Global Environment Facility Project Agreement

(Rural Electrification Phase II Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

and

ELECTRICITE DU LAOS

Dated May 5, 2011
PROJECT AGREEMENT

AGREEMENT dated, May 5, 2011, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an Implementing Agency of the Global Environment Facility ("World Bank") and ELECTRICITE DU LAOS ("Project Implementing Entity") ("Project Agreement") in connection with the Global Environment Facility Grant Agreement for the Rural Electrification Phase II Project ("Grant Agreement") of same date between the Lao People's Democratic Republic ("Recipient") and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the Grant Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out Parts A.2(a) and A.5 of the Project in accordance with the provisions of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for Parts A.2(a) and A.5 of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Parts A.2(a) and A.5 of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — EFFECTIVENESS

3.01. This Agreement shall become effective on the same date as the Grant Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Managing Director, Electricité du Laos.
4.02. The Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

Electricité du Laos
Nongbone Road
P.O. Box 309
Vientiane
Lao People’s Democratic Republic

Facsimile:
(856-21) 415 039
(856-21) 416 381
AGREED at Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an Implementing Agency of the Global Environment Facility

/s/ Qimiao Fan

Authorized Representative

/s/ Khammany Inthirath

Khammany INTHIRATH
Managing Director
SCHEDULE

Execution of the Project Implementing Entity’s Parts of the Project

Section I. Implementation Arrangements

A. Project Management

1. The Project Implementing Entity shall maintain at its headquarters office, until completion of the Project, the Project Office responsible for overall management of the implementation of its Parts A.2(a) and A.5 of the Project, including financial management and control, procurement and monitoring and reporting; said Project Office to be staffed with competent personnel in sufficient number, provided with adequate resources, and under the direction of qualified managers, including a Project Manager, supported by two (2) deputy Project Managers, administration officers and an accounting officer, all under terms of reference acceptable to the World Bank.

2. The Project Implementing Entity shall:

(a) maintain at its headquarters office, until completion of the Project, the Demand-side Management and Energy Efficiency Cell established with an appropriately qualified manager, deputy manager and engineers, all under terms of reference acceptable to the World Bank;

(b) continue to implement the Action Plan for Financial Sustainability of the Power Sector;

(c) carry out appropriate training for safeguard capacity building in its headquarters office;

(d) implement in accordance with the project manual;

(e) maintain a financial management system for the Project, acceptable to the World Bank, setting forth guidelines and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefor;

(f) maintain a computerized accounting system to support Project accounting activities, including the production of interim unaudited financial reports and annual financial statements, acceptable to the World Bank;
(g) provide adequate resources and training to the branch offices in the Project Provinces to make the computerized billing and accounting system developed under REP I fully operational; and

(h) provide adequate resources for verification and settlement of arrears.

B. Anti-Corruption

The Project Implementing Entity shall ensure that Parts A.2(a) and A.5 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity shall:

(a) implement in a manner satisfactory to the World Bank, EdL’s Environment and Social Safeguard Framework (EESSF), which includes a Resettlement Policy Framework and an Ethnic Groups Development Framework, designed to ensure that the Project is implemented in accordance with sound environmental and social practices and standards;

(b) prepare environmental management plans, acceptable to the World Bank, as may be necessary in accordance with the requirements set forth in said Framework, and implement such plans in a manner satisfactory to the World Bank;

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of said Framework or said environmental management plans, and the achievement of their respective objectives.

2. The Project Implementing Entity shall:

(a) prepare safeguard requirements satisfactory to the World Bank which take into account the requirements of this Section I.C to be included in bidding documents and contracts under the Project;

(b) monitor contractor’s performance of said safeguard requirements and report to the World Bank the results of such monitoring; and

(c) keep records on contractor’s performance of said safeguard requirements.
3. The Project Implementing Entity shall:

(a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;

(b) to this end, implement and cause to be implemented the Resettlement Policy Framework, in a manner satisfactory to the World Bank;

(c) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide to the World Bank for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in said Framework and, thereafter, implement in a manner satisfactory to the World Bank, such resettlement action plans as shall have been approved by the World Bank; and

(d) maintain policies and procedures adequate to enable it and the Project Provinces to monitor and evaluate, in accordance with the guidelines acceptable to the World Bank, the implementation of said Framework and the resettlement action plans prepared pursuant thereto, and the achievement of their respective objectives.

4. The Project Implementing Entity shall implement the Ethnic Groups Policy Framework in a manner satisfactory to the World Bank, designed to provide meaningful consultation with, and the informed participation of, Ethnic Groups living within the Project area, to ensure that benefits under the Project are socially and culturally acceptable to such groups, and to ensure that Project activities adequately address the needs, cultural practices and preferences of such community.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Parts A.2(a) and A.5 and prepare Project Reports for Parts A.2(a) and A.5 on the basis of the indicators agreed with the World Bank. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient and the World Bank not later than forty-five (45) days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Parts of the Project.

2. Without limitation on the provisions of Part A of this Section, the Project implementing Entity shall prepare and furnish to the World Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the World Bank not later than six (6) months after the end of the period.

4. Except as the World Bank may otherwise agree, commencing in its Fiscal Year 2011, the Project Implementing Entity shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Project Implementing Entity shows that the estimated net revenues of the Project Implementing Entity for each Fiscal Year during the term of the debt to be incurred shall be at least one (1) and one third (1/3) times the estimated debt service requirements of the Project Implementing Entity in such year on all debt of the Project Implementing Entity including the debt to be incurred.

5. Except as the World Bank may otherwise agree, the Project Implementing Entity shall:

   (a) produce for each of its Fiscal Years commencing in Fiscal Year 2011, funds from internal sources equivalent to not less than fifteen percent (15%) of the annual average of its capital expenditures incurred or expected to be incurred for that Fiscal Year, the previous Fiscal Year and the following Fiscal Year;

   (b) before August 31 in each of its Fiscal Years, commencing in 2011, on the basis of forecasts, expressed in Kips, prepared by the Project Implementing Entity, and satisfactory to the World Bank, review whether it would meet the requirements set forth in sub-paragraph (a) of
this Section in respect of such year and the next following Fiscal Year, and shall furnish to the World Bank a copy of such review upon its completion; and

(c) if any such review shows that the Project Implementing Entity would not meet the requirements set forth in subparagraph (a) of this Section, promptly take all necessary measures within its power (including, without limitation, seeking approval for and implementing adjustments of the structure or levels of its electricity rates) in order to meet such requirements.

6. Except as the World Bank may otherwise agree, the Project Implementing Entity shall not incur any debt, if after the incurrence of such debt, the ratio of debt to equity shall be greater than sixty (60) to forty (40).

7. For purposes of Paragraphs 4, 5 and 6 of this Section II.B:

(a) The term “capital expenditures” means all expenditures incurred on account of fixed assets, including interest charges to construction, related to operations.

(b) The term “current assets excluding cash” means all assets other than cash which could in the ordinary course of business be converted into cash within twelve (12) months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next Fiscal Year.

(c) The term “current liabilities” means all liabilities which will become due and payable or could under the circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(d) The term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one (1) year after the date on which it is originally incurred.

(e) Debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or other instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
(f) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(g) The term "equity" means the sum of the total of unimpaired paid-up capital, retained earnings and reserves of the Project Implementing Entity not allocated to cover specific liabilities.

(h) The term "funds from internal sources" means the difference between: (i) the sum of revenues from all sources related to operations, net non-operating income and any reduction in working capital other than cash; and (ii) the sum of (A) all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, other cash distribution of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures, and (B) major repair expenditures.

(i) The term "net non-operating income" means the difference between: (i) revenues from all sources other than those related to operations; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above.

(j) The term "net revenues" means the difference between: (i) the sum of revenues from all sources related to operations and net non-operating income; and (ii) the sum of (A) all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt, and (B) dividends and major repairs expenditures.

(k) The term "reasonable forecast" means a forecast prepared by the Project Implementing Entity not earlier than four (4) months prior to the incurrence of the debt in question, which both the World Bank, and the Project Implementing Entity accept as reasonable and as to which the World Bank have notified the Project Implementing Entity of its acceptability, provided that no event has occurred since notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

(l) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Fiscal Year.
Whenever for the purposes of Paragraphs 4, 5 and 6 of Section II.B., it shall be necessary to value, in terms of the currency of the Lao People’s Democratic Republic, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the World Bank.

Section III. **Procurement**

All goods and services required for Parts A.2(a) and A.5 of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.