

Signing of a Japanese ODA Loan Agreement with Lao People's Democratic Republic

–First project-type loan in 7 years to enhance economic growth in Laos by building a transmission line network–

Today, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Lao People's Democratic Republic in the capital city of Vientiane to provide a loan of up to 4.173 billion yen to assist the country's Southern Region Power System Development Project. This is the first project-type ODA loan to Laos since March 2005.

With its plentiful water resources, Laos generated 8,449 GWh of hydroelectric power in 2010. Through long-term power purchasing agreements, 79 % of the generated power has been exported to neighboring countries, particularly to Thailand, which makes hydropower generation one of the key sources of foreign revenue in Laos. The amount of power imports, however, has also risen due to the expansion of domestic demand as well as insufficient transmission and distribution networks in the country. In fact, domestic power demand has increased threefold over the past decade in Laos, and it is projected that demand will continue to grow driven by the power consumption of the mining and manufacturing industries as well as through residential usage.

In the southern province of Savannakhet, where the East-West Economic Corridor connects Viet Nam, Laos, and Thailand, a Special Economic Zone (SEZ) has been developed taking advantage of its location. Savannakhet province, however, has a chronic shortage of electricity and faces the expansion of power demands, which may cause the potential disruption of power supply in future. On the other hand, in the southern province of Saravan and its surrounding area, a number of power development projects are planned and the generation capacity of the area is expected to grow. Thus, there is an urgent need to construct a transmission system which connects the area facing a power shortage and the area with surplus power.

The project aims to interconnect the two transmission systems in the southern region of Laos (Savannakhet province and Saravan province) and to improve the reliability of power supply in Savannakhet province and its surrounding area, through constructing 200 km of 115kV transmission lines and related facilities. The funds from this Japanese ODA loan will be allocated to civil works and consulting services (tender assistance and supervision. etc.).

JICA has previously supported the construction of 300 km of 115 kV transmission lines connecting the central region (Bolikhamxay province) and the southern region (Savannakhet province) and related facilities through the "Greater Mekong Power Network Development Project (Lao PDR)" (a loan agreement signed in March 2005). JICA further supports the expansion of the transmission line network in the southern provinces, building the main part of the power systems in Laos with Japanese ODA.

The investments from foreign enterprises, including Japanese firms, continue to rise in the project area mainly by virtue of the development of the SEZ along the East-West Economic Corridor as well as the growth of mining industries. As of 2011, 26 firms have already made investments in the SEZ in Savannakhet province (3 firms out of the 26 are Japanese). Avoiding the potential interruption of power supply in the area, the project is expected to contribute to improvement in the investment climate as well as to foster industries in Laos.



Signing ceremony

Related Link

➤ [Project Map \(PDF/237KB\)](#)

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment (years)	Grace Period (years)	Procurement
		Project	Consulting services			
Southern Region Power System Development Project	4,173	0.01	0.01	40	10	General untied

2. Project Summaries

Southern Region Power System Development Project

Executing Agency

Electricité du Laos
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Planned Implementation Schedule

- (i) Completion of project: August 2016 – with the start of the actual operation
- (ii) Issuing of letters of invitation for consulting services: April 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: June 2013
 Procurement package title: Lot 1(Transmission lines) and Lot 2 (Substations)