

# **AFRICAN DEVELOPMENT BANK**



## **GABON**

### **GRAINE PROGRAMME SUPPORT PROJECT PHASE 1 (PAPG1)**

### **APPRAISAL REPORT**

**RDGC/AHAI**

November 2017

*Translated document*

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## **Currency Equivalents** (August 2017)

Currency Unit	=	CFAF (XAF)
UA 1	=	XAF 787.43
UA 1	=	USD 1.41
UA 1	=	EUR 1.2

## **Fiscal Year**

1 January – 31 December

## **Weights and Measures**

1 metric tonne	=	2204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 ares

## **Acronyms and Abbreviations**

ENDR	:	National Rural Development School
ERR	:	Economic rate of return
ESMP	:	Environmental and Social Management Plan
FAPA	:	Fund for Africa Private Sector Assistance
GRAINE	:	Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés [Gabonese Agricultural Achievements and Initiatives of Committed Nationals]
IFAD	:	International Fund for Agricultural Development
IGAD	:	Gabonese Development Support Institute
ILO	:	International Labour Office
IRR	:	Internal rate of return
MAEPG	:	Ministry of Agriculture and Livestock, in charge of the GRAINE Programme
MCBF	:	Microfinance Capacity Building Fund
MEPPD	:	Ministry of the Economy, Forecasts and Development Programming
NGO	:	Non-Governmental Organization
NPV	:	Net present value
PAPG1	:	GRAINE Programme Support Project Phase 1
PCU	:	Project Coordination Unit
PDAR	:	Agricultural and Rural Development Project
PNSA	:	National Food Security Programme
PPP	:	Public-Private Partnership
PRODIAG	:	Gabonese Investment and Rural Development Project
PSGE	:	Emerging Gabon Strategic Plan
RBCSP	:	Results-Based Country Strategy Paper
SOTRADER	:	Agricultural Transformation and Rural Development Company
TFP	:	Technical and Financial Partners
UA	:	Unit of Account

## Project Information Sheet

### Client Information

<b>BORROWER</b>	:	Republic of Gabon
<b>EXECUTING AGENCY</b>	:	Ministry of Agriculture and Livestock in charge of GRAINE Programme Implementation

### Financing Plan

Source	Amount (EUR M.)	Instrument
AfDB	98.541	Loan
Government and beneficiaries	17.443	Own resources
<b>TOTAL COST</b>	<b>115.984</b>	

### Key AfDB Loan Financial Information

Loan currency	Euro (EUR) [or any other acceptable currency]
Loan type:	Total flexibility loan
Maturity:	20 years
Grace period:	5 years
Average loan maturity**:	12.75 years
Repayments:	30 installments at the end of the grace period
Interest rate:	0.604 %
Base rate:	Floating (6 month EURIBOR revised on 1 February and 1 August or any other acceptable rate) A free option is offered to set a base rate
Margin on financing cost:	Margin on Bank financing cost revised on 1 January and 1 July and applied on 1 February and 1 August with the base rate
Loan margin:	80 base points (0.8%)
Maturity premium:	0
Opening charge:	0.25% of the payable loan amount
Commitment charge:	0.25% per year of the undisbursed amount. It starts running 60 days after the date of signature of the loan agreement and is payable on interest payment dates.

### Duration – Key Milestones (Projected)

Concept Note approval	19 July 2017
Project approval	29 November 2017
Effectiveness	30 April 2018
Completion	30 June 2023
Project closing	31 December 2023

## Project Summary

**General Project Overview:** Conscious of its heavy dependence on the oil sector, Gabon in 2010 launched an economic transformation strategy (Emerging Gabon), in which agriculture is playing a key role. To implement this strategy, the country launched several reforms and developed international partnerships as well as flagship projects. The Republic of Gabon and Olam (a leading global player in agribusiness) joined forces in 2014 to launch a new flagship programme known as Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés [Gabonese Agricultural Achievements and Initiatives of Committed Nationals] (GRAINE), a programme in which local smallholder farmers will play an important role in the development of the oil palm and food crop subsectors. The GRAINE Programme, to be implemented in two phases, aims to reduce poverty, ensure food security and accelerate economic diversification. It aims, in the very short term, to increase the share of agriculture in national wealth to ensure greater food security and check youth unemployment.

The GRAINE programme is a Public-Private Partnership (PPP) operation. In this context, Government (51%) and its partner OLAM (49%) established a joint-venture known as the Agricultural Transformation and Rural Development Company (SOTRADER). SOTRADER will support the development of industrial and food crop land and plantations as well as the construction of three palm oil processing plants. Government will, in these same areas and for the benefit of cooperators, management committees and economic operators, contribute to the necessary socio-economic investments (drinking water, rural electrification, schools and health centres, etc.), agricultural support infrastructure (rural roads, dissemination centres for plant material, multiservice platforms, markets, etc.) as well as to organization and professionalization.

As part of the implementation of the first phase of GRAINE (2015-2020) for an estimated cost of USD 1.5 billion, USD 1.1 billion of which will be financed by bank loans, SOTRADER, on 25 April 2016, sent a request to the AfDB (private sector window) to help finance this first phase up to USD 100 million, while Government, on 24 May 2017, sent a request to the Bank for public financing of UA 70 million (USD 97.4 million). This GRAINE Programme Support Project Phase 1 (PAPG1) of a total of EUR 115.984 million, with 85% AfDB and 15% Government financing, will be implemented over a 5-year period in Gabon's six provinces (Woleu-Ntem, Ogooué-Lolo, Ogooué-Ivindo, Haut-Ogooué, Ngounié and Nyanga), which are distributed from the North to the South of the country.

PAPG1's overall objective is to help make Gabon food self-sufficient and a net exporter of palm oil, through the agricultural development of 10,000 ha of food crops in the six targeted provinces and 10,500 ha of oil palms in the Ndendé concession during the five-year project. PAPG1's intervention will affect various targets, particularly about 140 active agricultural and food industry cooperatives that are engaged with SOTRADER for the implementation of GRAINE, as well as more than 500 young people and women, who will benefit from project support to set up their own enterprises in the impact area, in connection with PAPG1's activities. The total population affected by the project and the social infrastructure set up, is estimated at 630,000 persons, with women accounting for 45%.

**Needs Assessment:** The Gabonese economy is characterized by heavy dependence on the oil sector (50% of GDP and 80% of exports) and massive importation of food for the population's consumption (85% of needs). To remedy this situation, agriculture is set out in the Government's strategic guidelines as a growth sector pole. However, the agricultural sector's development constraints are manifold. The needs assessment, to which PAPG1 will contribute,

was made based on the guidelines of the first phase of the GRAINE programme, and consultations during formulation with SOTRADER officials, the technical services concerned, federations, unions and cooperatives. These, in particular, include: (i) lack of access roads to production areas to ensure local development and support private sector development; (ii) lack of social and marketing infrastructure; (iii) weak organization of cooperatives and insufficient opportunities related to the non-structuring of subsectors; (iv) skills mismatch; (v) low productivity of sector enterprises and lack of skilled labour; and (vi) lack of attractiveness of the rural environment and the exodus of young and able people to oil activity concentration towns.

**Value Added for the Bank:** The AfDB study on the diversification of sources of growth in Gabon (2008), identified agriculture as one of the key sectors for diversified growth and job creation, both in the urban/sub-urban and rural area. Also, PAPG1's implementation is in line with the Bank's vision and consistent with the guidelines of the RBCSP 2016-2020, which has made the strengthening of infrastructure for private sector development one of its two pillars. AfDB support in Phase 1 of the Programme includes the preparation of two consecutive projects: PAPG1 and PAPG2. PAPG1 has a high level of complementarity with the Cameroon-Gabon-Congo corridor, financed in part by the Bank, and which crosses two of the six project provinces (Woleu-Ntem and Ngounié) and serves as the main artery for trade, given its planned connection with most of the roads to be rehabilitated by the project. In addition, technical assistance from the Fund for Africa Private Sector Assistance (FAPA) in the form of a USD 1 million grant, and from the Micro-finance Capacity Building Fund (MCBF) through a EUR 500,000 grant, has been granted and will support SOTRADER's capacity building activity for member cooperatives of the GRAINE programme and their financial inclusion. The GRAINE programme will contribute to achieving 3 of the Bank's 5 High 5s, namely Feed Africa, Light up Africa, Industrialize Africa and Improve the quality of life of Africans.

**Knowledge Management:** The inclusion of the Bank's "public" and "private" windows in the same project is, in itself, a challenge to optimize Bank resources and contribute to the transformation of Gabonese agriculture and the stakes of sector financing. Therefore, this operation will capitalize on the setting up of PPP projects in the agricultural sector. Many of the actions included in PAPG1 will lead to better knowledge management and building, in particular: (i) enhancing local expertise in oil palm cultivation, through the development of cooperatives and the improvement of advisory support; (ii) disseminating new varieties and technologies for improving food production, through multi-service platforms; (iii) awareness and dissemination of information, through various communication channels (community radio stations, broadcasts on the media, website, films, etc.), and in the various provinces, through pilot areas; and (iv) promoting innovative employability actions for young people and women, with the support of the ILO and in connection with the strengthening of the National Rural Development School (ENDR) and the specific mandates entrusted to make it a centre of excellence that can meet the skill requirements of agricultural support sub-sectors.

## Results-Based Logical Framework

**Gabon:** GRAINE Programme Support Project - Phase 1 (PAPG1)

**Project Goal:** Contribute to the improvement of food security by increasing agricultural production and improving the standard of living of the beneficiary population

<i>RESULTS CHAIN</i>		<i>PERFORMANCE INDICATORS</i>			<i>MEANS OF VERIFICATION</i>	<i>RISKS/ MITIGATION MEASURES</i>
		<i>Indicator</i>	<i>Baseline Situation</i>	<i>Target (2023)</i>		
<i>IMPACT</i>	Improvement of food security and diversification of the Gabonese economy through the promotion of industrial and food crops	-Value of food imports -Coverage rate of food needs in plantain and cassava by national production  -Poverty rate	- 370 billion in 2015 - 80% in 2016  - 34% in 2015	- 250 billion in 2030 - 100% for cassava and plantain in 2030  - 28% in 2030	- MAEPG reports and statistics - Reports and statistics of the National Nutrition Service - PSGE monitoring and evaluation reports	
	1. Larger marketed food (cassava, banana, tomato, pepper) and industrial agricultural production	Additional marketed food and industrial agricultural production	0	- 44 000 T of cassava, 46 438 T of plantain, 2 275 T of tomato and 3 450 T of pepper; and 178 500 T of palm seeds	- Annual Agricultural Statistical Reports	<b><u>Risks</u></b> - Inadequate support by young people and cooperatives for the GRAINE programme - Production marketing problems - Low level of qualification of the agricultural labour force <b><u>Mitigation measures</u></b> - Improvement of living conditions in the project impact area - Conduct of awareness and information campaigns on the project and its activities - Better organization of collection and marketing circuits - Enhancement of the capacity of ENDR and adaptation of curricula to the business needs of agricultural enterprises
<i>OUTCOMES</i>	2. Improved standard of living of beneficiaries	2.1 Number of jobs created  2.2 The cooperator's annual income	0  CFAF 600 000 in 2016	2.1. 5 100 permanent jobs and 17 300 temporary jobs created, including 75% for women and young people  2.2. CFAF 1 587 million and CFAF 1 250 million, respectively, for food and oil palm cooperators	- Project periodic monitoring reports  - Mid-term review report and project completion report	

OUTPUTS	<b><u>Component A : Rural Infrastructure Development</u></b>											
	<b><u>A1 : Agricultural Infrastructure</u></b>											<b><u>Risks</u></b>
	1.1- Rehabilitation of divisional roads	1.1	Kilometres of roads rehabilitated	1.1	100	1.1	Additional 772 km	- SOTRADER activity and PCU monitoring reports	- Low ownership of achievements by beneficiaries			
	1.2- Development of multiplication centres for plant material	1.2	Number of multiplication centres developed	1.2	0	1.2	6 centres		- Insufficient local labour			
	1.3- Construction of shelters/stores on the developed plots	1.3	Number of shelters/stores set up	1.3	0	1.3	131 shelters		- Inadequate support by young people and cooperatives for the GRAINE programme			
	1.4- Setting up of multi-service platforms	1.4	Number of platforms set up	1.4	0	1.4	15 platforms	- Contracts signed with enterprises	- Non-mastery of procedures and procurement complexity			
	1.5- Development of cassava soaking units	1.5	Number of cassava soaking units developed	1.5	0	1.5	131 units					
	1.6- Setting up of the quality control laboratory	1.6	Number of operational agricultural produce quality control laboratories	1.6	0	1.6	01 laboratory	- Reports of control firms				
						1.7	0	1.7	30 schools			
						1.8	0	1.8	40 centres			
						1.9	0	1.9	10 DWS systems and 75 boreholes	- Bank supervision and Government external monitoring reports	- Involvement of local actors in PAPG1's preparation	
						1.10.1	0	1.10.1	1 000 streetlights			
						1.10.2	0	1.10.2	50 km			
						1.11	0	1.11	350 houses			
						1.12	0	1.12	ENDR rehabilitated	- SOTRADER activity and PCU monitoring reports		
						1.13	0	1.13	131			
	<b><u>A2 : Social Infrastructure:</u></b>										<b><u>Mitigation measures</u></b>	
1.7- Construction/rehabilitation and equipping of primary schools,	1.7	Number of operational primary schools	1.7	0	1.7	30 schools	- Bank supervision and Government external monitoring reports	- Involvement of local actors in PAPG1's preparation				
1.8- Construction/rehabilitation and equipping of health centres,	1.8	Number of operational health centres	1.8	0	1.8	40 centres		- Communication actions around pilot sites				
1.9- Drinking water supply	1.9	Number of boreholes and DWS systems set up	1.9	0	1.9	10 DWS systems and 75 boreholes						
1.10- Provision of energy and village lighting	1.10.1	Number of solar streetlights installed	1.10.1	0	1.10.1	1 000 streetlights						
	1.10.2	Kilometres of drawn power lines	1.10.2	0	1.10.2	50 km						
	1.11	Number of houses constructed	1.11	0	1.11	350 houses						
	1.12	ENDR rehabilitated	1.12	0	1.12	ENDR rehabilitated	- SOTRADER activity and PCU monitoring reports					
	1.13	Number of community centres	1.13	0	1.13	131						
1.11- Construction of houses for industrial cooperators												
1.12- Rehabilitation of the National Rural Development School (ENDR)												
1.13- Construction and equipping of community centres												



KEY ACTIVITIES	OUTPUTS	<b>Component B: Capacity Building</b> <u><b>B1 : Procurement of Social and Agricultural Equipment/Infrastructure (p.m.)</b></u> <u><b>B2 : Enhancement of Support Services</b></u> 2.1 Establishment of a close agricultural advisory system  <u><b>B3 : Enhancement of the Capacity of Cooperatives</b></u> 2.2 Training and technical assistance to cooperatives 2.3 Establishment of community infrastructure management committees  <u><b>B4 : Operationalization of Multi-service Platforms</b></u> 2.4 Platforms set up and operational  <u><b>B5 : Food Crop Marketing Support</b></u> 2.5 Support for local actors in the cassava and plantain subsector processing link <u><b>B6 : Promotion of Entrepreneurship and Agricultural Training</b></u> 2.6 Entrepreneurship advisory support mechanism is created and operational 2.7 Technical capacity of ENDR and officials of ministries involved enhanced 2.8 Entrepreneurial initiatives developed 2.9 Facilitation of access to financing 2.10 Capacity of enterprises/IGA enhanced 2.11 Facilitation of access to social protection  <u><b>B7 : Rural Animation and Social Development</b></u> 2.12 Preparation of a communication plan 2.13 Broadcasting on the project, targeted subsectors and entrepreneurship 2.14 IEC broadcasting on STDs and HIV/AIDS <u><b>B8 : Institutional Support</b></u> 2.15 Conduct of strategic studies	2.1.1 Number of operational agricultural advisers 2.1.2 Number of operational intermediary agricultural advisers  2.2 Number of unions and federations set up 2.3 Number of management organs created and trained, including for DWS  2.4.1 Number of operational multiplication centres for plant material 2.4.2 Number of functional processing units 2.4.3 Number of operational mechanization workshops  2.5 Number of women's groups trained in production/processing unit management and operation  2.6 Number of agricultural advisers trained in ILO modules 2.7.1 Number of frames of reference and curricula reviewed 2.7.2 Number of ENDR trainers/officials trained in ILO modules 2.7.3 Number of ENDR learners, including graduating students, inserted 2.7.4 Rate of employers expressing satisfaction with the young people recruited 2.8 Number of young people trained in TRIE/CREE with finalized business plans 2.9.1 Establishment of the rural development fund (FDR) 2.9.2 Number of business plans financed by the FDR 2.10.1 Number of rural microenterprises created/trained in GERME 2.10.2 Number of IGAs created 2.11.1 Number of protection kits distributed to cooperatives 2.11.2 Number of training sessions on social protection 2.12 Communication plan prepared and implemented 2.13 Number of programmes broadcast on the project, subsectors and entrepreneurship 2.14 Number of programmes broadcast on STDs, HIV/AIDS, etc. 2.15 Number of strategic studies conducted	2.1.1 0 2.1.2 0  2.2 0 2.3 0  2.4.1 0 2.4.2 0 2.4.3 0  2.5 0  2.6 0 2.7.1 0 2.7.2 0 2.7.3 0 2.7.4 0 2.8 0 2.9.1 0 2.9.2 0 2.10.1 0 2.10.2 0 2.11.1 0 2.11.2 0 2.12 0 2.13 0 2.14 0 2.15 0	2.1.1 15 agricultural advisers 2.1.2 280 intermediary agricultural advisers  2.2 15 unions and 6 federations 2.3 300 managements organs, including 85 for DWS  2.4.1 6 centres 2.4.2 15 units 2.4.3 15 workshops  2.5 400 groups  2.6 50 business advisers 2.7.1 15 new courses introduced 2.7.2 100 beneficiaries 2.7.3 200, including 30% of women, and 100 are installed (self-employment/employees) 2.7.4 At least 70% 2.8 1 000 young people trained, including 500 with business (30%W) 2.9.1 Fund operational in 2019 2.9.2 200 plans (30% women) 2.10.1 500 created/consolidated (30% W), including 80% that improved their performance 2.10.2 At least 300 IGAs supported 2.11.1 140 kits 2.11.2 30 sessions 2.12 A plan in 2018 2.13 300, 60 and 60 programmes 2.14 60 programmes broadcast 2.15 3 strategic studies	- Contracts signed with enterprises  - Reports of control firms  - Bank supervision and Government external monitoring reports  - SOTRADER activity and PCU monitoring reports	<b>-Risks</b> - Low ownership of achievements by beneficiaries - Lack of local labour - Inadequate support of young people and cooperatives for the GRAINE programme - Non-mastery of procedures and <b>procurement complexity</b>  <b>Mitigation measures</b> - Involvement of local actors in PAPG1 preparation - Communication actions around pilot sites - Structuring and training actions for cooperatives and management committees - Promotion of specific actions for young people and women - Social infrastructure development in the rural area - Recruitment of a <b>procurement specialist within the PCU</b>
		<b>Component C: Project Management</b> 3.1 Procurement activities carried out 3.2 Project activities rolled out 3.3 Financial management ensured 3.4 Monitoring/evaluation conducted 3.5 Communication ensured	3.1 PP prepared and respected 3.2 Compliant disbursement rate 3.3 Audit reports produced 3.4 M/E system operational  3.5 Communication plan implemented	3.1 PP prepared 3.2 0% (early 2018) 3.3 Consultancy firm recruited (2018) 3.4 In place/ T4 2018	3.1 PP updated once/year 3.2 20% per year on average 3.3 5 annual audit reports validated 3.4 M/E, mid-term and final reports produced 3.5 Communication tools disseminated	PP SAP system Audit reports Activity and M/E reports  Brochures, website, films etc.	<b>Risks</b> Weak capacities  <b>Mitigation measures</b> PCU strengthened Involvement of the services involved and concerted monitoring system
	COMPONENTS	RESOURCES					

	<b>Component A: Rural Infrastructure Development</b>	<b><u>Components:</u></b>		<b><u>Sources of financing:</u></b>	
	<b>Component B: Capacity Building</b>	Component A	: EUR 82.007 million (70.7%)	AfDB (loan) : EU R 98.541 million	
	<b>Component C: Project Management</b>	Component B	: EUR 27.205 million (23.5%)	GVT/BEN : EUR 17.443 million	
		Component C	: EUR 6.772 million (5.8%)		

## Project Implementation Schedule

Year		2017		2018				2019				2020				2021				2022				2023			
Quarter		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	Q4
<b>1 INITIAL ACTIVITIES</b>																											
PAPG1 financing negotiations																											
AfDB loan approval																											
Signing of AfDB loan agreement																											
Effectiveness and fulfillment of conditions precedent to 1st disbursement																											
Publication of the General Procurement Notice																											
<b>2 STARTING ACTIVITIES</b>																											
Recruitment/appointment of PCU staff																											
Preparation of agreements and priority procurement files																											
PAPG1 launching mission																											
Procurement of PCU goods (vehicles, IT equipment, furniture, etc.)																											
Signing of agreements with partner structures																											
<b>3 RURAL INFRASTRUCTURE DEVELOPMENT</b>																											
Preparation of priority social and agricultural infrastructure files																											
Priority social and agricultural infrastructure works, including housing																											
Additional social and agricultural infrastructure studies																											
Additional social and agricultural infrastructure works																											
Implementation of the environmental management and monitoring plan																											
<b>4 CAPACITY BUILDING</b>																											
Advisory support and improvement of access to means of production																											
Support for the structuring and organization of cooperatives																											
Produce processing and marketing support																											
Agricultural entrepreneurship development and training related to ENDR																											
Rural animation (HIV-AIDS, nutrition, etc.) and institutional support																											
<b>5 PROJECT MANAGEMENT</b>																											
Establishment of management tools																											
Baseline situation and establishment of the ME system																											
Coordination, management, monitoring-evaluation and communication activities																											
Annual audit of accounts																											
Mid-term review																											
AfDB/Government completion report																											

**GABON**  
**GRAINE PROGRAMME SUPPORT PROJECT – PHASE I (PAPG1)**

Management submits this report and recommendations on a proposed *AfDB loan of EUR 98.541 million* to the Republic of Gabon, to finance the GRAINE Programme Support Project – Phase 1 (PAPG1).

**I. Strategic Thrust and Rationale**

**1.1. Project Linkages with the Country Strategy and Objectives**

1.1.1 The Gabonese economy is heavily dependent on the oil sector which accounts for up to 39% of GDP, 49% of budget revenue and 85% of export revenue. In addition, the 2010 national survey on employment and unemployment showed that unemployment affects 35.7% of the working population between 15 to 24 years, 25.9% of those between 25 to 34 years, 16.7% of those between 35 to 44 years, 9.2% of those between 45 to 59 years and 4.7% for those who are 60 and older. This is partly due to the fact that entrepreneurship especially that of young people and women, is a sector that is struggling to develop. Conscious of its heavy dependence on the oil sector, Gabon in 2010 launched an economic transformation strategy (Emerging Gabon), in which agriculture plays a key role. The development of agriculture enables Gabon to meet three objectives: (i) strengthening food security; (ii) creating jobs and fighting poverty; and (iii) diversifying the economy. Thus, the Republic of Gabon has the ambition of devoting up to one million hectares of its land to agricultural production and to have an agricultural sector that accounts for 20% of GDP by 2025. However, the agricultural sector's development constraints are manifold, particularly: (i) lack of access roads to production areas to ensure local development and support private sector development; (ii) lack of social and economic infrastructure; (iii) poor organization of cooperatives and insufficient opportunities related to the non-structuring of sub-sectors, and (iv) lack of attractiveness of the rural environment and exodus to oil activity concentration towns. Major investments are required to address the challenge of structural transformation of the agricultural sector with a view to making a greater contribution to the national economy and improving food self-sufficiency by 2025.

1.1.2 It is in this context that Gabon launched several reforms and increased partnerships, particularly with OLAM International. The launching in 2014 of the flagship programme entitled Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés (GRAINE), falls within this framework. The Programme aims to improve food security, reduce poverty and support the diversification of the Gabonese economy by promoting industrial and food crops. More than 200,000 ha will be developed and some 30,000 voluntary families grouped together in cooperatives spread over several hundred villages integrated into basic socio-economic infrastructure, with a view to creating about 25,000 jobs. It aims, in 10 years, to develop 20,000 ha of food crops (banana, cassava, pepper, tomato, etc.) and 180,000 ha of new oil palm plantations, partly managed by the State (36%) and the rest entrusted to partner cooperatives (64%). The Programme will be implemented in 2 phases of 5 years each. The cost of the first phase is estimated at USD 1.5 billion, USD 1.1 billion of which will be financed by bank loans. AfDB support in this Phase 1 of the Programme includes the preparation of two consecutive projects: PAPG1 and PAPG2.

1.1.3 Gabon's Country Strategy Paper (CSP) for 2016-2020, is based on two strategic thrusts: (i) Support to economic diversification through infrastructure development and the improvement of the business climate; and (ii) Support to the human capital development strategy. The first pillar aims to support the country's economic diversification strategy by

acting on some structural constraints. In particular, priority will be given to support the development of key infrastructure to develop agricultural production and agricultural value chains with high potential for job creation. In this regard, this pillar is consistent with the Bank's priority to ensure food security through agricultural development, and those of Government, which has retained infrastructure improvement as a prerequisite for supporting diversification of sources of economic growth, private sector development and increased production. The second pillar reflects the particular importance of human capital in economic growth. It is part of the foundations of the Emerging Gabon Strategy, which focuses on human capital development, especially through vocational training adapted to Gabon's present and future economic needs. Thus, priority will be given in PAPG1 to: (i) the development of access, processing and marketing infrastructure, and (ii) capacity building for operators and youth vocational insertion through the diversification of the offer of technical and vocational training and the development of agricultural entrepreneurship. These interventions will eventually boost investments in the production of staple and cash crops and provide employment opportunities. Thus, PAPG1 is consistent with Government priorities, the Bank's vision and 2016-2020 CSP guidelines.

## **1.2. Rationale for Bank Involvement**

1.2.1 PAPG1 is a public-private partnership (PPP) project, which synergizes the Bank's public and private windows by combining the efficiency of the private sector with the sovereign role of the public sector to contribute to the achievement of ambitious objectives: diversification of Gabon's economy, achievement of food security and creation of agricultural jobs in the rural area. The AfDB study on the diversification of sources of growth in Gabon (2008) identified the agricultural sector as one of the key sectors for diversified growth and job creation, both in the urban/sub-urban and rural area, to address the worrying issue of unemployment. However, the development of available resources in the agricultural sector and the improvement of its productivity are hampered by the difficulties resulting from the aging of the population and labour force shortages in rural areas, due to rural youth exodus to urban centres, in search of less challenging work and more attractive living conditions and incomes.

1.2.2 To provide lasting solutions to the unemployment situation, the AfDB is assisting the Government of Gabon to take into account youth training and employment. Thus, it supports the establishment of a business incubator system, through a MIC grant to the Chamber of Commerce approved in 2014. In December 2016, the Bank also approved the Capacity Building for Youth Employability and Social Protection Improvement Project (RC/EJPS). It also approved a MIC grant in February 2017 to finance a study for the preparation of an Agriculture Development and Transformation Strategy Implementation Support Project (PASTA) and Promotion of Youth Entrepreneurship in the Agricultural Sector and Agribusiness (PEJA). This Project is in line with the dynamic of supporting the agricultural sector's transformation by involving the private sector.

1.2.3 PAPG1 is perfectly in line with the 2016-2025 Strategy for the Transformation of Agriculture in Africa, which gives priority to value chain development and agricultural entrepreneurship. It will help achieve 3 of the Bank's High 5s, namely; Feed Africa, Industrialize Africa and Improve the quality of life of Africans. Indeed, the project will carry out key actions that will increase the incomes of cooperators and agricultural entrepreneurs, develop food crops, and ensure industrial processing of palm oil and better access to water, energy and housing in the rural area. In addition, its orientations are consistent with the Bank's Ten-Year Strategy (2013-2022), in particular the goal of inclusive growth by involving producers and cooperatives in private initiatives.

### 1.3. Aid Coordination

1.3.1 Gabon has set up a joint Government-TFP committee, which meets regularly; the latter is also divided into various thematic groups. The Bank coordinates its activities in Gabon with the other key partners, namely, the World Bank, the AFD, the European Union, United Nations Agencies, IFAD, France and China, in accordance with the Paris Declaration. The complementarity of actions is done through donor consultation meetings, and within the framework of project preparation. In general, TFPs have been confronted in the past with common partnership issues with Gabon, concerning mainly cases of changes in priorities, the non-issuance of an opportunity visa and the cancellation of some projects. The opportunity visa is a procedure established by the Gabonese Presidency, which assesses and arbitrates the various sector projects presented by ministries, with a view to ensuring good public investment coordination.

1.3.2 In the rural and environmental sector, coordination among TFPs is conducted through the “Natural Resources/Environment/Sustainable Development” thematic group, which meets once every two months under the supervision of the European Union. PAPG1 will incorporate lessons learned from operations in the food sector, notably the Agricultural and Rural Development Project (PDAR), financed by IFAD (USD 6 million), with a new phase envisaged for 2018, as well as the Agricultural Development and Investment Project in Gabon (PRODIAG), financed by the Gabonese Development Support Institute (IGAD) and closed recently. These projects capitalized on the cassava and banana sub-sectors, especially in terms of organization of producers and processing. PAPG1 will also establish synergies with the “Access to Basic Social Services in the Rural Area” project, financed by the World Bank (USD 60 million, 2015), and which intervenes mainly in the water and energy sectors. It will also take advantage of the diagnosis made by the FAO on the rehabilitation of the National Rural Development School (ENDR) and ILO strategic support in the field of employment and training.

Table 1.3: Average Contributions of the State and Partners during the 2013-2015 period

Sector or subsector*	Contribution to GDP in 2013	Average 2013-2015 imports	Labour
Agricultural and forestry sector	[5.6%]	CFAF 352 billion	35%
<b>Stakeholders – Public expenditure, ongoing programmes or projects - CFAF (2012-2016)</b>			
<b>Government</b>	<b>Donors</b>		
50 488 311 500	OLAM	58,900,000,000	44.04 %
38%	AFD	9,179,466,332	6.86 %
	IFAD	3,310,219,959	2.48 %
	AfDB	11,856,962,990	8.87 %
<b>Level of aid coordination</b>			
Existence of thematic working groups	Yes		
Existence of an overall sectoral programme	Yes		
AfDB role in aid coordination	Participation		

## II. Project Description

### 2.1. Project Objectives and Components

2.1.1 **Objectives:** PAPG1 will contribute to GRAINE’s development objective, which is the improvement of food security and the diversification of the Gabonese economy by promoting industrial and food crops, through the development of new plantations by SOTRADER and

support for cooperatives. Specifically, the project has several objectives, in particular: (i) help to reduce the country's food dependence; (ii) create agricultural development zones in the country's various provinces; (iii) improve living conditions in the rural area through access by rural people to socio-economic infrastructure and services; (iv) improve training offer in the rural area; and (v) develop agricultural entrepreneurship, especially for young people.

**2.1.2 Project Design:** The public project will complement activities carried out by the private party, and promoted by SOTRADER, which was created within the framework of Public-Private Partnership between the Republic of Gabon (51% of the capital) and Olam International (49%). The latter will support the development of industrial and food crop land and plantations as well as the construction of three palm oil processing plants. For the "oil palm" component, and in accordance with its corporate objective, SOTRADER will provide total support to cooperatives from land preparation to produce marketing. It will provide, on credit, the initial investment, equipment and input necessary for the development of the farm. It will ensure supervision and material, as well as financial technical assistance for cooperators and guarantee the purchase of the entire production. The repayment of loans will be gradually deducted from the payment due on delivery of production, while guaranteeing equitable remuneration for cooperators. This will be subject to contracting with cooperatives that benefit from the support of SOTRADER, according to the win-win principle. For the food component, SOTRADER will support cooperatives in all links of the value chain, according to a progressive accountability approach and by promoting agricultural entrepreneurship: providing to cooperatives in the developed plots, the necessary inputs, technical assistance and guidance in the management of the activity; construction, at SOTRADER's expense, of equipped soaking centres; facilitation of land tenure security for cooperatives; facilitation and rapprochement of cooperatives with traders, etc. Cooperatives and SOTRADER, with PAPG1's support, will enter into management contracts, stipulating the rights and obligations of each party according to a pre-established agreement.

**2.1.3** In this approach, and in a complementary manner, the public window will, in the areas concerned and for the benefit of cooperators and their families, contribute to the necessary economic and social investments (drinking water, rural electrification, schools and health centres, etc.), agricultural support infrastructure (rural roads, dissemination centres for plant material, multi-service platforms, markets, warehouses, etc.) as well as to organization and professionalization. The private sector funds (AfDB window debt) will finance only the industrial subsector (palm oil) in the Ndendé area (Ngounié Province). For industrial crops, and on the public side, a very special effort will be made to set up social infrastructure in the villages concerned by the Ndendé concession dedicated to the oil palm, because it hosts the associated cooperators. Support for basic social infrastructure will also concern food crops, but by acting in a targeted manner, according to priority and pilot areas, and taking into account the potentials of the dynamic already launched by province. This approach seeks to maximize the impact and better streamline intervention costs.

**2.1.4** Thus, PAPG1's intervention will aim to sustainably develop already made and future investments in terms of land development (10,100 ha prepared and 7,467 ha planted on a planned total by 2022 of 20,500 ha, including 10,000 ha of food and 10,500 ha of oil palm) and provide capacity building for the various actors (trainers, extension workers, cooperators, entrepreneurs, etc.), taking into account the specific needs resulting from the GRAINE programme. In this system, ENDR will play an important role, in connection with the future pole of competence that the State wants to set up. As such, ENDR will benefit from project support (rehabilitation, restructuring and capacity building) and technical assistance from the ILO, which will equip it with tools to promote rural entrepreneurship and assist it in establishing a mechanism to improve the offer of training and the quality of the workforce in the agricultural

sector. The project will provide the necessary support to recently created cooperative structures, in which young people will have to play a more active role, particularly through the development of rural entrepreneurship.

**2.1.5 Project Components:** PAPG1 will be implemented over a five-year period and will comprise the three components summarized below. A detailed description of project activities is provided in Annex C3 of Volume 2.

*Table 2.1: Project Components*

Components	Cost	Description of PAPG1 Components
<b><u>Component A:</u></b> <b><u>Rural</u></b> <b><u>Infrastructure</u></b> <b><u>Development</u></b>	EUR 82.007 million	<p><b><u>A1: Agricultural Infrastructure</u></b>  Rehabilitation of 772 km of divisional roads, including engineering structures  Setting up of 6 multiplication and dissemination centres for plant material  Construction of 131 shelters/stores on the developed food plots  Setting up of 15 service platforms (stores, grouping centres, collection points, village cassava processing workshops, etc.).  Development of 131 community learning centres  Development of 131 cassava soaking units  Construction and equipping of an agricultural produce quality control laboratory</p> <p><b><u>A2: Social Infrastructure</u></b>  Construction/rehabilitation/extension and equipping of 30 primary schools, including school gardens,  Construction/rehabilitation and equipping of 40 health centres,  Drinking water supply through 10 DWS systems and 75 boreholes equipped with hand pumps  Energy supply and village lighting (1 000 solar street lights installed and 50 km of drawn power lines)  Construction of 350 houses for industrial cooperators (Ndendé concession)  ENDR rehabilitation works</p>
<b><u>Component B :</u></b> <b><u>Capacity Building</u></b>	EUR 27.205 million	<p><b><u>B1: Procurement of Equipment for Social and Agricultural Infrastructure (p.m.)</u></b>  <b><u>B2 : Strengthening of Advisory Support Services</u></b>  Establishment of a close agricultural advisory system through 16 agricultural advisers and 280 intermediary advisers  <b><u>B3 : Capacity Building for Cooperatives</u></b>  Training and technical assistance to cooperatives through 280 endogenous supervisors trained for industrial and food cooperatives  Support to cooperatives/enterprises of the agricultural subsector processing link  Setting up of &amp; specific training for Community Infrastructure Management Committees  <b><u>B4 : Operationalization of Multi-service Platforms</u></b>  Agricultural advice and support for the structuring and management of service platforms  Setting up and equipping of 15 small cassava processing/development units  Setting up and equipping of 15 mechanization workshops  Training of managers of units/workshops, centres for the dissemination of agricultural inputs  <b><u>B5 : Promotion of Rural Entrepreneurship and Improvement of the Offer of Agricultural Vocational Training</u></b>  Establishment of an agricultural entrepreneurship promotion support system (including the agricultural development fund)  Development of entrepreneurial skills for 1,000 young agricultural entrepreneurs, 500 of whom are installed  Facilitation/methodological support for access to financing and social protection  Procurement of installation kits for entrepreneurs  Capacity building for ENDR and improvement of training offer  <b><u>B6 : Environmental Information and Awareness</u></b>  Environmental training and awareness  ESMP implementation  <b><u>B7 : Rural Animation and Social Development</u></b>  Preparation and implementation of the communication plan  Capitalization and sharing of experiences  <b><u>B8 : Institutional Support</u></b>  Conduct of strategic studies, Capacity building for MAEPG and partners involved, etc.</p>
<b><u>Component C :</u></b> <b><u>Project Management</u></b>	EUR 6.772 million	Coordination, management, procurement, monitoring-evaluation, communication, operation

## **2.2. Technical Solutions Retained and Alternative Solutions Explored**

**2.2.1** The technical options recommended under PAPG1 were retained taking into account various factors and criteria, in particular: (i) criteria and standards that will ensure sustainability



of investments and ownership by beneficiaries, in accordance with sectoral policies; (ii) needs expressed by people at the local level and by Gabonese authorities, to synergistically complement the intervention of other partners, including IFAD; and (iii) conditions specific to a PPP project, in which financing through two windows will be complementary. As concerns the improvement of access, PAPG1 will intervene mostly at the level of earth roads of the classified network as well as at the level of some short sections serving the cooperative plots. These roads are in a very advanced state of degradation because they have not been maintained for years and are, therefore, impassable during the rainy season; that is, for more than 6 months in the year. The abnormalities noted are mainly the transverse, longitudinal and oblique gullies; corrugated sheets; and roadway destitution and/or narrowing due to abundant vegetation, potholes, sloughs and deterioration of some structures. The planned road works concern mechanized sunshine work on a width of 5 m on both sides of the ditches; platform preparation, including the creation of ditches and outlets; rehabilitation of engineering structures with permanent materials and water sanitation; culvert and riffle construction; and roadway reloading with lateritic material to a thickness of 20 cm and a width of 7 m. These road rehabilitation works will be carried out by local contractors under the supervision of teams from the Ministry of Public Works.

2.2.2 As regards social infrastructure, which comes under the sovereign responsibility of the State, PAPG1 will opt for the rehabilitation and/or extension of existing schools, medical centres, health units and dispensaries, which, for the most part, are dilapidated and lacking in toilettes, administrative accommodation, water, fencing and equipment. In addition, PAPG1 will finance the setting up of kitchen and botanical gardens in schools, to introduce students to agricultural techniques and the preservation of the environment. To improve access to agricultural services, the project has opted for the setting up, at the divisional level, of multi-service platforms (MSP), which will be provided with administrative infrastructure and equipment to host the advisory support system and the head office of the union of cooperatives as well as treatment, processing, storage, marketing and mechanization infrastructure. The MSPs will enable members of cooperatives, agricultural unions and federations to pool their services. Also, to reduce contamination of rivers by wastewater discharges, the project will focus on the construction of 131 small units in villages, instead of soaking units at the divisional level.

2.2.3 In terms of geographical coverage, the GRAINE programme concerns the entire national territory. However, for more effectiveness, PAPG1 will target two pilot provinces and a pilot site for each of the four other provinces. The choice of sites for the setting up of agricultural service and marketing infrastructure in the divisional administrative centres, is based on certain criteria, notably: (i) the existence of rural markets frequented by most of the people and traders, (ii) the presence of a practicable rural road network; (iii) a concentration of villages to ensure a large influx of people; (iv) a concentration of production cooperatives for the main crops (cassava, banana and garden crops) to support private sector promotion, increased production and marketing development; and (v) the existence of a land tenure security system in the developed sites.

Table 2.2: Alternative Solutions Considered and Reasons for Rejection

Alternative Solution	Brief Description	Reason for Rejection
Partial rehabilitation of the road sections	Partial reloading of severely damaged road sections and rehabilitation of wooden bridges	The current state of degradation of the roads requires heavy earthworks and building works with solid materials.
Setting up of big cassava soaking units	A cassava soaking unit is constructed by province. Given the large quantities of cassava to be soaked, there will be very significant quantities of waste.	This option will be more costly considering the fact that it will be necessary to build a big treatment unit for cassava soaking wastewater discharges, to avoid polluting the rivers.
Intervention of PAPG1 throughout the national territory.	PAPG1 carries out operations in all provinces of the country, without particular targeting.	Intervention at national level would lead to a fragmentation of effects and impacts. As this is a first phase, it is rather advisable to have pilot areas that will promote the approach.
SOTRADER participates in the financing of some socio-economic and agricultural infrastructure attached to cooperatives (roads, service platforms, warehouses, etc.) with the private window loan.	The socio-economic and agricultural infrastructure of cooperatives is financed mainly by the private window loan and all the costs are passed on to the cooperators.	The promotion of cooperatives and entrepreneurship for the revitalization of the agricultural sector is a challenge that must be addressed by the State, through support and cost-shared subsidies. The State is the majority shareholder in SOTRADER's capital. Support for the financing of social and agricultural infrastructure is part of its contribution in SOTRADER.

## 2.3. Project Type

2.3.1 PAPG1 is an investment operation, financed by the Bank's ADB window resources. Although the development of the GRAINE programme is an orientation to federate future investments, the Government of Gabon has not yet engaged in the implementation of projects and programmes through the sector approach. Donors intervene in the sector through targeted investment projects, and this project, although being part of a programme, will follow this operational mode.

## 2.4. Project Cost and Financing Mechanisms

2.4.1 The total project cost, including physical and financial contingencies, net of taxes and customs duties, is estimated at EUR 115,984 million, or about CFAF 76,108 billion. This cost is broken down into EUR 69,510 million in foreign exchange (CFAF 45,612 billion) and EUR 46,474 million (CFAF 30,496 billion) in local currency. Provisions of 5% and 3% of the base cost were made, respectively, for physical and financial contingencies. The summary of the project cost is presented in Tables 2.3 and 2.4 below.

Table 2.3: Summary of Estimated Costs by Component

COMPONENTS	in CFAF million			in EUR thousand			%	%
	FE	LC	TOTAL	FE	LC	TOTAL	FE	Total C.
Rehabilitation of rural & agric. infrastructure	31,071	18,755	49,826	47,351	28,581	75,932	62	65
Capacity building	8,502	8,027	16,529	12,957	12,233	25,190	51	22
Project management and coordination	,	2,483	4,115	2,486	3,784	6,270	40	5
<b>Total base cost</b>	<b>41,205</b>	<b>29,265</b>	<b>70,470</b>	<b>62,794</b>	<b>44,598</b>	<b>107,392</b>	<b>58</b>	<b>92</b>
Physical contingencies	2,716	808	3,524	4,139	1,231	5,370	77	5
Financial contingencies	1,691	423	2,114	2,577	645	3,222	80	3
<b>Total Cost</b>	<b>45,612</b>	<b>30,496</b>	<b>76,108</b>	<b>69,510</b>	<b>46,474</b>	<b>115,984</b>	<b>60</b>	<b>100</b>

<b>Table 2.4: Summary of Estimated Costs by Expenditure Categories</b>								
Expenditure categories	in CFAF million			in EUR thousand			%	%
	FE	LC	TOTAL	FE	LC	TOTAL	FE	Total C.
Works	30,774	18,404	49,178	46,897	28,047	74,944	63	65
Goods	4,322	2,464	6,786	6,587	3,755	10,342	64	9
Services	4,624	3,194	7,818	7,046	4,867	11,913	59	10
Operation	1,485	2,703	4,188	2,264	4,119	6,383	35	6
Miscellaneous	0	2,500	2,500	0	3,810	3,810	0	3
<b>Base cost</b>	<b>41,205</b>	<b>29,265</b>	<b>70,470</b>	<b>62,794</b>	<b>44,598</b>	<b>107,392</b>	<b>58</b>	<b>92</b>
Physical contingencies	2,716	808	3,524	4,139	1,231	5,370	77	5
Financial contingencies	1,691	423	2,114	2,577	645	3,222	80	3
<b>Grand Total</b>	<b>45,612</b>	<b>30,496</b>	<b>76,108</b>	<b>69,510</b>	<b>46,474</b>	<b>115,984</b>	<b>60</b>	<b>100</b>

2.4.2 The project will be financed by an AfDB loan of EUR 98,541 million (CFAF 64,662 billion), accounting for 85% of the project cost, net of taxes and customs duty (cf. Table 2.5 below and Appendix V). Government's counterpart contribution is estimated at EUR 17,433 million (CFAF 11,446 billion), or about 15% of the project cost. The level of counterpart contribution is determined by mutual agreement with Government, in accordance with the provisions of Section 4.2.2 of the Policy on Expenditure Eligible for Bank Group Financing (Revised version of 19 March 2008), and in accordance with the provisions laid down during the preparation of the 2016-2020 CSP, and which provided for a case by case review during project appraisal, with a 15% minimum contribution from Government. The counterpart contribution will cover part of road rehabilitation costs, the setting up of the Rural Development Fund and operating costs. Expenditure relating to various project components will be executed according to the schedule indicated in Table 2.6 below.

<b>Table 2.5: Summary of Estimated Project Costs by Sources of Financing</b>							
Sources of financing	in CFAF million			in EUR thousand			%
	FE	LC	TOTAL	FE	LC	TOTAL	
<b>AfDB</b>	45,612	19,050	64,662	69,510	29,031	98,541	85%
<b>GOVERNMENT</b>	0	11,446	11,446	0	17,443	17,443	15%
<b>TOTAL</b>	<b>45,612</b>	<b>30,496</b>	<b>76,108</b>	<b>69,510</b>	<b>46,474</b>	<b>115,984</b>	<b>100</b>

<b>Table 2.6: Expenditure Schedule by Components (EUR thousand)</b>						
COMPONENTS	2018	2019	2020	2021	2022	Total
Rehabilitation of rural infrastructure	0.0	22,518	27,513	20,938	4,964	75,933
Capacity building	5,481	7,624	7,453	3,417	1,214	25,189
Management and coordination	1,761	1,096	1,140	1,188	1,085	6,270
<b>Total base cost</b>	<b>7,242</b>	<b>31,238</b>	<b>36,106</b>	<b>25,543</b>	<b>7,263</b>	<b>107,392</b>
Physical contingencies	362	1,562	1,806	1,277	363	5,370
Financial contingencies	217	937	1,084	766	218	3,222
<b>Total Cost</b>	<b>7,821</b>	<b>33,737</b>	<b>38,996</b>	<b>27,586</b>	<b>7,844</b>	<b>115,984</b>
<b>%</b>	<b>7%</b>	<b>29%</b>	<b>34%</b>	<b>24%</b>	<b>7%</b>	<b>100%</b>

## 2.5. Project Area and Beneficiaries

2.5.1 PAPG1 will be implemented at various levels in the country's six provinces, where the GRAINE programme has been progressively deployed since 2015 (See. map in Annex III). The provinces are Ngounié, Woleu-Ntem, Ogooué Lolo, Haut Ogooué, Ogooué-Ivindo and Nyanga. Special attention will be paid to two provinces: (i) Ngounié Province, where the industrial crops of the GRAINE programme have begun (Ndendé concession of 30,000 ha), and (ii) Woleu-Ntem Province, by virtue of the area's agricultural tradition and the political will to eventually make it a pole of excellence in agriculture, especially through ENDR. In the four other

provinces, the project will intervene at the level of pilot areas that can have a demonstrative effect. PAPG1 intervention will affect various targets as a result of the activities carried out: (i) about 140 active industrial and food cooperatives that are engaged with SOTRADER for the implementation of GRAINE, (ii) young people and women who will benefit from project support to set up their own enterprises in the impact area, in connection with PAPG1's activities; (iii) the rural people of the six provinces that will benefit from the programme's social and agricultural infrastructure; (iv) the SOTRADER company, which was created as a joint venture between the State and OLAM for the implementation of GRAINE; and (v) the support structures and services of Ministries that will be involved in programme support. The total population impacted by the project is estimated at 630,000 persons, 497,700 of whom are directly concerned and more than 45% of whom are women.

## **2.6. Participatory Process in Project Identification, Design and Implementation**

2.6.1 The September 2016 identification, May 2017 preparation and September 2017 evaluation missions, associated with the development of the ESMP, made it possible to organize many meetings to discuss with provincial actors, cooperatives, civil society (including women's groups), NGOs, producers and development partners. Many field visits were carried out to potential intervention sites and sites completed by SOTRADER. These visits made it possible to discuss with the communities concerned and representatives of cooperatives, in order to better identify the difficulties they encounter and define the priority interventions to be carried out. Cooperatives mainly reaffirmed their social infrastructure needs, the need for greater accountability and capacity building, and their interest in receiving training. Young people also wished to be associated with the process in a more autonomous manner and to be able to benefit from targeted support for entrepreneurship. The development of good communication around the GRAINE Programme and its pilot sites, and the maintenance of the participatory approach during its implementation, are guarantees of ownership by local actors during project implementation.

## **2.7. Bank Group Experience and Lessons Reflected in Project Design**

2.7.1 As at 30 June 2017, Gabon's national portfolio consisted of 10 operations, including one in the private sector (Agricultural Expansion Project of the SIAT-Gabon company). The total amount of commitments stands at UA 240.05 million, including UA 231.13 million (96%) for public sector operations and UA 8.92 million (4%) for the private sector project. Gabon's public portfolio performance is, relatively, satisfactory. The portfolio does not have old projects; and the average age stands at 1.1 year. The overall disbursement rate stands at 69.73 %. The analysis of the implementation of operations in Gabon, in recent years, and the last portfolio review (June 2017), highlighted several types of difficulties, notably: (i) weaknesses in project implementation capacity, resulting in a significant delay in the implementation of activities; (ii) difficulties in mobilizing the counterpart contribution for project financing, further aggravated by recent budgetary pressures; (iii) unexpected cancellations of some operations, and sometimes just at the end of their review; (iv) slowness in the fulfilment of conditions precedent to the first disbursement; and (v) low quality at entry of some projects. To limit these problems, the Bank and Government have enhanced dialogue and implemented close monitoring of project activities as well as agreed on the possible budgeting of the counterpart contribution (minimum of 15% of the project cost). This project was identified during the CSP's preparation and arrangements made during examination for the granting of the visa of opportunity, in order not to jeopardize project validation during the final stages. To take into account the weak capacities, and in line with the Bank's Presidential Directive No. 02/2015, recourse is made to the existing Coordination Unit set up as part of the ongoing TSF/MIC operations and relating to studies of the GRAINE Programme Support Project - Phase 2 (PAPG 2), the Agriculture Transformation Support Project and Promotion of Youth Entrepreneurship

in the Agricultural Sector and Agribusiness (PASTA-PEJA). PAPG1 will strengthen this unit. Project quality at entry was enhanced by targeting pilot areas and building on activities already characterized by relevant technical services. Priority will also be given to the implementation of a decentralized approach in terms of support, implementation and monitoring, as well as the involvement of cooperatives, which will enhance the quality and efficiency of GRAINE interventions, taking into account the first lessons.

## **2.8. Key Performance Indicators**

2.8.1 In the long term (2030), the two key project performance indicators are the coverage rate of food needs in cassava and plantain by national production and the poverty rate. The coverage rate of food needs in cassava and plantain would stand at 100% and the value of food imports at about CFAF 200 billion (against 80% and 350 billion, respectively, in 2016). The poverty rate would stand at 28% against 34% in 2015. In the medium term (in terms of effects), PAPG1 will help increase marketed food production by 274,663 tonnes and improve the incomes of commercial operators (cooperators, traders, collectors, etc.) by more than 100%. Similarly, the project will create 5,100 permanent jobs and 17,300 temporary jobs, including 75% for women and young people.

2.8.2 The key performance indicators retained for the monitoring of achievements/outputs are as follows: (i) infrastructure developed (km of farm roads, number of water points, number of classrooms and health centres, number of solar street lights, number of service platforms, etc.); (ii) number of operational extension workers and intermediary facilitators; (iii) number of cooperatives supported; (iv) number of operational management committees; (v) number of trainers and leaders trained in key modules (leadership, TREE, COOP, GERME, etc.); (vi) number of women's groups trained in the management and operation of production and processing units; (vii) level of additional food marketed (tonnes); (viii) number of management committees installed; (ix) level of increase in the incomes of cooperators; (x) number of business plans financed, (xi) number of rural micro-enterprises created, (xii) number of jobs created for young people and women in entrepreneurial initiatives and number of young entrepreneurs installed; (xiii) number of producers, processors and traders trained and organized; (xiv) number of IGAs created, (xv) number of frames of reference and curricula reviewed, (xvi) level of involvement of women in decision-making organs and their rate of access to land; and (xvii) number of nutrition activities supported, number of school gardens supported, number of protection kits distributed to cooperatives, etc. The Bank's various supervision missions and the periodic activity reports will report on the level of achievement of these indicators.

2.8.3 A monitoring-evaluation system will be established from the start of the project to inform the indicators recorded in the logical framework matrix. The baseline situation will be established with existing INS and SOTRADER surveys. In addition, SOTRADER will conduct surveys, every 6 months, among members of cooperatives. To date, more than 11,000 cooperators have been surveyed, and 11 survey modules administered. These modules allow for the collection of information on the characteristics of the cooperator (age, sex, marital status, education, etc.), the household (size of household, assets possessed, income level, access to water and electricity, etc.), the village (access to infrastructure), the agricultural activity (size of fields, crops, fishing, etc.), etc. As part of PAPG1, this data will be tracked and linked to other INS survey data, as well as those of sector ministries (education, health, water, electricity, equipment). Project performance will be measured at mid-term and at completion, through the assessment of its impacts, according to the performance indicators defined in the logical framework, and through SOTRADER's periodic surveys and with support from targeted consultations.

### III. Project Feasibility

#### 3.1 Financial and Economic Performances

3.1.1 Economic and financial performances concerned the operating results of the main products retained (oil palm and food crop), according to a model integrating both project support at the level of each link in these sub-sectors (production, collection, marketing and processing) and promotion of agricultural entrepreneurship, especially for young people. Eventually, the project will help (i) market an additional production of 274,663 tonnes (44,000 T of cassava, 46,438 T of banana, 3,450 T of pepper, 2,275 T of tomato and 178,500 T of palm seeds), (ii) ensure an average annual household income well above the current income of CFAF 600,000, or CFAF 1.587 million for food crop and CFAF 1.250 million for oil palm, (iii) provide a monthly income of about CFAF 360,000 for a trader/collector, and (iv) supply a rural population of about 20,000 households with drinking water. The additional incomes generated by the project amounted to CFAF 9.810 billion in a peak year, mainly from the net value of additional food production marketed and the valuation of the additional work days created (5,100 permanent jobs and 17,300 temporary jobs). These financial results should help reduce the incidence of poverty in the project impact area, and increase the extent of the impact of project actions aimed at strengthening the local dynamics and the participation of various economic operators (cooperators, transporters, collectors, traders, groups, unions and factories, municipalities, etc.) in the operation and maintenance of the facilities and infrastructure set up by the project.

3.1.2 In terms of profitability, the project shows a satisfactory economic rate of return (ERR) of 17.2% and a net present value (NPV) of CFAF 20.161 billion at the opportunity cost of capital of 12%. A sensitivity test of the ERR to cost and income variations was conducted. It shows that the increase in investment costs or the reduction in project revenues by 10% will not have a significant impact on the rate of return, which would stand at about 15%. On the other hand, this rate is sensitive to the 10% simultaneous cost and income variations. Indeed, an increase in costs accompanied by lower revenues, will reduce the ERR to 13%. The details of economic and financial analysis are found in Annex B7 of Volume II.

3.1.3 The real situation is much better because there are unquantified economic benefits that can be summarized as follows: (i) the upstream effects of additional revenues on service providers (NGOs, contractors, suppliers, consultancy firms); (ii) the downstream effects of additional income generation on producers, traders and processors, who are mainly women; (iii) the decrease in foreign exchange costs due to the significant reduction of the food crop import bill in the trade balance; (iv) the impact on wealth creation in the country through an increase in GDP induced by the generation of additional value added. For households, project benefits will include better nutrition for vulnerable groups (children, women of childbearing age and the elderly), a reduction in the medical bill and the arduous task of agricultural workers, especially women, the reduction in the incidence of monetary and non-monetary poverty, and the strengthening of livelihoods.

#### 3.2. Environmental and Social Impact

3.2.1 **Environment:** The project will generate considerable positive effects and impacts on the development of the land and communities concerned. For the most part, project activities will be carried out at existing sites and layouts for infrastructure, and at village level for food crop production activities. In the context of the project, targeted areas will be very sparsely populated and the activities to be carried out, will not generate significant asset losses or

population displacements. The negative impacts will be of low magnitude, and will be related mainly to waste generation, pollution risks, accident risks and gas emissions during the execution of civil engineering works and the rehabilitation of rural roads.

3.2.2 The project was classified in environmental category 2, in view of its insignificant impact on the environment and the non-displacement of people. The Environmental and Social Management Plan (ESMP) was approved by SNDI2 and published on the Bank's website on 6 October 2017. This plan was prepared in accordance with the Bank's environmental and social policies and directives, and in accordance with Gabon's regulatory framework in this field, governed by Decree No. 539/PR/MEFEPEPN of 15 July 2005 regulating environmental impact assessments. The ESMP recommended various mitigation and improvement measures, as well as the measures to be taken during project implementation and the relevant costs of various measures. The costs of certain measures will be included in BDs, and other environmental, social and institutional measures will be covered by the ESMP. The overall cost of the ESMP is estimated at CFAF 100 million.

3.2.3 **Climate Change:** The project is classified in category 2, following the climate screening based on the Bank's safeguards system against the consequences of climate change (CSS). This category corresponds to projects likely to be vulnerable to climate risks and which require a review of climate risks and the proposal of appropriate adaptation measures to mitigate them. As for mitigation and adaptation to climate change, PAPG1 will establish more resilient agricultural production systems, which will help reduce the ongoing practice of slash and burn cultivation; reduce the pressure and dependence on natural resources, reduce deforestation, and contribute to restoring ecosystems. The project will also facilitate land tenure access and security. For this purpose, a secure land tenure system encourages farmers to apply soil protection and tree planting measures, the use of improved conservation techniques, etc. The development and rehabilitation of rural roads will improve the geometrical characteristics of rights-of-way and the construction of sanitation structures with adapted sizing, which will improve the flow of water and reduce flood risks. Restoration measures and the development of quarries and temporary borrow sites (levelling of the land and revegetation) and landscaping with the planting of trees on both sides of the road in village crossings, as included in the BDs, will also help mitigate the effects of global warming.

3.2.4 **Forced Resettlement:** PAPG1's activities will not lead to any population displacement or the restriction of access to goods or livelihoods.

3.2.5 **Gender:** Although the Government has adopted the National Equality, Equity and Gender Strategy (SNEEG 2010), there are still some discriminatory articles against women as well as disparities. The Gender Inequality Index (GII)<sup>1</sup> is 113/144. This indicator reflects the low level of education of women and their presence in low-income and informal sectors (more than 80% in the informal sector and agriculture), making them poorer than men (31% for men against 37% for women). In SOTRADER's intervention areas, more than half of women earned less than CFAF 50,000 per month in 2016. The majority of members of cooperatives benefiting from the GRAINE programme are women (notably 51% for Woleu-Ntem and 65% for Ngounié), due mainly to the fact that men work more in the city or outside the province. In accordance with the new strategy, the Bank will pay special attention in PAPG1 to youth employment and women's strategic interests. More than 500 enterprises will be created by young entrepreneurs and 300 IGAs supported by the project. As women almost constitute the majority in food cooperatives, project impacts will be considerable on gender and women's economic empowerment. The project will contribute significantly to improving women's living conditions and environment, especially in cooperatives, through the following benefits:

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<sup>1</sup> Gender Inequality Index in Gabon according to the CEA Country Profile, 2016



improved agricultural production systems and sub-sectors, increased production and incomes, capacity building, improved nutritional situation of children, improved rate of access to social amenities, improved girls education, reduction in early pregnancies, etc. The budget allocated more specifically to gender promotion activities stands at about CFAF 3.3 billion.

**3.2.6 Health and Nutrition:** Mortality is twice more significant in Woleu-Ntem than in Ngounié. As concerns morbidity, data collected by SOTRADER in 2016 shows that morbidity is prevalent in beneficiary areas (53% of sick households during the survey, especially with malaria for a rate of 78%), with very limited access by rural households to health infrastructure, which is in a very bad state. Only 58% of households surveyed by SOTRADER reported having access to health infrastructure, particularly because of distance, cost and quality. Many of them spend more than CFAF 20,000 per month in medical care. The construction of health centres and dispensaries by the PAPG1 project will contribute to improving the people's health. As concerns food security, the project will support the food component (banana and cassava) as well as encourage diversification. The project will help households improve their vegetable and fruit diets, especially through market gardening and kitchen gardens in schools. Such diversification will improve the nutritional status of households in the impacted areas.

**3.2.7 HIV/AIDS:** Gabon is facing a generalized epidemic affecting all segments of the population and all provinces of the country. Indeed, the results of the 2012 EDSG2 survey show that 4.1% of the adult population (15-49 years) is affected by HIV/AIDS. According to the results of the survey report, the following important points can be highlighted: (i) HIV prevalence is twice higher among women (5.8 %) than among men (2.2 %). HIV prevalence is higher among women living in the urban area (5.9 %) than among those in the rural area (5.3 %). On the other hand, HIV prevalence is higher among men in the rural area (2.7 %) than among those in the urban area (2.1 %); (ii) HIV prevalence is highest in Woleu-Ntem Province (7.2 %) and lowest in Ogooué-Ivindo Province (2.5 %), while standing at 4.9% in Ngounié. The project will combat HIV-AIDS in its areas of intervention. The main actions will focus on prevention and awareness.

**3.2.8 Education:** Gabon has made progress regarding access to education. However, due to massive rural exodus of young people, a real rural dearth is created in the offer of schools at both primary and secondary level. Although the gross enrollment rate (GER) is among the highest in Africa (96.4%), the school system is characterized by high repetition rate and very low completion rate. The situation is even more dramatic for Ngounié with a GER of 67% and 80% for Woleu-Ntem, or below the national average. At the level of households participating in GRAINE, SOTRADER's 2016 data show that 40% of household heads have a primary level against 30% for the secondary and more. It was noted in the intervention areas that most of the beneficiary village households do not send their children to public schools, because the latter are lacking or dilapidated, and prefer more remote schools in the city. The PAPG1 project will help improve the level of education, including increased school capacity and, thus, reduce regional inequality.

**3.2.9 Social:** Gabon's Human Development Index (HDI) stands at 109/188, better than that of the countries of the sub-region. However, in the North region (of which Woleu-Ntem is part), the poverty rate stands at 47.4%. Most of the poor people (54%, or more than half of the poor population) are found mainly in Ngounié and the South. Data collected since 2015 by SOTRADER on households concerned by the GRAINE programme, also show that 65% of rural households get their income from land, which makes it a fluctuating source of income. More than 50% of households surveyed by SOTRADER in 2016, earn less than CFAF 50,000 per month. Only 14% of them live in a brick house. The fight against poverty remains a cornerstone of Government policy through the "Emerging Gabon Strategic Plan, PSGE 2025".



Gabon organized a “National Forum” in 2014 to prepare its Human Capital Investment Strategy. PAPG1’s activities should help strength this momentum, with investments in basic infrastructure, coupled with the promotion of youth and women’s training and employment. In addition, there will be an improvement in household incomes and the creation of 22,400 new jobs, including 5,100 permanent jobs and 17,300 temporary jobs. The increased purchasing power of cooperators and their family and village members will enable households, particularly women, to have easier access to basic socio-economic services. The project will contribute as a whole to reducing rural exodus by retaining the population, especially young people, in the facilities. By promoting the participation and access of beneficiaries to decision-making processes, the project will also play a strategic role in the development of social capital and in a process of sustainably meeting the economic needs of the rural population of the areas concerned.

## **IV. Implementation**

### **4.1. Implementation Provisions**

**4.1.1 Implementation Arrangements:** The project’s contracting authority is the Ministry of Agriculture and Livestock, in charge of the GRAINE Programme (MAEPG). The Secretariat General of MAEPG will be the executing agency, and the Study Coordination Unit (UCE), set up as part of the TSF/MIC grants relating to the GRAINE Programme Support Project - Phase 2 (PAPG 2) and the Agriculture Transformation Support Project and Promotion of Youth Entrepreneurship in the Agricultural Sector and Agribusiness (PASTA-PEJA), will be responsible for PAPG1’s implementation. An Order of the Minister of MAEPG, aimed at extending UCE’s mandate to PAPG1, was signed on 3 October 2017. UCE consists of a Coordinator, assisted by a procurement specialist, an accountant and support staff (2 drivers, 1 secretary). This unit will be reinforced by the following: (i) an infrastructure engineer; (ii) a professional organization/agricultural entrepreneurship expert; (iii) a monitoring-evaluation expert; (iv) a financial and administrative management expert; (v) an administrative assistant/cashier; and (vi) support staff. This team will ensure the programming and implementation of project activities, in conjunction with other relevant services of the technical ministries involved and SOTRADER. It will be responsible for the preparation of procurement files and payment requests, the preparation of quarterly activity reports and the preparation of annual audits of project accounts. The officials of this team will be selected on a competitive basis, by call for applications, after the Bank’s notice of non-objection. All staff will be recruited under two-year contracts, renewable based on performance. Government will make a building available to PAPG1 for the project team.

**4.1.2** PAPG1 support interventions, in connection with the industrial component, will be carried out in close liaison with the SOTRADER system in place at Ndendé. Infrastructure support and the strengthening of PAPG1’s industrial cooperatives will be in line with the rate of progress of the private component plantations. The consultation, clarification and information mechanisms in place will be strengthened. Regarding the food component, and as it is a vast national programme covering six provinces at this stage, an adapted advisory support system will be set up, close to the producers. Private service-providers (contractors, consultancy firms, NGOs, individual consultants, etc.) will be charged under PAPG1 with the delivery of certain works, goods and services, in accordance with the procurement methods selected. Considering the nature of the support social infrastructure selected, the sector departments concerned (roads, rural water, rural electrification, education, health, etc.) will be involved in the implementation and monitoring of their activities.

**4.1.3 Supervision of Activities:** The steering committee already established for GRAINE programme monitoring, will be responsible for PAPG1's management. It will have as main function to (i) monitor project implementation; (ii) ensure the coherence and planning of eligible activities; (iii) review the annual activity report as well as the annual technical programme and budget; (iv) evaluate the effects of project results; (v) identify opportunities and constraints for the improvement of project effects; and (vi) ensure technical and methodological compliance with project objectives and the various relevant sector policies. As a reminder, the GRAINE programme steering committee is chaired by the Minister of the Economy, Investment Promotion and Forecasts, and consists mainly of the technical ministries involved. A Provincial Technical Coordination Committee (CCTP) will be set up in each province for PAPG1 monitoring on the ground. These committees, chaired by Provincial Governors, and whose secretariat will be provided by the Provincial Directors of Agriculture, will meet periodically to review the progress of activities in the various areas selected, and make recommendations to facilitate implementation. This decentralized system will contribute to better information for local actors, an inclusive approach and the resolution of problems encountered.

#### **4.1.4 Procurement Arrangements**

**4.1.4.1** All procurements of goods, works and consulting services financed by Bank resources will be in accordance with the October 2015 Procurement Policy for Bank Group-financed Operations ("AfDB Procurement Policy"), and according to the provisions mentioned in the Financing Agreement. In accordance with this policy and following the various evaluations conducted, it was agreed that:

- all procurements of Works and Goods hereafter: equipment of cassava soaking units, equipment (rolling stock for unions and federations, computer equipment and furniture), Wheelbarrows for the transportation of agricultural products at the edge of the fields and Miscellaneous small equipment, various kits, equipment for lightening women's domestic tasks, etc. and work on the establishment of multiplication and dissemination centers for plant material, multiservice platforms (sites at Ogoué Ovindo, Ogoué Lolo, Nyanga, Haut-Ogoué), setting up small cassava soaking units, lighting of villages by solar panels or power lines, rehabilitation / extension of the ENDR (including farm buildings schools), construction of hangar, storage warehouse, offices, reception room and latrines, will be in accordance with the National procurement system ("National System") embodied by Decree No. 0254 / PR / MEED on the Public Procurement Code ("CMP");
- the following procurements: (i) equipment and furniture for schools, health and learning centers, (ii) small track maintenance equipment for cooperatives, (iii) tractor equipped for unions, (iv) truck for transport for unions, (v) Acquisition of processing equipment for cassava processing units, (vi) procurement of specific equipment for workshops and other equipment for mechanization workshops, (vii) furniture and other equipment (ENDR), (vi) viii) Rolling stock for PCU, Regional Directorates of Agriculture and Directorate General for Agriculture, (ix) Equipment for food certification laboratory and, (xi) rehabilitation of rural tracks with critical crossings, 34 straps serving parcels at Woleu Ntem including maintenance work, (xii) multiservice platforms for the Woleu Ntem and Ngounié sites, (xiii) development of learning areas in the villages, (xiv) construction of a food products control / certification laboratory, (xv) rehabilitation / construction / extension of primary schools with school vegetable gardens, (vi)

rehabilitation / construction of health centers, (xvii) water supply through boreholes / small water supply systems and, (viii) construction of houses for industrial cooperators. And, (xviii) all consulting services will be in accordance with the Bank's procurement system ("ADB System").

The procurement implementation details (system, cost, schedule, method, review type) agreed to between the Borrower and the Bank, are shown in Table B.5.d and the Procurement Plan (Section B.5.e) of Technical Annex B.5.

The procurement implementation details (system, cost, schedule, method, review type) agreed to between the Borrower and the Bank, are shown in Table B.5.d and the Procurement Plan (Section B.5.e) of Technical Annex B.5.

**4.1.4.2 Risk Assessment and Procurement Capacities (ERCA):** To take account of project specificities, the Bank assessed: (i) risks at national, sectoral and project levels; and (ii) the capacities of executing agencies. The results of these assessments found a *substantial* level of risk in the procurement process and determined, subject to the implementation of mitigation measures proposed in Paragraph 5.9 of Annex B.5, the group of procurements to be concluded according to the AfDB System and that is likely to be implemented, without a major risk, according to the National System.

**4.1.4.3 Specific Arrangements Due to the Use of the National System:** The use of the national system requires the implementation of specific measures as defined in B.5.7 of Technical Annex B5.

**4.1.5 Financial Management:** The capacities of the Study Coordination Unit (UCE) within the Secretariat General of the Ministry of Agriculture and Livestock in charge of the Graine Programme (MAEPG), were assessed in accordance with the Bank's financial management policies and directives. The assessment shows that this entity, set up as part of the TSF/MIC grants relating to the GRAINE Programme Support Project - Phase 2 (PAPG2) and the Agriculture Transformation Support Project and Promotion of Youth Entrepreneurship in the Agricultural Sector and Agribusiness (PASTA-PEJA), has adequate capacities and financial management mechanisms in place to implement the PAPG1 project. The financial management arrangements set out below were agreed upon, taking into account lessons learned from the financial implementation of ongoing projects, as well as the level of residual risk deemed substantial for the project. Since the level of fiduciary risk assessed during the preparation of the Country Strategy Paper (CSP) is substantial, the use of national financial management systems is not recommended for the implementation of investment projects in Gabon. The MAEPG Secretariat General will be responsible for project financial management through the Study Coordination Unit (UCE) which will evolve into a Coordination Unit in charge of ADB Projects (PCU). The later will be responsible for PAPG1's implementation. An Order of the Minister of MAEPG, aimed at extending UCE's mandate to PAPG1, was signed on 3 October 2017. This AfDB project implementation unit, supported by the Central Directorate of Financial Affairs (DCAF), will conduct all the necessary controls to ensure that: (i) project funds are used judiciously, efficiently and economically; (ii) periodic, accurate, reliable and timely financial reports are prepared; and (iii) that project assets are well safeguarded. The financial management arrangements currently in place within MAEPG, through the DCAF-supported unit, will be strengthened for project financial implementation. This unit's financial staff will be supplemented by a financial and accounting management expert, and an administrative and financial assistant. The procedures manual that will be prepared by the consulting firm in charge of the Bank-financed study, should include the relevant provisions for PAPG1's implementation, and an accounting software will be procured to ensure computerized project management.

4.1.6 **Disbursement:** Loan resources will be disbursed in accordance with the Bank's Disbursement Manual once the loan agreement has come into effect, and first disbursement conditions fulfilled. Thus, the three methods below are retained for disbursement of funds at the Bank: (i) the direct payment method will be used for disbursement of contracts related to works, goods and services (ii) the special account method for the financing of project operating cost and (iii) the reimbursement method for the disbursement of prefinanced expenses by the Government, subject to Bank prior approval. An account will be opened in a commercial bank acceptable by the Bank to receive part of the AfDB loan resources. The opening of this account will be a condition precedent to first disbursement. The disbursement of counterpart contribution resources will follow the State of Gabon's procedures in public finance management.

4.1.7 **Audits:** Annual project audits, financed by loan resources, will be conducted by an independent external audit firm to be recruited on a competitive basis and in accordance with the Bank's standard terms of reference (ToRs). The external auditor may be recruited in consultation with the Gabonese Court of Auditors, which will ensure the independence of the audit firms to be recruited, and will need the Bank's prior notice. An annual audit is planned over the project duration, including the closing audit, and the first project audit may cover an 18-month period from the effective date of the loan or the date of first disbursement. The audit reports must be sent to the Bank every year, within six months of the end of the audited fiscal year.

## 4.2. Monitoring

4.2.1 **Monitoring Mechanism:** The project's internal monitoring-evaluation will be carried out by the PCU monitoring-evaluation officer. The system set up will underlie the GRAINE monitoring-evaluation system at the level of SOTRADER, and will help prepare, according to the format recommended by the Bank, quarterly reports on PAPG1's implementation progress. External monitoring will be provided by designated representatives in the already existing National Steering and Monitoring Committee (CNPS) and the Provincial Technical Coordination Committee (CCTP) grouping the various provincial services involved in works execution and monitoring. These structures are expected to review the project's progress, evaluate its performance and, if necessary, recommend its refocusing.

4.2.2 A functional monitoring-evaluation system will be established from the start of the project to monitor the impact indicators entered in the logical framework matrix. This system will comprise two components: (i) continuous monitoring by the PCU and SOTRADER, the Ministry of Agriculture, the technical ministries involved and the AfDB, and (ii) impact monitoring that will be conducted through SOTRADER's periodic surveys and specific surveys conducted by a consultant, at project start, mid-term and completion. Project performance will also be judged against its impacts on gender, employment and incomes: number of women trained, number of young people trained in ENDR, number of agricultural entrepreneurs set up, revenue generated by the project for cooperatives, number of management groups strengthened, etc. The Bank will monitor the project through supervision missions, and review of project activity reports and financial statements. The Bank Office in Gabon (COGA) will be involved in project implementation monitoring by providing the necessary assistance in terms of procurement, disbursement and financial management procedures. A mid-term review will be organized in the 3<sup>rd</sup> year of the project. At the end of the project, a joint Bank/Government completion report will be produced.

4.2.3 A summary of the planned project implementation schedule is presented below.

<i>Activities</i>	<i>Date/period</i>	<i>Authority</i>
Appraisal	September 2017	AfDB/GVT
PAPG1 negotiation	Mid-November 2017	GVT/AfDB
AfDB Board of Directors	29 November 2017	AfDB
Signing of the financing agreement	December 2017	AfDB/GVT
Effectiveness and 1 <sup>st</sup> disbursement	January-June 2018	GVT/AfDB
PAPG1 launching	2 <sup>nd</sup> quarter 2018	AfDB/GVT/PCU
Completion of works and services	2018 to 2023	Contractors/Firms/PCU
Implementation of operational activities	2018 to 2023	PCU/GVT/Service providers
Mid-term review	1 <sup>st</sup> quarter 2021	AfDB/GVT/PCU
Project closing date	31 December 2023	PCU/GVT/AfDB
Completion report	4 <sup>th</sup> quarter 2023	AfDB/GVT

### 4.3. Governance

4.3.1 The Mo Ibrahim Foundation ranks Gabon 23<sup>rd</sup> out of 52 African countries in its 2015 edition. This ranking indicates that the country's public administration must make efforts to improve its efficiency. Efforts are being made to improve the management of public goods through the establishment in 2010 of a National Commission for the Fight against Illicit Enrichment (CNLEI). As regards the GRAINE programme, which is part of the "Emerging Gabon" Strategic Plan, Government has set up governance organs and mechanisms, namely, a Multidisciplinary Steering Committee, chaired at the highest level by the Minister in charge of the Economy, and the Secretariat is managed by the General Coordinator of the GRAINE programme. The latter is the orientation, facilitation and decision-making organ. It develops GRAINE's management procedures, in compliance with environmental and social standards at national and international level. The Bank's portfolio review highlighted the administration's weak capacity regarding the application of procedures as one of the main causes of inefficient procurement for certain contracts financed by the Bank and other TFPs. In order to reduce these risks and strengthen good governance, the project plans to strengthen the PAPG1 project management team, which will include a procurement expert. This project will also support local governance through better regional consultation, secure land tenure systems, capacity building for cooperatives and infrastructure management organs. The other measures adopted concern the conduct of annual financial audits, and the organization of at least two supervision missions per year, supported by close monitoring by COGA.

### 4.4. Sustainability

4.4.1 PAPG1's sustainability will be ensured through ownership by direct beneficiaries, the technical quality of the works and the setting up of adapted provisions for the management and maintenance of the works. Processes of consultation with various stakeholders, including officials of cooperatives, SOTRADER and competent technical services, made it possible to select socio-economic infrastructure to meet the GRAINE programme's priority needs. In addition, to ensure the technical quality of infrastructure works and facilitate their management, the following measures will be taken: recruitment of a civil/rural engineer to strengthen the capacity of the project coordination unit, involvement of the technical services concerned in the preparation of all complementary studies, monitoring and acceptance of works, maintenance of works, equipment of all the infrastructure constructed, etc. In this respect, and for roads, the project will sign an agreement with the Directorate General of Road and Aerodrome Maintenance (DGERA), which will be involved in the implementation from planning to final

acceptance of works. This directorate will ensure that the geometric characteristics retained for roads meet the design standards in force in Gabon for the priority network. This will enable the Government to integrate them, as soon as the project is completed, into the priority road network and take charge of their maintenance. In addition, to enhance the sustainability of rehabilitated roads, loan resources are expected to finance maintenance for two years as well as the equipment of Local Road Maintenance Committees (CLER).

4.4.2 Project actions will help lay the foundation for the promotion of entrepreneurship in the context of small food and vegetable cooperative societies, on the one hand, and industrial plantation cooperatives, on the other hand. In the same perspective, the various actions targeted by the project such as capacity building for entrepreneurial culture, business management, organizational dynamics of beneficiary groups and the management and maintenance of facilities, are likely to stimulate the emergence of small and medium-sized enterprises by taking into account the technical, financial and organizational dimensions and fostering inclusive and responsible growth. The combination of all these support operations will provide an additional guarantee of sustainability of achievements, while ensuring that the momentum initiated continues beyond the end of the project. The other project actions that will contribute to sustainability are related to land tenure security for achievements, with the involvement of the National Town Planning, Topographical Work and Surveys Agency (ANUTTC), support for the organization of beneficiaries and implementation of management tools for better maintenance and coverage of the recurrent costs of agricultural infrastructure (markets, grouping centres, rural roads, platforms, etc.), and strengthening of the structuring of producers.

#### **4.5. Risk Management**

4.5.1 Poor ownership of achievements by beneficiaries, lack of local labour, inadequate support by young people and cooperatives for the GRAINE programme, the non-mastery of Bank procedures and difficulties in procurement, are risks that could have a negative impact on compliance with the project implementation schedule and the achievement of results. However, these risks will be minimized through the following measures: (i) the involvement of local actors in PAPG1's preparation, structuring and training actions for cooperatives and management committees involving women, and the promotion of specific actions for youth entrepreneurship, will ensure better programme implementation and ownership; (ii) the development of social infrastructure, combined with the revitalization of agricultural activities in an inclusive spirit, and communication actions around pilot sites, are the actions that can help retain the population and ensure the return of young people; and (iii) the project team will include a procurement specialist, who will be familiar with Bank procedures. PAPG1 will intensify support for cooperatives in order to ensure the sustainability and durability of investments on an economically and socially viable basis.

#### **4.6. Knowledge Building**

4.6.1 The inclusion of the Bank's "public" and "private" windows in the same project is, in itself, a challenge to optimize the Bank's resources and contribute to the transformation of Gabonese agriculture and financing issues in the sector. This operation will make it possible to capitalize on the setting up of PPP projects in the agricultural sector. Actions included in PAPG1 that will lead to better management and development of knowledge can be summarized as follows: (i) strengthening local expertise in oil palm cultivation through the development of cooperatives and the improvement of advisory support; (ii) dissemination of new production varieties and technologies in the food sector, through dissemination platforms for plant material; (iii) sensitization and information dissemination through various communication channels (community radio stations, media broadcasts, website, films, etc.) and selection of private areas at the level of the various provinces; and (iv) promotion of innovative youth and

women's employability actions, with the support of the ILO and in connection with the strengthening of ENDR and the entrusted specific mandates to make it a centre of excellence that can meet the skill requirements of agricultural support sub-sectors.

## **V. Legal Framework**

### **5.1. Legal Instrument:**

5.1.1 The project's legal framework will be a Loan Agreement signed between the Republic of Gabon and the Bank. The agreement thus signed, to the satisfaction of both parties both in form and content, will include the terms and conditions of use.

### **5.2. Conditions Associated with Bank Intervention**

#### **5.2.1 Loan effectiveness:**

AfDB Loan Agreement effectiveness will be subject to fulfillment by the Borrower of the conditions set out in Section 12.01 of the General Conditions Applicable to the Bank's Loan Agreements and Guarantee Agreements (ratification of the loan agreement and legal opinion).

#### **5.2.2 Conditions precedent to 1<sup>st</sup> disbursement:**

In addition to Loan Agreement effectiveness, the first loan disbursement will be subject to fulfillment by the Borrower, to the satisfaction of the Bank, of the following conditions:

- (i) Provide the AfDB with evidence of the opening in banks acceptable to the AfDB:
  - (a) a special foreign exchange account to receive part of the AfDB loan resources; and (b) a special account to receive counterpart contribution resources.

5.2.3 With respect to other conditions, the Borrower shall further forward, to the satisfaction of the AfDB, no later than six months after the first disbursement the following:

- (i) The project implementation procedures manual and evidence of the procurement of an accounting software;
- (ii) The performance contract of the Coordinator of the project implementation team.

**5.3. Compliance with Bank Policies:** This project complies with all applicable Bank policies.

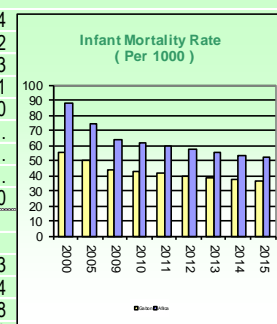
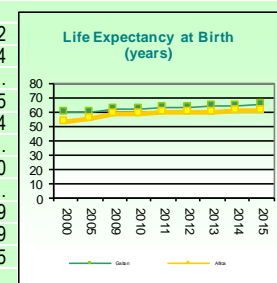
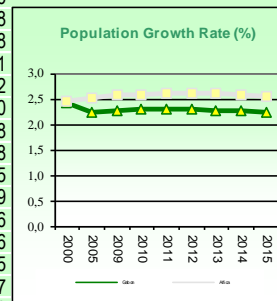
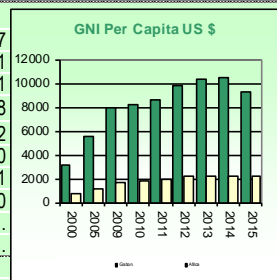
## **VI. Recommendation**

Management recommends that the ADB Board of Directors approve the proposal to grant a loan of EUR 98.541 million to the Republic of Gabon, for the purpose and according to the conditions set forth in this report.

# Annex I: Gabon's Comparative Socio-economic Indicators

## Gabon COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Gabon	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ('000 Km²)	2016	268	30 067	97 418	36 907
Total Population (millions)	2016	1,8	1 214,4	6 159,6	1 187,1
Urban Population (% of Total)	2016	88,8	40,1	48,7	81,1
Population Density (per Km²)	2016	6,8	41,3	65,1	33,8
GNI per Capita (US \$)	2015	9210	2 153	4 509	41 932
Labor Force Participation *- Total (%)	2016	49,2	65,7	63,5	60,0
Labor Force Participation ** - Female (%)	2016	40,3	55,7	48,9	52,1
Sex Ratio (per 100 female)	2016	102,4	100,1	106,0	105,0
Human Develop. Index (Rank among 187 countries)	2015	109	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2005	8,0	...	24,2	...
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2016	2,2	2,5	1,3	0,6
Population Growth Rate - Urban (%)	2016	2,5	3,6	2,4	0,8
Population < 15 years (%)	2016	37,0	40,9	27,9	16,8
Population 15-24 years (%)	2016	19,5	19,3	16,9	12,1
Population ≥ 65 years (%)	2016	5,1	3,5	6,6	17,2
Dependency Ratio (%)	2016	72,6	79,9	54,3	52,0
Female Population 15-49 years (% of total population)	2016	24,3	24,0	25,7	22,8
Life Expectancy at Birth - Total (years)	2016	65,4	61,5	69,9	80,8
Life Expectancy at Birth - Female (years)	2016	66,2	63,0	72,0	83,5
Crude Birth Rate (per 1,000)	2016	29,2	34,4	20,7	10,9
Crude Death Rate (per 1,000)	2016	8,2	9,1	7,6	8,6
Infant Mortality Rate (per 1,000)	2015	36,1	52,2	34,6	4,6
Child Mortality Rate (per 1,000)	2015	50,8	75,5	46,4	5,5
Total Fertility Rate (per woman)	2016	3,8	4,5	2,6	1,7
Maternal Mortality Rate (per 100,000)	2015	291,0	476,0	237,0	10,0
Women Using Contraception (%)	2016	34,8	31,0	62,2	...
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2005-2015	...	41,6	125,7	292,2
Nurses and midwives (per 100,000 people)	2005-2015	...	120,9	220,0	859,4
Births attended by Trained Health Personnel (%)	2010-2015	87,1	53,2	69,1	...
Access to Safe Water (% of Population)	2015	93,2	71,6	89,4	99,5
Access to Sanitation (% of Population)	2015	41,9	39,4	61,5	99,4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2015	3,8	3,4	...	...
Incidence of Tuberculosis (per 100,000)	2015	465,0	240,6	166,0	12,0
Child Immunization Against Tuberculosis (%)	2015	98,0	81,8	...	...
Child Immunization Against Measles (%)	2015	68,0	75,7	83,9	93,9
Underweight Children (% of children under 5 years)	2010-2015	6,5	18,1	15,3	0,9
Prevalence of stunting	2010-2014	17,5	33,3	25,0	2,5
Prevalence of undernourishment (% of pop.)	2015-2016	5,0	16,2	12,7	...
Public Expenditure on Health (as % of GDP)	2014	2,4	2,6	3,0	7,7
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2016	142,0	101,2	104,9	102,4
Primary School - Female	2010-2016	139,9	98,4	104,4	102,2
Secondary School - Total	2010-2016	...	52,6	71,1	106,3
Secondary School - Female	2010-2016	...	50,2	70,5	106,1
Primary School Female Teaching Staff (% of Total)	2010-2016	52,9	47,1	59,8	81,0
Adult literacy Rate - Total (%)	2010-2015	83,2	66,8	82,3	...
Adult literacy Rate - Male (%)	2010-2015	85,3	74,3	87,1	...
Adult literacy Rate - Female (%)	2010-2015	81,1	59,4	77,6	...
Percentage of GDP Spent on Education	2010-2015	2,7	5,0	4,0	5,0
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2014	1,3	8,7	11,2	10,3
Agricultural Land (as % of land area)	2014	20,0	41,7	37,9	36,4
Forest (As % of Land Area)	2014	88,5	23,2	31,4	28,8
Per Capita CO2 Emissions (metric tons)	2014	3,4	1,1	3,5	11,0



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

last update :

June 2017

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 Portfolio in Gabon** (Situation as at 28/09/2017)

### **II.1 National Projects**

	<b>Project Description</b>	<b>Approval Date</b>	<b>Completion Date</b>	<b>Amount (UA million)</b>	<b>Disbursed Amount (UA million)</b>	<b>Disbursement Rate (%)</b>
1	SIAT Gabon Agricultural Expansion Project	12/09/2007	01/02/2021	8.92	8.92	100
2	Project to Establish Business Incubators in Gabon	14/05/2014	31/12/2017	0.799	0.315	39.43
3	TSE/MIC Support Project for the Chamber of Commerce, Agriculture, Industry, Mines and Handicraft	14/10/2014	31/12/2017	0.785	0.190	24.23
4	TSE/MIC Preparation Study for the Green Gabon Initiative Support Programme and Feasibility Studies	30/06/2016	31/12/2017	1.199	0.139	11.60
5	Economic and Financial Reform Support Programme (PAREF)	11/01/2017	31/12/2017	157.79	157.79	100
6	TSE/MIC Promotion of Investments in the Coffee/Cocoa and Food Crop Growth Subsectors	03/06/2016	31/12/2018	0.799	0.182	22.86
7	TSE/MIC Technical Support to the National Programme for the Environmental Assessment of Industrial Sites	14/02/2017	31/03/2018	0.967	0.078	8.15
8	TSE/MIC Study of a GRAINE Programme Support Project 2	10/02/2017	31/03/2018	0.994	0.120	12.09
9	TSE/MIC Strategic Study for Agriculture Transformation Based on Value Chain Development	10/02/2017	31/03/2018	0.991	0.120	12.12
	<b>TOTAL 1</b>			<b>173.28 (15.49 excluding budget support, and 6.57 excluding budget support and private sector)</b>	<b>167.40 (1.144 excluding budget support and excluding budget support and private sector)</b>	<b>7.39% (% excluding budget support and % excluding budget support and private sector)</b>
10	Capacity Building for Youth Employability and Social Protection Improvement Project	09/12/2016	31/03/2022	66.77	Not applicable	Not applicable
	<b>TOTAL 2</b>			<b>66.77</b>	<b>-</b>	<b>-</b>
	<b>TOTAL 1 + 2</b>			<b>240.05</b>	<b>167.40</b>	<b>69.73</b>

### **II.1 Multinational Projects**

	<b>Project Name</b>	<b>Approval Date</b>	<b>Completion Date</b>	<b>Amount (UA million)</b>	<b>Disbursed Amount (UA million)</b>	<b>Disbursement Rate (%)</b>
1	Congo Basin Ecosystem Conservation Programme	11/03/2009	30/06/2017	32.00	24.20	75.60
2	Support Project for Sustainable Management of Gabon's Forest Resources	18/05/2011	31/03/2016	4.99	3.40	68.60
3	ECCAS-PARCI Capacity Building Support Project	19/12/2012	30/09/2017	7.00	3.10	44.80
	<b>Total 1</b>			<b>43.99</b>	<b>30.70</b>	<b>69.78</b>

### Annex III: Map of the Project Area



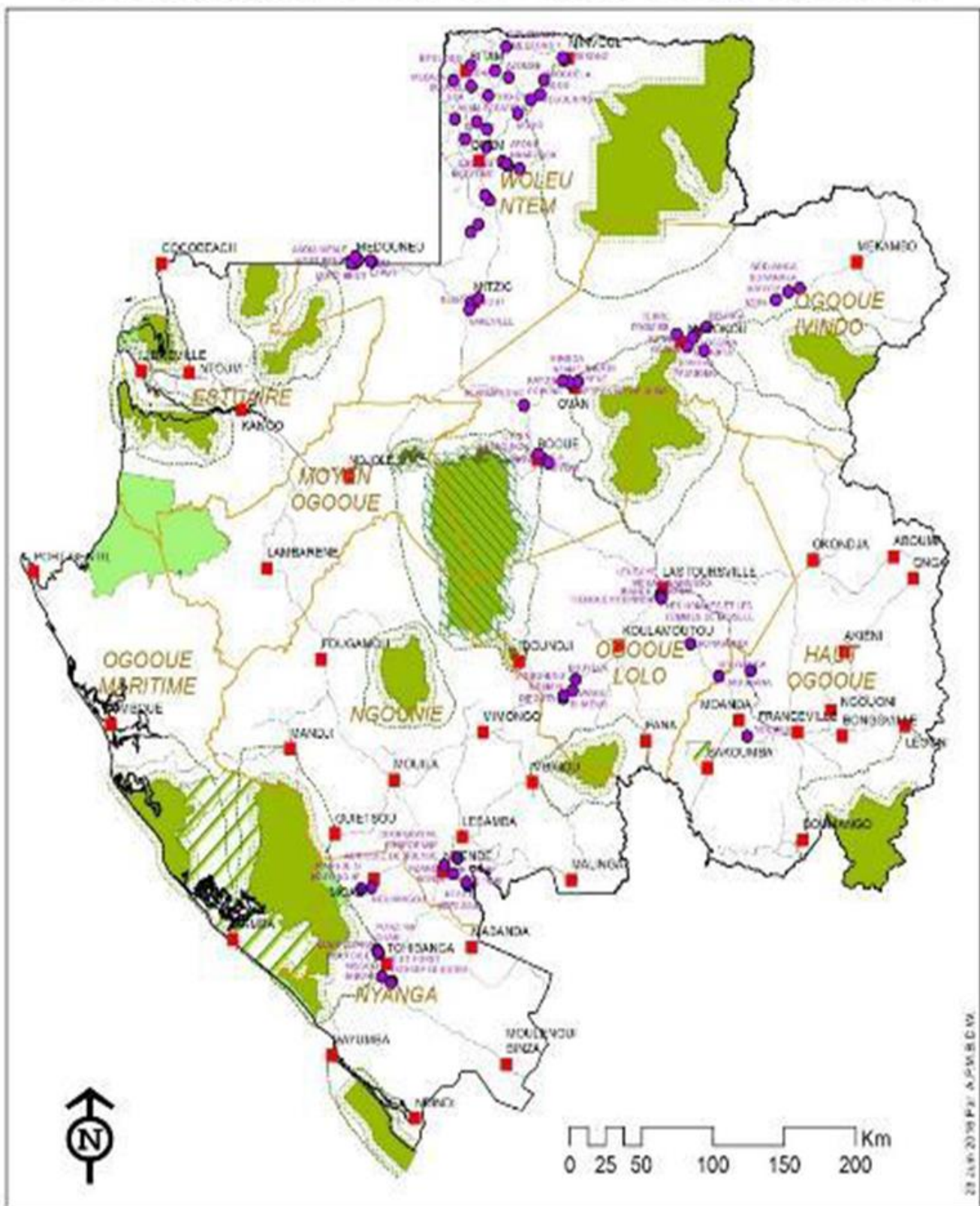
#### **Pilot Provinces:**

<b>Ngounié (4)</b>
401: Douya-Onoyé
402: Tsamba-Magotsi
403: Ndolou
404: Mougala
405: Dola
406: Louetsi-Wano
407: Louetsi-Bibaka
408: Boumi-Louetsi
409: Ogoulou

<b>Woleu-Ntem (9)</b>
901: Woleu
902: Ntem
903: Haut-Ntem
904: Okano
905: Haut-Komo

#### **Pilot Divisions of other Provinces:**

Ogoué Lolo: Mulundu (704); Nyanga: Mougoutsi (501); Ogoué Ivindo: Ivindo (601); Haut Ogoué: Mvouna (210)



The circles represent the geographical distribution of the cooperatives concerned.

#### **Annex IV: Justification of the Level of Gabon's Counterpart Contribution to Project Financing**

The proposed project will be jointly financed by the Bank and Government of Gabon. The Bank's contribution covers 85% of the total project cost, net of taxes and customs duty, through an AfDB loan of CFAF 98541 million (UA 82.118 million). Government's counterpart contribution is estimated at UA 14.536 million (EUR 17443 million), or about 15% of the project cost. The level of the counterpart contribution was determined by mutual agreement with the Government, in accordance with the provisions laid down during the preparation of the 2016-2020 CSP, and which provided for a case-by-case review during project appraisal, with a minimum contribution of 15% from the Government. For this purpose, Government formally contacted the Bank by Letter No. 002688 of 10 October 2017, requesting a contribution to PAPG1's financing of up to 15%.

In addition, in accordance with the provisions of Section 4.2.2 of the Policy Relating to Expenditure Eligible for Bank Group Financing (19 March 2008), the level of government's counterpart contribution was assessed based on the following criteria:

- (i) **The country's commitment to implement its overall development programme:** Government, in July 2012, developed the Emerging Gabon Strategic Plan (PSGE), which takes the form of an ambitious reform programme aimed at diversifying the economy and increasing competitiveness in industrial and services sectors, while preserving the country's immense environmental wealth. Today, Gabon is determined to reduce its dependence on raw materials, especially hydrocarbons, and to transform its economy to become an emerging country by 2025. In order to cope with the economic shock that Gabon has been experiencing since 2014, Government undertook to give new impetus to its action through stimulus measures that focus on fiscal adjustment, infrastructure development and private sector promotion, as levers of economic diversification and transformation. Thus, the Economic Recovery Plan strengthens Government's priority action plan announced on 13 October 2016.
- (ii) **The financing allocated by the country to the agricultural sector:** The development of agriculture meets a triple objective for Gabon: (i) strengthening food security; (ii) creating jobs and fight poverty; and (iii) diversifying the economy. Thus, the Republic of Gabon has the ambition of having an agricultural sector accounting for 20% of GDP by 2025. However, the agricultural sector's development constraints are manifold and major investments are required to address the challenge of structural transformation of the agricultural sector, with a view to making a greater contribution to the national economy and improving food self-sufficiency by 2025. It is in this context that investment budgets for the agricultural sector are rising steadily with a spectacular increase, since 2008, from CFAF 3.625 billion to CFAF 19.727 billion in 2010, as part of the laws to improve the organization of the agricultural sector (Law No. 022/2008 on the Agricultural Code and Law No. 023/2008 on the Sustainable Agricultural Development Policy). Gabon also launched several reforms and increased partnerships, especially with OLAM International. The launching in 2014 of the flagship programme entitled "GRAINE", falls within this framework. The programme aims to develop 180,000 ha of new oil palm plantations over a period of 10 years, partly managed by the State (36%) and the rest by cooperatives (64%). It will be implemented in 2 phases of 5 years each. The cost of the first phase (2015-2020) is estimated at USD 1.5 billion, USD 1.1

billion of which will be financed by bank loans. Other initiatives aimed at promoting the development of the agricultural and fishery sector are being prepared, since 2014, with TFPs (IFAD, AFD, WB, EU, etc.); especially for industrial (rubber, coffee, cocoa) and food (cassava, banana, market garden produce) crops, livestock, fishery and fish farming, to the tune of CFAF 400 billion for 2014-2020.

(iii) The country's budget situation and debt level: The mid-2014 oil shock badly hit the Gabonese economy by weakening macro-economic stability through its negative impact on economic growth, public finances, the balance of payments and public debt. The slow-down in economic activity continued, dropping from 3.9% in 2015 to 2.1% in 2016 against a 6% average over the period 2010-2014. This slowdown is due to the drop in oil revenue and public investment and its effects on non-oil growth, which fell by half from an average of 7% during the period 2012-2014 to nearly 3% in 2015-2016. Despite the substantial budgetary adjustment made, since 2014, the overall budget situation has deteriorated. The overall budget balance (cash basis) deteriorated from a modest average surplus of 0.6% in 2015 to a deficit of 6.6% in 2016, thus causing an increase in financing needs. The current account deficit also widened from 0.7% in 2015 to 3.3% in 2016, due to the fall in oil exports of more than half, compared to the years of the oil boom, and the downward rigidity of imports, leading to a sharp decline in reserves from USD 1.7 billion at end 2015 to about USD 600 million in 2016 (or 1.4 months of imports). Faced with these challenges, it necessary to make the necessary budgetary adjustments to put the country's debt on a sustainable path. Aware of the serious economic, political and social disturbances that could be caused by a change in the exchange rate regime, Heads of State gathered in Yaounde agreed on a strategy based on the maintenance of the current parity, combined with significant budgetary adjustments in each country and accompanied by the tightening of monetary policy at the regional level. In accordance with this approach, the various CEMAC member countries have pledged to individually sign programmes with the IMF, aimed at correcting the balance of payments difficulties and ensuring the viability of the monetary union. It is in this spirit that the IMF, in June 2017, approved a three-year Extended Credit Facility (ECF) arrangement for Gabon in the amount of SDR 464.4 million (or about USD 642 million, CFAF 383 billion and 215 % of the country's share) to support the medium-term economic recovery programme defined by authorities. Gabon is in a debt dynamics that has been rising for the past 10 years. After several years of surplus budget balances, leaving a large part to public investment, Gabonese authorities have had to adapt to falling oil revenues. The use of public debt and the statutory advances from the Central Bank have, therefore, increased since 2014. The public debt stock, which was estimated at 16.5 % of GDP in 2011 and 27.6% in 2013, stands at 58% in June 2017.