Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 18-Nov-2021 | Report No:

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Jordan	P171296		Jordan Electricity Sector Sustainability and Reform Program
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Does this operation have an IPF component?**
MIDDLE EAST AND NORTH AFRICA	12-Jan-2022	18-Feb-2022	No
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**Practice Area (Lead)**
Program-for-Results Financing	Ministry of Planning & International Cooperation	National Electric Power Company	Energy & Extractives

Proposed Program Development Objective(s)

To improve financial viability, increase the reliability of electricity supply, and strengthen the governance of NEPCO

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	600.00
Total Operation Cost	600.00
Total Program Cost	600.00
Total Financing	600.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	500.00
World Bank Lending	500.00
Total Government Contribution	100.00

Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1- **As the world emerges from the COVID-19 pandemic, to enable a resilient recovery, it will be critical for Jordan to balance high quality fiscal adjustments with reforms to attract private investment and increase exports to spur growth and job creation.** Investment in Jordan has been inefficient and on a declining trend. In the past 10 years, public investment has dropped by half, both as a percentage of GDP and as a share of total budget expenditure. Jordan attracts little foreign direct investment (FDI) or private investment relative to GDP compared to other countries in the region—foregoing a potential source for productivity gains, dynamism, and external funding for the economy. In particular, the pandemic has had severe impacts on SMEs, which provide 52 percent of private sector employment in the country, 6 including a decline in demand, reduced supply, tightening credit conditions, and a fall in investment.

2- **The GoJ, in collaboration with the WBG and other development partners, developed the 5 Year Reform Matrix (5YRM) in 2018, which aligned the growth and job creation reforms from Jordan's various plans, including the Jordan Vision 2025 and the Jordan Economic Growth Plan.** The 5YRM focuses principally on reforms to support investment and exports, reduce business costs, and counter labor market segmentation. The reform agenda under the 5YRM was updated and formally launched at the international conference "Growth and Opportunity: the London Initiative 2019." It is organized into a set of cross-cutting (horizontal) and sectoral (vertical) policy reforms over five years. It has been updated and incorporated as the Reform Matrix into the Government Indicative Executive Program (GIEP 2021-2024) and will be extended two years to align with the GIEP implementation timeline.

3- **Energy sector reforms is a central part of the GoJ's five-year reform matrix (5YRM) as it is recognized as an important driver for economic competitiveness and growth of the economy.** It is also an important element of International Monetary Fund's (IMF's) Extended Fund Facility (EFF) as the sector is a major contributor to Jordan's overall macro-fiscal imbalances and is the largest single source of contingent liabilities in Jordan. The electricity sector today accounts for about 20 percent of public debt due to the US$7.18 billion in debts accumulated by the National Electric Power Company (NEPCO). The refugee crises over the past decade, the geopolitical context, and the COVID-19 pandemic have further constrained national efforts to address the debt.

Sectoral (or multi-sectoral) and Institutional Context of the Program

4- **With the COVID19 pandemic, as seen globally, Jordan's energy sector has also experienced setbacks in 2020.** Due to lockdowns, the sector witnessed a drop in energy sales to the business sectors at the same time as a corresponding increase of household energy consumption, a decrease in revenue collection, and operational challenges in balancing a high volume of variable renewable energy (VRE) with limited thermal generation. As Jordan seeks to recover from the pandemic and to transform its economy, the energy sector has a central role in both reducing public sector debt burden and increasing competitiveness of the economy.

5- **The Government of Jordan has requested the World Bank support – through a program for results – to support operational and financial resilience of the energy sector.** These measures draw upon the Energy Sector Strategy 2030[3], Jordan Five-year Reform Matrix (2019-24), Financial Sustainability Roadmap (FSR)[4], and the Debt Optimization Implementation Plan (DOIP)[5]. To ensure reliable electricity supply and improvement of the sector's financial viability, the Government intends to undertake several critical reforms, which are reflected in the Government program under development.

Relationship to CAS/CPF

The Jordan Country Partnership Framework for FY2017-23 recognizes the need to continue to advance reforms in the energy sector. to ensure that costs are spread equitably, infrastructure systems are operated sustainably, and resources are managed efficiently.' The CPF also identifies increased energy security through diversification of energy sources as necessary for medium-term economic growth.

Consistent with the CPF, the proposed project would adopt the Mobilizing Finance for Development (MFD) approach to supplement limited World Bank resources with additional resources from developmental partners as well as commercial markets. The CPF envisages strong donor coordination and anticipates the Bank to leverage partnerships with UN agencies, bilateral agencies, and a range of stakeholders. The proposed project responds to the emerging needs in the energy sector and is well aligned with the idea of building partnerships with bilateral and multilateral agencies, and private sector agencies (commercial banks). These partnerships are currently under discussion and will be further elaborated during project preparation.

The proposed program is also aligned with the climate change and regional cooperation agenda in the CPF, including electricity energy trade with the neighboring countries. This regional dimension is included in the FSR as an important element of additional revenues for NEPCO through utilization of excess energy available from the VRE, as well as through strengthening of energy security by diversification of gas and electricity supply options. The transmission interconnections would assist the Jordanian grid in absorbing larger quantities of variable renewable energy, while a healthier financial performance of the sector would enable continued private sector investments in renewable energy with positive climate spinoffs.

Rationale for Bank Engagement and Choice of Financing Instrument

World Bank support to the power sector is proposed as a Program-for-Results (PforR) financing. The PforR instrument provides important advantages considering the objective and results that need to be achieved in order to restore the power sector to normal financial health and improve its sustainability. First, it provides incentives to implement critical financial, regulatory, and governance improvements. Second, it will provide strong incentives for implementation of robust NEPCO-level financing, governance, and other measures as well as sound policies. Finally, the PforR instrument provides a strong platform for managing program risks as implementation progresses.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

The proposed program development objectives are to enhance reliability of electricity supply, improve financial viability, and strengthen the governance of NEPCO.

PDO Level Results Indicators

The proposed PforR supports results in two areas: (ii) electricity supply reliability; and (c) electricity sector resilience.

D. Program Description

PforR Program Boundary

The Government program will focus on a comprehensive set of measures aimed at improving the financial viability of the sector, including NEPCO. These measures draw upon the Energy Sector Strategy 2030[1], Jordan Five-year Reform Matrix (2019-24), Financial Sustainability Roadmap (FSR)[2], and the Debt Optimization Implementation Plan (DOIP)[3].

The part of the Government program to be supported under the proposed PforR would include three results areas of financial recovery, electricity supply reliability and resilience.

E. Initial Environmental and Social Screening

The E&S risks of the proposed program are expected to be Moderate and consistent with Bank Policy of Program-for-Results Financing.

The potential environmental impacts and risks associated with activities under the proposed Program are expected to be moderate. The proposed interventions will help NEPCO to address its financial challenges, and there is limited scope to support physical interventions. However, since NEPCO is the company responsible for electricity transmission in the country with all associated infrastructure required for this purpose, the Program support will include construction of some new transmission assets (limited to substations and control systems) as well as rehabilitation of substations and transmission lines, which will cause the potential environmental impacts and occupational health and safety risks. These risks, if any, will be site-specific, and amenable to mitigation by standard good practices and other well-understood mitigation measures and technologies. The main focus of the Program is the reforms to improve the policy and regulatory framework for improving the power sector financial viability which is expected to generate positive impacts in terms of increasing the efficiency of energy use by consumers, which, in its turn, will result in reducing the GHG emissions. The program will also help improve the share of RE generation in the power supply mix. Considering the current boundaries and the Program, the risk rating at the concept stage is rated as Moderate.

The potential social risks and impacts associated with activities under the Program are also considered moderate. The Program is focused on assisting NEPCO to achieve financial viability and sustainability with positive social impacts associated with reduced energy disruptions. The Program will also include improvements in reliability of the transmission network, mainly through small-scale rehabilitation and retrofitting works of existing facilities that are not expected to have significant adverse social impacts or require land acquisition. Significant social risks and land acquisition will be excluded from the Program through screening. Finally, the program is expected to improve NEPCO's governance system; adverse social risks are not anticipated, while opportunities for improved environmental and social governance will be explored. Considering the current boundaries and the Program, the social risk rating at concept stage is Moderate.

[1] Launched by Ministry of Energy & Mineral Resources (MEMR) in July 2019
[2] Approved by Council of Ministers in April 2019
[3] Approved by Council of Ministers in May 2020

The team will conduct an Environmental and Social Systems Assessment (ESSA)as part of project preparation. The draft ESSA will be consulted and disclosed in-country and through the Bank's website and finalized before appraisal.

CONTACT POINT

World Bank

Name :	Monali Ranade		
Designation :	Senior Energy Specialist	Role :	Team Leader(ADM Responsible)
Telephone No :	972-2-236653	Email :	mranade@worldbank.org

Name :	Artur Kochnakyan		
Designation :	Senior Energy Specialist	Role :	Team Leader
Telephone No :	202-473-6302	Email :	akochnakyan@worldbank.org

Name :	Vincent Francois Jean Launay		
Designation :	Senior Infrastructure Finance Specialist	Role :	Team Leader
Telephone No :	473-7501	Email :	vlaunay@worldbank.org

Borrower/Client/Recipient

Borrower :	Ministry of Planning & International Cooperation		
Contact :	Maher Abdelrahim	Title :	Head of World Bank Division
Telephone No :	96264644466	Email :	Maher.Abdelrahim@MOP.GOV.JO

Implementing Agencies

Implementing Agency :	National Electric Power Company		
Contact :	Amjad Rawashdeh	Title :	Managing Director
Telephone No :	96265858615	Email :	info@nepco.com.jo

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects