

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC823

Project Name	Access to Basic Services in Rural Areas and Capacity Building Project (P144135)
Region	AFRICA
Country	Gabon
Sector(s)	Other Renewable Energy (40%), Water supply (35%), General energy sector (20%), Energy efficiency in Heat and Power (5%)
Theme(s)	Rural services and infrastructure (80%), Other Private Sector Development (20%)
Lending Instrument	Specific Investment Loan
Project ID	P144135
Borrower(s)	Government of Gabon
Implementing Agency	Ministry of Petroleum, Energy and Water Resources
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	08-Oct-2014
Date PID Approved/ Disclosed	22-Oct-2014
Estimated Date of Appraisal Completion	16-Oct-2014
Estimated Date of Board Approval	18-Dec-2014
Concept Review Decision	

I. Introduction and Context

Country Context

1. Located in Central Africa, Gabon is situated on a land area of 267,667 square kilometers and has an estimated population of 1,530,000 inhabitants in 2011 of which more than 75 percent live in urban areas. The Gabonese population is relatively young, with half under the age of 19 years. Eighty percent of its population lives in urban areas, predominantly in Libreville (the capital), Port-Gentil (the economic capital), and Franceville (the mining region). Gabon is a resource-rich country, well endowed with arable land, forest, and mineral resources. It has extraordinary biodiversity, as well as rich deposits of magnesium and iron ore.

2. Oil production over the past 40 years has transformed Gabon into one of the Africa's few middle-income countries, with a gross domestic product (GDP) per capita estimated at US\$8,643 in 2010, which ranks Gabon 56th in the world. Despite declining oil production and attempts at

economic diversification, Gabon remains largely dependent on oil, and is still the fifth-largest oil producer in Sub-Saharan Africa and the second-largest exporter of manganese and the petroleum sector is still accounting for 80 percent of exports, 45 percent of GDP, and 60 percent of fiscal revenues.

3. Gabon's human development outcomes fall short of countries with similar per capita income and income inequality is high. The richest quintile of the population receives half the national income; yet one-third lives in poverty. Gabon is ranked 106 out of 187 countries in the 2011 UNDP Human Development Index, well below countries with similar GDP per capita. The latest national household survey, completed at the end of 2005 with WBG support, revealed an increase in the proportion of Gabon's population living below the poverty line from 25 percent in 1997 to 33 percent in 2005.

4. In November 2009 President Ali Bongo launched the country's new economic diversification strategy, which aims at transforming Gabon into an emergent country within 25 years and is based on three pillars: (i) making Gabon a metallurgic industrial pole of reference based on clean energy and driven by strategic raw materials such as manganese, iron and gas and a regional industry of wood processing ("Gabon industriel"); (ii) positioning the country as a pioneer of the green economy through sustainable management of its rich biodiversity, and the development of eco-tourism ("Gabon vert"); and (iii) making Gabon a center of excellence in higher education and research, business tourism, health, media and IT economy ("Gabon des services"). To implement this broad agenda, the Government has decided to increase the share of resources allocated to public investment from 14 percent to 40 percent of the State budget over the 2010 to 2016 period.

Sectoral and Institutional Context

1. Gabon has the third-largest hydroelectric potential in Central Africa (over 8,000 MW and over 76 TWh), after DRC and Cameroon, but very low current capacity, and only 30 percent of the population, (40% in urban areas and 10% in rural areas), has access to electricity. Most of the electrified households are in the urban areas of Libreville and Port Gentil. Access to electricity in rural areas remains particularly challenging because of the low density of the population and difficult access.

2. Electricity has been generated mainly by hydroelectric power stations, but in recent years, given the rapid growth of demand, the share of thermal generation using liquid fuels has increased significantly. This trend has increased the average cost of electricity and is challenging the financial sustainability of the sector. At the end of 2010, the total installed capacity in Gabon was estimated at 386 MW with 170 MW of hydropower. Available capacities were 269 MW in the rainy season and 216 MW during the dry season. For the same period, total annual generated energy was 1,752 GWh (6% more than in 2009), of which 907 GWh from hydro and 845 GWh from thermal. Electricity demand in GWh has increased 50 % over the past 14 years and the maximum national demand reached 282 MW in 2010.

3. Institutional context and concession contract. The Government of Gabon has conducted in the early 90s a comprehensive reform of the electricity and water sectors, which resulted, in 1997, in the privatization of the utility, SEEG, through a concession contract with VEOLIA. The concession contract is managed by the Ministry of Energy and Water Resources, which also fulfilled the role of regulator until the sector regulatory agency was created in 2010. Following the amendment of the concession contract in 2006, the sector investment responsibilities are shared between the Government and SEEG. The Government of Gabon has agreed with SEEG that "structuring investments" (investments related to generation, transmission and distribution which life span exceeds the term of the concession contract) specifically designated by mutual agreement, fell

within the responsibility of the Government. While the concession agreement expires in 2017, the Gabonese Government and the World Bank have decided to start thinking about the future through an institutional and regulatory review of the electricity sector. The institutional and regulatory framework was essentially developed in the context of the preparation of the privatization of the public water and electricity operator, almost twenty years ago.

4. Rural Electrification. Most rural households use kerosene lamps, candle and torches for lighting and firewood for cooking. The use of fuel wood and poorly carbonized charcoal by households has negative and sometimes irreversible effects on human health (particularly on women and children) and the environment. Current energy uses in rural areas are expensive, inefficient and unsustainable. In many rural areas, poor quality petrol or diesel generating sets are used for lighting, TV, cell phone charging and special events, with high operation cost and poor quality of electricity generated. In addition, the country's huge potential in agriculture and fisheries is limited by the lack of electricity access in rural areas. Small businesses activities are also limited. Connecting the villages to the existing grid is often expensive (due to the distance) or technically difficult (rain forest or rivers/swamps crossing).

5. The main urban centers of the country have been connected to the grid. However, the electrification in rural areas has recorded slow progress. Since the main centers have been electrified, the rural electrification to be pursued for social and geographic equity objectives raises a high cost. The following solutions have been envisaged: (i) grid extension towards the proximity of the envisaged areas; (ii) installation of small co-generation units in forest areas; (iii) construction of mini-hydros over the river; (iv) exploitation of other types of existing renewable energy sources; (v) development of "attractive" centers based on the Tunisian model for the population located nearby (eg. by providing basic services as water, school, health centers, post office).

6. The financial viability of rural electrification programs, particularly in Gabon, cannot be reached through a "big balance" approach (recovery of the investment and some operation cost) and sometimes even through a "small balance" approach (viability of operation). Access to energy should be envisaged as part of a comprehensive approach that also includes access to water resources.

Relationship to CAS

11. The proposed project supports the Government's economic development plan adopted in 2009 - the Strategic Plan for Gabon as Emerging Market (PSGE Pillar 2: development of infrastructure and regional planning). PSGE's objective is to transform the country into an emerging economy by 2025. Poor infrastructure and poor investment climate have been identified as key barriers to the competitiveness of the country.

12. The project is also in line with the Country Partnership Strategy (CPS) FY 2012-2016, which has the following priorities a) improving governance and public sector capacity; b) increasing Gabon's competitiveness and employment; c) addressing vulnerability and resilience; and d) gender equity. The proposed project supports the institutional capacity building in the energy sector, rural infrastructure investments and energy efficiency with the aim of enhancing the competitiveness of the economy. Access to electricity will foster private sector-led growth, diversify the economy and improve the investment climate. Rural electricity access in particular is expected to yield economic and social benefits for local communities – improved health, education, productivity, income generation and general well-being. It will contribute to gender equity and poverty alleviation in rural areas.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

31. The main objective of the project is to: (i) increase access to modern energy services in rural areas; (ii) improve end-use energy efficiency; and (iii) enable future investments in the hydropower.

Key Results (From PCN)

32. In line with the focused objectives of the project, progress toward achieving the project outcomes will be measured by the following indicators:

- Increase in the number of rural communities, small enterprises/businesses and social services (schools and health clinics, water distribution systems, etc.) which have access to electricity
- Reduce the peak demand by increasing the number of quality CFLs used in households, businesses and administration
- Institutional and financial strategy for the development of hydropower and the potential for power exports
- Direct Project Beneficiaries of which female (beneficiaries)

III. Preliminary Description

Concept Description

1. The proposed project would comprise two main components:

- a) a rural energy services delivery component in remote areas through grid connected mini grid and/or off grid facilities;
- b) a capacity building and technical assistance component to provide institutional support to the Ministry of Petroleum, Energy and Water Resources and the Regulation Agency for Electricity and Water.

2. The total cost of the proposed project is estimated around US\$35 million, of which US\$30-32 million is envisaged as IBRD resources and US\$3-5 million as Government contributions.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04			x
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10			x
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37			x
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	60.00	Total Bank Financing:	60.00
Financing Gap:	0.00		
Financing Source			Amount

Borrower	0.00
International Bank for Reconstruction and Development	60.00
Total	60.00

VI. Contact point

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