



1. Project Data :
OEDID: L3395
Project ID: P004952
Project Name: First Petroleum
Country: Algeria
Sector: Oil & Gas Exploration & Development
L/C Number: Loan 3395-AL
Partners involved : Japan Eximbank, France CED
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2. Project Objectives, Financing, Costs and Components :

The project sought to : (i) help the GOA and Sonatrach attract exploration and development by International Oil Companies (IOC); (ii) improve the efficiency of petroleum services e.g. drilling; (iii) help optimise oil and gas production through enhanced recovery; (iv) address environmental problems related to drilling and production and (v) help mobilize cofinancing. The latest estimate for project cost and cofinancing were US\$ 200 million and 83.5 million respectively; the Bank loan was US\$ 100 million but 12.4% went undisbursed and was cancelled. The components were four: (a) assistance for promotion of exploration acreage; (b) TA and training in drilling supervision and (c) in corporate management and environmental protection and (d) enhanced oil recovery projects and related studies (67 % of total cost).

3. Achievement of Relevant Objectives :

Most objectives were met and Sonatrach complied with all key (financial) covenants. All but a few components were completed with high efficiency.

4. Significant Achievements :

Enhanced oil recovery in the two targeted major fields will yield some 22 million tons of crude with an economic rate of return of 60 to 80%, close to expectations at appraisal. Operational efficiency, management and finance have been strengthened in Sonatrach. Before loan closing, exploration and production contracts have been signed with over 20 IOCs around the world, mostly in the EU and the USA.

5. Significant Shortcomings :

Four basin studies are yet to be completed. Studies on sector organisation and the environment have yet to make an impact on sector structure and operations. Sonatrach's accounting practices are not up to international standards.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Partial	Substantial	Though ID objectives were not very ambitious, the results achieved and the help provide by the Bank during preparation created a solid basis for the sector's opening to IOCs.
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

- The Bank did well at the outset to (i) involve staff with high professional credibility, (ii) set realistic and clear conditionalities and (iii) hold up appraisal until borrower's commitment was secured; complying with this golden rule is especially important when engaging for the first time a skeptical, sophisticated and powerful beneficiary like Sonatrach.

- A lot can be achieved within the current Bank policy framework for the sector which privileges PSD for the sector (OMS 3.80) even in countries where petroleum production is state controlled provided the stakes are worth the Bank efforts i.e. sector is large and key to economic development as evidenced by our record here, in China and other similar countries.

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR :

The ICR includes a completion Aide Memoire and a full Borrower's assessment but no contribution by the cofinanciers; it is analytically sound and includes key information except .: (i) calendar of supervision missions and (ii) data on the opening up of the sector which is essential to assessing project impact but had to be obtained from press briefs by this OED. The section on lessons learned is weak.