

AFRICAN DEVELOPMENT BANK



PROJECT: SUPPORT PROJECT FOR THE DEVELOPMENT OF VALUE CHAINS IN THE FISHERIES AND AQUACULTURE SECTOR (PASPA)

COUNTRY : REPUBLIC OF EQUATORIAL GUINEA

APPRAISAL REPORT

Date : May 2019

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Translated Document

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Currency Equivalents (April 2019)

Currency Unit	=	CFAF
UA 1	=	CFAF 810.533
UA 1	=	USD 1.388
UA 1	=	EUR 1.236

Fiscal Year 1 January – 31 December

Weights and Measures

1 tonne	=	2204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 meter (m)	=	3.28 feet
1 millimeter (mm)	=	0.03937 inch
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ABEDA	:	Arab Bank for Economic Development in Africa
AfDB	:	African Development Bank
BANGE	:	National Bank of Equatorial Guinea
CSP	:	Country Strategy Paper
ECCAS	:	Economic Community of Central African States
EEZ	:	Exclusive Economic Zone
EPMU	:	External Project Monitoring Unit
ESMP	:	Environmental and Social Management Plan
EU	:	European Union
FAO	:	(United Nations) Food and Agriculture Organization
FAPA	:	African Private Sector Assistance Fund
GDP	:	Gross Domestic Product
ICCAT	:	International Commission for the Conservation of Atlantic Tunas
ILO	:	International Labour Office
INCOMA	:	Institute of Environmental Conservation
INEGE	:	National Institute of Statistics in Equatorial Guinea
MAFE	:	Ministry of Agriculture, Forestry and the Environment
MEFP	:	Ministry of Economy, Finance and Planning
MPRH	:	Ministry of Fisheries and Hydraulic Resources
MSME	:	Micro, Small and Medium Enterprises
PANA	:	National Adaptation Action Plan
PASPA	:	Support Project for the Development of Value Chains in the Fisheries
and		Aquaculture Sector
PDSP	:	Fishing Sector Master Plan
PIU	:	Project Implementation Unit
PNDES	:	National Economic and Social Development Plan
PNSA	:	National Food Security Programme
PSPGE	:	Equatorial Guinea's Strategic Plan for Fisheries
REG	:	Republic of Equatorial Guinea
SONAPESCA	:	National Maritime Fisheries Corporation
UA	:	Unit of Account
VTC	:	Vocational Training Centre

Project Information Sheet

Client Information

BORROWER	:	Republic of Equatorial Guinea
EXECUTING AGENCY	:	Ministry of Fisheries and Hydraulic Resources

Financing Plan

Source	Amount (EUR M)	Amount (UAM)	Instrument
AfDB	55.518	44.931	Loan
Government	14.450	11.694	Own Resources
TOTAL COST	69.968	56.625	

Key AfDB Loan financial information

Loan currency :	Euros (EUR) [or any other acceptable currency]
Loan type :	Fully flexible loan (FFL)
Maturity:	25 years
Grace period:	8 years
Average maturity **:	12.75 years
Repayments:	Thirty (30) half yearly payments at end of grace period
Interest Rate:	Base rate + Funding margin + Lending spread + Maturity premium This interest rate must be greater than or equal to Zero
Base rate:	Floating (EURIBOR 6 months revised every 1st February and 1st August) A free option is available to set the base rate
Funding Margin :	The Bank's funding margin revised every 1st January and 1st July and applied every 1st February and 1st August with the base rate
Lending Spread:	80 basis points (0.8%)
Maturity Premium:	0
Front-End Fee:	0.25% of loan amount
Commitment Fee:	0.25% per year of non-disbursed. It begins to run 60 days after the loan agreement signature date and is payable on the payment dates

Duration – Key milestones (expected)

Concept Note Approval	4 April 2019
Project Approval	10 July 2019
Effectiveness	30 December 2019
Completion	31 December 2024
End of Loan	30 June 2025

Project Summary

Project Overview : Having become aware of its strong dependence on the oil sector, the Republic of Equatorial Guinea (REG) in 2007 launched its Agenda for the Diversification of Sources of Growth, dubbed "Equatorial Guinea 2020". To realize its economic transformation strategy in which the fisheries and aquaculture sector plays a pivotal role, the Government needs substantial investments to address the challenge of the sector's structural transformation and increase its contribution to the national economy, improved food and nutritional security, the creation of new jobs and improved living conditions of the population. This Support Project for the Development of Value Chains in the Fisheries and Aquaculture Sector (PASPA) falls within this framework and proposes to increase and enhance fish production through sustainable development of industrial fishing, artisanal fishing and aquaculture, and to strengthen the drinking water and sanitation infrastructure. This will ultimately help improve fish supply to the domestic market, reduce imports, export to countries of the sub-region, increase incomes and improve youth employability as well as drinking water and sanitation access.

PASPA, which will cost EUR 69.968 million, will be implemented over a 5-year period in partnership with the ILO, particularly for the stakeholder capacity building component. It targets the development of value chains (production-conservation-processing-marketing) for artisanal and industrial fishing as well as production areas for aquaculture based on the identification studies confirmed by the State of Equatorial Guinea and its partners, the scale of fish demand, existing private initiatives and job niches. The project area is home to 75% of the country's total population, i.e. 923,393 inhabitants of which 80% will be direct and indirect beneficiaries. The project also aims to directly support 500 micro, small and medium enterprises (MSMEs) and 300 cooperatives, and to provide targeted support to sector stakeholders, namely young students, and female and male entrepreneurs both new and established. In total, more than 15,000 direct and indirect jobs will be created, including at least 70% for women and youth.

The expected key project outcomes are: (i) rehabilitation of basic infrastructure (landing stages, conservation, fish processing/smoking and sale units, aquaculture ponds, fishing equipment sales centres, boreholes and latrines) with appropriate equipment (cold stores, ice factories, refrigerated trucks, etc.); (ii) development of public-private partnerships for the value chains of aquatic products; (iii) facilitation of the emergence of a national private sector; (iv) establishment of a training system meeting the sector's workforce and trades needs; (v) promotion of 500 young entrepreneurs and organisation/training of 300 cooperatives; (vi) establishment of beneficiary follow-up/support/mentorship and support for the award of bank loans; (vii) provision of reliable and disaggregated sector-related information to support State and private level decision-making; (viii) provision of drinking water and sanitation infrastructure; and (ix) proposal of national policy and strategic incentives to foster youth entrepreneurship in the sector. To ensure ownership of the outputs and their sustainability, public fisheries and aquaculture infrastructure will be managed by private developers in the form of leasing with specifications defining the terms and conditions of operation, management and maintenance. Boreholes and latrines will be maintained by management committees formed among the beneficiaries and trained for this purpose. Major repairs will be borne by the State budget.

Needs Assessment: Equatorial Guinea's economy is marked, among many others, by massive foodstuff imports for consumption by the population. In this regard, frozen fish imports reached approximately CFAF 11 billion in 2017. This trade balance tension is on the uptrend with the annual growth rate of imported quantities averaging 9.5% between 2013 and 2018. Despite its significant exploitable fishing potential estimated at around 74,000 tonnes of fish and 600

tonnes of crustaceans, current domestic production is inadequate (0.7% of this potential). To remedy this situation, the Government has set out the transformation of the fisheries and aquaculture sector in its strategic policies. It is one of the national economic growth and diversification poles. However, this sector's development is plagued by multiple constraints, namely: (i) lack of strong marketing channels, (ii) lack of training of fishermen in methods of conservation, processing and marketing of fish products, and of related infrastructure; (iii) poor organization of cooperatives and lack of opportunities owing to unstructured value chains, (iv) skills mismatch; (v) under-productivity of sector enterprises and shortage of skilled labour, and (vi) unattractiveness to the private sector. The project will also contribute towards resolving the issue of limited rural access to basic social services (water and sanitation particularly, with access rates of 47.9% and 74.5 % respectively). The needs to be addressed by PASPA were assessed on the basis of the guidelines of the Strategic Plan for Fisheries (PSPGE) 2016-2020 and the consultations conducted during the formulation missions with all the actors of the sector.

Bank's Value-Added: PASPA, through the improvement of fisheries and aquaculture infrastructure and the capacity building of sector stakeholders, forms part of the priorities which were jointly adopted under the Country Strategy Paper (CSP) 2018-2022 and align with the proposed approach of supporting the Government in its strategy of diversification of the national economy. It is consistent with the Bank's Strategy for Agricultural Transformation in Africa 2016-2025 and linked to the Human Capital Strategy (2014-2018) currently being extended, the Gender Strategy, the Jobs for Youth in Africa Strategy 2016-2025, and the Multisectoral Nutrition Action Plan 2018-2025. It will contribute towards achieving three (3) of the Bank's five (5) strategic priorities (Hi'5s), namely "*Feed Africa*", "*Industrialize Africa*" and "*Improve the quality of life for the people of Africa*". In addition, the project's guidelines are consistent with the Bank's Ten-Year Strategy (2013-2022), notably the goal of inclusive growth by involving producers and cooperatives in private initiative, and also with the thrusts of the Bank's new Strategy in the aquaculture sector, which places a premium on the promotion of value chains, the national private sector and Public-Private Partnerships.

Knowledge Building: By establishing an appropriate monitoring and evaluation system, PASPA will generate relevant information on the impact of the infrastructure that will be put in place and/or rehabilitated (fishing and aquaculture; and sanitation) and capacity building of sector stakeholders. The various activities aimed at improving the service provision of key actors and closing the gap in terms of improving the employability and productivity of the sector will not only help improve and consolidate knowledge on the sectors concerned, but also build reliable information systems that will enable the Bank to draw relevant lessons for future operations and consolidate its position as a key player in development support.

Results-Based Logical Framework

REG- SUPPORT PROJECT FOR THE DEVELOPMENT OF VALUE CHAINS IN THE FISHERIES AND ACQUACULTURE SECTOR (PASPA)						
Project goal : Contribute towards improved food security and living conditions of the target communities by promoting the value chains of the fisheries and aquaculture sector						
<i>RÉSULTS CHAÎN</i>		<i>PERFORMANCE INDICATORS</i>			<i>MEANS OF VÉRIFICATION</i>	<i>RISKS/ MITIGATION MEASURES</i>
		<i>Indicator</i>	<i>Baseline situation</i>	<i>Target</i>		
<i>IMPACT</i>						
	Contribute to a diversified, inclusive and sustainable economy	% Contribution of fisheries sector to GDP Value of fishery product imports Poverty rate	<u>In 2018</u> <0.5% CFAF 11billion 43.7%	<u>In 2030</u> 5% < CFAF 5 billion 38%	- Statistical yearbooks - Economic Accounts (INEGE)	
<i>OUTCOMES</i>	1. Increased fish productions 2. Viable and competitive MSMEs created in the value chains of the fisheries sector 3. Reduced chronic malnutrition 4. Improved living conditions of beneficiaries	1. Annual fish production: - Artisanal fishing (in tonnes) - Aquaculture (in tonnes) - Industrial fishing (tonnes) 2. Number of viable and competitive MSMEs 3. Chronic malnutrition rate 4.1 Additional direct and indirect employment, at least 70% for women and youth 4.2 Additional annual income of the cooperator / pilot farm (in millions FCFA) - Artisanal fishing - Aquaculture (large site, medium site) - Industrial fishing 4.3 Number of additional households with drinking water supply	<u>In 2018</u> 8 000 15 650 NA 26% 0 29.8 NA NA 0	<u>In 2024</u> 22 400 4 091 1 300 500 20% 15 000/9 000 119.8 1 541/804 724.5 2125	- WHO Reports - INEGE Reports - MPRH Statistical Reports	<u>Risks:</u> 1-Low availability of local skilled labour 2-Low membership/ownership by beneficiaries <u>Mitigation measures :</u> 1-Capacity building actions of the training structures and review of the curricula is taken into account by the project 2-1 Sensitisation and involvement of beneficiaries in the project design and implementation 2-2 Structuring, organization and training of actors involved in the project
<i>OUTPUTS</i>	<u>Component 1: Improving access to fisheries, aquaculture and drinking water supply infrastructure</u> <u>Industrial fishing</u> 1.1 Cold stores rehabilitated in Bata and Malabo and operational 1.2 Landing stages at Luba Port and Bomé (Bata) rehabilitated and operational 1.3 Fishing vessel acquired and managed in PPP 1.4 SONAPESCA fish marketing centre in ElaNguema rehabilitated and equipped <u>Artisanal fishing</u> 1.5 Fishing equipment sales centres built and equipped 1.6 Acquisition of fishing equipment 1.7 Rehabilitated landing stages (Training Centres at Bibida and ElaNguema) 1.8 Preservation, processing and sale of fish in Annobón set up and operational 1.9 Fiston fish market in ElaNguema rehabilitated and equipped 1.10 Fish and water Quality Control Laboratories built and operational in Bata and Malabo <u>Aquaculture</u> 1.11 pilot farms supported 1.12 Developed and operational aquaculture sites in PPP 1.13 Fish Presevation, Processing and Sale Unit in Kiosi Established and Operational <u>Drinking water supply</u> 1.14 DWS boreholes created 1.15 Latrine blocks created	1.1 Number of cold stores rehabilitated 1.2 Number of landing stages rehabilitated 1.3 Number of concession contracts signed 1.4 Number of operational centres 1.5 Number of central purchasing 1.6 Number of acquirers fishing gear 1.7 Rehabilitated landing stages 1.8 Number of operational units 1.9 Number of fish markets 1.10 Number of operational laboratories 1.11 Number of pilot farms 1.12 Number of PPP managed sites 1.13 Number of boreholes created and equipped 1.14 Number of latrines created	0 0 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	4 2 2 1 2 480 2 1 1 2 3 4 50 150	<u>Sources :</u> Miscellaneous reports (Periodic project progress, inspection firm, MPRH and other technical structures and supervision mission)	<u>Risks :</u> 1-Low level of maintenance of fishing infrastructure and equipment, and of grassroots community participation 2- Non-contribution by beneficiary populations to the management and maintenance of drinking water facilities 3-Delay in carrying out work due to weak capacity of the contractors 4-Low attractiveness to the private operators <u>Mitigation measures :</u> 1-1-Concession of the management of infrastructures and fishing equipment to private operators 1-2- Beneficiary sensitisation and involvement in project design and implementation for better ownership 2-1- Creation of an impres to cover breakdowns

OUTPUTS	2. Capacity building of fisheries and aquaculture sector stakeholders	2.1 Number of organised/structured groupings/cooperatives including 40% women	130	300	Sources : Miscellaneous reports (Periodic project progress, inspection firm, MPRH and other technical structures and supervision mission)	2-2-Adoption of contribution levels acceptable to communities to ensure the maintenance of the facilities.
	2.1 Effective organisation/structuring of artisanal fishermen in groups/cooperatives	2.2 Number of statistical reports prepared	0	1/year		3-1-Establishment of an international TA to improve contractor selection
	2.2 Sustainable/Operational information system for the Fisheries/Aquaculture Sector	2.3 Number of credits granted, of which 40% to women	0	400/160		4-1-Strengthening the managerial capacities of all entities involved
	2.3 Fishermen's access to credit made easy	2.4 Number of entrepreneurial initiatives developed	0	500		4-2-Creating a self-promotion capacity for entrepreneurship in fisheries and aquaculture value chains through the Skills Building Program
	2.4 Entrepreneurial initiatives developed	2.5 Number of youth trained	0	1500 of whom 30 % women		
	2.5 Youth trained in sustainable fishing and in business/cooperative management (CLE, TREE, CREE, GERME)	2.6 Number of jobs created/consolidated	0	3 000 of whom 30 % women		
	2.6 Decent and sustainable jobs created for youth and women from quality training structures	2.7.1 Number of structures supported	0			
	2.7 Training offers in fisheries sector trades (university and vocational training centre) adapted to the skilled labour needs in the sector and SMEs	2.7.2 Number of curricula developed and/or reviewed	0	3		
		2.7.3 Operational guidance system	0	15		
		2.7.4 No. of business plans finalized and financed upon leaving UNGE and VTC of Bidiba and Annobón	0	1		
	2.8 Groupings/Cooperatives/more young promoters organised and capacitated in organizational development and business management	2.8 Number of groups/cooperatives	0	300		
	2.9 Agreements for the management of PPP fishing infrastructure signed	2.9 Number of PPPs and signed agreements	0	15		
	2.10 Higher education scholarships awarded	2.10 Number of scholarships of which 30% for women	0	40		
	2.11 University teachers trained in fisheries sub-sectors and value chains	2.11 Number of teachers trained, 30% women	0	20		
	2.12. Officials of line ministries and partner structures trained in sector analysis, fishing techniques and business/cooperative management	2.12 Number of managers trained, 30% of whom are women	12	100		
	2.13. Anticipatory mechanism on fishing skills needs and trades available	2.13 Number of new jobs identified	0	20		
	2.14 Harmonized/Integrated Information System for Fishery Statistics is developed and operational	2.14 Operational Information System	0	1		
	2.15 Technical Assistance (TA) to implement the project are put in place	2.15 Technical assistance recruited	0	3*		
2.16 Awareness sessions/information on AIDS, nutrition, waterborne diseases conducted	2.16 Sessions held	0	20			
2.17 Cooperatives/Groups of women and youth, SMEs, traders trained in fishing methods, organizational development and management	2.17 Number of members of the groups/cooperatives formed	0	500			
2.18 Food consumption survey	2.18 Food consumption survey conducted	0	1			
KEY ACTIVITIES	Components		FINANCING (in UA million)			
	Component 1 : Improving access to fisheries, aquaculture and drinking water supply infrastructure: Support to industrial, artisanal fishing and aquaculture, DWS and Sanitation		Component Sources of financing			
	Component 2 : Capacity building of fisheries/aquaculture sector stakeholders: Development of Value Chains and youth entrepreneurship, training and awareness, organisational development, support for decision-making, etc.		Component 1 :41.768	AfDB (loan) : 44.931 (79 %)		
	Component 3 : Project management and coordination: Administrative, Accounting and Financial Management; procurement of goods and services, implementation of a communication plan; monitoring and evaluation; project audits; etc..		Component 2 : 7.515	GVT : 11.694 (21 %)		

* A firm for the technical assistance of the PIU, one for the organisation and training of the groups and structures involved and an individual technical assistant for the Hydraulic and Coastal Resources Department.

Project Implementation Schedule

Year		2019				2020				2021				2022				2023				2024				2025			
Quarter		Q2	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	T4
1 INITIAL ACTIVITIES																													
PASPA Financing Negotiations																													
AfDB loan approval																													
AfDB Loan Agreement Signed																													
Entry into force and satisfaction of conditions precedent to first disbursement																													
Publication of the General Procurement Notice																													
2 START-UP ACTIVITIES																													
Recruitment / appointment of PIU staff																													
Preparation of agreements and priority procurement files																													
PASPA launch mission																													
Procurement of goods for the PIU (vehicles, IT, furniture, etc.)																													
Signature of agreements with partner structures																													
3 IMPROVING ACCESS TO FISHERIES, AQUACULTURE AND DRINKING WATER SUPPLY INFRASTRUCTURE																													
Preparation of Fisheries/Aquaculture and Social Infrastructure Files																													
Fisheries/aquaculture and social infrastructure works including boreholes/latrines																													
Implementation of environmental management and monitoring plan																													
4 STAKEHOLDER CAPACITY BUILDING IN FISHERIES/AQUACULTURE SECTOR																													
Adaptation of training offer to the needs of the sector's relevant trades																													
Support to sector ministries and financial institutions involved																													
Improving the service delivery capacity of national private sector organizations																													
Support for organizational development and improvement of skills and service offerings of cooperatives/groups																													
Institutional support to the technical services involved and to the PIU																													
Training and retraining of technical staff																													
Support to the strategies of the ministries and entities involved																													
Rural activities/nutrition and health																													
5 PROJECT MANAGEMENT AND COORDINATION																													
Putting in place of management tools																													
Baseline situation and implementation of M&E system																													
Coordination, management, monitoring & evaluation and communication activities																													
Annual audit of accounts																													
Mid-term review																													
AfDB and Government Completion Report																													
Closing of the Project																													

REPUBLIC OF EQUATORIAL GUINEA
SUPPORT PROJECT FOR THE DEVELOPMENT OF VALUE CHAINS IN THE
FISHERIES AND ACQUACULTURE SECTORS(PASPA)

Management submits the present report and recommendations concerning a proposed *AfDB loan of EUR 55.518 million* to the Republic of Equatorial Guinea (REG), to finance the Support Project for the Development of Value Chains in the Fisheries and Aquaculture Sectors (PASPA).

I- STRATEGIC THRUST AND RATIONALE

1.1 Linkages with Country Strategy and Objectives

1.1.1 The REG's economy remains highly dependent on the hydrocarbons sector which contributes 44% of GDP despite the decline in oil prices and in domestic production over the past five years. Against this backdrop, the REG Government in 2007 launched its Agenda for the Diversification of Sources of Growth, dubbed "Equatorial Guinea 2020". Within this strategy, the fisheries and aquaculture sector, characterized by its minimal contribution to the national economy (0.2% of GDP between 2014 and 2018), is identified as one of the four pillars capable of contributing to such diversification of Equatorial Guinea's economy. However, despite the REG's vast fishing area (314,000 km² of Exclusive Economic Zone-EEZ, 644 km of coastline, numerous bays, rivers and mangroves) and its exploitable fishing potential estimated at about 74,000 tonnes of fish and 600 tonnes of crustaceans, current production averages merely around 5,000 tonnes (0.7%), of which industrial fishing represents 350 tonnes. As this domestic production falls short of the country's consumption needs, substantial quantities of frozen fish are imported annually, particularly from Spain, Mauritania and Senegal. The value of frozen fish imports stood at around CFAF 11 billion in 2017. This trade balance gap is worsening, with the annual growth rate of quantities imported averaging 9.5% between 2013 and 2018.

1.1.2 Fishery development coupled with the infrastructure already constructed (the ports of Malabo, Luba, Bata and Mbini), could significantly reduce annual frozen fish imports and fetch export earnings, with the possibility for the REG to become a key fishery products supplier both for the domestic market and for neighbouring countries (Cameroon and Gabon), which are also net importers of fish. Accordingly, the sector's adopted objective is "to make the REG a reference platform for fisheries products and aquaculture in the Central Africa sub-region". Furthermore, the absorption of the 25,000 to 50,000 youth expected to enter the labour market each year between 2018 and 2020 is among the REG's foremost challenges. About 60% of the population is aged below 25 and 40% of the working population is under 35 years of age. This population is facing labour underutilization (youth unemployment rate of 15.5% in 2017) and a high incidence of unsteady jobs (job vulnerability rate of 35.6% in 2017); hence the need to diversify the economy and promote the creation of sustainable jobs. However, most youth are unskilled, do not meet the labour market entry criteria and have no access to information on job opportunities. Similarly, technical and vocational education is dysfunctional on several levels, notably inadequate training programmes not meeting market or fisheries and aquaculture sector needs, and scarcity of teaching tools.

1.1.3 PASPA, whose objective is to contribute towards improving food security and the living conditions of the target populations through the promotion of value chains, is in line with the Strategic Plan for Fisheries 2016 -2020 which aims to stem import dependency and supply fish (fresh and smoked) to the REG's domestic market, particularly in the mainland hinterland. Also, it is in line with the different ongoing strategies, notably Phase II of the National Economic and Social Development Programme (PNDES 2012-2020) and the 2020 vision

which constitute the reference framework of the REG's economic and social policy. These strategies aim to diversify economic activity which constitutes a source of jobs and inclusive growth and improve food and nutrition security as well as the quality of life of all citizens. PASPA, which focuses on consolidating the productive base and establishing a development plan for fisheries and aquaculture value chains with the promotion and strengthening of MSMEs, and improving the vocational training and human capital offer, is in line with the said strategic thrusts.

1.2 Rationale for Bank Intervention

1.2.1 Due to the lack of a fleet (a single trawler recently acquired) industrial fishing in the country remains in its infancy representing merely 7% of current production. The bulk of artisanal fishing is family-run for subsistence or household consumption. There are no serious marketing channels. Aquaculture production remains marginal despite the existence of potential for its development. Besides these weaknesses in the three sub-sectors, the sector is notably unstructured, due mainly to the lack of support services (stakeholder support/advice and organization). These constraints upstream of production are compounded by difficulties accessing fishing equipment (high cost and lack of a suitable financing system) and aquaculture inputs (fry and fish feed) and also the lack of appropriate means of transportation to supply urban and domestic markets. The poor performance of the production systems result from the foregoing constraints. As regards the other value chains of these three sub-sectors, supplying the domestic market in a sustainable manner is hampered by the lack of solid marketing channels, and suitable infrastructure for fish conservation, processing and marketing. Furthermore, no sector information system is available to guide the decision-making process of public authorities and economic operators alike. The State's desire to promote a national private sector capable of stimulating the emergence of fishing enterprises (industrial and artisanal) and aquaculture for the various links in the value chains is equally noteworthy.

1.2.2 The Bank's support to the REG will focus on removing these various constraints and constitutes a follow-up to a January 2018 Bank-financed FAO assessment. It forms part of the priorities jointly adopted under the Country Strategy Paper (CSP) 2018-2022 and reinforcing the proposed strategic thrust aimed at supporting the Government in its strategy of diversifying the economy and leveraging existing infrastructure investments, particularly concerning fishing. This thrust builds on lessons learned from the implementation of previous CSPs, the persistence of constraints and challenges, as well as the country's objectives contained in the PNDES 2012-2020 (Phase 2) under which, the authorities identified priorities for economic diversification and social priorities (improving human capital formation, employment, basic health, living conditions, etc.). Moreover, beyond the country's modernization in terms of infrastructure, the PNDES focuses on: (i) capacity building, including vocational training; (ii) improving the match between the formal education system and labour market human resource needs; (iii) emergence of the national private sector and entrepreneurship; and (iv) promoting public-private partnership.

1.2.3 PASPA is a CSP 2018-2022 implementation tool that is based on two pillars: (i) support agricultural transformation for economic diversification and (ii) strengthen capacity for public policy formulation and implementation. It aligns with the first pillar by supporting the transformation of the fisheries and aquaculture sector in the REG. It will stimulate investment in the sector and promote the national private sector and youth employment by matching training with employment and the emergence of Micro, Small and Medium Enterprises (MSMEs) which will contribute towards improving youth employability in the sector. Its skills development activities coupled with its interest in the rural economy (project largely covering the country's hinterland) highlight the project's linkage with the Brazzaville Forum held in February 2019 by the Bank in collaboration with the ILO. PASPA is also consistent with the

Bank's Strategy for Agricultural Transformation in Africa 2016-2025 and linked to the Human Capital Strategy (2014-2018) being extended, the Jobs for Youth in Africa Strategy 2016-2025, the Gender Strategy and the Multisectoral Nutrition Action Plan 2018-2025, which aims to improve the nutritional status of the population.

1.2.4 It will contribute to 3 of the Bank's High 5s, namely "Feed Africa", "Industrialise Africa" and "Improve the quality of life for the people of Africa". The project will lead to impactful actions that will help boost the production of fresh and smoked fish, improve the supply of domestic and sub-regional markets and improve drinking water and sanitation access. Additionally, its approaches are consistent with the Bank's Ten-Year Strategy (2013-2022), particularly the objective of inclusive and green growth by involving producers and cooperatives in private initiative, and with the Bank's new strategy approaches to the aquaculture sector which place a premium on the development of value chains, the private sector and Public-Private Partnerships.

1.3 **Donor Coordination:** While interventions of Technical and Financial Partners (TFPs) in the REG are extremely limited, some play a crucial role in certain social sectors such as health and education. Some partners (French, Spanish, Chinese and Cuban Cooperatives, USAID and United Nations Agencies) have begun organizing themselves under UNDP coordination into three working groups (Education, HIV/AIDS and MDG Groups). In the context of the new CSP 2018-2022, and with a view to having an on-site representation in the form of a liaison office, the Bank intends to fully play its role in the coordination mechanism and to maintain, during its missions, contact with TFPs in Malabo (UNDP, FAO, World Bank, BDEAC, French, Spanish and American Cooperation). The Government's key development partner in the fisheries sector is the FAO. Since 1984, it has implemented two projects on the valuation of marine fisheries resources and enhancing the value chain of artisanal fishing products. Since 2017 under the Technical Cooperation Programme, the FAO has been conducting a project to enhance the value chain of artisanal fishing with the objective of reducing post-harvest losses and improving the population's incomes and food security. The Arab Bank for Economic Development in Africa (BADEA) also intervenes through the Artisanal Fishing Development Project, whose main objective is to ensure fish supply to the populations. The Development Bank of Central African States (BDEAC) is also involved with the project for the installation of an aquaculture farm and a tuna processing plant in San Antonio de Pale (Annobon Island). Its main objective is to contribute towards eliminating the fishery resources shortage and curb the trend toward fish imports, and to create new jobs through the development of the local industrial fabric. The International Labour Office (ILO), with its Decent Work Country Programme (DWCP) partnership framework, also plays a vital role in the country. It spearheads employment and vocational training policies with a special focus on the creation of decent jobs in the agricultural and fisheries sector, improved workforce quality and productivity of MSMEs along the value chain, etc. PASPA will provide an excellent opportunity for it to synergize with the above interventions for the promotion of value chains and youth employability. Furthermore, the ILO is chosen as a technical partner for its implementation.

Table 1.3 : Average contributions of the State and partners over the period 2014-2018

Secteur ou sous-secteur*	Contribution au PIB en 2013	Moyenne des importations de 2013-2018	Main-d'œuvre
Fishing-aquaculture sector	[0.2%]	CFAF 11 billion	25%
Parties prenantes – Dépenses publiques, programmes ou projets en cours-FCFA (2014-2018)			
Government	Donors		
9 117 237 471	BDEAC	9 000 000 000	42.5 %
43%	ABEDA	2468 853827	11.7 %
	FAO	584 735 944	2.8 %
Niveau de la coordination de l'aide			
Existence of thematic working groups		No	
Existence of general sector programme		Yes	
AfDB role in donor coordination		None	

II- PROJECT DESCRIPTION

2.1 Project Objectives and Components

2.1.1 Objectives: The project's overall objective is to contribute to improved food security and living conditions of the target populations by promoting value chains of the fisheries and aquaculture sector. Its specific objective is to: (i) increase and enhance fish production through sustainable development of aquaculture, artisanal fishing and industrial fishing, and (ii) strengthen drinking water infrastructure and sanitation. This will ultimately help to improve the supply of fish (fresh and smoked) to the domestic market, reduce imports, export to countries of the sub-region, increase incomes and improve youth employability as well as drinking water and sanitation access.

2.1.2 The project's interventions concern all value chains (production, conservation, processing and marketing) for the three (3) sub-sectors, namely artisanal fishing (maritime and inland), industrial fishing and aquaculture. Private developers' experiences will serve as an incubator for young graduates from training institutions to improve their employability. In addition, to ensure a better adaptation of the training offer to the needs of the sector's relevant trades and to promote the creation of decent jobs, the main actors will benefit from the support of the ILO project and assistance. The latter will equip them with tools to promote rural entrepreneurship and help the main training institutions to set up mechanisms to improve the fisheries sector training provision and labour force quality. The project implementation will span five (5) years and builds on three (3) components summarized below. A detailed description of project activities is provided in Annex C3 of Volume 2.

Table 2.1 : Project components

Components	UA Million	Description
Component A : Improving access to fisheries, aquaculture and drinking water supply infrastructure	41.768(74 %)	<p>A1 - <u>Support for industrial fishing</u>: Rehabilitation of two (2) SONAPESCA cold stores from at the fishing port of Bata and a SONAPESCA fish marketing centre at Ela Nguema (Bioko island); acquisition of a fishing vessel for the port of Luba; rehabilitation of a landing stage and refrigeration facility (cold store, ice factory) and procurement of handling equipment at the Luba fishing port; rehabilitation of the Bomé landing stage for the Bidiba vocational training centre.</p> <p>A2 - <u>Support for artisanal fishing</u>: Construction and equipment of two central purchasing equipment for fishing tackle in Bata and Malabo; construction and equipment of a fish preservation, processing and sale unit in Annobón; rehabilitation of a landing stage and the Fiston fish market for women, with a cold store and an ice factory in Ela Nguema and the Ekuku Fish Marketing Centre in Bata; construction of two fish and water analysis laboratories in Bata and Malabo</p> <p>A3 - <u>Aquaculture support</u> : Rehabilitation of three fish farms to serve as incubators in Ebibiyin, Aloum (Mongomo) and Evinayong; development of three PPP aquaculture sites in Oveng (Ebibeyin), ElasoEefak (Mongomo) and Akok Yebinvein (Micomiseng); equipment of a conservation unit, processing (smoking) and sale of fish in Kiosi (border with Cameroon);</p> <p>A4 - <u>Drinking water supply and sanitation</u>: Provision of 50 boreholes and 150 latrines in 34 villages in the intervention area for the Aquaculture component developed on the country's mainland.</p>
Component B : Capacity building of fisheries and aquaculture sector stakeholders	7.515 (13 %)	<p>B1.1 - <u>Adaptation of the training offer to the needs of relevant trades in the sector</u>: Provision to UNGE and the Annobón Training Centre of specific fishing and aquaculture equipment; conduct of a study to facilitate the identification of fishing and aquaculture professions and the provision of relevant business directories; update and development of training programs/curricula (UNGE, Annobón and Bidiba Training Centres); teacher training and follow-up in newly identified trades and in entrepreneurship modules; support for access to financing and formalization of youth enterprises created; provision of pilot schools with manuals and entrepreneurship training kits (CLE, TRIE, CREE); establishment of a system to promote: (i) fishing professions for youth; (ii) better youth access to internships in enterprises; (iii) entrepreneurial culture within training institutions; etc.</p> <p>B1.2 - <u>Support to the sector ministries and financial institutions involved</u>: Update of the MPRH directory of actors in the fisheries and aquaculture sector; building the organizational and structural capacities of officials of the ministries involved; establishment of an integrated information system for the collection, processing and analysis of information on fisheries and aquaculture; training of sector ministries and financial institutions (BANGE); provision of training manuals on ILO tools to the MPRH; establishment of an agreement with BANGE to support the actors; making available to the National Bank of Equatorial Guinea (BANGE) a revolving fund to facilitate starting of MSMEs</p> <p>B1.3 - <u>Improving the service delivery capacity of national private sector organizations</u>: Providing consular chambers with a pool of business advisers; provision of training manuals to enable trained counselors/managers to implement training for the benefit of enterprises and cooperatives; improvement of the entrepreneurial performance of the member enterprises/cooperatives; facilitating access to internships for young graduates; conducting a mid-term impact study to assess the performance of stakeholders in the fisheries and aquaculture sector.</p> <p>B1.4 - <u>Support to the organizational development and improvement of skills and service offerings of cooperatives/groups</u>: Support to the development of a Strategic Organizational Development Plan for cooperatives; establishment and strengthening of unions and organizations; support to improvement of the technical skills of cooperatives (technical training).</p> <p>B2.1 - <u>Institutional support to the technical services involved and to the Project Implementation Unit (PIU)</u>: Support with office equipment, IT and rolling stock for the deconcentrated technical services of the MPRH in Bata and those of INCOME; recruitment of Technical Assistance for the PIU; technical assistance for the General Directorate of Hydraulic and Coastal Resources (Expert in water and sanitation); technical assistance for SONAPESCA</p> <p>B2.2 - <u>Training and retraining of technical staff</u>: Training/retraining of 90 technical staff of the MPRH and other entities involved in the project (at least 30% women); study trips and exchange visits.</p> <p>B2.3 - <u>Support to the strategies of the ministries and entities involved</u>: Completion of four (4) studies (Update of the Strategic Plan of SONAPESCA, Review and update of the Strategic Plan of the MPRH, Strategy for gender development, Improvement of rural finance access for women and youth.</p> <p>B2.4 - <u>Rural action/nutrition and health</u>: IEC campaigns on the best fishing and aquaculture practices, operation and maintenance of structures, organisation and formation of village groups around water points, training masons for the maintenance of latrines and repair workers for the maintenance of boreholes, training female intermediaries to ensure the sustainability of the expected benefits of boreholes, women's promotion and environmental management, etc. ; production of programmes on women's rights and duties, prevention measures against STDs, HIV/AIDS and malaria, water-borne diseases and malnutrition; local nutritional education on good dietary practices and fish consumption; support for the annual organization of a children's day at the health district level; survey of household food consumption; training adapted to their field of activity for local partners (Fishermen's groups/associations, MSMEs, Cooperatives, Management committees, traders, entrepreneurs, rural men and women actors involved in handicrafts, etc.)</p>
Component C : Project Management and Coordination	7.342 (13 %)	<p>Coordination of project activities; administrative, accounting and financial management; procurement of goods, works and services; implementation of a communication plan, monitoring and evaluation of project implementation, etc.</p>

2.2 Technical Solutions Adopted and Alternatives Explored

PASPA is based on the need for enhanced fisheries and aquaculture sector productivity and competitiveness. The option chosen is to consider the value chains of the three sub-sectors (artisanal fishing, industrial fishing and aquaculture) and to have a skilled and competent national workforce capable of attracting private investment and improving the productivity of enterprises engaged in the sector. To initiate the development of industrial fishing, the decision was taken to acquire a boat of the same type as that recently purchased by the Government and placed at the disposal of a Spanish company on the basis of a management contract. The economic and social benefits expected from the operation of this unit should be a trigger for the sub-sector by attracting the domestic private sector. With regard to artisanal fishing, the decision was to support improvement of the means of production and the construction of fish conservation, processing and sale units. As regards the development of aquaculture on the mainland, the project will build the requisite infrastructure on three sites and support three other initiatives of national private operators that will serve as pilot/incubator farms for young entrepreneurs to improve their employability. To ensure the private sector's emergence, all the infrastructure put in place will be handed over, with the support of the Bank upon acceptance, to private partners under management contracts. Furthermore, with no technical benchmarking for drinking water supply and sanitation or National Investment Plan for the sector as well as eligibility criteria, the technical solution adopted was to supply drinking water to the villages from boreholes with solar-powered pumps based on the standard model adopted in the project area.

Table 2.2 : Alternative solutions explored and reasons for rejection

Alternatives	Brief description	Reason for rejection
Support for the development of large-scale industrial fishing	Encourage the development of industrial fishing by introducing more vessels that unload their catch in the country for the local market and/or industrial processing plants	<ul style="list-style-type: none"> - Industrial fishing is currently an activity limited to a small number of vessels with non-Equatorial Guinean crews. - There is yet no national skilled workforce capable of attracting foreign direct investment and improving the productivity of enterprises in the sector. - The country has neither adequate infrastructure for the unloading of industrial fishery products and for the industrial processing of unloaded products, nor a national system for monitoring, control and surveillance of fisheries that can guarantee responsible and legal fishing.
Support for the development of intensive aquaculture	Develop intensive production aquaculture farms countrywide.	<ul style="list-style-type: none"> - Insofar as this type of aquaculture does not yet exist in the country, there is a need to start with the development of pilot farms which will acquire the requisite knowledge and technology for the extension of the activity. - The relevance of this alternative should be analysed after the completion of this project, once the institutional capacities of the MPRH have been built.

2.3 Project Type

PASPA is an investment operation financed from the resources of the Bank's ADB window. The Government of Equatorial Guinea is yet to commit to implementing projects and programmes through the sector approach. At this stage, the project approach is the most appropriate to ensure the achievement of results as well as efficiency and effectiveness of the use of the project resources, which will also capitalize the achievements of other TFP interventions in the sector.

2.4 Project Cost and Financing Arrangements

2.4.1 The total project cost, including physical and financial contingencies, excluding taxes and customs duties, is estimated at EUR 69.968 million, or approximately CFAF 45.896 billion. This cost is broken down between EUR 39.890million in foreign exchange (CFAF 26.166

billion) and EUR 30.078million (CFAF 19.730 billion) in local currency. Provisions of 5% and 2% of the base cost were applied for physical and financial contingencies respectively. The project cost summary is shown in Tables 2.3 and 2.4 below.

Table 2.3 : Summary of estimated costs by component								
COMPONENT	in CFAF million			in EUR thousand			% FE	% Total C.
	FE	LC	TOTAL	FE	LC	TOTAL		
Improving access to fisheries, aquaculture and drinking water infrastructure	18,896	12,743	31,639	28,807	19,427	48,234	60	69
Capacity building of stakeholders of the fisheries, aquaculture and drinking water sectors	3,478	2,215	5,693	5,302	3,376	8,678	61	12
Project management and coordination	2,080	3,481	5,561	3,171	5,307	8,478	37	12
Total base cost	24,454	18,439	42,893	37,280	28,110	65,390	57	93
Physical contingencies	1,223	922	215	1,864	1,406	3,270	57	5
Financial contingencies	489	369	858	746	562	1,308	57	2
Total Cost	26,166	19,730	45,896	39,890	30,078	69,968	57	100

Table 2.4 : Summary of estimated costs by expenditure category								
Expenditure category	in CFAF million			in EUR thousand			% FE	% Total C.
	FE	LC	TOTAL	FE	LC	TOTAL		
Works	13,340	11,803	25,143	20,336	17,993	38,329	53	55
Goods	5,501	938	6,439	8,386	1,430	9,816	85	14
Services	4,141	2,772	6,913	6,314	4,226	10,540	60	15
Operation	1,472	2,926	4,398	2,244	4,461	6,705	33	10
Base cost	24,454	18,439	42,893	37,280	28,110	65,390	57	93
Physical contingencies	1,223	922	2,145	1,864	1,406	3,270	57	5
Financial contingencies	489	369	858	746	562	1,308	57	2
Grand Total	26,166	19,730	45,896	39,890	30,078	69,968	57	100

2.4.2 Financing for the Project will be provided by an AfDB loan of EUR 55.518 million (CFAF 3 6.418 billion), i.e. 79% of the project cost excluding taxes and customs duties (see Table 2.5 below and Appendix V). The Government's counterpart funding is estimated at EUR 14.45million (CFAF 9.478 billion), representing approximately 21% of the project cost. The level of the national counterpart has been determined by mutual agreement with the Government as per Section 4.2.2 of the Bank Group's Eligible Expenditures Policy (Revised Version of 19 March 2008, see Annex 4), and the provisions of CSP 2018-2022 (Annex 11- Note on the financial parameters of Equatorial Guinea) which provided for a case-by-case review during project appraisals with a minimum Government contribution of 10%. The counterpart relates to the expenditure incurred in setting up some fishing infrastructure as well as a part of the running costs. The expenses relating to the different project components will be executed according to the schedule shown in Table 2.6 below.

Table 2.5 : Summary of estimated costs by source of financing							
Sources of financing	in CFAF million			in EUR thousand			%
	FE	LC	TOTAL	FE	LC	TOTAL	
AfDB	26,166	10,252	36,418	39,890	15,628	55,518	79%
GOVERNMENT	-	9,478	9,478	-	14,450	14,450	21%
TOTAL	26,166	19,730	45,896	39,890	30,078	69,968	100%

Table 2.6: Expenditure schedule by component (in EUR thousand)						
COMPONENT	2020	2021	2022	2023	2024	Total
Improving access to fisheries, aquaculture and drinking water infrastructure	9,604	9,143	19,217	6,777	3,493	48,234
Capacity building of stakeholders of the fisheries, aquaculture and drinking water sectors	481	4,072	1,846	1,944	335	8,678
Project management and coordination	2,236	1,558	1,577	1,608	1,499	8,478
Total base cost	12,321	14,773	22,640	10,329	5,327	65,390
Physical contingencies	617	739	1,132	516	266	3,270
Financial contingencies	246	295	453	207	107	1,308
Total cost	13,184	15,807	24,225	11,052	5,700	69,968
%	19%	23%	35%	16%	8%	100%

2.5 Project Target Area and Beneficiaries

The project targets value chain development zones (production, conservation, processing and marketing) for artisanal and industrial fishing as well as production areas for aquaculture on the basis of the scale of fish demand, existing private initiatives, job niches and prior identification studies confirmed by the State and its partners. Thus, activities will be developed for industrial fishing and artisanal fishing both on the mainland and on the islands of Bioko and Annobón. For aquaculture, the selected areas are located in the country's hinterland and at the border with Cameroon and Gabon (Ebibeyin, Mongomo and Micomiseng). Regarding boreholes and sanitation, the selected villages are located in the intervention zone of the aquaculture sub-component, developed on the country's mainland. In terms of beneficiaries, the project aims to directly support 500 created MSMEs, 300 cooperatives and groups, and to provide targeted support to young, female and male entrepreneurs, novices and experienced alike, engaged in fisheries and aquaculture and hydraulics sectors. The bulk of the country's total population (923,393 inhabitants or 75%) is concentrated in the project area; the project beneficiaries are estimated at 80% of this population, i.e. nearly 739,000 men and women, including 277,000 direct beneficiaries.

2.6 Participatory Approach to Project Identification, Design and Implementation

The identification, preparation and appraisal missions associated with the ESMP preparation enabled the organization of numerous meetings to discuss with representatives of the territorial administration and the technical ministries involved, groups and cooperatives, civil society, women's groups, the private sector, NGOs, fishermen, fish processors and traders, village committees and development partners. Many field visits were made to potential intervention sites and to sites that have been the subject of projects carried out by the government. These visits afforded exchanges with the communities concerned, youth, women processors/traders, representatives of cooperatives and the private sector in order to better identify the difficulties they encounter and define priority interventions to be carried out. Cooperatives particularly reaffirmed the need for fishing equipment and their interest in greater empowerment and their capacity building. The youth desired more autonomous involvement in the process and to be able to benefit from targeted support for entrepreneurship. Private sector representatives focused on the need for a skilled and qualified workforce in the sector. The key issues raised by the various parties were thus reflected through the project activities. The support requirements of the two sub-sectors and the most appropriate implementation methods, as well as appropriate measures for effective implementation of the actions, have been identified. Developing sound communication around the PASPA and pilot sites, and maintaining the participative approach during implementation are likely to ensure local stakeholder ownership in the course of project implementation.

2.7 Bank Group Experience and Lessons Learned Reflected in the Project Design

In the past decade, the Bank has not conducted any operations in the fisheries and aquaculture sector in the REG. As of 31 March 2019, the active portfolio comprises a single operation: Private Sector Promotion Support Project financed by a MIC grant of UA 0.8 million and 7.3% disbursed. The overall rating of the portfolio's performance is unsatisfactory, rising from 1.78 in 2013 to 2.06 in 2015, then dropping back to 1.43 in 2017. The REG-Bank cooperation experience highlights several types of difficulties and reveals the need for efforts on both sides to ensure improved project performance. The key constraints encountered are: (i) weak capacity of the PIUs for the preparation of procurement and activities execution documents; (ii) non-compliance with procurement procedures; (iii) lengthy process of signing contracts that go through several government departments; (iv) expenditure deemed ineligible; (v) major delays in submitting annual audit reports to the Bank; (vi) delays reported by the PIUs in the processing of project files at the Bank; and (viii) poor project quality at entry. The above mentioned weaknesses have been taken into account in the context of this project, particularly through the following measures: (i) recruitment of appropriate technical assistance for the PIU to ensure efficient project implementation and improved project resource efficiency; (ii) mobilisation by the Bank of a Procurement Expert for a period of six (6) months to assist the Government in setting up the PIU, starting from the negotiations, the preparation of Bidding Documents and RFPs for the first contracts as well as the review and negotiation of the related contracts; (iii) capacity building for project preparation and implementation; (iv) training in financial management, procurement, disbursement and project implementation; (v) strengthening the results-based monitoring and evaluation component of the project; (vi) enhancing the technical capacities of the technical staff of the ministries and the actors involved. Project quality at entry has been strengthened by targeting pilot areas and building on activities already characterized by the relevant technical services. The implementation of a decentralized approach in terms of support, implementation and close monitoring will be preferred as well as the involvement of cooperatives, the private (Chambers of Commerce, Employers) and banking (BANGE) sectors and training institutions.

2.8 Key Performance Indicators

The key performance indicators of the project impacts are the fisheries and aquaculture sector's contribution rate to GDP, the value of fishery imports and the poverty rate. The sector's contribution to GDP is expected to be 5% and the value of imports reduced to less than CFAF 5 billion (against 0.5% and CFAF 11 billion respectively in 2018). In the medium term, the PASPA will contribute to the increased production of fish available on the market of 19,126 tonnes and a more than 100% improvement in stakeholders' (fishermen, aquaculturists, processors and fish traders, etc.) incomes. Similarly, the project will support the establishment of 500 viable and competitive MSMEs and generate more than 15,000 direct and indirect jobs, 70% of which will be held by women and youth. The details of the outcome and output indicators are provided in the logical framework. The Bank's various supervision missions and periodic progress reports will reveal the level of achievement of these indicators. A monitoring and evaluation system will be put in place from project commencement to inform these indicators. (cf. § 4.2).

III- PROJECT FEASIBILITY

3.1 Financial and Economic Performances

3.1.1 The assessment of economic and financial performance focused on the operating results of the key project activities (industrial fishing, artisanal fishing and aquaculture) according to a model incorporating both support for each of the links in the project (production-

storage-conservation-processing and marketing) and the promotion of entrepreneurship, especially for youth. Ultimately, the project will: (i) market additional fish production of 19 126 tonnes, (ii) serve a rural population of about 2,125 households with drinking water and sanitation, and (iii) fetch average annual incomes for the sector's workforce well above current incomes. For artisanal fishing, the average annual income of a fisherman owner of a new fishing unit will increase from CFAF 29.8 million to CFAF 119.8 million. For an onboard fisherman (crew member), the average annual income will increase from CFAF 12 million to CFAF 33 million in a normal year. For aquaculture, the income of the operator of the Ebibeyin site would be about CFAF 1.541 billion for an annual fish production (mainly Tilapia) of 2,000 tonnes. For the Mongomo and Micomiseng sites, the average annual income of the operator would be about CFAF 804 million for a production of 1,000 tonnes of fish in a normal year. In addition to the role of incubator, pilot fish farms will generate annual revenues ranging between CFAF 2.3 million and CFAF 13.4 million. Regarding industrial fishing, the annual income of the promoter of the new trawlers would be CFAF 724.5 million. The additional income generated by the project amounts to CFAF 40.809 billion in a normal year, mainly from the net value of fishery products and from the valuation of additional work days created (15,000 direct and indirect jobs). These financial results should help reduce the poverty incidence in the project intervention areas, increase the scope of the impact of its actions by strengthening the local dynamics and the participation of the various economic operators (ship owner-fishermen, sailor-fishermen, cooperators/groups, MSMEs, private partners, processors, traders) in the operation and maintenance of infrastructure.

3.1.2 Fisheries Sector Market: The project is justified by the need to increase the country's fish production to meet significant local, subregional and regional demand. Indeed, Cameroon and Gabon, countries bordering the REG, are net importers of fish. Annex A2 of Volume 2 describes the fisheries sector in detail, including quantities produced, potential, prices and different value chains. In terms of profitability, the project has a satisfactory economic rate of return (ERR) of 21% and a net present value (NPV) of CFAF 25.824 billion at a 12% opportunity cost of capital. The test of ERR sensitivity to changes in costs and incomes shows that the 10% increase in investment costs or reduction in project incomes will not significantly impact the ERR, which would be higher than 16.5%. On the other hand, this rate is sensitive to simultaneous variations of 10% in costs and incomes. Indeed, an increase in costs accompanied by a fall in income will reduce the ERR to 13% (see details in Annex B7 of Volume II). The actual situation is far better given that there are further economic benefits that are unquantified and that may be summarized as follows: (i) the upstream effects of additional incomes on service providers (NGOs, enterprises, suppliers, consulting firms); (ii) the downstream effects of generating additional income on producers, traders, processors who are mainly women and the population at large who will be able to access low-cost fishing products; (iii) improvement of the sector's trade balance thanks to the significant drop in the fish imports bill; (iv) increase in the sector's share of GDP induced by the extra value added generated. For households, the project benefits will result in, among other things, better nutrition for vulnerable groups (children, women of childbearing age and the elderly), reduced healthcare expenses and women's water fetching drudgery, as well as poverty reduction and improved livelihoods.

3.2 Environmental and Social Impact

3.2.1 Environment: PASPA will have major positive impacts at the national, regional and local levels. It will contribute towards diversifying the growth sources of the national economy, improving food and nutrition security, creating wealth and jobs, combating poverty, improving living conditions and environment (boreholes and latrines) and reducing unemployment and youth exodus etc. New opportunities will be opened to youth from training centres and women who are heavily involved in processing activities, sales, distribution and marketing. The capacity building programme will help curb the use of certain fishing practices (over-

harvesting, use of unauthorized mesh nets, use of prohibited products, etc.) and ensure improved fishing management. Improved fishing management will contribute to better management of fisheries resources and river-sea ecosystems in the country and the sub-region, which are undergoing various forms of degradation. However, some scheduled project activities, such as the construction or rehabilitation of certain infrastructure, the development of aquaculture ponds and drilling of boreholes, particularly depending on their scales and the situation of the host environment, are likely to impact the environment and may negatively impact the biophysical and human environments, if prevention or mitigation measures are not taken into account, at this stage of project design and during implementation. In summary, there will be no risk of physical population displacement or resettlement or loss of major sources of assets in the course of project implementation.

3.2.2 The project is classified under Category 2. It has been the subject of an Environmental and Social Assessment (ESA), followed by an Environmental and Social Management Plan (ESMP), prepared in accordance with the environmental and social requirements of the REG (*Ley Reguladora del Medio Ambiente of Guinea Ecuatorial No. 07/2003*) and the Bank's policies, procedures and safeguards, through the integrated safeguards system (ISS) and the Operational Safeguards (OS) of the AfDB. The ESMP was approved and published on the Bank's website on 15 May 2019. This ESMP recommended various mitigation and enhancement measures, but also environmental and social monitoring and surveillance. It also determined the institutional arrangements to be made during implementation of the project as well as the costs associated with these different measures. The costs of certain measures will be included in the Bidding Documents and other environmental, social and institutional measures will be covered by the ESMP. The overall cost of the ESMP is estimated at CFAF 275 million. According to Law No. 7/2003 of the Environmental Code, it is the National Institute for Environment and Nature Conservation (*Instituto Nacional de Conservación del Medio Ambiente* (INCOMA) which is responsible for monitoring and supervising the implementation of the ESMP and other environmental measures that may appear in the course of project implementation. To facilitate such monitoring, a major capacity building component is planned in the areas of environmental and social assessment (screening procedure), development of an environmental and social management guide, environmental assessment and monitoring and surveillance, AfDB procedures etc.).

3.2.3 **Climate Change:** The PASPA project is classified under Category 2, in accordance with the Integrated Safeguard System (ISS). The project's climate-related risks include: (i) warmer temperatures leading to decreased precipitation; (ii) sea-level change; (iii) ocean salinity changes and their negative impacts on spawning grounds; (iii) silting following coastal erosion; (iv) changes in coastal dynamics, torrential rains limiting fishermen's mobility, leading to species migration and extinction and decrease in catches. This will affect people's livelihoods and food security. Sustainable fisheries and aquaculture align with Equatorial Guinea's National Adaptation Action Plan (NAPA) and the country's Nationally Determined Contribution (NDC) targets of 13% GHG emission reductions by 2030, particularly in the sectors of agriculture, forestry, energy, water resources, coastal areas, livestock, fisheries and mining. Project activities will contribute towards strengthening the resilience of ecosystems and communities to climate change, thanks to better fisheries management, the application of good practices, the development of artisanal fishing and sustainable aquaculture, and, therefore, climate finance. These activities also contribute towards improving rural livelihoods by providing opportunities for income generation, improving social equity, and reducing natural resources stress.

3.2.4 **Involuntary Resettlement:** PASPA activities will not result in any population displacement or restricted access to assets or livelihoods.

3.2.5 Gender: Equatorial Guinea's context is characterized by gender inequalities at the economic, political and land access levels. In the economic sector, the women's share in the labour force remains minimal, with 39% of them employed (both formal and informal), compared to 61% of men in paid work. Geographical disparities persist in access to work: 26.8% of women on the island region (Malabo) are in formal employment and 19% in informal employment, compared to 18.9% and 16.5% respectively on the continent. Gender inequalities and women's empowerment remain a challenge in Equatorial Guinea with merely 8% of women ministers, 11% women deputy ministers, 27% women in parliament and 14% in the Senate in 2018. Women are implicitly handicapped by discriminatory traditions and practices that make it more difficult for them to seize entrepreneurial opportunities and decent jobs. Given the importance of greater gender equality in rural communities, the project will promote gender mainstreaming across all its components through equitable access to productive resources and the capacity building activities planned. The project also provides for economic and social infrastructure enabling women to reduce the time spent on household chores to engage in more productive activities.

3.2.6 In terms of gender, the project is classified under Category 3 pursuant to the Bank's Gender Categorization System (GCS). It will adopt a gender transformative approach by combining a package of integrated services for women in the fisheries and aquaculture sectors, in particular: (i) provision of social, water and sanitation infrastructure; demonstrating a gender-sensitive design, access to energy-efficient and gender-sensitive technologies (e.g. energy-efficient ovens), (ii) equitable access to training, decision-making processes, financing mechanisms, productive facilities and social protection provided for women under the project, and (iii) establishment of a monitoring and evaluation system based on gender-disaggregated data as well as on gender-related indicators to be identified. A holistic approach is provided for to sensitize actors at all levels (individual, family, communal, regional and national) on men's and women's participation in fisheries and aquaculture sector entrepreneurship. To this end, the project will organize IEC campaigns reflecting gender specificities. Also, gender capacity building of the MPRH will be implemented through the recruitment of a gender specialist within the Project Implementation Unit. Consultations and partnerships will be established with the Ministry of Social Affairs and Gender Equality and NGOs engaged in gender mainstreaming . Two strategic studies on gender promotion and women's access to finance are also planned. The budget allocated specifically to gender activities stands at approximately CFAF 2.6 billion.

3.2.7 Health and Nutrition: The prevalence of chronic malnutrition (stunting) remains high at 26%. Acute malnutrition is 3%, which is below the WHO threshold¹. The consumption of nutritional supplements in children is not optimal. No recent food consumption studies are available. The principal animal protein sources are bushmeat and fish. However, bushmeat consumption seems to exceed that of fish. The consumption of fish on account of its mineral content as well as the protein intake is recommended for vulnerable groups, particularly growing children and women of childbearing age. The project aims, among other things, to improve the nutritional security of the people through the activities listed in the table of components.

3.2.8 Social: The progress that has been made in terms of human development falls short of the REG's economic potential. Indeed, the Human Development Index (HDI) measured in 2015 by UNDP was 0.58 and the country ranked 138th among 188 countries. Also, despite having one of sub-Saharan Africa's highest GDPs per capita, the REG has a high poverty rate of 43.7%. Labour force data indicate that about 60% of the population is aged below 25, and 23.5% of 20-24 year-olds are unemployed. However, over the next 10 to 15 years, more than 20,000 new workers are expected to arrive on the labour market each year, while rural-urban

¹ State of the World's Children-UNICEF-2015

inequalities remain high with 70% of the population living in urban areas. PASPA activities should help improve this situation and implement the Government's strategy aimed at diversifying economic activity, providing jobs and inclusive growth, and improving food self-sufficiency and the quality of life of every citizen. Furthermore, there will be a more than 100% improvement in household incomes. This increase will benefit the most vulnerable rural households, particularly women, who will become capable of covering certain food, healthcare and education expenses.

IV- IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 Implementation Arrangements: The project will be implemented under the responsibility of the MPRH and attached to the Minister's Office. Its set-up will include a Project Implementation Unit (PIU), composed of a National Coordination in Malabo, a Regional Branch Office in Bata and a Liaison Office on Annobón Island. The PIU will include the following local staff: (i) a National Coordinator; (ii) an Accountant; (iii) a Capacity Building Specialist; (iv) a Monitoring and Evaluation Specialist; (v) a counterpart procurement specialist; (vi) an Administrative and Financial Assistant; (vii) an IT specialist; (viii) a Secretary; (ix) three drivers; and (x) an Orderly. The Bata Branch Office will be composed as follows: (i) a Branch Officer (fisheries specialist); (ii) a Rural Infrastructure Specialist; (iii) a Capacity Building/Gender Specialist; (iv) an Environment Specialist; (v) an Administrative and Financial Assistant; (vi) a Secretary; and (vii) three drivers. The Annobón Liaison Office will include: (i) a Liaison Officer; (ii) a Secretary; and (iii) a Driver. The selection of PIU officers will be made on a competitive basis, through competitive call for candidacies, after the Bank's notice of no objection. An evaluation report of the applicants and a proposal from the Government will be sent to the Bank for approval. The PIU Coordinator will sign, with MPRH, a performance-based contract renewable every two years. The other PIU members will sign, with the Coordinator, contracts renewable every two years based on performance. To strengthen the PIU's implementation capacity, International Technical Assistance (TA) will be recruited for: (i) administrative and financial management; (ii) procurement; (iii) experts in fisheries and aquaculture and value chain development; and (iv) PPP development and entrepreneurship. The TOR for this TA are provided in the Annexes.

4.1.2 The PIU will be responsible for the administrative, financial, accounting and technical management of all project activities, including those to be implemented by other entities involved in the project. In this capacity, it will be responsible for: (i) the development of Annual Work Programmes and Budgets (AWPBs) and Procurement Plans (PP), (ii) preparation of procurement files and payment requests, (iii) recruitment of the TA, (iv) preparation of the handbook of administrative, financial and accounting procedures, (v) organization of Steering Committee meetings, (vi) preparation of the quarterly progress reports on project implementation; (vii) preparation of annual audits of project accounts; and (viii) monitoring the implementation of project activities.

4.1.3 The implementation of project activities proper will be entrusted to service providers to be recruited according to the procedure agreed between the Government and the Bank. These are works contractors, goods suppliers, firms for TA and rural action entities for everything relating to DWS, STD prevention, nutrition, environmental issues, etc. Training will be provided largely by the ILO under an agreement to be signed. The said agreement will cover all activities regarding structuring, organisation, training and promotion of PPPs in the value chains of the fisheries and aquaculture sector. The regional services of the ministries concerned (Trade and MSME, Employment, Labour and Vocational Training, Infrastructure, Environment, SONAPESCA, INCOMA, etc.) will be closely involved in monitoring and accepting the outputs. The fisheries and aquaculture infrastructure to be created by the project

will be leased to private developers for operation and maintenance. The Bank will provide support in this area to help identify partners, establish selection criteria, negotiate and set contract terms. To this end, the Government forwarded two requests during negotiations to the Bank for support from the Trust Funds to carry out feasibility studies and identify partners, establish selection criteria and negotiate the terms of contracts. Also, to fast-track the project's commencement, at the request of the Government, the Bank will mobilize, from its own funds, a Procurement Expert for a period of six (6) months. He/She will be responsible for assisting the Government in setting up the PIU, drawing up the Bidding Documents and RFPs for the first contracts, and reviewing and negotiating the related contracts (Technical Assistance, rehabilitation of the PIU premises, procurement of vehicles, computer hardware and furniture, recruitment of the Consultant tasked with drawing up the handbook of administrative, financial and accounting procedures).

4.1.4 Supervision of activities: To ensure effective monitoring of its activities, the project will be coordinated by a Steering Committee (SC) to be set up under the supervision of the MPRH. Its role will be to: (i) monitor project implementation; (ii) ensure coherence and planning of eligible activities; (iii) annual review of the progress report as well as annual technical programmes and budgets; (iv) assess the impact of project results; (v) identify opportunities and constraints to improve the project outcomes; and (vi) ensure technical and methodological compliance with project objectives and relevant sector policies. It will carry out, as and when necessary, visits to the sites of execution of project activities. The SC will be chaired by the Minister of Fisheries and Hydraulic Resources. It will meet at least twice a year. The PIU Coordinator will act as its Secretary. The SC is composed of representatives of the MFEP and technical ministries involved in rural and community development, beneficiaries, etc., namely: (i) Director General of the Autonomous Sinking Fund (CAA) (ii) Coordinator of the External Project Monitoring Unit-CSEU) within the Ministry of Finance, Economy and Planning (MFEP); (iii) representatives of the Directorates General involved within MPRH; (iv) a representative of the Ministry of Infrastructure and Public Works; (v) a representative of the Ministry of Labour, Employment, Vocational Training and Social Protection; (vi) a representative of the Ministry of Health and Social Welfare; (vii) a representative of the Ministry of Education, University Education and Sports; (viii) a representative of the Ministry Women's, Social Affairs and Gender; (IX) a representative of SONAPESCA; (x) a representative of fishermen's cooperatives; and (xi) a representative of the National Chamber of Commerce.

4.1.5 Procurement Arrangements

4.1.5.1 Applicable Procurement Policy and Framework: All procurements of Bank-financed goods, works and consultancy services shall be carried out in accordance with the Procurement Policy for Bank Group-funded Operations ("AfDB Procurement Policy", October 2015 edition) and the Procurement Methods and Procedures, as described in the Operations Procurement Manual of the Bank Group's procurement framework. Details of implementation of the procurements (system, cost, schedule, method, review type) agreed between the Borrower and the Bank are described in Technical Annex B.5.

4.1.5.2 Procurement Implementation Organization: Project procurement will be implemented by the PIU Procurement Officer, recruited internationally on a competitive basis and supported by a national counterpart to be appointed within the MPRH. The International Expert will be recruited at the beginning of the project to implement the procurement activities as defined in Technical Annex B.5. However, to ensure a rapid start of the project, the Bank will mobilize a Consultant - Procurement Expert to support the Ministry of Fisheries and Water Resources in the first procurements, notably: (i) recruitment of the TA for the PIU including the Procurement Expert; (ii) support for the acquisition of furniture and IT equipment for the PIU; (iii) recruitment of the firm for the technical studies and the development of BD for the

works; (iv) recruitment of a firm for the preparation of the handbook of administrative and financial procedures; and (v) procurement of the accounting software.

4.1.5.3 Procurement Risk and Capacity Assessment (PRCA): To reflect the specificities of the project, the Bank has assessed: (i) risks at national, sector and project levels; and (ii) the capabilities of the executing agency. These assessments found a high level of procurement risk and determined, subject to the application of mitigation measures proposed in paragraph 5.9 of Annex B.5, that all Project procurements will be carried out according to the Bank's system.

4.1.6 Financial Management

4.1.6.1 A Qualified Fiduciary Team will be selected on a competitive basis prior to the first disbursement. The financial management team will consist of the National Project Coordinator, the Regional Branch Officer and the Liaison Officer, an Administrative and Financial Officer supported by an Accountant and an Administrative and Financial Assistant. A manual of administrative, accounting, and financial procedures will be produced within six months of the first disbursement. In addition, this manual will include a detailed description of the project implementation arrangements, the responsibilities and relationships of the public authorities and other institutions involved in implementing the project as well as a detailed project organisation chart. Within six months of the first disbursement, the PIU will have a fully configured and user-friendly multi-site integrated management system in place. It will enable the timely production of quarterly financial reports according to formats and contents approved by the Bank during training sessions on the Bank's management policies and procedures at the launch of the project. Financial, accounting and budgetary information will be consolidated through an integration of all the data of the Bata regional branch and the liaison office on the island of Annobon. The External Project Monitoring Unit (UUSEP, cf. § 4.2.2) to be established by the Ministry of Finance, Economy and Planning will ensure compliance with the project objectives and the achievement of expected results. As such, it will ensure that the approaches used, the actions taken, the physical achievements and the results achieved, are in accordance with the project implementation plan that will have been formally approved by the Government and set out in the PAR validated during negotiations. A Financial Controller of the Ministry of Finance will be included in the composition of the UUSEP. The timely implementation of these arrangements will reduce the fiduciary risk associated with the project's financial management deemed high following the assessment of the systems in place as detailed in the technical annexes.

4.1.6.2 Disbursements: Disbursements of AfDB project resources shall be released in as per the Bank's disbursement manual. The following are the proposed disbursement methods: (a) special account method (for the PIU's operating expenses); (b) direct payment method for payments for works, goods and service contracts; and (c) reimbursement method in case of pre-financing from national counterpart funds, of expenditures chargeable to AfDB resources and previously authorized by the Bank. A special account in the name of the Project and exclusively intended to hold the AfDB loan resources will be opened in a Commercial Bank acceptable to the AfDB. Also, an auxiliary bank account will be opened at the Bata regional Branch. A disbursement letter will be prepared by the Bank and discussed by both parties during the loan agreement negotiations. The appraisal mission strongly recommended a relaxation of procedures and a validation system for payment requests, requests for working capital advances and main special account movement. In this regard, the signatories of the accounts and requests for direct payment and working capital advances will be limited and combined as follows: (i) Project Coordinator, (ii) Minister of Fisheries and Hydraulic Resources, (iii) Minister of Finance, Economy and Planning or his designated representative. The PIU will be responsible for following up files at the level of each Ministry and will reduce the processing and approval times by a total of 15 working days.

4.1.6.3 **Audit of Financial Statements and Procurements:** The annual audits will be conducted under the responsibility of the PIU. No later than six (6) months following the first project disbursement, an audit firm will be recruited on a competitive basis and in accordance with Bank-approved terms of reference. The audit will cover all project activities financed from AfDB resources, counterpart funds and other resources. The audit report accompanied by the internal control report will be sent annually to the Bank no later than six months following the close of the fiscal year concerned.

4.2 Monitoring

4.2.1 **Internal Monitoring Mechanisms:** The PIU will assume, among others, primary responsibility for the internal monitoring of the implementation of activities and the assessment of their impacts. It will prepare, in the Bank-recommended format, quarterly and annual progress reports focusing on the monitoring of results and indicators of the project's logical framework. A functional monitoring and evaluation system will be put in place with the support of a one-off international expert. This system will be computerized and will have the tools for collecting and processing information to track physical achievements, disbursements and socio-economic and gender-disaggregated environmental impacts. It will also identify weaknesses in a timely manner and provide the appropriate solutions. Furthermore, there are plans to set up an integrated information system for collecting, processing and analyzing information on fisheries and aquaculture in order to provide reliable data to the National Institute of Statistics (INEGE) to guide the decision-making process for both the Authorities and private operators. This system will provide information on industrial/artisanal fishing and aquaculture, as well as data on the availability of fishing infrastructure (landing stages, conservation/processing units, markets, ships, canoes, etc.) and their functional state. It will also regularly update the mapping of fishing sector trades and actors/stakeholders. Fisheries statistics will thus cover fishing catches, landings, fishing fleet, species caught, marketed production, prices, employment in the sector, income generated for households, etc. These data will be tracked and combined with other survey data from INEGE as well as from the sector ministries and stakeholders involved. Surveys are planned at the start of the project, to establish the baseline, mid-term and project completion situations for an assessment of the impacts of achievements. Monitoring by the Bank will be done through supervision missions, technical and financial audits and the mid-term review of the project. The ILO, the project's technical partner, will participate in supervision missions and those for monitoring and evaluation of gender-disaggregated socio-economic and job creation impacts.

4.2.2 **External monitoring mechanisms:** External monitoring will be carried out by the External Project Monitoring Unit (USEP) to be set up within the MFEP. The USEP will be composed of: (i) a Coordinator; (ii) a Financial Management Expert; and (iii) a Procurement Specialist. Other experts may be called up as needed to support the USEP. The USEP will be responsible for monitoring the project's progress, the quality of its achievements, good governance of budgetary resources and coordination with the TFPs. It will closely monitor both operational and fiduciary aspects and will participate in the different phases of the project cycle. The USEP will establish a schedule of bi-weekly meetings with the PIU to inquire about the progress of the project and collect the information needed to prepare its reports. It will assist in resolving the constraints encountered by the project, ensure compliance with the agreed institutional arrangements and prepare and disseminate biannual project monitoring reports to line managers (MFEP, relevant sector ministries, Steering Committee and AfDB). To strengthen the monitoring and evaluation capacity of the USEP, technical and material support is provided under this project. The conformity of the implementation of the ESMP will be supervised by INCOMA, a technical body of the Ministry of Agriculture, Livestock, Forestry and Environment, responsible for ensuring compliance with environmental and social standards by the development projects. A focal point of the Directorate General for Environment (DGE)

will be involved in monitoring the ESMP. Concerning the hydraulics component, the recruitment of a works inspection and supervision firm will ensure the construction of drinking water and sanitation infrastructure according to standard practice. Additionally, DGRHC will monitor the construction and future management of the facilities.

4.2.3 Indicative project implementation schedule: The project implementation is scheduled to span a period of five (5) years from January 2020. The indicative project timeline is as follows:

<u>Activities</u>	<u>Date/period</u>	<u>Responsible entity</u>
Appraisal	April 2019	AfDB/GVT
Negotiations	29 - 30 May 2019	GVT/AfDB
AfDB Board of Directors	10 July 2019	AfDB
Signature of financing agreement	August 2019	AfDB/GVT
Entry into force & 1 st disbursement	December 2019	GVT/AfDB
Launch	January 2020	AfDB/GVT/PIU
Execution of operational activities	2020 to 2024	PIU/GVT/Service providers
Midterm Review	Q1 of 2022	AfDB/GVT/ PIU
Project Completion Date	31 December 2024	PIU /GVT/AfDB
Completion Report	Q1 of 2025	AfDB/GVT
Project Closing Date	30 June 2025	PIU /GVT/AfDB

4.3 Governance

Governance remains a major constraint in Equatorial Guinea, which hampers the country's ability to fully leverage its economic capacity. Overall, the country features among the bottom countries globally in the major international governance-related rankings such as Mo Ibrahim, Business Climate, and Transparency International. The authorities are aware of the need for a multidimensional effort, combining training, updating the regulatory framework, incentives and control. Governance constraints are related to weak capacity in public finance management, procurement and coordination of public investment and maintenance. While private investment and economic diversification are prioritized, the business climate remains perceived as unfavorable, thus limiting both domestic and international private investment in growth sectors for economic diversification, such as fisheries and aquaculture. Under this project, mitigation measures and governance bodies and mechanisms have been selected to ensure transparent and efficient management of Bank funds: (i) strengthening of good governance of budgetary resources through the involvement of USEP, currently being set up within MFEP, in the close monitoring of both operational and fiduciary management aspects; (ii) appropriate arrangements have been made for financial management and auditing § 4.1.6; (iii) recruitment of international technical assistance for fiduciary aspects (procurement and financial management), and lastly (iv) all project procurements will be carried out in accordance with Bank rules and procedures.

4.4 Sustainability

4.4.1 Given the authorities' desire for a coherent and orderly private sector promotion, the management of infrastructure and equipment to be put in place by the State will be carried out within the framework of Public-Private Partnerships (PPP), which will be developed through an open and competitive call for expression of interest. In this regard, the Government requested the Bank to provide technical assistance through the Trust funds for: (i) the establishment of an institutional and legal framework and the establishment of a PPP Unit within the Ministry of Finance, and (ii) contracts preparation and negotiation with private managers as well as PPP Unit officers. Support to Equatorial Guinea's Government is also planned for the training of the PPP Unit and the provision of toolboxes for standard contracts. The selected partners will not

only be content with exploitation, they will be able to participate in the investment. In this regard, the Government will reflect on refocusing the remit of the National Maritime Fisheries Company (SONAPESCA) in order to adapt it to the new context that will enable the emergence of a truly national private sector in this area. Thus, reforms could be undertaken to transform SONAPESCA into an agency for the promotion of the fisheries and aquaculture sector in the REG. This could enable it, among other things, to become the delegated project manager of infrastructure built by the State to promote fishing in general. Furthermore, the managerial capacities of all the entities involved will be built so that they can eventually become autonomous enterprises capable of initiating the development of value chains in the fisheries/aquaculture sector. The project will also provide support to several sector ministries, the private sector, training institutions, the banking sector and NGOs to support the direct beneficiaries and ensure sustainability of project achievements. It is also noteworthy that the institutionalisation of the Boreholes Management Committees to be set up will ensure their sustainability. For boreholes maintenance and repair, the successful contractor will train about 10 workers who will be provided with basic kits. Furthermore, the consultations carried out at project preparation have highlighted a clear willingness of the population to contribute to the operation and maintenance of the facilities. Also, as in rural roadside maintenance, a maintenance contract could be concluded between the State and the contractor which will take into account major repairs.

4.5 Risk Management and Mitigation Measures

The key risks and mitigation measures are summarized in the table below.

Risks	Mitigation	Level
Low availability of local skilled labour	- Capacity building actions of the training structures and review of the curricula is taken into account by the project	Moderate
Low membership/ownership by beneficiaries	- Sensitization and involvement of beneficiaries in the project design and implementation - Structuring, organization and training of actors involved in the project	Moderate
Low level of maintenance of fishing infrastructure and equipment, and of grassroots community participation	- Concession of the management of infrastructure and fishing equipment to private operators - Training of young artisans to carry out maintenance - Beneficiary sensitization and involvement in project design and implementation for better ownership	Moderate
Non-contribution by beneficiary populations to the management and maintenance of drinking water facilities	- Creation of an imprest to cover breakdowns - Adoption of contribution levels acceptable to communities to ensure maintenance of the facilities	Moderate
Delay in carrying out work due to weak capacity of the contractors	- Strengthening the skills of technical officers involved to carry out close monitoring and supervision	High
Limited private operator interest	- Building the managerial capacities of all entities involved - Creating an auto-promotion capacity for entrepreneurship in fisheries and aquaculture value chains through the skills building programme	Moderate

4.6 Knowledge Building

4.6.1 The actions under PASPA that will lead to improved knowledge management and building may be summarized as follows: (i) strengthening of expertise in economic development, business opportunities and providing a qualified and suitable workforce meeting fisheries and aquaculture sector needs, (ii) dissemination of new production/conservation/processing/marketing methods, (iii) use of solar-powered water pumping and development of new income-generating activities (pump repair, welding, repair of telephones, etc.), (iv) awareness campaigns and dissemination of information through various communication channels (community radio, media programmes, films, leaflets, etc.), and (v) promotion of innovative employability actions for youth and women and of activities of MSMEs in fisheries services. Furthermore, PASPA will enable: (i) the establishment of an integrated system for fisheries and aquaculture information gathering, processing and analysis to provide reliable data to INEGE that would guide the decision-making process of both the

Authorities and the private operators, (ii) updating of the directory of sector stakeholders prepared by the MPRH, (iii) capacity building of the staff of the MPRH, the Ministry of Labour, Employment and Vocational Training on International Conventions governing the Fishing Sector for Ratification and Application in the REG, and (iv) provision to the MPRH, training institutions, cooperatives and MSMEs of training manuals on ILO tools to support better youth integration through self-employment and the provision of a national skilled workforce.

4.6.2 Regarding the water and sanitation component, there is a need to capacitate the sector to ensure greater stakeholder effectiveness and the sustainability of DWSS services in both rural and urban areas. The implementation of this component is all the more crucial given the lack of a planning and programming reference framework. There is currently no reliable indicator for a final decision to be made relating to the drinking water and sanitation access rate. Through this project, the Bank thus intends to support the DGRHC in preparing the production of an inventory document of water resources and water and sanitation infrastructure that will not only improve knowledge in this area but also build reliable information systems.

V- LEGAL FRAMEWORK

5.1 Legal Instrument

The legal framework of the project will be a loan agreement signed between the Republic of Equatorial Guinea and the Bank.

5.2 Conditions Associated with the Bank's Intervention

5.2.1 **Loan effectiveness:** The effectiveness of the Loan Agreement shall be subject to fulfillment by the Borrower of the conditions set forth in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank (Sovereign Entities).

5.2.2 **Conditions precedent to first disbursement:** In addition to the effectiveness of the Loan Agreement, the first disbursement of loan resources shall be conditional on the Borrower fulfilling, to the satisfaction of the Bank, the following conditions:

- (i) Provide evidence of the establishment of the Project Implementation Unit (PIU) and recruitment of the following key staff whose respective qualifications and terms of reference have been deemed acceptable by the AfDB: (A) within the PIU national coordination in Malabo: (a) a Coordinator, (b) an Accountant, (c) a Procurement Expert; and (d) an Administrative and Financial Assistant in the Malabo Office and (B) within the Bata PIU Branch: an administrative and financial assistant, (§ 4.1.1);
- (ii) Provide evidence of establishment of the Project Steering Committee (PSC) and the designation of its key members (§4.1.4).

5.2.3 **Other Conditions and Undertakings:** The Borrower further undertakes to: (i) implement the project in accordance with the ESMP, the Bank's Safeguard Policies and the applicable national legislation in a manner satisfactory to the Bank in form and substance (§3.2.2); (ii) refrain from any action that would impede the implementation of the ESMP, in whole or in part, without the prior written consent of the Bank; (iii) within six months of the first disbursement: (a) submit to the Bank the Manual of Administrative, Financial and Accounting Procedures for the Project (§4.1.6.1); (b) acquire and configure the project's

financial and accounting management software (§4.1.6.1); (c) recruit the other members of the PIU (§4.1.1); and (d) recruit, within the PIU National Coordination Office in Malabo, members of international technical assistance (§4.1.1); and (e) recruit an independent private audit firm on a competitive basis and under Bank-approved terms of reference (§4.1.6.3); and (iv) within twelve months of the first disbursement, submit to the Bank the agreement signed with the ILO (§4.1.3); and (v) submit to the Bank any required audit reports for the project, within the time limits stipulated in the loan agreement.

5.3 Compliance with Bank Policies

5.3.1 This project complies with all applicable Bank policies.

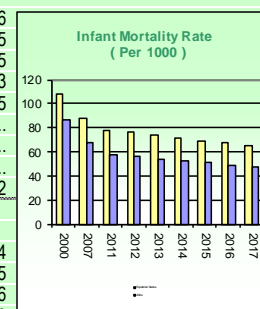
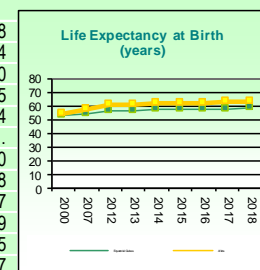
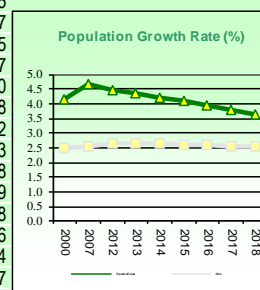
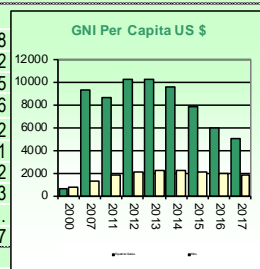
VI- RECOMMENDATION

The Bank's Management recommends that the Bank Board of Directors approve the proposed loan of fifty-five million five hundred and eighteen thousand Euros (EUR 55,518,000) to the Republic of Equatorial Guinea, for the purpose and under the conditions set forth in this report.

ANNEX I: EQUATORIAL GUINEA: COMPARATIVE SOCIO-ECONOMIC INDICATORS

Equatorial Guinea COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Equatorial Guinea	Africa	Develo- ping Countries	Develo- ped Countries
Basic Indicators					
Area ('000 Km²)	2018	28	30,067	92,017	40,008
Total Population (millions)	2018	1.3	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	72.1	42.5	50.4	81.5
Population Density (per Km²)	2018	32.8	43.8	71.9	31.6
GNI per Capita (US \$)	2017	7 050	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	83.1	65.9	62.1	60.1
Labor Force Participation **- Female (%)	2018	72.0	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	124.3	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	141
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	3.6	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	4.4	3.6	2.3	0.7
Population < 15 years (%)	2018	37.0	40.6	27.5	16.5
Population 15-24 years (%)	2018	18.7	19.2	16.3	11.7
Population >= 65 years (%)	2018	2.8	3.5	7.2	18.0
Dependency Ratio (%)	2018	72.8	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	22.0	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	58.2	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	59.7	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	33.1	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	9.9	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	65.3	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	89.6	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	4.5	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	342.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	18.0	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	...	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	...	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	68.3	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	47.9	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	74.5	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	6.5	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	181.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	63.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	30.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	5.6	17.5	15.0	0.9
Prevalence of stunting	2010-2016	26.2	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	...	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	2.9	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	61.6	99.5	102.8	102.6
Primary School - Female	2010-2017	61.3	97.4	102.0	102.5
Secondary School - Total	2010-2017	...	51.9	59.5	108.5
Secondary School - Female	2010-2017	...	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	44.4	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	95.0	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	97.3	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	92.4	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	...	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	4.3	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	10.1	38.2	37.8	36.5
Forest (As % of Land Area)	2016	55.5	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	4.7	1.1	3.5	11.0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

February 2019

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Annex II : Table of AfDB active portfolio in REG (situation at 31/3/2019)

	Project	N° IP/SAP	Date Approved	Date of Entry into force	Closing date	Age (years)	Approved amount (UAM)(*)	Disbursed amount (UAM)	(%) disbursement at 28 February 2017	Source of financing
6.	Private Sector Promotion Support Project	P-GQ-K00-007	12/12/2014	10/02/2016	31/12/2019	4.5	0.8	0.059	7.36	MIC AfDB
TOTAL						4.5	0.8	0.059	7.36	

[illegible]

Annex IV: Equatorial Guinea: Justification of Counterpart Contribution Level

For the financing of the Support Project for the Development of Value Chains of the Fisheries and Aquaculture Sector (PASPA), the Government of Equatorial Guinea requested a waiver to limit its counterpart funding to the financing of the Bank-financed components. This national counterpart is estimated at UA 11.694 million (CFAF 9.478 billion), or 21% of the total estimated project cost of UA 56.625 million (CFAF 45.896 billion). The Bank's estimated contribution of UA 44.931 million (36.418 billion CFA francs) is above 50% of the project cost as required by the policy on expenditure eligibility for Bank Group financing through the ADB sovereign window. Thus, in accordance with Section 4.2.2 of the Bank Group Eligible Expenditures Policy (Revised Version of 19 March 2008), the justification for this level of government counterpart funding was based on the following three criteria:

(i) *The country's commitment to implementing its overall development agenda:*

The Government's National Economic and Social Development Programme (PNDES) "Equatorial Guinea: Vision 2020" has four strategic pillars: (i) build world-class infrastructure to improve productivity and accelerate economic growth, (ii) strengthen human capital and improve the quality of life of every citizen; (iii) build a diversified economy based on the private sector; and (iv) put in place good governance in the service of the citizen. The PNDES objectives are fully aligned with the Sustainable Development Goals (SDGs) set for 2030 and with the strategic thrusts of the Strategic Plan for Fisheries 2016-2020, which aims to put an end to the dependence on imports to supply fresh fish to the REG's domestic market, particularly the hinterland areas on the continent. Also in terms of economic diversification, the Government aims to "Make Equatorial Guinea a reference platform for fisheries and aquaculture products in the Central African sub-region". The Government is a potential donor that provides funding to the United Nations (UN) System for its own activities and coordinates them from a project management centre (GE-PROYECTOS). An observation of the public investment program (non-exhaustive) reveals that 80 projects were executed or in the course of implementation between 2013 and 2017 for an amount of approximately CFAF 925 billion from the State budget, i.e. an average of 185 billion a year. Most of these projects are entrusted to the United Nations with at least 90% of the State's resources, against 10% provided by the United Nations. Since 2015, the UN System no longer funds development projects in the REG but provides more of technical assistance in implementing projects.

(ii) *Financing allocated by the country to the sector targeted by Bank assistance:*

In recent years, the economic system has been undermined by the decline in oil prices, which has contributed to the deterioration of macroeconomic indicators and the decline in the volume of public investment. This economic crisis has led to a decrease in the funding allocated to the fisheries sector by the State. The current economic situation is not likely to improve the status of poverty whereas more than 43.7% of populations live below the poverty line. Given the scarcity of resources, the Government requested the Bank to finance the PADCVSPA. This request makes the Bank a strategic partner in the fisheries and aquaculture sector with a view to diversifying the national economy and improving the food security of the target groups.

(iii) *The country's budgetary situation and debt level :*

Over the 2013-2017 period, the country's GDP dropped by nearly 57% due to the oil shock. The decline in hydrocarbons prices has also negatively impacted the State accounts, leading to substantial fiscal deficits. The government then took major steps to deal with the financial imbalances, reducing investment (24% of GDP in 2014 against 11% in 2017) and government

operating expenses, while making efforts to increase revenues. As a result, the public deficit is estimated at -0.9% of GDP in 2018 compared to -2.9% of GDP in 2017.

Despite the current situation, the State retains a high borrowing capacity. The total public debt rose from 6% of GDP in 2013 to 37% in 2018. It consists mainly of arrears to the private sector (about CFAF 1,300 billion). Estimated at 11% of GDP in 2018, the external debt remains low and contracted mainly from China. An agreement signed with the IMF in May 2018 focused on setting up a monitoring programme (without financing). If this programme ends conclusively, the IMF could then consider one with financing.

Table 2.1 below summarizes Equatorial Guinea's macroeconomic indicators

Table 2 –Macroeconomic development				
	2017	2018(e)	2019(f)	2020(f)
Real GDP growth rate	-2.9	-7.9	-2.7	-2.5
Real GDP per capita growth rate	-5.8	-10.7	-5.5	-5.2
CPI Inflation	0.7	0.6	1.4	1.9
Fiscal balance as % of GDP	-2.9	-0.9	-0.5	0.3
Current account as % of GDP	-1.3	-2.7	-2.9	-3.9

Source : National government data; authors' calculations for estimates (e) and forecasts (f)

From the foregoing, the Government of Equatorial Guinea is committed to implementing its development programme under which the fisheries and aquaculture sector is prioritized. However, it has difficulties increasing its domestic capital expenditure. On the other hand, given its situation of macroeconomic imbalance, Equatorial Guinea has undertaken a series of structural reforms to restore a positive, inclusive and sustainable economic growth dynamic. These reforms concern public finances, sector measures and business climate improvement. The fiscal space to generate the requisite funds is extremely limited. At the Government's request, it is proposed that the Bank finance 29% of the project costs which will be covered by the national counterpart funding.