



Power Sector Financial Recovery Program (P157571)

EUROPE AND CENTRAL ASIA | Armenia | Energy & Extractives Global Practice | Requesting Unit: ECCSC | Responsible Unit: GEE03
IBRD/IDA | Program-for-Results Financing | FY 2016 | Team Leader(s): Abdulaziz Faghi

Seq No: 5 | ARCHIVED on 24-Apr-2019 | ISR36364 | Created by: Hiwote Tadesse on 18-Mar-2019 | Modified by: Emil Zalinyan on 17-Apr-2019

Program Development Objectives

Program Development Objective (from Program Appraisal Document)

The proposed Program Development Objective is to support the Borrower's efforts to ensure adequate and reliable electricity supply through improvement of the financial standing of the state-owned power generation companies and the private power distribution company.

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Highly Satisfactory	● Highly Satisfactory
Overall Implementation Progress (IP)	● Highly Satisfactory	● Highly Satisfactory

Implementation Status and Key Decisions

Implementation of all activities under the Power Sector Financial Recovery Program-for-Results, which is supported by the World Bank, is on track. The financial performance of the state-owned power generation companies (Armenian Nuclear Power Plant and Yerevan Thermal Power Centre) and the private power distribution company (Electric Networks of Armenia) has improved substantially from 2016 with neither entity experiencing cash shortages to cover operating expenses and meet their debt service requirements.

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P157571	IBRD-86150	Effective	USD	30.00	30.00	0.00	26.94	3.06	90%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P157571	IBRD-86150	Effective	27-Apr-2016	12-May-2016	19-Jul-2016	30-Jul-2021	30-Jul-2021

Program Action Plan

Action Description	
	Include the Program budget into the state budget for 2016.



Source	DLI#	Responsibility	Timing	Timing Value	Status
		Client	Due Date	31-May-2016	Completed
Completion Measurement					
Comments					

Action Description	Include the Program review into the annual work-plan of the internal audit unit of the Ministry of Energy and Natural Resources.				
Source	DLI#	Responsibility	Timing	Timing Value	Status
		Client	Recurrent	Yearly	In Progress
Completion Measurement					
Comments					

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Moderate	● Moderate	● Moderate
Macroeconomic	● Substantial	● Substantial	● Substantial
Sector Strategies and Policies	● Substantial	● Moderate	● Moderate
Technical Design of Project or Program	● Low	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate	● Moderate
Fiduciary	● Substantial	● Moderate	● Moderate
Environment and Social	● Low	● Low	● Low
Stakeholders	● Substantial	● Moderate	● Moderate
Other	● Moderate	● Moderate	● Moderate
Overall	● Substantial	● Moderate	● Moderate

Results

PDO Indicators by Objectives / Outcomes



Total annual electricity supply by ANPP is maintained				
▶Total annual electricity supply by ANPP is maintained (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2300 GWh	719.7 GWh	2076.1 GWh	2300 GWh
Date	01-Feb-2016	31-Mar-2018	31-Dec-2018	30-Jun-2021
Comments	The shortfall in total annual electricity supply in 2018 is due to lower generation during the months of ongoing life extension works at ANPP			

Total annual electricity supply by YTPC is maintained				
▶Total annual electricity supply by YTPC is maintained (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1400 GWh	302.8 GWh	1384.1 GWh	1400 GWh
Date	01-Feb-2016	31-Mar-2018	31-Mar-2018	30-Jun-2021
Comments	The small shortfall in the annual electricity supply by YTPC is due to longer (by 12 days) than planned duration of the overhaul of YTPC CCGT turbine, which was carried out in August-September.			

Average interruption frequency per year in the project area is maintained				
▶Average interruption frequency per year in the project area is maintained (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.10	1.74	1.74	at least 1.1
Date	01-Feb-2016	31-Mar-2018	31-Dec-2018	30-Jun-2021
Comments				
▲Customers served in the project area (Number, Custom Supplement)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,040,000.00	1,019,000.00	1,020,789.00	1,040,000.00

Direct project beneficiaries				
▶Direct project beneficiaries (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,018,000.00	2,969,900.00	2,934,000.00	3,038,000.00
Date	01-Feb-2016	01-Apr-2018	31-Dec-2018	30-Jun-2021
Comments				



Female beneficiaries (Percentage, Custom Supplement)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,618,000.00	1,559,197.50	1,554,000.00	1,628,368.00

Intermediate Results Indicators by Results Areas

Elimination of cash outflows of state-owned power companies for non-core business related reasons				
No new non-core business related expenditures, borrowing and lending incurred by ANPP (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	01-Mar-2016	30-Jun-2018	30-Jun-2018	31-Dec-2020
Comments				

Elimination of cash outflows of state-owned power companies for non-core business related reasons				
No new non-core business related expenditures, borrowing and lending incurred by YTPC (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	01-Mar-2016	30-Jun-2018	30-Jun-2018	31-Dec-2020
Comments				

Elimination of cash outflows of state-owned power companies for non-core business related reasons				
Liquidation of Haigasard (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Revaluation of assets is completed.	Revaluation of assets is completed.	Liquidation i
Date	01-Feb-2016	30-Jun-2018	30-Jun-2018	31-Dec-2020
Comments				

Elimination of cash outflows of state-owned power companies for non-core business related reasons				
Reduction of cash deficit of ANPP due to the Program (million US\$) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	18.50	No deficit	No deficit	No deficit
Date	01-Mar-2016	30-Jun-2018	31-Dec-2018	31-Dec-2017
Comments				

Elimination of cash outflows of state-owned power companies for non-core business related reasons

►Reduction of cash deficit of YTPC due to the Program (million US\$) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	85.40	31.90	31.10	44.80
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2020
Comments				

Reduction of expensive commercial loans, recovery of receivables and repayment of payable for gas

►Reduction of the principal amount of outstanding commercial loans of ANPP to be refinanced under the Program (million US\$) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	8.50	8.50	8.50
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2017
Comments				

Reduction of expensive commercial loans, recovery of receivables and repayment of payable for gas

►Reduction of the principal amount of outstanding commercial loans of YTPC to be refinanced under the Program (million US\$) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	4.60	4.60	4.60
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2017
Comments				

Reduction of expensive commercial loans, recovery of receivables and repayment of payable for gas

►Recovery of ANPP's receivables from ENA (million US\$) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	15.00	15.00	15.00
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2016



Comments				
Reduction of expensive commercial loans, recovery of receivables and repayment of payable for gas				
▶Recovery of YTPC's receivables from ENA (million US\$) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	25.00	25.00	25.00
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2016
Comments				

Reduction of expensive commercial loans, recovery of receivables and repayment of payable for gas				
▶Reduction of YTPC's gas payable under Contract referred to in Supplemental Letter No. 3 (in billion AMD) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	12.16	3.13	0.87	3.86
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2020
Comments				

End-user tariffs reflecting changes of electricity supply costs				
▶Loss (profit) at the private power distribution company due to difference between actual and forecast cost of electricity purchased. (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Yes	No profit (loss) at power distribution company due to forecast cost of purchased electricity exceeding the actual cost.	No profit (loss) at power distribution company due to forecast cost of purchased electricity exceeding the actual cost.	No
Date	01-Feb-2016	30-Jun-2018	30-Jun-2018	30-Jun-2021
Comments				

End-user tariffs reflecting changes of electricity supply costs				
▶Loss (profit) at YTPC due to US\$/AMD exchange rate fluctuation driven changes to AMD denominated payments for natural gas. (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Yes	No profit (loss) at YTPC due to change in gas price caused by fluctuation of AMD/US\$ exchange rate.	No profit (loss) at YTPC due to change in gas price caused by fluctuation of AMD/US\$ exchange rate.	No



Date	01-Mar-2016	30-Jun-2018	30-Jun-2018	31-Dec-2020
Comments				

End-user tariffs reflecting changes of electricity supply costs

►Percent of tariff-setting related questions and inquiries (gender-disaggregated) responded to by PSRC within stipulated service standards for response time (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	100%	100%	100%	100%
Date	01-Mar-2016	30-Jun-2018	30-Jun-2018	31-Dec-2020
Comments				

Maintaining the generation capacity of the gas turbine at YTPC's CCGT plant

►Overhaul of the gas turbine at YTPC's CCGT plant (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	The overhaul is expected to be completed by end of 2018.	The overhaul was completed in September 2018.	Overhaul is c
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	31-Dec-2018
Comments				

Disbursement Linked Indicators

►DLI 1 DLI 1: Decision at the shareholder meetings of ANPP and YTPC, prohibiting the non-core business related expenditures, lending and borrowing by the above companies. (Output, 2,832,000.00, 100%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	No decision	Decision was made	Decision was made	--
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 2 DLI 2: Liquidation of Haigasard (Output, 2,000,000.00, 75%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value				
Date				
Comments				



Value	Exists as legal entity	Revaluation of assets is completed	Revaluation of assets is completed	Liquidation is registered by the authorized state agency
Date	01-Mar-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 3 DLI 3: No new non-core business related expenditures, borrowing and lending incurred by ANPP (Output, 2,500,000.00, 76%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	ANPP incurs non-core business related expenditures	Yes	Yes	Yes
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 4 DLI 4: No new non-core business related expenditures, borrowing and lending incurred by YTPC (Output, 2,500,000.00, 76%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	YTPC incurs non-core business related expenditures	Yes	Yes	Yes
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 5 DLI 5: Reduction of principal amount of outstanding commercial loans of ANPP (in million US\$) (Output, 4,260,000.00, 100%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	0.00	8.52	8.52	--
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 6 DLI 6: Reduction of principal amount of outstanding commercial loans of YTPC (in million US\$) (Output, 2,300,000.00, 100%)



	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	0.00	4.60	4.60	--
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 7 DLI 7: Reduction of YTPC's gas payable under Contract referred to in Supplemental Letter No. 3 (in AMD) (Output, 4,982,000.00, 100%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	12,161,962.00	3,128,031.00	865,998.00	3,858,962.00
Date	01-Feb-2016	30-Jun-2018	31-Dec-2018	--
Comments				

►DLI 8 DLI 8: ENA's margin for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tar (Output, 2,000,000.00, 70%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	No	Yes	Yes	Yes
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				

►DLI 9 DLI 9: Tariffs for YTPC and Hrazdan TPP for each new tariff period fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuati (Output, 2,000,000.00, 70%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	No	Yes	Yes	Yes
Date	01-Feb-2016	31-Jul-2018	31-Jul-2018	--
Comments				



►DLI 10 DLI 10: Electricity supplied by YTPC (Output, 4,551,000.00, 74%)

	Baseline	Actual (Previous)	Actual (Current)	Period between January 1, 2020, and December 31, 2020
Value	1400 GWh	302.8 GWh	1384.1 GWh	1400 GWh
Date	01-Feb-2016	31-Mar-2018	31-Dec-2018	--
Comments				