 17, 2020, the Bank received an official request from the Ministry of Finance to extend the project closing date based on an earlier assessment made by EDL. This is the first extension of closing date of the project.

## II. DESCRIPTION OF PROPOSED CHANGES

9. The restructuring proposes to extend the project closing date by 12 months from **March 31, 2020 to March 31, 2021** to: (a) ensure completion of remaining project activities that are already under implementation, including the installation of the AMI meters, the delivery of safety equipment and the HR payroll module; and (b) to take account of uncertainties associated with the COVID-19 outbreak. This proposed extension of closing date would be the first extension of closing date of the project. To reflect the new implementation timeline, the disbursement estimate is proposed to be revised.
10. The Project Development Objective (PDO) , to help improve efficiency and reliability of power distribution in the selected load areas served by EDL, remains valid. The PDO outcome indicators also remain relevant and achievable by the revised project closing date. However, the results framework will be amended to: (a) correct intermediate result indicator on financial statements issuance; (b) drop intermediate result indicator on fiber optic cable; and (c) align project targets dates and closing date.



11. In addition, the restructuring proposes to waive the legal covenants, “EDL total debt-to-equity ratio of not exceeding 2:1” and “Update the Financial Action Plan”.
12. As part of the recent mission, the Bank team discussed and agreed with EDL on a specific action plan and adjusted implementation schedule to ensure all activities will be completed by the new closing date, including immediate filing of withdrawal application for documentation of expenditure paid from Designated Account advances. The Project Operational Manual will also be updated by EDL to incorporate the revised results framework by June 2020.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Legal Covenants	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
DLIs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓



Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-56750	Effective	31-Mar-2020		31-Mar-2021	31-Jul-2021

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates  
Yes

Year	Current	Proposed
2015	0.00	0.00
2016	2,000,000.00	0.00
2017	8,000,000.00	2,425,947.45
2018	8,000,000.00	13,147,017.12
2019	8,000,000.00	4,564,092.71
2020	4,000,000.00	5,631,179.49
2021	0.00	4,231,763.23

**LEGAL COVENANTS**

Loan/Credit/TF	Description	Status	Action
IDA-56750	Finance Agreement :Implementation of Financial Action Plan   Description :Obligation of the Recipient and EDL to implement the Second Financial Action Plan (FAP)	Complied with	No Change



	for financial sustainability of EDL and the Lao power sector in a manner consistent with the purposes of the said plan, throughout the period covered by the said plan. (FA, Schedule 2, Section V (a); PA, Schedule, Section V (a))   Frequency :CONTINUOUS		
IDA-56750	Finance Agreement :Update of Financial Action Plan   Description :Obligation of the Recipient and EDL to jointly update the FAP by June 30, 2017, designed to ensure the continued financial sustainability of EDL and the Recipient's power sector, and thereafter ensure that the said updated plan is implemented, in a manner consistent with the purposes of the said plan, throughout the period covered by the said updated plan. (FA, Schedule 2, Section V (b))   Due Date :30-Jun-2017	Partially complied with	Marked for Deletion
IDA-56750	Finance Agreement :EDL total debt-to-equity ratio of not exceeding 2:1   Description :Obligation of EDL to maintain a financial ratio of EDL's total debt divided by total equity. (PA, Schedule, Section II B 4)   Frequency :CONTINUOUS	Not complied with	Marked for Deletion
IDA-56750	Finance Agreement :Implementation of Project Operational Manual   Description :Obligation of the Recipient and EDL to ensure that the Project is carried out in accordance with the Project Operational Manual. (FA, Schedule 2, Section I B; PA, Schedule, Section I B)   Frequency :CONTINUOUS	Complied with	No Change
IDA-56750	Finance Agreement :Implementation of Safeguard Provisions   Description :Obligation of the Recipient and EDL to ensure that the Project is implemented in accordance with the safeguard provisions of the Financing Agreement and the ESMP including the ECoP/RPF incorporated in it. (FA, Schedule 2, Section I D; PA, Schedule, Section I D)   Frequency :CONTINUOUS	Complied with	No Change
IDA-56750	Finance Agreement :Implementation of Emergency Response Activities   Description :Obligation of the	Complied with	No Change



	<p>Recipient and EDL to ensure that any activities carried out under the Contingent Emergency Response component in the event of an eligible crisis or emergency, are implemented in accordance with the provisions of the Financing Agreement and the Emergency Response Manual. (FA, Schedule 2, Section I E; PA, Schedule, Section I E)   Frequency :CONTINUOUS</p>		
IDA-56750	<p>Finance Agreement :Maintaining Project Office   Description :Obligation of EDL to maintain a Project Office responsible for project implementation, staffed with competent personnel in sufficient number, provided with adequate resources, and under the direction of qualified managers, including a Project director, all with terms of reference and qualifications acceptable to the Association. (PA, Schedule, Section I A)   Frequency :CONTINUOUS</p>	Complied with	No Change
IDA-56750	<p>Finance Agreement :Mid-term Review   Description :Obligation of the Recipient and EDL to ensure that the Association is furnished with a mid-term project progress report on or about the date 24 months after effectiveness, and carry out a mid-term review on or about the date 1 month after the submission of the mid-term report. (FA, Schedule 2, Section II A 2; PA, Schedule, Section II A 2)   Due Date :31-May-2018</p>	Complied with	No Change
IDA-56750	<p>Finance Agreement :Progress Reports   Description :Obligation of the Recipient and EDL to ensure that the Association is furnished with annual progress reports on the implementation of the Project, within 45 days after each year. (FA, Schedule 2, Section II A 1; PA, Schedule, Section II A 1)   Frequency :Yearly</p>	Complied with	No Change



Results framework

COUNTRY: Lao People's Democratic Republic  
Power Grid Improvement Project

Project Development Objectives(s)

The project development objective is to help improve efficiency and reliability of power distribution in the selected load areas served by EDL.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Improve efficiency and reliability of power distribution in selected load areas served by EDL</b>							
Average interruption frequency per year in the project area (Number)		19.14				19.17	17.25
<b>Action: This indicator has been Revised</b>	<b>Rationale: Adjust the target end date to the new project closing date (March 31, 2021)</b>						
Customers served in the project area (Number)		47,060.00	52,000.00	57,000.00	62,000.00	67,000.00	67,500.00
Electricity losses per year in the project area (Percentage)		24.00	24.00	24.00	20.00	16.00	14.00
<b>Action: This indicator has been Revised</b>	<b>Rationale: Adjust the target end date to the new project closing date (March 31, 2021)</b>						
Total net injected generation (Megawatt hour(MWh))		239,100.00	239,100.00	239,100.00	250,000.00	300,000.00	335,500.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Direct project beneficiaries (Number)		207,000.00	229,500.00	252,000.00	274,500.00	297,000.00	297,000.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Adjust the target end date to the new project closing date (March 31, 2021)</b>						
Female beneficiaries (Percentage)		50.00	50.00	50.00	50.00	50.00	50.00

#### Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Smart metering, distribution improvement and distribution losses reduction</b>							
Residential electric meters installed (Number)		0.00	1,000.00	5,000.00	9,000.00	14,000.00	15,000.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Adjust the target end date to the new project closing date (March 31, 2021)</b>						
Non-residential electric meters installed (Number)		0.00	200.00	600.00	1,000.00	1,400.00	1,500.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Adjust the target end date to the new project closing date (March 31, 2021)</b>						



# The World Bank

Power Grid Improvement Project (P149599)

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Distribution lines rehabilitated under the project (Kilometers)		0.00	0.00	100.00	200.00	300.00	300.00
Fiber optic cables (Kilometers)		0.00	0.00	0.00	50.00	100.00	100.00
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <b>To drop this indicator as at implementation, the communication infrastructure was changed from the fiber optic cable to Worldwide Interoperability for Microwave Access (WIMAX) deemed more suitable for the project.</b>						
Average duration of outages in the project area (Hours)		2.35				2.35	2.12
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Adjust the target end date to the new project closing date (March 31, 2021)</b>						
<b>Electric utility information system</b>							
Number of months to issue financial statements (Number)		9.00	9.00	9.00	6.00	4.00	4.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>The intermediate result indicator "Number of months to issue audited financial statements" is adjusted to "Number of months to issue financial statements" to accurately reflect expected improvements from the installation of the Financial Management and Information System (FMIS) at project preparation. Further, the target end date will be adjusted to the new project closing date (March 31, 2021)</b>						
Updated financial action plan for financial sustainability (Number)		0.00	0.00	1.00	1.00	1.00	1.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Adjust the target end date to the new project closing date (March 31, 2021)</b>						



# The World Bank

Power Grid Improvement Project (P149599)

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Institutional capacity building and project implementation support</b>							
Number of staff undergo training (Number)		0.00	0.00	20.00	40.00	50.00	50.00
EDL publishing summary reports of impacted household feedback received during project implementation (Yes/No)		No	No	Yes	Yes	Yes	Yes
<b>Action: This indicator has been Revised</b>	<b>Rationale: Adjust the target end date to the new project closing date (March 31, 2021)</b>						
EDL publishing reports on grievance redress mechanism and how issues were resolved (Yes/No)		No	No	Yes	Yes	Yes	Yes
<b>Action: This indicator has been Revised</b>	<b>Rationale: Adjust the target end date to the new project closing date (March 31, 2021)</b>						