**Petroleum exploration technical assistance project**

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Kenya: Petroleum Exploration Technical Assistance Project (Credit 1675-KE)

The Implementation Completion Report (ICR) on the Kenya Petroleum Exploration Technical Assistance Project (Credit 1675-KE, approved in FY86), prepared by the Africa Regional Office, with Part II prepared by the Borrower, was reviewed by the Operations Evaluation Department (OED). The loan of US$6.0 million for this project was fully disbursed and closed on December 31, 1993, two years behind schedule.

This was the second Bank operation with a major component supporting the Government of Kenya's petroleum

exploration promotion objectives. The objectives of the project were: (i) to continue to support the Government's efforts to increase the level of petroleum exploration activity in Kenya; and (ii) to help find ways to improve the efficiency of the supply and distribution of petroleum products. The first objective was to be accomplished through (i) improving the capacity of the National Oil Company of Kenya (NOCK) to acquire, process and store geophysical and geochemical data needed for promoting exploration acreage ; (ii) technical assistance and training to strengthen the capability of NOCK to monitor ongoing oil company activities; and (iii) technical, legal (contractual), and organizational support for NOCK to implement the third round of exploration acreage promotion meetings. The second objective was to be accomplished through the carrying out of a study of alternative ways to supply and distribute petroleum products.

Project implementation was uneven, and the results to date have been disappointing. The project components related to petroleum exploration promotion were implemented, but the new information was insufficient to attract new exploration undertakings. However, some of the companies already active in Kenya did extend their contracts and expand their investment commitments. As a result of the paucity of new geological information, and the non-availability of some concession areas (since they were still under contract to existing groups), the third round of international promotions, carried out in 1990, failed to lead to any new exploration activity. Exploration activities initiated as a result of earlier efforts were completed without producing any commercially exploitable discoveries, and the last active concession areas were relinquished in early 1994. The study on ways to improve the supply of petroleum products was not implemented. On the positive side, the institutional strengthening components were highly successful. The technical assistance and training did, however, greatly strengthened NOCK's ability to monitor oil company exploration activities. It has also established the capacity to implement their new strategy to attract new international exploration activity by producing detailed, integrated analyses of the petroleum potential of smaller basins which, it is hoped, will attract smaller foreign oil companies to take new exploration concessions in the future. This program is still in progress, and a number of smaller oil companies have expressed at least preliminary interest.

OED rates project outcome as unsatisfactory (instead of satisfactory in the ICR), primarily because the project achievements were negligible for two of the three project objectives (increased exploration activities by international oil companies and improvement in the supply and distribution efficiency of petroleum projects). Sustainability is rated as uncertain (instead of likely in the ICR), because continued funding for the promotion activities is uncertain. The institutional development impact is rated as moderate (instead of substantial in the ICR). Bank performance is rated as unsatisfactory, as in the ICR.

The ICR covers all important aspects of project implementation; it is rated satisfactory.

The lessons learned from this project are: first, that international promotion seminars can be counterproductive if they are unable to provide sufficient technical material to demonstrate that the promoted exploration blocks have an attractive undeveloped potential; and second, that if a study is considered important enough to be included in the project's legal documentation, and conditions have not changed to reduce the importance of the study, Bank staff should insist that it be carried out. The project may be audited.