

## PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA5555

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|---|---|
| <b>Project Name</b>                           | Access to Basic Services in Rural Areas and Capacity Building Project (P144135)   |
| <b>Region</b>                                 | AFRICA  |
| <b>Country</b>                                | Gabon   |
| <b>Sector(s)</b>                              | Other Renewable Energy (40%), Water supply (35%), General energy sector (20%), Energy efficiency in Heat and Power (5%) |
| <b>Theme(s)</b>                               | Rural services and infrastructure (80%), Other Private Sector Development (20%)   |
| <b>Lending Instrument</b>                     | Specific Investment Loan  |
| <b>Project ID</b>                             | P144135   |
| <b>Borrower(s)</b>                            | Government of Gabon   |
| <b>Implementing Agency</b>                    | Ministry of Petroleum, Energy and Water Resources   |
| <b>Environmental Category</b>                 | B-Partial Assessment  |
| <b>Date PID Prepared/Updated</b>              | 16-Oct-2014   |
| <b>Date PID Approved/Disclosed</b>            | 22-Oct-2014   |
| <b>Estimated Date of Appraisal Completion</b> | 16-Oct-2014   |
| <b>Estimated Date of Board Approval</b>       | 18-Dec-2014   |
| <b>Decision</b>                               |   |

### I. Project Context

#### Country Context

##### Country Context

1. Located in Central Africa, Gabon is situated on a land area of 267,667 km<sup>2</sup>. In 2011, Gabon had an estimated population of 1,672,000 inhabitants, of whom more than 80 percent live in urban areas, predominantly in Libreville (the capital), Port-Gentil (the economic capital), and Franceville (the mining region). The Gabonese population is young, with half under the age of nineteen. Gabon is a resource-rich country, well endowed with arable land, forests, and mineral resources. It has extraordinary biodiversity, as well as rich deposits of magnesium and iron ore. Oil production, which still represent 45 percent of GDP despite declining output, has transformed Gabon into one of Africa's few middle-income countries, with a gross domestic product (GDP) per capita estimated at US\$11,114, making Gabon the 56th largest economy in the world.
2. Recent economic development. GDP growth continues to be strong. In 2013, GDP growth is estimated to have reached 6.2 percent, compared with 5.5 percent in 2012, largely on the back of public investment. Annual average inflation is estimated to have declined to 0.5 percent at end December 2013, from 2.7 percent in December 2012, following the introduction of administrative

measures to control the prices of basic products. Monetary developments have been characterized by continued increase of the credit to the economy (+20.4 percent year on year increase at end December 2013).

3. Oil surpluses have contributed to reducing the debt burden. Thanks to the strong increase in oil revenues, Gabon experienced important budget surpluses between 2005 and 2009 (on average, 8.8 percent of GDP), and reducing public external debt. The debt-to-GDP ratio fell from 55.9 percent in 2003 to 17.9 percent in 2013. Nevertheless, fiscal sustainability remains a major challenge. For the first time since 1998, the country ran an overall fiscal deficit (–1.7 percent of GDP) in 2013 as result of increases in Government of Gabon (GoG) spending. Furthermore, the first nine months of 2013 were marked by significant accumulations of arrears on external debt due and payments to local enterprises.

4. Medium-term prospects are encouraging. GDP growth is projected to reach 5.1 percent in 2014 as a result of improving yields to the main oil fields and the inflation rate is expected to remain at 2.3%, below the CEMAC norm. Mining production is expected to expand by 15 percent. This upward trend is expected to be maintained in the medium term, thanks to the dynamism of the non-oil sector (mining, timber processing, and construction).

5. Human development and poverty reduction. In spite of recent progress, poverty and shared prosperity remain key issues for Gabon and have recently become a national priority. Gabon is ranked 106 out of 186 countries in the 2013 United Nations Development Programme Human Development Index - well below countries with similar GDP per capita. The country is also unlikely to reach many of the Millennium Development Goals (MDGs) by 2015. The country has made progress on primary education, while infant and maternal mortality have dropped significantly. Nevertheless these still fall far short of MDG targets. Access to drinking water has largely remained unchanged since 2006 (87 percent).

6. While the economy has experienced positive growth over the last four decades (4.5 percent on average per annum), it has generated insufficient jobs, with unemployment reaching 21 percent of the labor force in 2010. Unemployment affects mainly the young, women, and the uneducated. This weak employment creation is partly explained by the dominance of a highly capital-intensive oil sector, but a mismatch between the skills provided by the education system and the needs of the economy is a more fundamental factor. Rigid labor and social legislation is another major constraint. As a result, the richest quintile of the population receives half of the national income, yet one-third of the population lives in poverty.

7. National Infrastructure Master Plan. In 2009, the Government formulated a medium-term strategy aimed at making Gabon an emerging economy by 2025 (Plan Stratégique Gabon Emergent [PSGE]). The PSGE relies on three pillars: (i) making Gabon a metallurgic industrial center based on clean energy; (ii) positioning the country as a pioneer of the green economy; and (iii) making Gabon a center of excellence in the service sector, including research, business, tourism, health, media, and information technology (IT). To implement this broad agenda, the GoG has increased the share of resources allocated to public investment from 14 to 40 percent of the national budget over the 2010 to 2016 period, with the majority of spending centering on infrastructure.

8. New social policy. Finally, in February 2014, acknowledging inequality concerns despite recent economic growth, President Bongo announced a new social policy, the goals of which are to (i) assist the most vulnerable populations (elders, orphans, disabled, etc.) through integrated social programs; (ii) help low-income people develop income-generating activities; and (iii) reduce inequalities in access to basic public services.

## Sectoral and institutional Context

9. The electricity and water sectors in Gabon are politically and materially intertwined. Indeed, both sectors fall under the purview of: (i) a single ministry - the Ministry of Energy and Hydraulic Resources (Ministère de l'Energie et des Ressources Hydrauliques [MERH]); (ii) a single utility with a concession mostly centered around urban areas - the Gabonese Energy and Water Utility (Société d'Energie et d'Eau du Gabon [SEEG]); and (iii) a single regulator - the Regulatory Agency for Water and Electricity Sectors (Agence de Régulation du Secteur de l'Eau Potable et de l'Energie Electrique [ARSEE]).

10. Despite a high national electrification rate of 83 percent, the electricity sector in Gabon faces frequent power shortages resulting from rapid urbanization. In parallel, access to electricity in rural areas is low - around 15 percent - and expanding service is particularly challenging because of low population density and challenging accessibility. The relationship between energy and the country's economic and social growth has made the sector a government priority, with particular emphasis placed on boosting electricity access and lowering electricity prices.

11. Where water resources are concerned, Gabon is well-endowed with 90 percent of the country supplied by watercourses and 72 percent of its land areas irrigated by the Ogooué River and its tributaries. According to WHO/UNICEF Joint Monitoring Program 2014, the most up-to-date estimate on the use of water sources, the total improved water access rate is 92% (Urban water : 78%, and Rural Water: 43%). However there is a discrepancy in the methodologies used to derive global level and national figures respectively. According to the national data , only 25% of the population living in rural areas has access to safe drinking water.

#### Provision of basic services in rural areas

12. Rural areas in Gabon are isolated, difficult to access, and often have highly dispersed populations. Low access to basic services significantly contributes to rural exodus and hampers economic and social development. Approximately 3,000 villages (including village clusters of varying sizes) are scattered throughout the country. Some villages are located in swamps or built into river banks, particularly in Haut Ogoe province, the installation/maintenance of basic services in those areas remains particularly challenging. The GoG started deploying rural water and electricity infrastructure in 1982. As of 2013, water infrastructure consists of 1,300 hand-pump and 40 small scale pumping systems (38 diesel and 2 photovoltaic [PV] systems). This rural water infrastructure has largely been financed by the national budget and the European Union (EU) through the 7th and 8th European Development Fund. Electricity infrastructure consists of about 1,140 electrical systems (mostly solar home systems and a few solar micro-grids) have been built in rural areas.

13. In spite of this policy, to date, only about one third of villages have benefited from basic water infrastructure and less than 10 percent from electricity infrastructure. A few private investors have installed small water supply systems for their use and to sell to neighboring customers. As it concerns energy, most rural households use kerosene lamps, candles, and torches for lighting and firewood for cooking. Current energy sources in rural areas are expensive and inefficient. In many villages, poor-quality diesel generators are used for lighting, television (TV), cell phone charging, and special events, with high operational costs and poor quality of electricity. As a result, the transformative benefits of energy have failed to meet the countries huge potential, particularly in the agriculture and fisheries sectors. Small business activities are also limited. Connecting villages to the national utility grid would for many villages be prohibitively expensive (due to distance) and/or technically difficult (crossing rainforests, rivers or swamps). Outside the SEEG's concession perimeter, about one hundred villages were electrified by the government, using solar photovoltaic technology. In the water sector, most rural households have no access to improved drinking-water sources, as they rely on nearby surface water, unprotected springs, and unprotected wells.

14. Compounding the limited breadth of the infrastructure which has been built, rural infrastructure is costly and difficult to maintain. As a result, a large share (estimated at around 80 percent) of installed equipment is nonfunctional due to lack of maintenance and/or sustainable institutional framework. Historically, limited attempts to ensure systematic maintenance and repair of rural basic services from Libreville have been unsuccessful. Moreover, for political and historic reasons, basic services in villages have traditionally been provided free of charge to consumers.

15. Against this backdrop, the stated objectives of the PSGE as it relates to the electricity and water sectors are to: (i) develop an electricity supply that is diverse, sustainable, and accessible to all; and (ii) guarantee universal access to drinkable water and sanitation. To reach these goals, the PSGE envisages an ambitious program of reforms in the energy and water sectors that should translate into the extension of both services in rural areas to limit rural exodus and contribute to poverty reduction. More specifically, the GoG has set an aggressive target of 80 percent of access to energy and water services in rural areas by 2025.

16. The management of public services in areas located outside of the SEEG concession is currently the sole responsibility of the Government. The service in charge of rural electrification (through decentralized arrangements) is the Directorate for New and Renewable Energies (DENR), within the DGE. DENR is currently responsible for the following functions: (i) promoting rural electrification based on renewable energy development; (ii) monitoring the rural electrification projects implemented by the Ministry and the private sector; (iii) assessing the rural electrification potential at national level; and, (iv) preparing a development plan for rural electrification. For the water sector, the Directorate General for Water Resources (Direction Générale de Ressources Hydrauliques [DGRH]) is in charge of structuring the sector; developing standards and harmonizing action, planning, resolving conflicts, and monitoring the performance of the water sector. DGRH also comprises a Directorate for Rural Water (DHR), which is the department in charge of planning and implementing water projects in the rural areas.

## II. Proposed Development Objectives

The project development objectives (PDO) are to expand access to water and energy services in target rural areas and to establish mechanisms to improve sustainability of service provision

## III. Project Description

### Component Name

Component A: Expand access to basic services in rural areas (US\$ 41.5 million)

### Comments (optional)

19. This component will finance (i) the construction and rehabilitation of new rural electrification infrastructure in remote areas, and (ii) the construction of wells and water pipes to increase access to drinkable water.

### Component Name

Component B: Implementation support, supervision and monitoring & evaluation component (US\$ 6.5 million)

### Comments (optional)

20. This component will finance a number of implementation and support activities and an extensive communication, education, and awareness program. It includes four subcomponents: (i) Establishment of a specific institutional framework for rural energy and water services; (ii) Implementation and support activities; (iii) Communications, education, and awareness; and (iv) Project management, monitoring, and evaluation.

### Component Name

Component C: Capacity building and technical assistance (US\$ 14 million)

**Comments (optional)**

21. Component C will be divided into two subcomponents: (i) Sector-specific institutional capacity-building activities and (ii) Sectoral analytical work and specific studies.

**IV. Financing (in USD Million)**

|   |       |                       |               |
|---|-------|-----------------------|---------------|
| Total Project Cost:                                   | 60.00 | Total Bank Financing: | 60.00         |
| Financing Gap:  | 0.00  |                       |               |
| <b>For Loans/Credits/Others</b>                       |       |                       | <b>Amount</b> |
| Borrower  |       |                       | 0.00          |
| International Bank for Reconstruction and Development |       |                       | 60.00         |
| Total   |       |                       | 60.00         |

**V. Implementation**

22. MERH will be responsible for oversight of the project. Under MERH's supervision, CN-TIPPEE will be responsible for the project's implementation. The implementation arrangements include two organizational levels: a Project Steering Committee and the Project Implementation Unit (PIU), whose roles and responsibilities are outlined below.

The Steering Committee already exists but its composition is being revised. The Steering Committee is chaired by the Minister of Energy and Water Resources, and will include representatives of the Ministry of Budget, the Ministry of Social Welfare (FNAS), the Directorate General of Hydraulic Resources (DGRH), the Directorate General of Energy (DGE), the National Council for Electricity and Water (CNEE), the regulator for electricity and water (ARSEE) and a Secretariat. The Steering Committee's primary responsibility is to provide overall policy and strategic direction, general project oversight, and ensuring coordination during implementation.

The Project Implementation Unit will be the CN-TIPPEE will be responsible for the project's technical and fiduciary aspects. A project coordinator, appointed by MERH, will work within the PIU and will be responsible for operational oversight of the PIU and will ensure that project activities are carried out in accordance with MERH strategic guidance and in consultation with MERH's respective water and energy technical departments. The PIU will report to the Steering Committee throughout implementation of the project to ensure clear communication with all pertinent ministries and obtain decisions on issues pertaining to multiple government stakeholders.

**VI. Safeguard Policies (including public consultation)**

| <b>Safeguard Policies Triggered by the Project</b> | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| Environmental Assessment OP/BP 4.01                | <b>x</b>   |           |
| Natural Habitats OP/BP 4.04                        |            | <b>x</b>  |
| Forests OP/BP 4.36                                 |            | <b>x</b>  |
| Pest Management OP 4.09                            |            | <b>x</b>  |
| Physical Cultural Resources OP/BP 4.11             | <b>x</b>   |           |
| Indigenous Peoples OP/BP 4.10                      | <b>x</b>   |           |
| Involuntary Resettlement OP/BP 4.12                | <b>x</b>   |           |

|  |  |          |
|--|--|----------|
| Safety of Dams OP/BP 4.37                      |  | <b>x</b> |
| Projects on International Waterways OP/BP 7.50 |  | <b>x</b> |
| Projects in Disputed Areas OP/BP 7.60          |  | <b>x</b> |

**Comments (optional)****VII. Contact point****World Bank**

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