



1. Project Data :
OEDID: C2408
Project ID: P000647
Project Name: Petroleum Technical Assistance 2
Country: Equatorial Guinea
Sector: Oil & Gas Exploration & Development
L/C Number: Credit 2408-EG
Partners involved :
Prepared by: Alain A. Barbu, OEDST
Reviewed by: Hernan Levy
Group Manager: Roger H. Slade
Date Posted: 06/25/1998

2. Project Objectives, Financing, Costs and Components :
 The project, supported by a credit for US\$2.4 million equivalent, was approved in FY93. The loan was fully disbursed and closed in FY97 as scheduled. Actual project cost was about US\$2.6 million, in line with appraisal estimate. Primary project objectives were to: (i) help Government ensure optimal production, and maximize long-term revenues, from Alba oil field (operated by a foreign oil company); (ii) identify potential uses for gas produced in Alba; (iii) improve the country's legal and contractual framework for exploration and production; and (iv) strengthen Government's capacity to monitor oil companies' activities. Other objectives included: (i) improve overall efficiency of country's energy institutions (particularly in procurement and pricing of petroleum products); and (ii) ensure more transparency in the accounting and use of oil revenues. To this end, project included a series of related studies and technical assistance activities by foreign consultants, as well as training of Ministry of Mines and Energy (MME) staff and expenditures on building and vehicles. These objectives were fully relevant at the time of appraisal, given the importance of oil revenues for the country's economy (oil has since become even more critical to Equatorial Guinea with the discovery in 1995 of the Zafiro field, whose production is to reach 120,000 BOPD shortly).

3. Achievement of Relevant Objectives :
 Primary objectives were only partially achieved. Most project activities were implemented but their impact has been limited, due primarily to a lack of Government commitment: in particular, the (unbalanced) contractual terms for the exploration of the Alba field remain in effect (the implicit goal of the Bank's assistance was to help the Government renegotiate those terms), a draft revised hydrocarbon law has yet to be enacted, petroleum products supply and pricing arrangements remain inadequate, and the full incorporation of oil revenues in the country's budget does not appear to have taken place.

4. Significant Achievements :
 On the positive side, the Government appears to have made use of Bank-financed studies and TA in successfully renegotiating contractual terms for the (much bigger) Zafiro field. Technical studies also appear to have played a role in the two foreign companies improving reservoir and environmental management in their respective fields. The studies' recommendations for optimal use of the Alba gas (via LPG extraction, power production and field gas reinjection) have recently been acted upon. And training of local staff (both Bank-financed and oil company-sponsored) has clearly enhanced Government's ability to interact with foreign operators on technical matters.

5. Significant Shortcomings :
 The work of the consultants and the contribution of Bank staff during much of project implementation was hindered by Government's reluctance to share information (allegedly due to confidentiality concerns), undercutting the primary objectives of this technical assistance operation. As mentioned in 3, major policy issues remain outstanding. Relationship between Borrower and Bank staff is reported to have been tense at times, possibly due in part to poor overall Bank-country relations (all disbursements were suspended on several occasions).

--	--	--	--

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Marginally Unsatisfactory	Primary objectives partially achieved; poorest performance was on achievement of objectives which were clearly secondary in relative terms considering the nature of this TA operation (e.g. petroleum products policy, budgeting of oil revenues)
Institutional Dev .:	Partial	Modest	Narrow institution-building impact was probably substantial but policy impact was modest at best
Sustainability :	Likely	Uncertain	Limited institutional capacity gains from project will only be realized if Government addresses above-mentioned policy issues. There is a real risk that substantially increased fiscal revenues from Zafiro oil will act as a disincentive to a more transparent management of the sector.
Bank Performance :	Deficient	Unsatisfactory	Clear misreading of Government's commitment to fundamental objectives of project
Borrower Perf .:	Deficient	Unsatisfactory	
Quality of ICR :		Exemplary	

7. Lessons of Broad Applicability :

Most obvious lesson: Borrower's commitment to basic project objectives and willingness to share relevant information is a prerequisite for any TA project aiming at supporting Government in its dealing with private sector . Another lesson is that expecting progress on fundamental policy issues (e.g. petroleum products supply and pricing and more transparent accounting of oil revenues) in the context of a TA project is probably unrealistic, particularly when they are peripheral to the stated objectives of the project . Such issues are best addressed in the context of adjustment operations.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

Exemplary. Includes all required information (incl. aide-memoire, etc.) as well as a thorough and candid analysis of project achievements and factors of performance .