



First Programmatic Energy and Water Sector Reforms DPL (P154299)

MIDDLE EAST AND NORTH AFRICA | Jordan | Energy & Extractives Global Practice |
IBRD/IDA | Development Policy Lending | FY 2016 | Seq No: 2 | ARCHIVED on 21-Jul-2016 | ISR24531 |

Implementing Agencies: Ministry of Planning and International Cooperation

Key Dates

Key Project Dates

Bank Approval Date:18-Sep-2015

Effectiveness Date:04-Nov-2015

Planned Mid Term Review Date:27-May-2016

Actual Mid-Term Review Date:12-May-2016

Original Closing Date:30-Sep-2016

Revised Closing Date:30-Sep-2016

Program Development Objectives

Program Development Objective (from Program Document)

The program development objective of the proposed DPL is to support the improvement of financial viability and increase efficiency gains in the energy and water sectors in Jordan

Overall Ratings

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

Implementation Status and Key Decisions

The Jordan First Programmatic Energy and Water Sectors Reform Development Policy Loan (DPL) in the amount of US\$250 million was approved by the Bank on September 18, 2015, its Legal Agreements were signed on October 8, 2015 during the World Bank Group Annual Meetings in Lima, Peru, became effective on November 4, 2015. Substantial reforms supported by the DPL have already taken place and will result in a significant impact on the financial and operational performance of the electricity and water sectors.

The program is on track to deliver on the results indicators. The cost-recovery level of electricity tariffs has reached 100 percent in the first half of 2016 and 87 percent for the whole of 2015; the share of natural gas supply for power generation has reached 85 percent as of May 2016; and the share of MW renewable power in the generation mix has increased to 4.7 percent as of May 2016. These achievements are the result of the successful commissioning of the Aqaba LNG terminal; the commissioning of the first 198 MW of renewable energy projects; three increases in the electricity tariffs (15 percent 2013, 15 percent 2015 and 7.5 percent in 2015); as well as the decline in international oil prices.

In the water sector, the Ministry of Water and Irrigation continues to implement measures to increase sector revenues to enhance cost recovery in accordance with the "Structural Benchmark Government Action Plan to Reduce Water Losses". In October 2015, the government implemented another tariff increase for water and wastewater users in the Kingdom, and the mid-term review noted progress in the operation and maintenance cost recovery level in the water sector in 2015. Yet, the high cost of supplying water to refugees, the increasing cost of electricity, high cost of Disi and the increase in debt service payments for Water Authority of Jordan (WAJ) (as a result of lower government transfers in 2015 and subsequent



increases in short-term borrowing) may make it difficult to achieve the 100 percent O&M cost recovery by 2017.

Risks

Systematic Operations Risk-rating Tool

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

Results

Results Indicators

► A1: Cost recovery of the end user electricity tariffs (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	56.00	100.00	100.00	100.00
Date	31-Dec-2014	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

Full cost recovery of electricity tariffs (100 percent) was reached at the end of 2015 and sustained over the first half of 2016. Cost recovery for the whole of 2015 reached 86 percent, up from 56 percent in 2014 and on track to reach the target of 100 percent in 2017.

► A2: NEPCO's debt management target achieved (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	NEPCO's debt servicing is managed through the budget, and there is no specific NEPCO Debt Management Plan in place.	Not developed yet	Draft Debt Management Plan was prepared	NEPCO's Debt Management Plan under implementation and 2017 debt reduction target is achieved.
Date	31-Dec-2014	31-Dec-2015	30-Jun-2016	31-Dec-2017



► A3: Operation and maintenance cost recovery level in the water sector (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	86.00	86.00	96.00	100.00
Date	31-Dec-2013	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

Value to be confirmed.

In October 2015, the government implemented another tariff increase for water and wastewater users in the Kingdom, and the mid-term review noted progress in the operation and maintenance cost recovery level in the water sector in 2015. Yet, the high cost of supplying water to refugees, the increasing cost of electricity, high cost of Disi and the increase in debt service payments for Water Authority of Jordan (WAJ) (as a result of lower government transfers in 2015 and subsequent increases in short-term borrowing) may make it difficult to achieve the 100 percent O&M cost recovery by 2017.

► B1: Share of gas supply for power generation (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	7.00	--	85.00	70.00
Date	31-Dec-2014	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

Since commissioning the LNG terminal at Aqaba in July 2015, NEPCO is procuring LNG from an international LNG supplier (one five-year contract and a two-year contract, each covering about 40% of imports), as well as on the spot market. As a result, 85% of power generation in Jordan is now fueled by LNG, replacing the more expensive diesel and heavy fuel oil. The Government is also considering longer term options that could be available for gas supply to Jordan including piped gas from Egypt, Iraq and the Mediterranean.

► B2: Share of MW renewable power in the generation mix (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.50	4.70	10.00
Date	31-Dec-2014	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

Jordan is on track to increase the share of its renewable energy (in MW) in the generation mix to 10 percent by 2017. As of May 2016, four utility-scale renewable power plants (wind and solar) totaling about 198 MW capacity have been commissioned. By the end of this year, 400 MW are expected to be operational. Power Purchase Agreements (PPAs) for a total of 950 MW have been signed.



► B3: Reduction in electricity distribution network losses (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	The distribution sector has losses of 13.8 percent and lacks a multi-year loss reduction targets.	Updated Loss Reduction Program has not yet been finalized by EMRC in agreement with the DISCOs	Loss reduction targets for 2016 and 2017 were finalized by EMRC in agreement with the DISCOs	Network Loss Reduction Program is under implementation and 2017 loss reduction target is achieved.
Date	31-Dec-2014	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

Loss reduction targets for 2016 and 2017 for the three distribution companies (DISCOMs) were finalized at the end of 2015, based on an in-house study by EMRC, and communicated to the DISCOMs. EMRC is undertaking in collaboration with the distribution companies on technical and non-technical losses has not yet been completed. The study, which includes action plans for the distribution companies, will be completed by mid-2016. After that the loss reduction programs with the distribution companies will be revised with multi-year loss reduction targets, taking into consideration the study findings.

► B4: Increase in energy efficiency savings in the water sector as per the implementation of the Action Plan accompanying the Energy Efficiency and Renewable Energy Policy. (Gigawatt-hour (GWh), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	50.00
Date	31-Dec-2013	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

The 2016 Budget includes a dedicated budget line provision sufficient to implement the MoWI's planned energy efficiency activities as laid out in its planned energy efficiency and renewable energy policy. In terms of implementation, (i) two energy efficiency projects (for wells and pumping stations) are under the final stages of tendering; (ii) the output of a 50 MW solar plant has been allocated to the MoWI and will be consumed under a wheeling agreement with NEPCO (with a price of no more than JD0.06/kWh and O&M being provided by the private developer consortium); (iii) the MoWI contacted shortlisted bidders of the Round 2 of solar direct proposals to contract additional wheeling PV capacity; (iv) the Prime Minister's Office has decided to allocated the output of the 80 MW Ma'an wind farm to the MoWI at a selling price of 0.094 JD/kWh. The MoWI is expecting that a similar budget line provision is likely to continue be provided in 2017 Budget.



► B5: Water is more optimally allocated (MCM of surface water used for municipal water use). (Cubic Meter(m3), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	123000000.00	123000000.00	123000000.00	128000000.00
Date	31-Dec-2013	31-Dec-2015	30-Jun-2016	31-Dec-2017

Comments

The 2016 Budget includes a dedicated budget line provision sufficient to implement its planned actions to optimize its water resources as laid out in the surface water utilization and water substitution policies for the water sector. The MoWI is expecting that a similar budget line provision is likely to continue be provided in 2017 Budget.

► B6: Volume of treated wastewater used for non-domestic uses (Cubic Meter(m3), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	110000000.00	110000000.00	110000000.00	135000000.00
Date	31-Dec-2013	31-Dec-2015	30-Jun-2016	31-Dec-2017

Overall Comments

The 2016 Budget includes a dedicated budget line provision sufficient to implement its planned actions to optimize its water resources as laid out in the surface water utilization and water substitution policies for the water sector. The MoWI is expecting that a similar budget line provision is likely to continue be provided in 2017 Budget.

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P154299	IBRD-85300	Effective	USD	250.00	250.00	0.00	250.00	0.00	100%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P154299	IBRD-85300	Effective	18-Sep-2015	08-Oct-2015	04-Nov-2015	30-Sep-2016	30-Sep-2016

Tranches



Restructuring History

There has been no restructuring to date.

Related Operations

P160236-Second Programmatic Energy and Water Sector Reforms DPL
