



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/17/2001	
<b>PROJ ID:</b> P000758		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Calub Energy Dev. Project	<b>Project Costs (US\$M)</b>	130.81	13.62
<b>Country:</b> Ethiopia	<b>Loan/Credit (US\$M)</b>	74.31	13.62
<b>Sector(s):</b> Board: EMT - Oil and gas (90%), Roads and highways (7%), Central government administration (3%)	<b>Cofinancing (US\$M)</b>	29.31	n.a.
<b>L/C Number:</b> C2588; CP582			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> n.a.	<b>Closing Date</b>	12/31/2000	12/31/2000

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The objectives of the project were to :

- (i) improve the present unbalanced structure of energy supply in Ethiopia by increasing the availability of modern fuels;
- (ii) support economic growth by expanding petroleum supply from indigenous resources;
- (iii) contribute to the mitigation of peri-urban deforestation by inducing the replacement of woodfuels with Liquefied Petroleum Gas (LPG) and kerosene in urban households;
- (iv) develop the country's technical capacity to commercialize its fossil fuel resources; and
- (v) contribute to poverty alleviation through direct measures, induced economic activity and through the development of Ethiopia's remote south-eastern region.

**b. Components**

**Commercial Component:** This component centered around the Calub Company and involved completion of existing wells on the Calub gas field, construction of a processing plant and ancillary facilities, and technical assistance for privatization promotion and supervision of construction and initial plant operation .

**Regional Development Component:** This component involved road rehabilitation, an environmental monitoring system, and a community development fund .

**Support Components:** The support components included :

- (i) Technical Assistance to the Ministry of Mines and Energy (MME);
- (ii) Market support and interfuel substitution;
- (iii) Poverty Alleviation Credit Scheme;
- (iv) Studies on (a) *Petroleum Pricing and Marketing Structure*, (b) *Electrification of Selected Urban Centers around Calub*, and (c) *Second Phase Exploitation of Calub Deposit*.

**c. Comments on Project Cost, Financing and Dates**

**Project Cost:** Of the planned Bank credit of US\$ 74.31million, only US\$ 13.62 million was utilized.

**Financing:** IDA credit was the main source of finance .

**Dates:** The project closed as scheduled on 12/31/2000.

**3. Achievement of Relevant Objectives:**

- (i) **Improve the present unbalanced structure of energy supply in Ethiopia by increasing the availability of modern fuels:** *Not Achieved.* The task of bringing the Calub field into commercial production was divided into three phases -- Phase I: well completion, bid document preparation, and assisting in bid evaluation; Phase II : supervision of well completion, and Phase III: management of the early stages of the resulting commercial production . Phase I and II were completed but Phase III was discontinued . Under a contract for gas plant design and supervision, review of feasibility report and bid evaluation was completed but supervision during plant construction was suspended .
- (ii) **Support economic growth by expanding petroleum supply from indigenous resources** : *Not Achieved.* The Calub Gas Share Company which was established to manage and operate the gas extraction and processing plant at

Calub did not attract private sector interest during the project . The government did not show enough interest in the Bank's help for preparing a prospectus or evaluating existing bids . Towards the end of the project, the Government of Ethiopia (GOE) began negotiating with a private company (SICOR) on its own and independently of the project, of which the final outcome is not mentioned in the ICR .

(iii) **Contribute to the mitigation of peri -urban deforestation by inducing the replacement of woodfuels with Liquefied Petroleum Gas (LPG) and kerosene in urban households** : *Partly Achieved*. Efficiency/performance tests were performed on cooking stoves, and local manufacturing capacity was assessed . A public awareness campaign on large scale and efficient use of LPG was conducted in three major towns .

(iv) **Develop the country's technical capacity to commercialize its fossil fuel resources** : *Partly Achieved*. The Project Implementation Task Force (PITF) Secretariat was put in place, and the development studies supervised by the secretariat were completed . Twenty-three geological staff were trained under petroleum exploration promotion, and a final comprehensive petroleum evaluation report was submitted to the MME in September 1998 . A final report on a large-scale gas development study was submitted to the government but the study's implementation and recommendations are not likely to be given precedence . The implementation of the petroleum pricing and market structure study was delayed due to the privatization process . The Calub regional electrification study was suspended.

(v) **Contribute to poverty alleviation through direct measures, induced economic activity and through the development of Ethiopia's remote south -eastern region** : *Not Achieved*. The Harrar-Shilabo road rehabilitation and maintenance was only partly concluded . AT the close of year 2000, only 180 km of road rehabilitation had been accomplished out of a proposed 571 km. The Government financed the community development fund but did not pursue this activity after the decision to privatize Calub . The proposed Environmental Monitoring Plan was not implemented due to the government's unwillingness to take on the task .

#### 4. Significant Outcomes/Impacts:

#### 5. Significant Shortcomings (including non-compliance with safeguard policies):

- The performance of the Bank in assessing the quality at entry was not satisfactory .
- The project design was complex and considerably beyond the ability of GOE to implement .
- Supervision ratings were too optimistic, giving the wrong signals on the viability of the project .
- GOE did not live up to its commitments .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Unsatisfactory	Unsatisfactory	
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Unlikely	Unlikely	
<b>Bank Performance :</b>	Unsatisfactory	Unsatisfactory	
<b>Borrower Perf .:</b>	Unsatisfactory	Unsatisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

- Governments often find it difficult to allow public utilities to function independently because of intense political pressures. Projects involving public utilities must account adequately for this .
- Implementation targets should be reset as soon as it becomes clear that government commitment is diminishing .

#### 8. Assessment Recommended? Yes No

**Why?** This project underperformed due to significant shortcomings on the part of the Bank as well as the Borrower, compounded by the complex political and institutional environment in the country . A closer look at the factors that led to the poor performance of the project can yield valuable lessons for designing other projects in future.

#### 9. Comments on Quality of ICR:

The ICR covers all relevant issues . However, there are inconsistencies in presenting financial data between the SAR and the ICR. And in the Annex to the ICR, project costs are confused with project financing and credit amounts, and the information is limited to IDA financed items .