

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5675-LA

Project Agreement

(Power Grid Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICITE DU LAOS

Dated *August 17*, **2015**

PROJECT AGREEMENT

AGREEMENT dated, *August 17*, 2015, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ELECTRICITE DU LAOS (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Lao People’s Democratic Republic (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Managing Director, *Electricité du Laos*.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Facsimile:

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Electricité du Laos
Lao-Thai Friendship Road
P.O. Box 309
Vientiane
Lao People's Democratic Republic

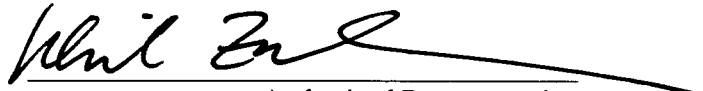
Facsimile:

(856-21) 416 381

AGREED at Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: ULRICH ZACHAU

Title: COUNTRY DIRECTOR

ELECTRICITÉ DU LAOS

By



Authorized Representative

Name: Sisavath THIRAVONG

Title: Managing Director

Title: _____

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Project Management

The Project Implementing Entity shall maintain, at all times during the implementation of the Project, a Project office responsible for the overall management of the implementation of the Project, including financial management and control, procurement, environmental and social management, 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 director, all with terms of reference and qualifications acceptable to the Association.

B. Project Operational Manual

The Project Implementing Entity shall carry out the Project in accordance with the arrangements and procedures set out in the Project Operational Manual (provided, however, that in the case of any conflict between the arrangements and procedures set out in the said manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the said manual.

C. Anti-Corruption

The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

D. Environmental and Social Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Environmental and Social Management Plan.
2. The Project Implementing Entity shall: (a) include the safeguard requirements of the ESMP in bidding documents and contracts under the Project, in a manner satisfactory to the Association; (b) monitor the contractor(s)' performance of said safeguard requirements furnish reports on the results of such monitoring to the Association in accordance with the provisions of this Agreement; and (c) maintain proper records on the contractor's performance of said safeguard requirements.
3. The Project Implementing Entity shall take all necessary actions in a manner satisfactory to the Association and in accordance with the ESMP to: (a) avoid or

minimize any involuntary acquisition of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood, temporarily or permanently, on account of the execution of the Project; (b) process and document any voluntary land donations in accordance with the principles, requirements and procedures specified in the ESMP; and (c) wherever implementation of the Project would give rise to Displaced Persons, furnish to the Association for its review, Resettlement Action Plans prepared in accordance with the principles, requirements and procedures set forth in the Resettlement Policy Framework included in the ESMP and, thereafter, implement in a manner satisfactory to the Association, such Resettlement Action Plans as shall have been approved by the Association.

4. The Project Implementing Entity shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMP and any safeguard instruments prepared in accordance with the ESMP, unless the Association has provided its prior approval thereof in writing, and the Project Implementing Entity has complied with the same consultation and disclosure requirements as applicable to the original adoption of the ESMP and such safeguard instruments.
5. Without limitation on its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and furnish to the Association on an annual basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMP and any safeguard instruments prepared in accordance with the ESMP, giving details of:
 - (a) measures taken in accordance with the ESMP and any safeguard instruments prepared in accordance with the ESMP;
 - (b) conditions, if any, which interfere or threaten to interfere with the implementation of the said documents; and
 - (c) remedial measures taken or required to be taken to address such conditions.
6. In the event of any conflict between the provisions of any of the ESMP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

E. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project (“Emergency Response Part”), the Project Implementing Entity shall ensure that:
 - (a) an Emergency Response Manual (“ERM”) is prepared and furnished to the Association for its review and approval, which shall set forth detailed

implementation arrangements for the Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the ESMP and any other relevant safeguard instruments to the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

- (b) the Association is afforded a reasonable opportunity to review the proposed ERM;
- (c) the ERM for the Emergency Response Part is promptly adopted as shall have been accepted by the Association;
- (d) the Emergency Response Part is carried out in accordance with the ERM; provided, however, that in the event of any inconsistency between the provisions of the ERM and this Agreement, the provisions of this Agreement shall prevail; and
- (e) the ERM is not amended, suspended, abrogated, repealed or waived without prior written approval by the Association.

2. The Project Implementing Entity shall undertake no activities under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient and the Project Implementing Entity thereof; and
- (b) all safeguard instruments as may be required for said activities have been prepared and disclosed in accordance with the ERM, the Association has approved all such instruments, and the Project Implementing Entity has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions on the basis of indicators acceptable to the Association and specified in the Project Operational Manual. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall: (a) on or about the date twenty four (24) months after the Effective Date, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

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 Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity and the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project implementing Entity shall prepare and furnish to the Association not later than forty-five (45) days after the end of each six months of the Project Implementing Entity's fiscal year, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements

for each period shall be furnished to the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

4. (a) Except as the Association shall 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 2 to 1.
- (b) For purposes of this Section:
 - (i) The term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.
 - (ii) Debt shall be deemed to be incurred: (A) 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 instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (iii) The term “equity” means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Project Implementing Entity not allocated to cover specific liabilities.
 - (iv) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Recipient, 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 Association.

Section III. Procurement

All goods, works, non-consulting service and consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section V. Other Undertakings

For the purposes of implementation of the Project and the achievement of its objectives, the Project Implementing Entity shall, in conjunction with the Recipient: (a) ensure that the Financial Action Plan is implemented, in a manner consistent with its purposes, throughout the period covered by the said plan; and (b) adopt, not later than June 30, 2017, or more frequently if required, an updated Financial Action Plan, designed to ensure the 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 its purposes, throughout the period covered by the said updated plan.