



Power Sector Financial Recovery Program (P157571)

EUROPE AND CENTRAL ASIA | Armenia | Energy & Extractives Global Practice |
IBRD/IDA | Program-for-Results | FY 2016 | Seq No: 3 | ARCHIVED on 17-Jan-2018 | ISR31010 |

Implementing Agencies: Public Services Regulatory Commission, Ministry of Energy and Natural Resources, Ministry of Finance of the Republic of Armenia, Ministry of International Economic Integration and Economic Reforms

Program Development Objectives

Program Development Objective (from Program-for-Results 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	● Satisfactory
Overall Implementation Progress (IP)	● Highly Satisfactory	● Satisfactory
Overall Risk Rating	● Substantial	● Substantial

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. All of the targets under Disbursement Linked Indicators (DLIs) for the first semester of 2017 were achieved. The financial standing 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 materially improved.

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	26.11	3.89	 87%

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	--

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	● Substantial	● Moderate
Other	● Moderate	● Moderate	● Substantial
Overall	● Substantial	● Substantial	● Substantial

Disbursement Linked Indicators (DLI)

► 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. (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	No decision	--	Decision was made
Date	01-Feb-2016	--	01-Dec-2017
Comments	No target under this DLI for the first semester of 2017.		

► DLI 2: Liquidation of Haigasard (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	Exists as legal entity	--	Decision on liquidation is made and liquidation plan was approved by the Shareholder's Meeting.
Date	01-Mar-2016	--	01-Dec-2017
Comments	No target under this DLI for the first semester of 2017.		



► DLI 3: No new non-core business related expenditures, borrowing and lending incurred by ANPP (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	ANPP incurs non-core business related expenditures	--	Yes
Date	01-Feb-2016	--	01-Dec-2017
Comments The verification was done by IVA / independent auditor of the FY2016 annual financial statements of ANPP.			

► DLI 4: No new non-core business related expenditures, borrowing and lending incurred by YTPC (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	YTPC incurs non-core business related expenditures	--	Yes
Date	01-Feb-2016	--	01-Dec-2017
Comments The verification was done by IVA / independent auditor of the FY2016 annual financial statements of YTPC.			

► DLI 5: Reduction of principal amount of outstanding commercial loans of ANPP (in million US\$) (Amount(USD))

	Baseline	Actual (Previous)	Actual (Current)
Value	0.00	--	8.52
Date	01-Feb-2016	--	01-Dec-2017
Comments The final target under this DLI has already been met.			

► DLI 6: Reduction of principal amount of outstanding commercial loans of YTPC (in million US\$) (Amount(USD))

	Baseline	Actual (Previous)	Actual (Current)
Value	0.00	--	4.60
Date	01-Feb-2016	--	01-Dec-2017
Comments The final target under this DLI has already been met.			



► DLI 7: Reduction of YTPC's gas payable under Contract referred to in Supplemental Letter No. 3 (in AMD) (Number (Thousand))

	Baseline	Actual (Previous)	Actual (Current)
Value	12160000.00	--	2360000.00
Date	01-Feb-2016	--	01-Mar-2017

Comments

The Borrower exceeded the target. Specifically, the outstanding balance of the payable under this particular contract referenced in the Supplemental Letter No. 3 is AMD2.36 billion whereas the final year target was AMD3.86 billion. It should be noted that the balance increased from AMD0 in March 2017 to AMD2.36 billion as of December 1, 2017. However, having a payable equal to around 45 days of gas needs (about AMD2 billion in this case) is considered normal for thermal generating plants.

► 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 (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	No	--	Yes
Date	01-Feb-2016	--	01-Dec-2017

Comments

The achievement of the target was confirmed by the IVA.

► 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 (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	No	--	Yes
Date	01-Feb-2016	--	01-Dec-2017

Comments

The achievement of the target was confirmed by the IVA.

► DLI 10: Electricity supplied by YTPC (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	1400 GWh	--	1093.2 GWh
Date	01-Feb-2016	--	30-Sep-2017

Comments



Achievement of the annual target for 2017 will be confirmed by IVA and the report would be submitted to the Bank by Jan. 30, 2018.

Results

Results Area

Intermediate Results Area

Project Development Objective Indicators

► Total annual electricity supply by ANPP is maintained (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2300 GWh	2195 GWh	1868.9 GWh	2300 GWh
Date	01-Feb-2016	01-Mar-2017	01-Oct-2017	30-Jun-2021

► Total annual electricity supply by YTPC is maintained (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1400 GWh	1381 GWh	1381 GWh	1400 GWh
Date	01-Feb-2016	01-Mar-2017	01-Mar-2017	30-Jun-2021

► Average interruption frequency per year in the project area is maintained (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1.10	1.11	1.08	at least 1.1
Date	01-Feb-2016	01-Mar-2017	01-Mar-2017	30-Jun-2021



▲ Customers served in the project area (Number, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,040,000.00	1,040,000.00	1,038,000.00	1,040,000.00

► Direct project beneficiaries (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3,018,000.00	3,018,000.00	3,018,000.00	3,038,000.00
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	30-Jun-2021

▲ Female beneficiaries (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,618,000.00	1,618,000.00	1,618,000.00	1,628,368.00

Overall Comments

Intermediate Results Indicators

► No new non-core business related expenditures, borrowing and lending incurred by ANPP (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Not known yet	Yes	Yes
Date	01-Mar-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020



► No new non-core business related expenditures, borrowing and lending incurred by YTPC (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Not known yet	Yes	Yes
Date	01-Mar-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020

► Liquidation of Haigasard (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Decision on liquidation was made and liquidation plan was approved by the Shareholder's Meeting.	Decision on liquidation was made and liquidation plan was approved by the Shareholder's Meeting.	Liquidation i
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020

► 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	01-Mar-2017	01-Dec-2017	31-Dec-2017

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	85.40	41.30	33.00	44.80
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020

► 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	01-Mar-2017	01-Dec-2017	31-Dec-2017



► 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	01-Mar-2017	01-Dec-2017	31-Dec-2017

► 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	01-Mar-2017	01-Dec-2017	31-Dec-2016

► 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	01-Mar-2017	01-Dec-2017	31-Dec-2016

► 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	2.26	2.36	3.86
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020

► 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	Will be confirmed by IVA report due by July 30, 2017.	No profit at power distribution company due to forecast cost of purchased electricity exceeding the actual cost.	No
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	30-Jun-2021



► 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	Will be confirmed by IVA report due by July 30, 2017.	No profit at YTPC due to change in gas price caused by fluctuation of AMD/US\$ exchange rate.	No
Date	01-Mar-2016	01-Mar-2017	01-Dec-2017	31-Dec-2020

► 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	01-Mar-2017	01-Dec-2017	31-Dec-2020

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

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	n/a	The contract for overhaul was signed.	The overhaul is expected to commence in July 2018.	Overhaul is c
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	31-Dec-2018

Overall Comments