



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: 1 | ARCHIVED on 24-Feb-2016 | ISR21135 |

Implementing Agencies:

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:--

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
Overall Implementation Progress (IP)	--	● Satisfactory
Overall Risk Rating	--	● 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. In the electricity sector, cost of electricity supply of the National Electric Power Company (NEPCO) is approaching cost recovery thanks to the successful operation of the Liquefied Natural Gas (LNG) terminal in Aqaba, the commissioning of renewable energy plants, and the decline of 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. Improvements in this sector will have to be achieved while external factors have a major impact on the cost of water services including the impact of the Syrian refugee crisis and the need to provide basic services to these refugees and increases in electricity prices affecting the water sector's operating costs.





Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	--	● Substantial
Macroeconomic	● Moderate	--	● Moderate
Sector Strategies and Policies	● Substantial	--	● Substantial
Technical Design of Project or Program	● Moderate	--	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	--	● Moderate
Fiduciary	● Moderate	--	● Moderate
Environment and Social	● Moderate	--	● Moderate
Stakeholders	● Substantial	--	● Substantial
Other	--	--	--
Overall	● 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
Date	31-Dec-2014	--	31-Dec-2015	31-Dec-2017

Comments

NEPCO's cost of electricity supply and end user tariff are approaching cost recovery thanks to the successful operation of the Liquefied Natural Gas (LNG) terminal in Aqaba, the commissioning of renewable energy plants, and the decline of oil prices on the one hand; and to NEPCO benefiting from LNG transportation fees to Egypt and tax exemption on LNG imports on the other hand. However, the Bank team is advising the Government that electricity tariff increases for 2016 and 2017 still need to be considered by the Government to maintain full cost recovery for NEPCO. This is particularly important should oil prices rebound resulting in increasing cost of LNG and fuel supply to NEPCO), and in case NEPCO would no longer earn transportation fees of the LNG from Aqaba to Egypt and would be required to pay taxes on LNG imports

► 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	NEPCO's Debt Management Plan under implementation and 2017 debt reduction target is achieved.
Date	31-Dec-2014	--	31-Dec-2015	31-Dec-2017

Comments

NEPCO Debt Management Plan has not yet been developed. The Bank mission informed the Government that the Bank will be available to support the Government and NEPCO through providing financial analysis and international best practices for preparation of a NEPCO Debt Management and Reduction Plan, which is one of the critical trigger that needs to be achieved as a prior action for this programmatic DPL second operation.

► 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	100.00
Date	31-Dec-2013	--	31-Dec-2015	31-Dec-2017

Comments

The Ministry of Water and Irrigation implemented in 2015 measures to increase sector revenues to enhance cost recovery in accordance with the "Structural Benchmark Government Action Plan to Reduce Water Losses". Effective October 1, 2015, the Government increased



the water fixed charges according to the Action Plan. Actual cost recovery level at the water sector by end of 2015 has not yet been reported by the Ministry of Water and therefore the team assigned the Baseline value for this trigger to the anticipated water cost recovery level end of 2015 and will revise in the next ISR.

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

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

Comments

After commissioning the LNG terminal at Aqaba in July 2015, NEPCO has made substantial progress in scaling up the LNG supply to the power generation through contracts for LNG imports (for the period 2015-2016) with an LNG supplier and in a shorter term through the LNG spot market. As a result, more than 80 percent of the power generation capacity in Jordan is now fueled by LNG replacing the more expensive and imported diesel and heavy fuel oil.

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

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

Comments

Jordan continues to make substantial progress in developing its renewable energy resources and is on track to increase the share of its renewable power in the generation mix to 10 percent by 2017 as expected in the DPL result framework. In 2015 three new renewable power plants (wind and solar) totaling 132 MW capacity were commissioned



► 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	Network Loss Reduction Program is under implementation and 2017 loss reduction target is achieved.
Date	31-Dec-2014	--	31-Dec-2015	31-Dec-2017

Comments

The distribution loss reduction study that EMRC is undertaking in collaboration with the distribution companies has not yet been completed and will be concluded in the first half of 2016 after which the loss reduction programs with the distribution companies will be revised with multi-year loss reduction targets taking into consideration the study findings. The Bank team reported to the Government that this DPL trigger will require further attention to ensure it will be achieved in 2016 as a required prior actions for the programmatic DPL second policy operation

► 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	50.00
Date	31-Dec-2013	--	31-Dec-2015	31-Dec-2017

Comments

The draft 2016 Budget includes a dedicated budget line provision sufficient to implement its planned energy efficiency activities as laid out in its planned energy efficiency and renewable energy policy. The implementation of these activities in 2016 and 2017 is expected to achieve the targeted results under this indicator.

► B5: Water is more optimally allocated. (Cubic Meter(m3), Custom)

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

Comments

the draft 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 implementation of these activities in 2016 and 2017 is expected to achieve the targeted results under this indicator.



The Minister of Water and Irrigation also approved a Water Substitution policy at the end of 2015, which is posted on the Ministry's website.

► 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	135000000.00
Date	31-Dec-2013	--	31-Dec-2015	31-Dec-2017

Comments

The draft 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 implementation of these activities in 2016 and 2017 is expected to achieve the targeted results under this indicator.

Overall Comments

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

There are no related projects.
