

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF THE  
POWER RECOVERY PROJECT  
APPROVED ON SEPTEMBER 29, 2014  
TO THE  
REPUBLIC OF ALBANIA

ENERGY & EXTRACTIVES GLOBAL PRACTICE

EUROPE AND CENTRAL ASIA REGION

Regional Vice President:	Cyril E Muller
Country Director:	Linda Van Gelder
Regional Director:	Lucio Monari
Practice Manager:	Sameer Shukla
Task Team Leaders:	Rome Chavapricha, Gazmend Daci



## ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
EBRD	European Bank for Reconstruction and Development
EUR	Euros
FRP	Financial Recovery Plan -- Albanian power sector
KESH	Korporata Elektroenergjitike Shqiptare – public power generation company
KFW	Kreditanstalt für Wiederaufbau
OSHEE	Operatori i Shpërndarjes së Energjisë Elektrike – public power distribution company
OST	Operatori i Sistemit të Transmetimit – public power transmission company
PDO	Project Development Objectives
PRP	Power Recovery Project
SCADA	Supervisory Control and Data Acquisition system
TA	Technical Assistance
USAID	United States Agency for International Development



## BASIC DATA

### Product Information

Project ID P144029	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 29-Sep-2014	Current Closing Date 30-Nov-2020

### Organizations

Borrower Republic of Albania	Responsible Agency Ministry of Infrastructure and Energy
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### Project Development Objective (PDO)

Original PDO

The project development objective is to improve reliability of power supply and financial viability of the power sector.

### Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-84290	29-Sep-2014	03-Nov-2014	30-Jan-2015	30-Nov-2020	150.00	80.28	57.02

### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

1. The proposed restructuring entails: (i) 12-month extension of the project closing date to November 30, 2020 from the original closing date; (ii) partial cancellation of IBRD loan of approximately EUR 17.6 million due to restructuring and project savings; (iii) updates of the Results Framework; and (iv) revision of the Legal Covenant on OSHEE’s Revenue Escrow Account to reflect that OSHEE will pay the monthly energy purchase to KESh in full when due. The proposed extension would be the first extension of the closing date.

2. The Albania Power Recovery Project (PRP) has two objectives to: (i) improve reliability of power supply; and (ii) improve financial viability of the power sector. The Project has 4 components:

- Component 1 (IBRD EUR 22.42m) provides funding for importing electricity during the rehabilitation of main hydropower plants in Albania (supported by the World Bank under the Dam Safety Project).
- Component 2 (IBRD EUR 69.50m) includes financing to upgrade distribution infrastructure in the power distribution grid network and metering system thereby assisting the Borrower to reduce power losses, improve cash collection and reliability of power supply.
- Component 3 (IBRD EUR 14.95m) in the power transmission grid network and metering system to strengthen the capacity of OST to transmit power.
- Component 4 (IBRD EUR 4.95m) includes technical assistance for project implementation and policy interventions. In addition, there is a front-end fee of EUR 0.28m.

3. The project’s Overall Implementation Progress has been Moderately Unsatisfactory since December 2017. This is due to implementation delays and lack of progress mainly with Component 2—Upgrading Distribution Infrastructure. Since project effectiveness in January 2015, procurement delays and lack of counterpart funding for Component 2 resulted in the overall lack of implementation progress during 2016–2017. Other components have progressed better. The progress towards achievement of the Project Development Objective has been Moderately Satisfactory since December 2017.

4. Table 1 below provides a summary of progress for each component. For this proposed restructuring, the implementing agencies have revised their Implementation Plans, which target completion of the remaining activities by November 30, 2020. Only two activities— Component 2, supply and installation of low-voltage balancing meters, and Component 3, extension of OST SCADA system—will need extra time to complete in 2021. OSHEE and OST will respectively self-finance the residual costs after the IBRD loan closes (see Annex for details).

**Table 1. Implementation progress by components:**

<b>Components</b>	<b>Status</b>
Component 1: Short Term Complementary Power Import Support	<ul style="list-style-type: none"> <li>• Completed</li> <li>• Of the original EUR 22.4m IBRD loan, about EUR 21.7m is committed and the remaining balance will be cancelled.</li> </ul>
Component 2: Upgrading Distribution Infrastructure	<ul style="list-style-type: none"> <li>• Experienced substantial delays in implementation until the mid-term review mid-2018, but the progress has improved.</li> <li>• Of the original EUR 69.5m IBRD loan, about EUR 37m is now committed. Approximately EUR 13m will be cancelled due to reduced scope of procurement package OSHEE LV panels and balancing meters and other cost savings.</li> </ul>



	<ul style="list-style-type: none"> <li>Expediting implementation of all activities with only one pending procurement package (estimated cost EUR 15m) to be awarded by end of 2019 (low-voltage electric balancing meters). The contract for rehabilitation of 3 substations in Tirana area became effective on September 16, 2019. The installation of low-voltage electric balancing meters is expected to be completed in 2021.</li> </ul>
<p>Component 3: Transmission Meter/Data Center Upgrade</p>	<ul style="list-style-type: none"> <li>Following initial delay, implementation is now progressing satisfactorily.</li> <li>Of the original EUR 14.95m IBRD loan, EUR 11m is now committed. Approximately EUR 2.5m IBRD loan will be cancelled due to the establishment of a market platform being moved to another TA (Power Sector Implementation Support). This TA for developing procedures for the establishment of a market platform, for IPPs and eligible customers was provided by IFC Advisory and complemented by the Bank</li> <li>One pending procurement contract to be awarded by end of 2019 but will be completed in early 2021 (extension of OST SCADA system – estimated cost EUR 2.4m).</li> </ul>
<p>Component 4: Supporting Power Sector Reforms and Project Implementation</p>	<ul style="list-style-type: none"> <li>The following TA were provided under this component: (i) advice and financial analyses support for the 2018 update of the Financial Recovery Plan (ESMAP grant); (ii) TA on social outreach program targeting electricity consumers and key stakeholders; and (iii) TA for project implementation support (will continue until project close).</li> <li>A number of activities originally planned under this component and elaborated in the Loan Agreement were completed outside of the Project and/or supported by other development partners. These are no longer required under Power Recovery Project: <ul style="list-style-type: none"> <li>TA on revising the power market model to introduce more competition and reduce public power supply obligation (supported by Energy Community)</li> <li>TA on revising renewable energy law (supported by Energy Community)</li> <li>TA on cost-recovery tariff methodology (supported by USAID)</li> <li>TA on Albanian energy strategy (supported by USAID)</li> <li>TA on OSHEE performance management program (supported by KFW)</li> <li>TA on establishing Albanian power balancing mechanism and Albanian Power Exchange (supported by IFC)</li> <li>TA on weather volatility in the power sector (provided under World Bank macro fiscal ASA)</li> </ul> </li> </ul>

5. Since Project approval in 2014, the electricity distribution losses in Albania have been reduced from 45 percent in 2013 to 24 percent in 2018 mainly due to commercial loss reduction through metering, collection and theft prevention. Despite the improvement of distribution loss, it is still substantially higher than the original end-of-project target of 14 percent. Under this Project, the ongoing infrastructure upgrade, the new metering system, and the new billing system will help lower distribution losses further. The latest technical estimates suggest further loss reduction could reach 16 percent by 2022. Reliability of the medium-voltage network in Tirana, 89 percent in 2018 measured by the capacity utilization percentage of substations, has still not achieved its original end target of 70 percent or lower. The proposed restructuring includes revising of the end targets for electricity distribution losses and changing the measurement of the substation capacity of the medium-voltage network in the Tirana area.

6. The financial performance of KESH, OST and OSHEE have gradually improved since the project approval, but the companies continue to struggle with their financial recovery. By 2017, all three public power utilities recorded pre-tax net profits and positive operating cash flow prior to interest and tax payments. Historical arrears which OSHEE owes to KESH and OST have declined and are expected to meet the end-of-project target (550 days of revenue). However, the



companies remain exposed to the risk of high cost of electricity import during dry years<sup>1</sup>, which could exceed revenues from electricity sales especially for OSHEE leading to cash constraints, new arrears, and financial loss. During 2019, the Bank completed a macro fiscal technical assistance to address weather volatility and manage this financial risk to the companies. In April 2019, the Government approved the updated Financial Recovery Plan—supported under Component 4—which provides key financial parameters for public power utilities such as the level of distribution loss percentages, the level of yearly capital expenditures by power utilities, the level of government budget support for power utilities, and key legal or regulatory requirements to be approved by the authorities such as on electricity tariffs and fees. These financial parameters are designed to ensure financial viability of the power sector.

7. The project’s fiduciary arrangements remain adequate in terms of staff and effectiveness. However, the 2018 financial audits for Component 2 are overdue due to delays in OSHEE’s selection of auditor. In addition, the 2018 audits for Component 4 are also overdue due to a significant delay by the Ministry of Finance and Economy in contracting the auditor. Nevertheless, the audit exercises for both components are now underway and the audited project financial statements are expected to be submitted not later than February 28, 2020. There have been no issues identified from current and prior years audits. Other aspects of financial management are satisfactory.

8. Rationale for project restructuring:

- A one-year extension is required to substantially complete the infrastructure upgrades under Component 2 and 3. These investments will help achieve intended development objective of power supply reliability improvement by lowering distribution losses toward 16 percent or lower by 2022 (the first full year after the new investments are completed). In particular, investments in distribution balancing meter infrastructure—the last package under Component 2, planned to be implemented in 2020 and 2021—is a crucial element to enable loss reduction toward 16 percent or lower.
- Project implementation has improved substantially in the past year. Based on the latest performance as of end-September 2019, the Overall Implementation Progress ISR rating has been upgraded to Moderately Satisfactory. The PDO rating is being maintained at Moderately Satisfactory.
- Closing the Project on November 30, 2019 as planned would disrupt the on-going distribution loss reduction program in Albania. This will delay future implementation, as OSHEE and OST will need to identify alternative sources of financing, thus postponing the expected economic and financial gains by multiple years.
- The legal covenants under the Project help support financial recovery of public power utilities by establishing financial governance parameters (e.g. 5-year business plan, debt service coverage and debt-to-equity targets). These parameters remain very valuable as the Albanian power sector moves toward a competitive open market structure in the next five years.
- The original scope of Component 4 to support power sector reform was ambitious as it included multiple TA activities elaborated in the Loan Agreement. Some of the TA activities including policy interventions were delivered outside the Project in practice. Therefore, the proposed restructuring is intended to clearly delineate the types of TA that will be directly supported by the Project, and which will focus on improving financial

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<sup>1</sup> Note: In 2017 the quantity of electricity sold to all end-users amounted to 5,565 million kWh and electricity loss in the power grid amounted to 1,874 million kWh. In a dry year such as 2017, the quantity of import electricity amounted to 2,900 million kWh compared to a typical import of around 1,000 million kWh each year. The incremental cost of import is on the order of EUR 100 million in 2017 (0.8% of GDP), or approximately 1.8 euro cents per kWh if charged to all end-users. However, this incremental cost was not passed through to end-users, but absorbed by OSHEE and required government budget support and short-term commercial loans for cash shortfall. Comparatively, in 2017 total OSHEE electricity sales amounted to EUR 430 million.



viability of the power sector and public power utilities. The Bank supported the update of the government’s FRP in 2018, which provides a framework to help improve financial liquidity of the utilities, contains the government's fiscal obligation to the power sector, and supports the move toward a competitive power market in Albania.

**II. DESCRIPTION OF PROPOSED CHANGES**

9. This Restructuring Paper proposes the following changes: (i) 12-month extension of the project closing date to November 30, 2020 from the original closing date; (ii) partial cancellation of approximately EUR 17.6 million from the IBRD loan due to restructuring and project savings; (iii) updates on the Results Framework; and (iv) updates on the Legal Covenants to reduce the payment from OSHEE to 100% of the monthly energy purchase invoice to KESh. This is to reflect the full payment of invoices by OSHEE to KESh on a monthly basis. The payment of arrears by OSHEE due to KESh is now addressed through the repayment of an EBRD loan made to OSHEE since 2016. Disbursement projections will be revised to reflect the extended implementation period.

10. The partial IBRD loan cancellation is mainly due to:

- Component 1 -- cost savings EUR 0.70 million
- Component 2 -- reduced scope of procurement package OSHEE low voltage balancing meters (estimated cost reduction EUR 13 million)
- Component 3 – cancellation of the TA for Establishment of a Market Platform (estimated cost EUR 2.5 million no longer needed)
- Component 4 – cancellation of several TA activities which were carried out by other development partners (estimated cost reduction EUR 1.5 million)

11. The one year extension will provide additional time for installation of goods and equipment under the remaining Component 2: Upgrading Distribution Infrastructure and Component 3: Transmission Meter/Data Center Upgrade to be substantially completed by November 30, 2020. The Results Framework is updated to revise the end-target for the PDO-level indicator “Electricity distribution losses per year in the project area”, reflecting the delay in implementation and revised technical estimates. In addition, a number of clarifications and revisions are made to other PDO and Intermediate Level Results indicators (see Table 2 below). Finally, the Legal Covenant on OSHEE’s Revenue Escrow Account is revised to reflect that OSHEE will pay the monthly energy purchase to KESh in full when due. For Component 4: Supporting Power Sector Reforms and Project Implementation, the end target is revised to reflect TA initiated to support power sector reforms directly supported under the Project. All together, this restructuring will help the Project achieve the development objectives through extending implementation time, revising key targets such as distribution losses, reduced scope of Component 2, and cancelling some activities originally planned for Component 3 and 4.

12. The main proposed updates on the results framework include the following:

**Table 2: PDO Indicators**

Current Indicator/Targets	Proposed Revised Indicator/Targets	Comments
PDO Indicators		



Current Indicator/Targets	Proposed Revised Indicator/Targets	Comments
Electricity losses per year in the project area (Percentage)  End target – 14 percent	Electricity <i>distribution</i> losses per year in the project area (Percentage)  End target – 23 percent	Clarify that this is distribution losses only. The higher percentage reflects the lack of metering infrastructure on the medium- and low-voltage power grid network by November 2020. Nevertheless, this indicator is envisaged to reduce further toward 16.5 percent by December 2022 after full completion of metering infrastructure by OSHEE.
Total net injected power (Megawatt hour(MWh))	Deleted	This indicator is used to calculate the above indicator “Electricity distribution losses per year”.  It is proposed to delete this indicator to avoid error from estimating demand as both distribution losses and end-user consumption have decreased in recent years.
Electricity losses per year in the project area- Technical (Percentage)  Electricity losses per year in the project area- Non-Technical (Percentage)	Deleted	It is proposed to delete these two sub-indicators, and to measure only the overall “Electricity distribution losses per year in the project area.”  Due to inadequate metering infrastructure and methodologies in measuring “technical” and “non-technical” distribution losses, there is a substantial margin of error in their measurement.
Reliability of MV level at Tirana area (Percentage overload at project areas)  End target – 70 percent (of maximum load)	Added capacity of medium-voltage network level at Tirana area (Mega Volt Amp [MVA])  End target – 80 MVA	It is proposed to measure and report this indicator based on the new capacity of the Kombinat Substation of 80 MVA constructed under this project, as compared to the total Tirana area substation capacity of 551 MVA (as of December 2018).  Reliability is improved through increased substation capacity, which is translated into less service disruptions and more stable voltage of electricity supply.  Note: Installed Tirana area substation capacity and maximum load (%). OSHEE has been adding substation capacity, but load growth continues to increase. Yr. 2015 - 441 MVA (90% loaded) Yr. 2016 - 481 MVA (93% loaded) Yr. 2017 – 551 MVA (83% loaded) Yr. 2018 – 551 MVA (89% loaded)
Total amount of intercompany arrears (Number of days)  End target – 550 days	Total amount of KESH and OST’s receiveables from OSHEE net of provisions for bad debt (Number of Days)  End target – 550 days	It is proposed to clarify this indicator. This indicator measures receivables (arrears and current) that arise from KESH’s electricity sales and OST’s transmission fees to OSHEE net of provisions for bad debt.  KESH’s receivables from OSHEE will remain substantially on KESH’s balance sheet for over ten years. This is due to



Current Indicator/Targets	Proposed Revised Indicator/Targets	Comments
		the back-to-back arrangement through EBRD where EBRD provides a EUR 218 million loan for KESH to refinance its short-term loans. In turn, OSHEE will be paying down receivables to KESH over more than 10 years to match the EBRD loan repayment.

## (b) Intermediate Result Indicators

Current Indicator/Targets	Proposed Revised Indicator/Targets	
Indicator Name	Indicator Name	Comments
Component 1 (Short Term Complementary Power Import Support)		
Implemented Risk management mechanism for weather related power imports (Text)	Deleted	It is proposed to delete this indicator. This activity had experienced delays in implementation due to the uncertainty of the liberalization of the Albanian Power Market, particularly in which power sector entity would be faced with hydrological risk after market liberalization.  In lieu of this activity, the World Bank initiated a bank-executed TA in 2018 on hydrological risk management to inform power utilities, Ministry of Finance, and Ministry of Infrastructure and Energy. Upon this TA's completion in mid-2019, the government and power utilities may decide to implement the selected mechanism during and after the Closing of the Project.
Component 2 (Upgrading Distribution Infrastructure)		
This indicator is New	Impact of citizen engagement on project activities reported and disseminated (Yes/No)  End target – Yes	This indicator will record the efforts that the project has made to respond to citizen feedback during implementation of this component, documenting responsiveness and impact.
Component 3 (Transmission Meter/Data Center Upgrade)		
Number of medium voltage customers in deregulated market (Number)	Number of medium voltage customers in deregulated market (Number)	Based on actual procurement and Implementation Plan. The revised target is derived from the technical assessment carried out under this component.



Current Indicator/Targets	Proposed Revised Indicator/Targets	
End target – 5,000 customers	End target – 1,000 customers	
Share of meters installed by OST (Percentage)  End target – 100 percent	Installed OST meters (number)  End target – 2,328 meters	It is proposed to measure this indicator by the number of meters for OST to be procured and installed.
This indicator is New	Installed OST data center  Baseline – Not Operational End target – Operational	The OST data center has been operational starting in May 2019.
Component 4 (Supporting Power Sector Reforms and Project Implementation)		
Power sector reforms implemented (Text)  End target:  New market rules in place/ Cost recovery tariff methodology approved.	Technical assistance initiated to support power sector reforms (Text)  End targets:  Advice provided to support the 2018 update of the Financial Recovery Plan.  [Note: At present about 15% of the Albanian power market is deregulated.]	It is proposed to revise the end targets to reflect TA activities directly supported under the Project. A number of activities originally planned under this component and elaborated in the Loan Agreement were carried out outside of the Project, including those supported by other development partners. See Section I (Table 1, Component 4) for details.
Debt-to-Capitalization Ratio of OShEE (shown), KESh and OST (Percentage)  End target – 60:40	Deleted	It is proposed to delete this indicator since it serves a similar purpose as Debt to Equity Ratio



## I. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Legal Covenants	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
DLIs		✓
Components and Cost		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

## IV. DETAILED CHANGE(S)



### LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-84290	Effective	30-Nov-2019	30-Nov-2020	30-Nov-2020	30-Mar-2021

### CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IBRD-84290-001	Disbursing	EUR	112,100,000.00	17,651,415.27	31-Dec-2019	94,448,584.73	LOAN RESTRUCTURING, COST SAVINGS

### REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-84290-001	Currency: EUR				
iLap Category Sequence No: 1	Current Expenditure Category: Short term power purch.Part 1				
	22,419,750.00	21,718,334.73	21,718,334.73	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: G,CS,non-CS,TR, Part 2				
	69,500,000.00	32,707,571.52	56,500,000.00	90.00	90.00
iLap Category Sequence No: 3	Current Expenditure Category: G,CS,non-CS, Part 3				
	14,950,000.00	7,428,453.18	12,450,000.00	80.00	80.00
iLap Category Sequence No: 4	Current Expenditure Category: G,CS,non-CS,TR, IOC Part 4				
	4,950,000.00	1,865,054.36	3,500,000.00	100.00	100.00



<b>Total</b>	<b>111,819,750.00</b>	<b>63,719,413.79</b>	<b>94,168,334.73</b>
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### DISBURSEMENT ESTIMATES

Change in Disbursement Estimates  
Yes

Year	Current	Proposed
2015	20,000,000.00	0.00
2016	30,000,000.00	0.00
2017	40,000,000.00	0.00
2018	60,000,000.00	0.00
2019	0.00	75,000,000.00
2020	0.00	105,000,000.00

### LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
IBRD-84290	LA Section IV C1. Debt Service Coverage. Borrower to ensure: (a) OST/KESh not to incur any debt unless a reasonable forecast of revenues and expenditures show estimated net revenues for each FY during term of debt to be incurred shall be at least 1.0 for first 36 months and thereafter one and six tenths (1.6) times the estimated debt service requirements of the relevant PIE in such year on all debt of the OST and KESh, including debt to be incurred. (b) that a reasonable forecast of OSHEE's net revenues and expenditures demonstrate that the ratio of estimated net revenue to debt service requirements is (i) within 36 months of the Effective Date, six tenths (0.6); and (ii) with the subsequent 36 months, one (1.0); and thereafter, one and six tenths (1.6).	Complied with	No Change



IBRD-84290	LA Section IV B1. Debt Equity Ratio. Borrower to ensure that OST and KESh do not incur any debt if, after the incurrence of such debt, the ratio of debt to equity shall be greater than sixty (60) to forty (40).	Complied with	No Change
IBRD-84290	LA Section IV A1: Revenue Escrow Account. Borrower to cause OShEE to open a Revenue Escrow Account by December 31, 2014, in a financial institution satisfactory to the Bank and deposit its monthly revenues to pay energy purchase as follows: (i) for each of the first 12 months, pay 85% of the monthly energy purchase invoice to KESh and 85% of the monthly transmission fees invoice to OST; (ii) for each of the next 24 months, pay 95% of the monthly energy purchase invoice to KESh and 95% of the monthly transmission fees invoice to OST; (iii) for each of the next 36 months, pay 100% of the monthly energy purchase invoice to KESh and 100% of the monthly transmission fees invoice to OST; and (iv) thereafter pay 105% of the monthly energy purchase invoice to KESh and 105% of the monthly transmission fees invoice to OST until such time as the revenue arrears of each PIE are fully amortized. (b) ensure that any of OShEE's residual funds remaining after paying KESh and OST are transferred to OShEE on a monthly basis; and (c) cause OShEE to subject the Revenue Escrow Account to an annual audit satisfactory to the Bank.   Due Date :31-Dec-2014	Complied with	Revised
Proposed	“(iv) thereafter pay one hundred percent (100%) of the monthly energy purchase fees invoice to KESh and one hundred and five percent (105%) of the monthly transmission fees invoice to OST until such time as the revenue arrears of each Project Implementing Entity are fully amortized.”	C	
IBRD-84290	LA :Schedule 2 A3: Power Service Contracts. Borrower to ensure that the PIEs enter into agreements, satisfactory to the Bank, comprising (i) the PSC between KESh and OShEE (the KESh/OShEE PSC) setting out OShEE's obligation to purchase power generated by KESh; (ii) the PSC between KESh and OST (the KESh/OST PSC) setting out OST's obligations to transmit the power generated by KESh and (iii) the PSC between OShEE (the OShEE/OST PSC) setting out OST's obligations to transmit power purchased by OShEE. (b) Borrower to	Complied with	No Change



	<p>ensure that the PSCs contain information on: (i) daily scheduling, deviations and accounting; (ii) monthly energy balance; (iii) monthly energy and financial settlement based on methodology monitored and established by the market operator and OST; and (iv) the monthly payments and guarantees through commercial banks. (c) Borrower to ensure that the Power Service Contracts are not assigned, amended, abrogated or waived without the Bank's prior approval in writing. Due Date :31-Oct-2014</p>		
IBRD-84290	<p>LA Section IV D:Five year Business Plan. Borrower shall cause each Project Implementing Entity to prepare and submit to the Bank and the Borrower no later than December 31 of each year, a 5 year business plan including associated financial projections in form and substance satisfactory to the Bank.</p>	Complied with	No Change
IBRD-84290	<p>LA Schedule 2 Section 1B 2(iv) :OShEE to contribute 10% of the contract value under Category 2 and OST 20% of the contract value under Category 3 respectively as set forth in the table Section V of Schedule 2 to this Agreement; and ensure that all the relevant contracts are procured in accordance with the applicable World Bank procurement guidelines.</p>	Complied with	No Change
IBRD-84290	<p>LA Schedule 2 Section 1A1: Project Management Unit Borrower through MoEI to establish and maintain throughout the implementation of the Project, a PMU, which will be managed by a Project Coordinator appointed by MoEI with key staff with functions and responsibilities acceptable to the Bank, including the following additional responsibilities: (a) preparing the POM,together to be approved by the MoEI; (b) assisting PIUs in developing BDs; (c) assisting the Borrower through the MoEi in establishment of BECs, comprising staff from PMU and PIUs according to the POM; (d) supporting coordination in the design and monitoring of social outreach programs; (e) carrying out implementation oversight including supervision; (f) providing periodic monitoring and evaluation of Project implementation.</p>	Complied with	No Change



Results framework

COUNTRY: Albania

Power Recovery Project

Project Development Objectives(s)

The project development objective is to improve reliability of power supply and financial viability of the power sector.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<b>Electricity losses per year in the project area</b>									
Electricity Distribution losses per year in the project area (Percentage)		45.00	40.00	33.00	26.00	26.00	24.00	24.00	23.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>Clarify that this is distribution losses only. The lower target reflects the lack of metering infrastructure on the medium- and low-voltage power grid network by November 2020. Nevertheless, this indicator is envisaged to reduce further toward 16.5 percent by December 2022 after full completion of metering infrastructure by OSHEE.</i>								
Total net injected generation (Megawatt hour(MWh))		7,145,000.00	7,250,000.00	7,360,000.00	7,470,000.00	7,590,000.00	7,720,000.00	7,850,000.00	7,850,000.00



Indicator Name	DLI	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<i>Action: This indicator has been Marked for Deletion</i>									
Electricity losses per year in the project area- Technical (Percentage)		15.30	14.90	14.50	14.20	13.70	13.30	12.60	12.60
<i>Action: This indicator has been Marked for Deletion</i>									
Electricity losses per year in the project area- Non-Technical (Percentage)		29.80	25.10	18.50	11.80	8.30	4.70	1.40	1.40
<i>Action: This indicator has been Marked for Deletion</i>									
<b>Collection rate of distribution company</b>									
Collection rate of distribution company (Percentage)		78.00	85.00	88.00	90.00	91.00	92.00	93.00	93.00
<b>Reliability of MV level at Tirana area</b>									
Capacity of Medium Voltage network (kilovolt - Ampere (KVA) (Percentage)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	80,000.00



Indicator Name	DLI	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<b>Action: This indicator has been Revised</b>		<p><b>Rationale:</b> It is proposed to measure and report this indicator based on the new capacity of the Kombinat Substation of 80 MVA (80,000 KVA)</p>							
<b>Total amount of intercompany arrears</b>									
KESH and OST's receivables from OSHEE net of provisions for bad debt. (Days)		1,200.00	800.00	775.00	750.00	650.00	600.00	550.00	550.00
<b>Action: This indicator has been Revised</b>		<p><b>Rationale:</b> It is proposed to clarify this indicator. This indicator measures receivables (arrears and current) that arise from KESH electricity sales and OST transmission fee to OSHEE net of provisions for bad debt.</p> <p><b>KESH's receivables from OSHEE will remain substantially on KESH's balance sheet for over ten years. This is due to the back-to-back arrangement through EBRD where EBRD provides EUR 218 million loan for KESH to refinance its short-term loans. In turn, OSHEE will be paying down receivable to KESH over more than 10 years to match EBRD loan repayment.</b></p>							

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<b>Short Term Complementary Power Import Support</b>									
Complementary Power Purchased (Text)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	Euro 21.7m



Indicator Name	DLI	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<p><b>Action: This indicator has been Revised</b></p> <p><i>Rationale:</i>  <i>It is proposed to revise this indicator to measure short term complementary power import under this project. The original activity (Implemented risk management Mechanism for weather related power imports.) had experienced delay in implementation due to uncertainty of the liberalization of the Albanian Power Market, particularly on which power sector entity would be faced with hydrological risk after market liberalization.</i></p>									
<b>Upgrading Distribution Infrastructure</b>									
Implementation of a new billing and collection management system (Text)		The risk management mechanism is not in place			New billing and collection system in place				The new Billing and Management System in Operation
Direct project beneficiaries (Number)	0.00	0.00	0.00	50,000.00	100,000.00	150,000.00	200,000.00	200,000.00	200,000.00
Female beneficiaries (Percentage)	0.00	0.00	0.00	52.00	52.00	52.00	52.00	52.00	52.00
Impact of citizen engagement on Project activities reported and disseminated (Yes/No)		No	No	No	No	No	No	No	Yes
<p><b>Action: This indicator is New</b></p> <p><i>Rationale:</i>  <i>This indicator will record the efforts that the project has made to respond to citizen feedback during implementation of this component, documenting responsiveness and impact.</i></p>									
<b>Transmission Meter/Data Center Upgrade</b>									
Number of medium voltage customers in	0.00	0.00	0.00	100.00	500.00	500.00	500.00	500.00	1,000.00



Indicator Name	DLI	Baseline	Intermediate Targets						End Target	
			1	2	3	4	5	6		
deregulated market (Number)										
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>Based on actual procurement and implementation plan. The revised target is derived from the technical assessment carried out under this component.</i>									
Installed OST meter (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,000.00	2,328.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>It is proposed to measure this indicator by the number of OST meters procured and installed directly under Power Recovery Project instead.</i>									
Installed OST data center (Text)		Not Operational	Not Operational	Not Operational	Not Operational	Not Operational	Not Operational	Not Operational	Not Operational	Operational
<b>Action: This indicator is New</b>	<b>Rationale:</b> <i>The OST data center is already operational starting in May 2019.</i>									
<b>Supporting Power Sector Reforms and Project Implementation</b>										
Debt-to-Capitalization Ratio of OShEE (shown), KESh and OST (Percentage)		300.00						60.00		60.00
<b>Action: This indicator has been Marked for Deletion</b>										



Indicator Name	DLI	Baseline	Intermediate Targets						End Target	
			1	2	3	4	5	6		
Debt to Equity Ratio of OShEE (shown), KESh and OST (Number)		0.10							1.60	1.60
OShEE monthly revenues used to pay for energy purchases to KESh and transmission fees to OST (Percentage)		40.00	50.00	85.00	95.00	95.00	100.00	100.00	100.00	100.00
Technical assistance initiated to support power sector reforms (Text)		No	On going	On going	On going	On going	On going	On going	Update of the Financial recovery plan provided	Update of the Financial recovery plan provided
<b>Action: This indicator has been Revised</b>	<p><b>Rationale:</b>  <i>It is proposed to revise the end targets to reflect TA activities directly supported under the Project. A number of activities originally planned under this component and elaborated in the Loan Agreement were carried out outside of the Project, including those supported by other development partners. See Section I (Table 1, Component 4) for details.</i></p>									



**The World Bank**

Power Recovery Project (P144029)

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**Annex**

A. Summary progress of physical activities under the project

Component 1 (Short Term Complementary Power Import Support)

- KESH completed procurement for three tranches of power import of 356,550 MWh valued at EUR 21.7m.
- No further disbursement of this component is expected

Component 2 (Upgrading Distribution Infrastructure)

- Of the original EUR 69.5m IBRD loan, about EUR 37m is now committed. OSHEE is expediting implementation through all activities with only one pending procurement packages (low-voltage balancing meters; estimated IBRD loan EUR 15m).

Remaining Activities	Status	Target Completion & Required Actions
Distribution feeder upgrade  [Contributing to PDO indicator “Electricity losses per year in the project area”]	25 out of 59 feeders completed (Sept 2019)  Goods & equipment already procured	32 feeders by Nov 2019 48 feeders by Nov 2020 59 feeders by Nov 2021 (last 11 feeders to be completed after Kombinat substation construction completion by May 2020.  - OSHEE set aside EUR 16.7m for installation contractors (confirmed Sept 2019).  - OSHEE allows and facilitates contractors to work 7 days per week (confirmed Sept 2019).
Single-phase meter installation  [Contributing to PDO indicator “Electricity	47,679 out of 120,000 meters installed (Sept 2019)	- All meters to be installed by Nov 2020  - The remaining 39,000 meters will be installed by OSHEE or outsourced to a contractor by December 2019



Remaining Activities	Status	Target Completion & Required Actions
losses per year in the project area”]	OSHEE contracted the installation of additional 41,813 meters (to be completed by March 2020)  Meters already procured	
Three-phase meter installation  [Contributing to Intermediate indicator “Number of medium voltage customers in deregulated market”]	6,650 out of 12,500 meters installed (Sept 2019)  Meters already procured	- All meters to be installed by Nov 2020  - At least 100 teams of OSHEE staff already assigned for installation. After this summer 2019, additional OSHEE staff will be assigned.
Billing system (S&I)  [Contributing to PDO indicator “Collection rate of distribution company”]	Installation completed on October 15, 2019.	- Operational acceptance test in November 2019.  - Contractor to be in Tirana for full support during the final 3 weeks of implementation.
Kombinat substation (S&I)  [Contributing to PDO indicator “Reliability of MV level at Tirana area” (original)]	Contractor mobilized and started work at site since April 26, 2019	- Construction to be completed by May 2020  - Close supervision by OSHEE - Timely payment to contractor - OSHEE and contractor to propose a plan to complete work earlier.



<b>Remaining Activities</b>	<b>Status</b>	<b>Target Completion &amp; Required Actions</b>
3 substations rehabilitation (S&I)  [Contributing to PDO indicator “Reliability of MV level at Tirana area” (original)]	Contract awarded and effective on September 16, 2019	- Work to be completed Nov 2020  - Close supervision by OSHEE - Timely payment to contractor - OSHEE and contractor to propose a plan to complete work earlier.
LV balancing meters (S&I)  [Contributing to PDO indicator “Electricity losses per year in the project area”]	Tender cancelled in September 2019 due to unresponsive bids received  Goods & equipment to be delivered by March 2020	- New tender to be launched and awarded by December 2019 - Work to be completed by September 2021  - Close supervision by OSHEE - Timely payment to contractor - OSHEE and contractor to propose a plan to complete work earlier.



Component 3 (Transmission Meter/Data Center Upgrade)

- Of the original EUR 14.95m IBRD loan, EUR 9.5m is now committed. There is one remaining activity-- OST Supervisory Control and Data Acquisition (SCADA) system extension— to be financed with an estimated IBRD loan EUR 2m.

Activities	Status	Target Completion & Required Actions
OST metering system installation (S&I)	787 out of 2,328 meters installed (Sept 2019)	1,830 meters by Nov 2019 (experiencing delay as of Sept 2019)  All 2,328 meters to be installed by May 2020.  - OST and contractor need to expedite obtaining work authorizations from customers.  - OST allows and facilitates contractors to work 7 days per week.
OST data center upgrade (S&I)	Completed in April 2019	Contract close out.
OST Supervisory Control and Data Acquisition (SCADA) system extension (S&I)	Bid was opened on August 7, 2019	- Bid award targeted for August 2019 (experiencing delay as bid evaluation is still underway as of mid-October 2019)  - Work to be completed in early 2021  - OST to finance remaining amount after Nov 2020 (revised project closing date)
TA for developing procedures for the	This TA was provided by IFC Advisory and	Another follow up TA on operationalizing the Albanian Balancing Market will now be carried out



<p>establishment of electricity market platform, for independent power producers and eligible customers among others.</p>	<p>complemented by the Bank under another Bank-executed TA Power Sector Implementation Support (P163393).</p>	<p>outside of PRP. This is due to time constraint as this TA could take at least two years to be delivered. Moreover, OST stated its intention to revise the TOR to avoid duplicating prior work.</p>
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