

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 supplythrough 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 stateowned 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	s (by loan)								
Project	Loan/Credit/TF	Status	Approval Date	e Signir	ng Date	Effectiveness [Date Orig. (Closing Date	Rev. Closing Date
P157571	IBRD-86150	Effective	27-Apr-2016	12-Ma	iy-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			

comments

No target under this DLI for the first semester of 2017.

	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





DELO: NO NEW HON CO	e business related expenditures, borrowing and		
	Baseline	Actual (Previous)	Actual (Current)
Value	ANPP incurs non-core business related expenditures		Yes
Date	01-Feb-2016		01-Dec-2017
The verification was done	by IVA / independent auditor of the FY2016 annual	financial statements of AN	PP.
	by IVA / independent auditor of the FY2016 annual the business related expenditures, borrowing and		
	e business related expenditures, borrowing and	d lending incurred by YT	PC (Text)

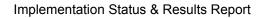
Comments

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 princip	bal amount of outstanding commercia	al 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 YTP	C's gas payable under Contract referre	d to in Supplemental Letter No	o. 3 (in AMD) (Number (Thousand))
	Baseline	Actual (Previous)	Actual (Current)
Value	12160000.00		2360000.00
Date	01-Feb-2016		01-Mar-2017
Supplemental Letter No. 3 i from AMD0 in March 2017 t	target. Specifically, the outstanding balances s AMD2.36 billion whereas the final year tar o AMD2.36 billion as of December 1, 2017. case) is considered normal for thermal gene	get was AMD3.86 billion. It should However, having a payable equa	be noted that the balance increased
	each new tariff period fully reflects the ty purchased by ENA during the preced		difference between the forecast
	Baseline	Actual (Previous)	Actual (Current)
Value	No		Yes
Date	01-Feb-2016		01-Dec-2017
	get was confirmed by the IVA.		
	and Hrazdan TPP for each new tariff pe ial cost of purchased natural gas due to		nue) resulting from difference
	Baseline	Actual (Previous)	Actual (Current)
Value	No		Yes
Date	01-Feb-2016		01-Dec-2017
Comments The achievement of the targ	get was confirmed by the IVA.		
► DLI 10: Electricity suppli	ed by YTPC (Text)		
/		Actual (Provinue)	Actual (Current)
Value	Baseline	Actual (Previous)	Actual (Current)
Value	1400 GWh		1093.2 GWh
Date	01-Feb-2016		30-Sep-2017
Comments			
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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 I 	by ANPP is maintained (Tex	t, 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)

Value 1.10			
Value 1.10	1.11	1.08	at least 1.1
Date 01-Feb-20	016 01-Mar-20	017 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			
	1,040,000.00	1,040,000.00	1,038,000.00	1,040,000			

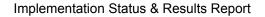
► Direct project beneficiaries (Number, Custom)						
	Baseline	Actual (Previous)	Actual (Current)	End Target		
Value	3,018,000.00	3,018,000.00	3,018,000.00	3,038,000.00		
Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	30-Jun-2021		

Female beneficiaries (Percen	tage, Custom Supplement	t)		
	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 (milion 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		

	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)

ValueYesWill 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.		Baseline	Actual (Previous)	Actual (Current)	End Target
	Value	Yes	IVA report due by July	distribution company due to forecast cost of purchased electricity exceeding the actual	No
Date 01-Feb-2016 01-Mar-2017 01-Dec-2017 30-Jun-2021	Date	01-Feb-2016	01-Mar-2017	01-Dec-2017	30-Jun-2021





Baseline	e Actual	(Previous)	Actual (Current)	End Target	
 Loss (profit) at YTPC due to US\$/AMD ex gas. (Text, Custom) 	change rate fluctuation driv	ven changes to AN	ID denominated paymer	its for natural	

_	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