



1. Project Data :
OEDID: L3418
Project ID: P005735
Project Name: Gas Infrastructure Development
Country: Tunisia
Sector: Oil & Gas Transportation
L/C Number: Loan 3418-TUN
Partners involved : none
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2. Project Objectives, Financing, Costs and Components :
The project objectives were to develop a gas infrastructure network in southern Tunisia to facilitate domestic gas field development, to promote increased penetration of natural gas into the industrial and premium fuels markets; to establish a modern pipeline control system (SCADA), and to strengthen the financial structure of Tunisia's state owned gas and electricity enterprise (STEG). The components were (i) 240 km of 20 inch trunk pipeline between north and south of country; (ii) expansion of consumer connections, metering and regulating stations along the pipeline; and additions to the existing pipeline network of Tunis. The project was financed 60% by a Bank loan and 40% by STEG internally generated funds.

3. Achievement of Relevant Objectives :
The physical objectives related to increasing Tunisia's gas pipeline infrastructure capacity were effectively and efficiently met. The institutional objectives of improving the financial condition of the power generation /distribution arm of STEG were not met.

4. Significant Achievements :
The pipeline was installed at less than appraisal costs, due to lower than anticipated bids for its construction. The pipeline was efficiently built and is being operated efficiently .

5. Significant Shortcomings :
There was insufficient attention paid to expanding connections to major potential gas consumers, and as a result, only four of the fourteen proposed industries were converted from liquid fuels to gas, and they fully financed their own conversion . No project funds were used for this purpose . The Government was unwilling to meet its covenanted commitment to increase power tariffs to an economic level .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Modest	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :
The project failed to provide a framework within which private sector power projects could be developed and provided little incentive for the STEG to expand gas sales to industry . Both issues could have been address more effectively if the sector dialogue have focused on unbundling the gas transmission activities

of STEG from the power generation activities. This would have (i) eliminated the cross subsidization (from gas sales to power sales), which allowed the Government to avoid increasing power tariffs; (ii) increased the gas company's interest in expanding its consumer connections; (iii) provided an institutional setting where private power companies could have bid for new generation facilities on a even footing with the STEG power generation company.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR was of acceptable quality. It could have been improved by by pointing out that supervision missions did not consider lack of compliance with tariff covenant to be important to lower covenant compliance to unsatisfactory until late in 1996, even though it was inadequate starting about two years earlier.