



1. Project Data :
OEDID: L3105
Project ID: P004917
Project Name: Third Ports Project
Country: Democratic and Popular Republic of Algeria
Sector: Ports & Waterways
L/C Number: L3105-AL
Partners involved :
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2. Project Objectives, Financing, Costs and Components :

Objectives i) strengthening economic viability of port sector investments, including through increased cost recovery; ii) improving planning and coordination of port activities; iii) assisting public port enterprises achieve financial viability and improve operational efficiency

Components i) development of container facilities at the ports of Algiers, Oran and Annaba (remodeling berths at Algiers, paving berth and other works in Oran, relocating quay in Annaba), including provision of specialized container-handling equipment; ii) construction of, and equipment for, a cereal silo at Annaba port; iii) training for operational staff, and iv) studies on cost accounting and port tariffs (both also including training) and facilities' needs.

Costs. Appraisal estimate: US\$128 million. Actual: Not available. The ICR only provides figure in current dinars. Comparison with appraisal is not possible because dinar during project period varied from 6.8 DA/dollar in 1989 to 58.6 DA/dollar in 1998.

Financing. The \$63 million Bank loan was estimated to cover the project's foreign exchange costs. The government and the port enterprises provided the remainder. Actual distribution of financing is not reported in the ICR. The Bank loan was approved on June 29, 1989, signed 15 months later, and closed on June 30, 1998, 30 months behind schedule. \$11.9 million was canceled in December 1997 to reflect deletion, due to excessive cost, of the silo component from the project.

3. Achievement of Relevant Objectives :

Although with significant delays, all the physical investments (except for the canceled silo) comprising civil works and procurement of equipment were carried out, and the new facilities are operational. On the institutional side, tariffs were raised substantially allowing the ports to significantly improve their financial performance. All studies were carried out and the recommendations are being implemented. Legal covenants were essentially complied with. The re-estimated economic return of the investments in Algiers (19 percent) and Oran (59 percent) are satisfactory and higher than estimated at appraisal (17 percent and 18 percent) mainly because of lower than estimated costs, measured in constant money. The ICR did not estimate the ERR at Annaba for lack of data.

4. Significant Achievements :

The investments were completed and became operational despite a sustained fragile security situation in the country and defection of foreign contractors. The port enterprises became autonomous during the project period. All financial performance indicators were better than called for in the loan documents, with working ratios in 1997 reaching 45% in Algiers (77% in 1990), 62% in Oran (200% in 1990), and 55% in Annaba (70% in 1990). The loan targets were 90% for Algiers, and 75% in the other two ports. Completion of water and sewerage along the container terminal greatly improved water quality in Algiers port, while other environmental actions helped rehabilitate ballast cleaning stations and included construction at Annaba of sites to dump dredging materials.

5. Significant Shortcomings :

The ERR for Annaba (which accounts for over 20% of project costs), not estimated in the ICR, is likely to be low, or even negative, because container traffic (measured in TEUs) was just a fraction of the economic analysis' forecast, on which project benefits were based. Until 1997, TEUs had never exceeded 5,100 per annum, while the appraisal

forecast assumed 23,000 in 1994 and 37,000 in year 2,000. The Annaba investment reveals weaknesses in planning. Another shortcoming of the project is the lack of operational performance targets, despite the fact that improving operational efficiency was a specific project objective. ICR figures showing number of containers (and tonnage) per port reflect demand but are not representative of operational efficiency. Inadequate assessment of resettlement requirements in Algiers and Annaba was a major contributing factor to implementation delays. Training failed, as it was limited to supplier-provided training on equipment handling.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Modest	Approximate similar ratings given different scales in ICR (3 levels) and OED review (4 levels).
Sustainability :	Likely	Uncertain	Container traffic in Annaba has been very low for several years, resulting in significant underutilization of the new facility and consequent shortfall in container revenues.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Unsatisfactory	

7. Lessons of Broad Applicability :

Of lessons listed in the ICR, the following deserve special mention : implementation schedule should take into account the Borrower's implementation capacity; land reclamation and resettlement issues need to be properly assessed during project preparation; training programs require strong borrower ownership

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR, while documenting implementation well and presenting a clear picture of the ports' financial situation, has several shortcomings: project cost is given in current DA only, which makes it impossible to compare with appraisal estimates; the same applies to project financing. The economic return for Annaba is not estimated, while the low container traffic strongly suggests that the return is unsatisfactory. The ICR does not contain the ICR mission Aide-Memoire, a standard ICR requirement, nor does it contain a plan for the operations (including targets and dates) for the terminals. Such plan would have been especially important to identify managerial actions to address and attempt to turn around the situation in Annaba. The ICR provides no indicators of operating efficiency, a key project objective.