**Southern provinces electrification project**

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Lao PDR: Southern Provinces Electrification Project (Credit 1826-LA)

The Implementation Completion Report for the Lao PDR Southern Provinces Electrification project (Credit 1826-LA, approved in FY87) was prepared by the East Asia and Pacific Regional Office based on a report prepared by the Borrower. The IDA credit in the amount of US$26.1 million equivalent was closed on November 1, 1994, after two extensions. About US$25.9 million equivalent under the credit were disbursed and the balance of about US$0.7 million equivalent was canceled at the time of closing.

The primary objectives of the project were: (i) to create an electricity supply grid in three southern provinces; (ii) to provide electricity to households, schools, cooperatives, hospitals, etc. in these provinces; and (iii) to strengthen the institutions in the sector, particularly Electricit‚ du Laos (EDL) and the southern provincial electric authorities. The project consisted of the following components: (i) a 115 km transmission line to connect the Xeset hydro plant in southern Lao with the Thai grid, with a substation at Pakse; (ii) the electrification of rural and urban areas in three southern provinces; (iii) a study on future hydroelectric development in southern Lao; (iv) upgrading and extension of the Selabam hydro power station; and (v) an institutional development program including a study on the organization, management and finance of EDL; equipment for communications, metering and loss reduction; and billing and office equipment.

The project substantially achieved all of its objectives. An electricity supply grid in three southern provinces was created through the construction of a 115 kV transmission line to Thailand, with complementary substations and subtransmission and distribution lines, and the expansion of the Selabam hydropower station from 2 MW to 5 MW. The improved electricity supply in the southern provinces contributed to increased commercial activity in local markets and led local industries to increase their power consumption from the grid in lieu of more expensive self-generation. The expansion of the grid into rural areas led to the electrification of over 8,000 households in 147 villages. The study on future hydroelectric development failed to yield a feasible future project for the southern provinces. The study on the organization, management and finance of EDL was completed and its recommendations have started to be implemented. EDL's distribution losses were reduced from 23 percent in 1985 to 16 percent in 1991. EDL's equipment to handle billing and collection was augmented. The rate of return for the project, estimated at 11 percent at appraisal, was reestimated at 21.9 percent for one province and 9.3 percent for the other two. The lower figure is mainly due to the higher than expected capital cost of the Xeset hydro power project, financed by other donors, which was included in the provinces' power expansion program, but is not part of this project.

Based on the above, OED rates the outcome of the project as highly satisfactory since the project was implemented smoothly from beginning to end and all covenants were complied with. The project's contributions to institutional development are rated as substantial and its sustainability is rated as likely. The Bank's performance is rated as satisfactory. These ratings are in agreement with those in the ICR.

The most significant lesson from this project is that it is possible to have highly satisfactory outcomes even if projects are implemented by agencies with very limited technical capacity, provided that their own capacity is adequately supplemented by high quality technical assistance and continuous training.

The ICR is satisfactory, as it provides a well-organized discussion of the implementation experience of the project, supported by extensive statistical information, and draws the appropriate lessons. A weak point in the ICR, however, is that the write-up on the "future operation" of the project focuses on the ongoing Provincial Grid Integration Project instead of on the Southern Provinces Electrification Project, as required by the guidelines.

The project may be audited in the future.