



## Power Sector Financial Recovery Program (P157571)

EUROPE AND CENTRAL ASIA | Armenia | Energy & Extractives Global Practice |  
IBRD/IDA | Program-for-Results | FY 2016 | Seq No: 2 | ARCHIVED on 01-Jun-2017 | ISR25361 |

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	● Satisfactory	● Highly Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Highly Satisfactory
Overall Risk Rating	● Substantial	● Substantial

### Implementation Status and Key Decisions

Implementation of all activities under the government's financial recovery plan is on track. All of the targets under Disbursement Linked Indicators (DLIs) for the second semester of 2016 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 been improving.

### 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	24.58	5.42	 82%

#### 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	● Substantial
Other	● Moderate	● Moderate	● Moderate
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-Mar-2017
Comments	No target under this DLI for second semester of 2016.		

► 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-Mar-2017
Comments	The DLI target for second semester of 2016 was met.		



► 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	--	No information yet
Date	01-Feb-2016	--	01-Mar-2017

**Comments**

The verification will be done by IVA/independent auditor of the annual financial statements of ANPP. The information whether ANPP incurred any new non-core business related expenditure during the period from the date of the Loan Agreement (May 12, 2016) and December 31, 2016 will be available by June 30, 2017 together with the audit report.

► 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	--	No information yet
Date	01-Feb-2016	--	01-Mar-2017

**Comments**

The verification will be done by IVA/independent auditor of the annual financial statements of YTPC. The information whether YTPC incurred any new non-core business related expenditure during the period from the date of the Loan Agreement (May 12, 2016) and December 31, 2016 will be available by June 30, 2017 together with the audit report.

► 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-Mar-2017

► 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-Mar-2017



► 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	--	0.00
Date	01-Feb-2016	--	01-Mar-2017

Comments

The Borrower exceeded the target. Specifically, the outstanding balance of the payable under this particular contract reference in the Supplemental Letter No. 3 was reduced to 0. The final year target was AMD3.86 billion.

► 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-Mar-2017

Comments

No target under this DLI for second semester of 2016.

► 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-Mar-2017

Comments

No target under this DLI for second semester of 2016.

► DLI 10: Electricity supplied by YTPC (Text)

	Baseline	Actual (Previous)	Actual (Current)
Value	1400 GWh	--	The generation target was met.
Date	01-Feb-2016	--	01-Mar-2017

Comments

The target for 2016 was met.



## 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	Too early to measure	2195 GWh	2300 GWh
Date	01-Feb-2016	30-Jun-2016	01-Mar-2017	30-Jun-2021

#### Comments

The slight shortfall in annual generation was not caused by financial difficulties. It was a result of longer-than-planned refueling period and recurrent repair.

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

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

#### Comments

The small shortfall in annual generation was not caused by financial distress. YTPC was on stand-by, but was not dispatched by the power system operator at planned schedule during the summer months given availability of low-cost hydropower due to favorable hydrology conditions. The readiness of YTPC to immediately start generating after the notice from the power system operator was validated by review of capacity charges received from Electric Networks of Armenia. This means that the power plant was technically capable to start generating when instructed.



► 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	1.11	at least 1.1
Date	01-Feb-2016	30-Jun-2016	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	1,040,000.00	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	30-Jun-2016	01-Mar-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	Not known yet	Yes
Date	01-Mar-2016	30-Jun-2016	01-Mar-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	Not known yet	Yes
Date	01-Mar-2016	30-Jun-2016	01-Mar-2017	31-Dec-2020

► Liquidation of Haigasard (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	Decision on liquidation was made and liquidation plan was approved by the Shareholder's Meeting.	Liquidation i
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	10.50	No deficit	No deficit
Date	01-Mar-2016	30-Jun-2016	01-Mar-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	60.00	41.30	44.80
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	30-Jun-2016	01-Mar-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	30-Jun-2017	01-Mar-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	12.00	15.00	15.00
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	18.00	25.00	25.00
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	12.16	2.26	3.86
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	No	Will be confirmed by IVA report due by July 30, 2017.	No
Date	01-Feb-2016	30-Jun-2016	01-Mar-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	No	Will be confirmed by IVA report due by July 30, 2017.	No
Date	01-Mar-2016	30-Jun-2016	01-Mar-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	30-Jun-2016	01-Mar-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	too early to measure	The contract for overhaul was signed.	Overhaul is c
Date	01-Feb-2016	30-Jun-2016	01-Mar-2017	31-Dec-2018

Overall Comments