

## **JBIC Signs ODA Loan Agreement with Thailand's Provincial Electricity Authority**

### **--To Support Regional Industrial Infrastructure Development and People's Stable Lives--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today an ODA loan agreement amounting to 2,326 million yen with the Provincial Electricity Authority (PEA) for the Transmission System and Substation Development Project (Seventh Stage Phase II) in Bangkok.
2. The loan will finance the construction of 11 distribution substations in the nine northern provinces of Thailand (consisting of Chiang Mai, Chiang Rai, Lamphang, Kamphaeng Phet, Phitsanulok, Phrae, Chai Nat, Sing Buri and Nakhon Sawan) and the installation of power lines to supply electric power to them from 11 existing sub-stations. The purpose of the loan is to provide a stable supply of power to meet the region's demand and ensure its greater reliability.
3. The peak power demand in northern Thailand was 1,457 MW in fiscal 2000, of which 42 percent accounted for household demand (comparable regional figures: 49 percent in the northeast; 18 percent in the center; and 40 percent in the south) and 50 percent accounted for industrial demand (comparable regional figures: 46 percent in the northeast; 80 percent in the center; and 57 percent in the south). Power demand for home and industrial use in this region is forecasted to increase at an annual rate of more than 6 percent, similar to the country's overall growth of power demand. However, there have been disparities between the metropolitan region and northern region in terms of the total duration of blackouts, an indicator of the reliability of power supply. To encourage sustainable development of industries in the northern region, which center around the electronic industry and tourism, and to ensure stable lives of its population, it is essential to strengthen the region's power facilities on a continuous basis and increase the reliability of power supply.
4. This project aims at providing a stable supply of power to meet ever-increasing demand for home and industrial use in the northern Thailand and is expected to promote the region's industrial development and contribute to stable lives of its population.

(See Appendix for details.)

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today an ODA loan agreement amounting to 2,326 million yen with the Provincial Electricity Authority (PEA) for the Transmission System and Substation Development Project (Seventh Stage Phase II) in Bangkok. The signing took place between Mr. Pracherd Sook-kaew, acting governor of PEA and Mr. Fujinuma (head of the JBIC Bangkok representative office) representing JBIC.

### 1. Loan Amount and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (%/Year)		Repayment Period/ Grace Period (Year)		Tying Status	
		Project	Consulting Services	Project	Consulting Services	Project	Consulting Services
PEA Transmission System and Substation Development Project (7-2)	2,326	2.2	-	25/7	-	General Untied	-
Total	2,326						

### 2. Kingdom of Thailand: Overview

#### (1) Political Situation

After the constitutional revolution of 1932, the military played a central role in politics for several decades. However, since the bloody events of 1992 between the military and civilian authorities, the military has tried to stay out of politics and civilian governments have changed hands according to the rule of democracy.

The Chuan Leekpai government, which came to power during the economic crisis of November 1997, tried to rebuild the economy, assisted by widespread popular support. However, in 2000, with dissatisfaction among the people growing when economic recovery failed to materialize, Prime Minister Chuan Leekpai dissolved the lower house just before his term ended. The (lower house) election triggered by this was held in January 2001.

In this election, the populist Thai Rak Thai Party won a convincing victory with close to a majority in the lower house. A three-party coalition government made up of the Thai Rak Thai Party, led by Prime Minister Thaksin Shinawatra, the Chart Thai Party, and the National Aspiration Party was formed in February 2001 and secured a stable majority (325 seats out of 500).

#### (2) Economic Conditions

After the currency crisis, real GDP growth in Thailand fell to minus 10.8% in 1998. But since the second half of 1999, the Thai economy has remained in recovery mode, turning the corner with 4.2% positive growth for the whole year. In 2000, the economy showed further steady recovery, and in June of that year the IMF announced the termination of its emergency financial support program to Thailand. Throughout 2000 it was exports that sustained Thailand's economy, and the real GDP growth rate for the whole year was 4.4%. In 2001, however, exports plummeted due largely to a slowdown in the US economy and stagnating economic conditions in Japan. In addition, lagging economic recovery in the United States in the wake of the terrorist attacks of September 11, a decline in tourism revenues and the uncertain prospect for domestic consumption dragged down real GDP growth to a low 1.8% (preliminary estimate) even on an annual basis.

While exports are the locomotive of the Thai economy, three quarters of imports by value are intermediary and capital goods, which means that when exports increase, so do imports. The net export contribution rate to GDP is not large. From the second half of 2000, exports stalled because of such factors as oil price increases, political uncertainty prior to the general election, and the economic slowdown in the United States. In 2001, too, exports generally remained lackluster.

Looking at the baht - US dollar exchange rate, in the fourth quarter of 2000 the baht remained weak and 2001 saw no change in the baht's tendency to wilt. (As at December 31, 2001, \$US1 = 44.20 baht). The resulting rise in importing costs led to reduced consumer spending and investment.

Financially, the fiscal 2001 budget (October 1, 2000 - September 31, 2001) reflected the increase in tax revenues that accompanied the economic recovery, but higher costs in restructuring the economic sector and increased spending on measures to support the economy produced a deficit of 2.0% of GDP. And fiscal deficit projected in the draft budget for FY2002 (October 2001-September 2002) increases to 3.6% of GDP, as expenditures will rise and the ceiling of fiscal deficit has been raised amid gradually emerging economic slowdown.

### 3. Description of Project

PEA Transmission System and Substation Development Project (Seventh Stage, Phase II)

#### (1) Project Background and Necessity

The maximum power demand in the north of Thailand was 1,457 MW in fiscal 2000. Breaking this down, 42% was demand from general households (in the northeast this was 49%, in central Thailand 18%, and the south 40%) and 50% was industrial demand (northeast 46%, central Thailand 80%, south 57%). The biggest industrial users of power in the north included electronic equipment makers, hotels, and hospitals. Both general household and industrial demand is expected to grow at more than 6% a year, in line with demand predictions for the whole of Thailand.

On the other hand, in outage downtime, an indicator of the reliability of the electricity supply, discrepancies still exist between regions, as shown below (a comparison between power disruption times in north Thailand and the national capital area). To promote the continuous development of industry in north Thailand -- centered on electronic equipment and tourism -- and stabilize livelihoods, the country needs continuous reinforcement of facilities in line with increasing power demand and efforts to improve supply reliability so that not only the capital area receives a stable supply but the whole country as well.

Number of Outages and Outage Time by Region (Fiscal 1999)

	North	Northeast	South	Central*1	Capital area*2
Number of outages per customer (time/year)	15.3	16.8	25.5	8.9	4.7
Outage time per customer (minutes/year)	1,071	1,166	2,294	487	147

\*1: The central region excluding the capital area (Bangkok, Samut Prakan Province, and Nonthaburi Province)

\*2: The capital area is the Metropolitan Electricity Authority's supply area. This data is for fiscal 1998.

#### (2) Aim and Description of Project

This project will build 11 substations for distributing power to nine areas in the north of Thailand (Chiang Mai, Chiang Rai, Lampang, Kamphaeng Phet, Phitsanulok, Phrae, Chai Nat, Sing Buri, and Nakhon Sawan), construct transmission lines to supply power from 11 existing substations to the substations for power distribution, provide stable power in accordance with demand in the north, and improve supply reliability.

This project should help promote regional industry by providing a stable supply of power for the continuously increasing home and industrial demand in the north of Thailand.

#### Outline of Facilities

115 kV transmission lines: 11 routes (single-line transmission), total length of 455 km

115/22 kV distribution substations: 11 substations (11 transformers), total transformer capacity of 375 MVA

The executing agency is the Provincial Electricity Authority (PEA) (Address: 200 Ngam Wong Wan Road, Chatuchak, Bangkok, Thailand, 10900, Phone: 662-589-0100, Fax: 662-589-4850).