

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ACCESS TO BASIC SERVICES IN RURAL AREAS AND CAPACITY BUILDING PROJECT
APPROVED ON SEPTEMBER 17, 2015
TO
GABONESE REPUBLIC
JUNE 20, 2019

ENERGY AND EXTRACTIVES GLOBAL PRACTICE

AFRICA REGION

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Elisabeth Huybens
Senior Global Practice Director:	Riccardo Puliti
Practice Manager:	Charles Joseph Cormier
Task Team Leader:	Alassane Agalassou



ABBREVIATIONS AND ACRONYMS

AFREA	Africa Renewable Energy Access Program
CNEE	National Council for Water and Electricity (<i>Conseil National de l'Eau et de l'Electricité</i>)
CNTIPPEE	National Commission for Public Works and the Promotion of Business and Employment (<i>Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entreprenariat et de l'Emploi</i>)
EIRR	Economic Internal Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial Management
FY	Fiscal Year
GoGA	Government of Gabon
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
IPPF	Indigenous Peoples Plan Framework
Km	Kilometer
kWh	Kilowatt-hour
M&E	Monitoring and Evaluation
MERH	Ministry of Energy and Hydraulic
O&M	Operation and Maintenance
PDO	Project Development Objective
PIM	Project Implementation Manual
PIU	Project Implementation Unit
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SEEG	Gabonese Energy and Water Utility (<i>Société d'Energie et d'Eau du Gabon</i>)
SHS	Solar Home System
WTP	Willingness to Pay



BASIC DATA

Product Information

Project ID P144135	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 17-Sep-2015	Current Closing Date 30-Nov-2021

Organizations

Borrower GABONESE REPUBLIC	Responsible Agency Commission Nationale des Travaux d'Interet Public pour la Promotion de l'Entrepreneariat et de l'Em
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Project Development Objective (PDO)

Original PDO

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

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-85350	17-Sep-2015	14-Jan-2016	21-Oct-2016	30-Nov-2021	60.00	14.42	45.82

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



The World Bank

Access to Basic Services in Rural Areas and Capacity Building Project (P144135)



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. BACKGROUND

1. **The Access to Basic Services in Rural Areas and Capacity Building Project (P144135) was approved by the Board of Executive Directors** of the World Bank on September 17, 2015 and the Loan Agreement was signed on January 14, 2016 with a closing date of November 30, 2021. Effectiveness was declared on October 21, 2016, but the project only started to disburse on March 22, 2017. The project is financed by an International Bank for Reconstruction and Development (IBRD) loan in the amount of EURO 53.7 million (US\$60.0 million equivalent).
2. **The project development objectives (PDO)** are to expand access to water and energy services in targeted rural areas and to establish mechanisms to improve sustainability of service provision. The PDO will be changed under the proposed restructuring.
3. **The project has the following three components:**
 - a. **Component A: Expansion of access to basic services in rural areas** (US\$45.5 million equivalent): (i) the rehabilitation and construction of rural electrification infrastructure, including installation of solar home systems (SHS) and mini-grid solutions; (ii) the construction and installation of wells and water pipes for drinkable water; and (iii) the provision of the required goods and equipment.
 - b. **Component B: Implementation support, supervision and monitoring and evaluation (M&E)** (US\$6.0 million equivalent) : (i) carrying out a program of activities aimed at ensuring sustainability in the electricity and water sector, through capacity building and technical assistance in technical, financial and contractual areas to key selected actors; (ii) (a) the development and completion of a master plan for access to basic services in the Borrower's rural areas covering, *inter alia*, rural electrification and water supply and related technical options on a village-by-village basis; (b) the development of related environmental and social impact studies; and (c) the provision of engineering expertise for implementation support purposes; (iii) the development and implementation of a communication, education and awareness program in targeted rural areas, including the implementation of a health campaign aimed at raising awareness of the benefits of clean water; (iv) support to the Borrower in the areas of project coordination, supervision, financial management (FM), procurement, M&E, audits, and preparation and supervision of implementation of the safeguards instruments and preparation of related surveys, including through the provision of training, operating costs, goods and services for the required purpose.
 - c. **Component C: Capacity building and sectoral technical assistance** (US\$8.5 million equivalent): (i) strengthening the capacity of the Ministry of Energy and Hydraulic (MERH), National Council for Water and Electricity (*Conseil National de l'Eau et de l'Electricité*, CNEE), Regulatory Agency for Water and Electricity Sectors (*Autorité de Régulation du Secteur de l'Eau et de l'Electricité*, ARSEE) and private operators to better manage the energy sector by developing and implementing a module-based training program (including on-the-job daily training and workshops) in the areas of, *inter alia*, planning, operation and maintenance, and management of basic rural services; (ii) carrying out a program of activities aimed at assisting the MERH in strategic decision making and implementation in related sectors through, *inter alia*: (a) the provision of technical assistance; (b) the development of electricity and water codes; (c) updating of the national electricity transmission and generation master plan; and (d) the preparation of analytical and sector work focused studies.



4. While the implementation of Components B and C has progressed since 2017 when the Loan Agreement was declared effective, the implementation of Component A has not advanced as the Borrower was unable to meet the disbursement conditions in the Loan Agreement which sought to secure funding to subsidize service providers for operations and maintenance (O&M operators) providing electricity and water and the hiring of the first operator of basic services in rural areas.
5. The project was designed to be a cornerstone operation for a larger rural water and electrification program to be financed by the Government of Gabon (GoGA) and other donors and to finance broader sector analytics to support the GoGA's efforts to establish sector reforms and sustainability of overall service provision in the water and energy sectors. As such, the project was originally designed to finance a new model creating a market for basic water and energy services in rural areas based on two pillars: (a) delegation of responsibility for service provision to specialized O&M operators; and (b) sustainable long-term financing combining cost recovery and subsidies. The original project's focus is on villages located outside of the Gabonese Energy and Water Utility's (*Société d'Énergie et d'Eau du Gabon, SEEG*) perimeter that are too distant from urban and peri-urban areas to be connected to the water and electricity networks within a five-year timeframe as of 2015. The project will support the provision of water and electricity services to households and to public buildings (for example, schools, clinics, community centers, police stations, and religious buildings). Street lighting will also be supported under the project.

B. PROJECT STATUS

Overall

6. Progress towards achievement of the PDO has been very slow due to lack of progress in Component A, which represents 75 percent of the financing, as the disbursement conditions of that component could not be met. Overall the progress towards achievement of the PDO and implementation progress are moderately unsatisfactory. The overall safeguards rating is moderately satisfactory. The disbursements of the project are approximately 24 percent (US\$14.4 million equivalent) after two years of implementation. Most of the disbursements have occurred in the latter half of FY18.

Status by Component

7. **Component A.** The component was designed to support the GoGA to develop an institutional and financing framework for the provision of electricity and water services in rural areas. To this end, prior to approval of this project, a US\$1.3 million grant was mobilized from the World Bank Africa Renewable Energy Access Program (AFREA) trust fund to support the provision of technical assistance to the GoGA. The AFREA-funded studies (completed in November 2017) were designed to facilitate the recruitment of an O&M operator, explore funding options, and assist in the preparation of the O&M financing framework. Two consultancy contracts were financed under this trust fund for this purpose.
8. Component A of the project finances, among other activities, the recruitment of staff at the National Public Works Commission for the Promotion of Entrepreneurship and Employment (*Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entreprenariat et de l'Emploi, CNTIPPEE*); the finalization of bidding documents to launch the procurement packages for the first phase of access to basic services; as well as the recruitment of the Owner's Engineer and of the Operator for the first zone to be targeted. Although the bid evaluation of the procurement package for the provision of water services under the component was finalized, the contract could not be awarded to an operator as the O&M financing mechanism was not approved. Meanwhile, the procurement package for provision of rural electrification services was finalized and launched and proposals were received. An O&M financing mechanism was intended to enable private operators to be paid for provision of basic services through a combination of payments



from consumers and government subsidies. However, the GoGA faced key challenges during the identification of the financing framework, and a sustainable funding source, given fiscal constraints in the country. Although a financing mechanism was proposed in January 2017, its funding was not approved by the Government. The GoGA and the World Bank sought a resolution through various efforts and workshops but did not reach a satisfactory resolution. Since the Loan Agreement stipulates that no disbursement shall be made under Component A until the Borrower has: (a) recruited the first O&M Operator; and (b) prepared and submitted to the World Bank a satisfactory O&M Financing Framework, no disbursement has taken place under this component.

9. The GoGA has since decided to appoint the national utility SEEG as O&M Operator under this component. This differs from the original design where it was anticipated that more than one private O&M operator would be appointed to be responsible for O&M of basic rural water and electricity infrastructure and services. In addition, SEEG will be in charge of operating and maintaining the assets to be supported under this component. In essence, SEEG will finance O&M operations in rural areas from the application of the tariff throughout the country, and if it is insufficient to cover all its costs, from government subsidies. This also differs from the original design where it was anticipated that the Government would open and fund a separate “Payment Account” for making regular payments to the appointed private O&M operators. In view of these developments, the restructuring proposes to delete the associated disbursement conditions in Section IV.B.1(b) and covenants under Section V of Schedule 2 to the Loan Agreement.
10. **Component B:** The implementation of Component B, which finances the activities of management, supervision, communication and project M&E is satisfactory. Training is continuing for the Project Implementation Unit (PIU) and the CNTIPPEE, in the areas of procurement, fiscal management, environmental safeguards.
11. **Component C:** The implementation of this component is satisfactory with several activities launched such as: (a) capacity building of sector actors in project planning, project management, Public Privat Partnerships(PPPs); (b) sector-specific analytical studies in particular: (i) the Least Cost Development Plan (generation, transmission); and (ii) electricity and water tariff study; (c) assistance to GoGA in electricity and water sectors reform by hiring two experts to help GoGA in defining a road map and later financing a transaction advisory firm to finalize the reform process; and (d) a sector financial model (currently under development).

Environmental and Social Safeguards

12. The project’s environmental assessment is Category B. The safeguards instruments consist of an Environmental and Social Management Framework (ESMF), a Resettlement Policy Framework (RPF) and an Indigenous People Planning Framework (IPPF). In addition, a Grievance Redress Mechanisms (GRM) was developed. These instruments are still applicable under the proposed restructuring, and were updated and disclosed in country and on Imagebank on May 16, 2019. The instruments include provisions for preparation of site specific environmental and social impact assessments (ESIAs), environmental and social management plans (ESMPs) and resettlement actions plans (RAPs) if necessary during the implementation of project activities. Any specific ESIAs, ESMPs and RAPs, if required, would be prepared, consulted upon and disclosed in a manner satisfactory to the World Bank as required by the respective frameworks. The overall safeguards rating of the project is moderately satisfactory. To bolster implementation of the safeguards instruments, the Project Implementation Unit (PIU) recruited an environmental specialist on a full-time basis in July 2018.



Table 1: Safeguard Policies Triggered under the Project

	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11	X	
Indigenous Peoples OP/BP 4.10	X	
Involuntary Settlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Financial Management

13. The FM arrangements and risk rating of the project have been assessed as moderately unsatisfactory and substantial, respectively. The financial and accounting management of the project is considered moderately unsatisfactory mainly because of the low disbursement rate of Component A, as well as the deficiencies in monitoring budget and accounting transactions errors. An action plan is in place to address these issues. It is attached in annex. The last FM supervision mission held on April 10, 2019 noted improvements in the accounting entries, verifications and documentation. As a result, the FM performance was upgraded to moderately satisfactory. The project is up to date with its Interim Financial Report (IFR) reporting obligations and the external audits of its financial statements have been unqualified.

C. RATIONALE FOR RESTRUCTURING

14. The proposed restructuring is critical to the successful implementation of project activities under Component A. The restructuring is also necessary since all efforts deployed by GoGA, to comply with disbursement conditions under component (secure funding to subsidize O&M operators providing electricity and water and the hiring of the first operator of basic services in rural areas), were unsuccessful. The GoGA finally adopted a way forward to address the O&M financing mechanism different from the original setting by appointing the national utility (SEEG) as O&M Operator of assets to be constructed under the project. The proposed restructuring is based on a revised model for rural electrification in line with the new vision and strategy of the GoGA resulting in a scope of work limited to grid based extensions and mini-grids in new localities under the project.

II. DESCRIPTION OF PROPOSED CHANGES

15. The proposed changes under this restructuring are: (a) changes to the technical design of the original project; (b) change in the scope and costs of activities specifically some activities will be dropped, and new ones added including new activities under Component C; (c) change in the PDO of the project and Result Framework; (d) reallocation of the proceeds of the loan and change in Disbursement Estimates; (e) change in Legal Covenants and Conditions, especially disbursement conditions; (f) change in Institutional Arrangements; and (g) change in Economic and Financial Analysis.



16. *Changes to the technical design of the project:* The project was originally designed to finance a new model to create a market for basic water and energy services in rural areas based on two pillars: (i) delegation of responsibility for service provision to specialized O&M operators; and (ii) sustainable long-term financing of O&M combining cost recovery and subsidies for O&M. The O&M operators were to be competitively selected and were to be in charge of installing equipment (including rehabilitation of old systems), carrying out O&M, and recovering payment for service in their regional service areas. In addition, the project focus was on villages located outside of the SEEG perimeter that are too distant from urban and peri-urban areas to be connected to the water and electricity networks.
17. This design will be changed under the restructuring. The project will not delegate responsibility for service provision to specialized O&M operators. Going forward, SEEG, will be responsible for O&M of basic services provision. This includes maintaining assets constructed under Component A and applying national tariff principles to the provision of electricity and water services. There is a lifeline tariff for the electricity and water of 120 kWh/month and 15 cubic meters respectively corresponding to US\$0.1 per kWh and of US\$0.38 per cubic meter (US\$0.74 for standard tariff) respectively. In addition, for customers under the lifeline tariff threshold and officially recognized as low-income Gabonese (GEF), electricity and water are fully subsidized by the GoGA and provided free of charge for the consumers (both in rural and urban areas). These subsidies cost the GoGA about US\$8 million/year. It is expected that the quasi-totality (90 percent) of rural customers' consumptions will be under lifeline tariffs in Gabon. The project will finance activities in localities where the SEEG grid can be extended and decentralized localities that will be managed by SEEG. This means some initial localities that are too distant from SEEG coverage will be dropped under the restructuring.
18. *Changes to the sustainability mechanism of assets financed by the project:* The newly adopted mechanism will be based on the "centralized" approach through extension of SEEG's concession to villages that will be connected through extension of existing networks under SEEG or decentralized electrified localities. Once connected, these localities are included de facto within the concessionary area and their management is transferred to the SEEG. The Regional Directorate of SEEG will oversee operation and maintenance of rural localities inclusive of the assets financed under this project through its decentralized departments in each province of Gabon. These departments are responsible for O&M of water and electricity assets and the delivery of basic services to customers in urban and rural areas in each province of Gabon. These departments will be reinforced to better carry out operation and maintenance activities in all project areas.
19. *Changes to the PDO:* The original PDOs are to expand access to water and energy services in targeted rural areas and to establish mechanisms to improve sustainability of service provision. The restructuring proposes to drop the focus on 'establishing mechanisms to improve sustainability of service provision'. This change speaks to the change in the technical design of the project, as discussed above. The restructured PDO is **to expand access to water and energy services in targeted rural areas**. Changing the PDO will be accompanied by revisions to the original results indicators and targets in the Results Framework.
20. *Changes to Component A:* (a) This component will no longer finance the installation of SHSs since remote small localities with few people have been dropped under the new design. In addition, since O&M operators will not be utilized, SEEG will be technically involved in the implementation of these activities. The new design will adapt the rural electrification model and project areas accordingly by integrating grid extension electrification under this component, incorporating additional new localities and dropping other localities in the pilot areas; and (b) the component will finance new activities related to the rehabilitation and extension of water supply network, construction of sanitation facilitation in schools and health centers in rural areas
21. **Component B:** No change to in activities.



22. **Component C:** A new activity will be financed under this component, namely, the provision of advisory services for the SEEG reforms. This new activity helps GoGA to have onboard a reputable international advisory firm to support SEEG’s reforms.
23. **Implementation Arrangements:** The institutional arrangements will be revised to include SEEG in the Steering Committee. In order to ensure proper operation and maintenance of infrastructure under Component A, SEEG will be designated to act as technical focal point for operation and maintenance of basic rural water and electricity infrastructure and services. The PIU will continue to be responsible for the project’s technical and fiduciary aspects.
24. **Environmental and Social Safeguards:** The ESMF, RPF, IPPF and GRM instruments prepared under the original project were updated during the restructuring. The update of safeguards documents followed consultations carried out during a workshop in which civil society, project-affected people, and various stakeholders participated. The consultations will continue throughout the project’s implementation. Most of the concerns expressed by the stakeholders were taken into consideration. The updated ESMF, RPF and IPPF have been disclosed locally and through the Imagebank on May 16, 2019. If applicable, site specific ESAs, ESMPs and RAPs will be prepared and disclosed in a manner satisfactory to the World Bank and will have to be completed prior to initiating any civil works. As there will be new activities, the Integrated Safeguards Data Sheet (ISDS) was updated, approved by the World Bank and re-disclosed on June 6, 2019.
25. **Reallocation of Loan Proceeds:** The restructuring includes a reallocation of loan proceeds across components to provide more targeted support to institutional support and sector works to help GoGA conduct reforms needed in the water and energy sectors. Specifically, the allocation under Component A will be reduced by US\$2.5 million equivalent; whereas the allocation to Component B will be increased by US\$1 million equivalent, and the allocation to Category C increased by US\$1.5 million equivalent. The increased allocations to Components B will support the costs of the Owner’s Engineers who will be responsible for supervision of grid extension and water supply activities and for Project management. The increased allocation to Component C will also support financing of advisory services for SEEG reforms. The proposed reallocation is described in Table 2 below.

Table 2: Proposed Re-allocation of Loan Proceeds to Project Components

Components	Total Cost	
	Current	Proposed
Component A: Expansion of access to basic services in rural areas	45.50	43.00
Subcomponent A.1: Electricity Basic Services	31.85	28.60
Subcomponent A.1.1: Electrification by grid extension in rural and peri-urban areas		20.00
Subcomponent A.1.2: Decentralized rural Electrification by hybridization		8.60
Subcomponent A.2: Water and Sanitation Basic Services	13.65	14.40
Subcomponent A.2.1: Water Supply by rehabilitation and extension of SEEG’s water supply networks in rural areas		13.40
Subcomponent A.2.2: Construction of sanitation facilities in schools and health facilities in project area.		1.00
Component B: Implementation support, supervision, and M&E	6.00	7.00
Subcomponent B.1: Establishment of a specific institutional framework for rural energy and water services	0.50	0.50
Subcomponent B.2: Implementation and support activities	3.25	3.50
Subcomponent B.3: Communications, education, and awareness	0.75	0.75
Subcomponent B.4: Project management, monitoring, and evaluation	1.50	2.25
Component C: Capacity building and sectoral technical assistance	8.50	10.00
Subcomponent C.1: Institutional capacity-building activities	4.00	4.00
Subcomponent C.2: Sectoral analytical work and specific studies and sector advisory services	4.50	6.00
Total	60.00	60.00



26. **Results Framework and Monitoring:** The results indicators and targets in the Results Framework have been updated to reflect the proposed changes. At the PDO level, targets of PDO indicators: (a) 'People provided with access to electricity by hold connections'; and (b) 'Number of people in rural areas provided with access to Improved Water Sources' under the project are proposed to be revised. The intermediate indicator 'Number of other electricity and water service providers' that the project is supporting is proposed to be deleted. New intermediate indicators are proposed. The revised Results Framework is included as Annex 1.
27. The Project Implementation Manual (PIM) has been updated to reflect the proposed changes.
28. The proposed restructuring is in line with GoGA request in the letter dated November 29, 2018. The closing date of November 30, 2021 of the Project will remain unchanged.
29. **Economic Analysis:** The restructured project will continue to be positive in terms of its economic benefits. The updated economic analysis (Annex 2) shows an Economic Internal Rate of Return (EIRR) of the "with Project" scenario of 29.8 percent with an NPV of US\$128.1 million, using US\$37.5 cents per kWh and US\$1.25 per cubic-meter as the average Willingness to Pay (WTP) for electricity and water in Gabon (Electricity: 50 percent higher than Cameroon; Water: 100 percent than current water tariff) and a discount rate of 8.0 percent. The analysis has been undertaken over the economic life of the project (varying from 25 to 35 years depending on the investment).
30. **Financial Analysis:** The restructured project will continue to be financially viable. The updated financial analysis (Annex 2) shows a Financial Internal Rate of Return (FIRR) of the "with Project" scenario of 9.3 percent with an NPV of US\$143.0 million, using US\$20 cents per kWh and US\$63 cents per cubic-meter as the average tariff for electricity and water in Gabon and an after-tax discount rate of 0.49 percent.
31. SEEG has sustained a relatively better financial performance on the past six years (2013-2018). With regular tariff increases, it has enjoyed a positive net margin which stood around 3.6 percent of total revenues (or US\$12.5 million per year on average). It has also performed better in terms of cash generation from operations. The company has generated from operations an accumulated cash amount of US\$234 million on the same six years period which was more than enough to finance its capital expenditures needs (US\$176 millions), pay dividends to its shareholders (US\$26 millions), and honor its debt service.
32. GoGA has committed to continue promoting good governance and financial sustainability in the power sector, and part of the proposed reallocation of financing from Component A to Component C is intended to support sector reform plans in this respect. It is expected that the reform agenda will also include changes related to utility management structure, and the tariff regime which will have a direct influence on the financial return of the restructured project and the utility.
33. **Appraisal Summary Change in Technical Analysis:** The grid extension technology introduced presents no unusual construction or operational challenges. The equipment and the technologies involved in the construction and operation of medium voltage distribution lines are well established and proven, including in Gabon. The grid extension access expansion approach managed by the national utility draws from successful experiences financed by the World Bank. As part of the project's implementation arrangements, the terms of reference of the Owner's Engineer will be modified to include supervision of grid extension activities. The Owner's Engineers (electricity and water) will be reputable companies with the experience required for this kind of project and it will help ensure that construction is carried out in accordance with the project designs and international quality standards.



Table 3: Proposed Allocations in Disbursement Table (EURO '000')

Category	Amount of the Financing Allocated (Current)	Amount of the Financing Allocated (Proposed)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, consultants' services, non-consulting services, and under Part A of the project.	40,600,000	39,261,538	100%
(2) Goods, non-consulting services, operating costs, training and consultants' services under Part B and Part C of the project.	12,965,750	14,304,212	100%
(3) Front-end Fee	134,250	134,250	Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar Premium	0	0	Amount due pursuant to Section 2.08 (c) of the Loan Agreement
Total	53,700,000	53,700,000	



III. SUMMARY OF CHANGES

	Changed	Not Changed
Project's Development Objectives	✓	
Results Framework	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Legal Covenants	✓	
Institutional Arrangements	✓	
Economic and Financial Analysis	✓	
Technical Analysis	✓	
Implementing Agency		✓
DDO Status		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)****PROJECT DEVELOPMENT OBJECTIVE****Current PDO**

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

Proposed New PDO

The project development objectives (PDO) is to expand access to water and energy services in targeted rural areas.

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component A: Expansion of access to basic services in rural areas	45.50	Revised	Component A: Expansion of access to basic services in rural areas	43.00
Component B: Implementation support, supervision, and monitoring & evaluation	6.00	Revised	Component B: Implementation support, supervision, and monitoring & evaluation	7.00
Component C: Capacity building and sectoral technical assistance	8.50	Revised	Component C: Capacity building and sectoral technical assistance	10.00
TOTAL	60.00			60.00

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IBRD-85350-001 Currency: EUR				
iLap Category Sequence No: 1	Current Expenditure Category: GDS,WK,CS,NCS part A			
40,600,000.00	0.00	39,261,538.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: GDS,CS,NCS,TRG,OC part B,C			



	12,965,750.00	1,057,652.58	14,304,212.00	100.00	100.00
iLap Category Sequence No: CAT NO3	Current Expenditure Category: GDS,CS,NCS,TRG,OC part D				
	0.00	0.00	0.00		100
Total	53,565,750.00	1,057,652.58	53,565,750.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2016	0.50	0.00
2017	7.00	0.20
2018	15.50	5.40
2019	16.00	15.00
2020	13.50	21.00
2021	7.00	17.00
2022	0.50	1.40

LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
IBRD-85350	Finance Agreement :Disbursement condition for Part/Component A - O&M Operators Qualifications Description :In order to ensure proper operation and maintenance of infrastructure under Part A of the Project, the Borrower shall employ, in accordance with the provisions of Section III of Schedule 2 to the Agreement, O&M Operators each of whose qualifications, experience and terms of reference shall be acceptable to the Bank, to be responsible for O&M	Complied with	Marked for Deletion



	of basic rural water and electricity infrastructure. Frequency :CONTINUOUS		
IBRD-85350	Finance Agreement :Disbursement condition for Part/Component A - O&M Account (creation) Description :The Borrower shall, not later than six (6) months after the effective date, open an account in a financial institution acceptable to the Bank (“Payment Account”) and deposit an amount in the said account acceptable to the Bank for the purposes of carrying out payments to the O&M operators. Due Date :21-Apr-2017	Not complied with	Marked for Deletion
IBRD-85350	Finance Agreement :Recurrent covenant - O&M Account (replenishment) Description :The Borrower shall maintain the Payment Account throughout Project implementation, and replenish it, every six (6) month period with an amount to be agreed upon with the Bank, for the purposes of carrying out regular payments to the O&M Operators. Frequency :SemiAnnual	Not complied with	Marked for Deletion



Results framework

COUNTRY: Gabon

Access to Basic Services in Rural Areas and Capacity Building Project

Project Development Objectives(s)

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

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Expand access to water and energy services in targeted rural areas			
People provided with access to electricity under the project by household connections - grid/mini-grid (Number)		0.00	60,000.00
<i>Action: This indicator has been Revised</i>			
people provided with access to electricity by HH connections (Number)		0.00	60,000.00
<i>Action: This indicator has been Revised</i>			
People in rural areas provided with access to Improved Water Sources under the project (Number)		0.00	36,000.00
<i>Action: This indicator has been Revised</i>			
Establish mechanism to improve sustainability of service provision (Action: This Objective has been Revised)			
Percentage of households in villages covered by an O&M operator under the project with functional electricity and water services (Percentage)		0.00	90.00



Indicator Name	DLI	Baseline	End Target
<i>Action: This indicator has been Marked for Deletion</i>			
Direct project beneficiaries (Number)		0.00	60,000.00
<i>Action: This indicator has been Revised</i>			
Female beneficiaries (Percentage)		0.00	50.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Component A: Expansion of access to basic services in rural areas (<i>Action: This Component has been Revised</i>)			
Number of villages benefiting from improved acces to basic services (Number)		0.00	140.00
<i>Action: This indicator has been Revised</i>			
Improved community water points constructed or rehabilitated under the project (Number)		0.00	30.00
<i>Action: This indicator has been Revised</i>			
Master plan for access to basic services in rural areas completed and approved (Yes/No)		No	Yes
Renewable energy generation capacity constructed under the project (Megawatt)		0.00	1.50
<i>Action: This indicator is New</i>			
Distribution HTA lines constructed under the project in rural areas (Kilometers)		0.00	180.00



Indicator Name	DLI	Baseline	End Target
<i>Action: This indicator is New</i>			
Distribution BTA lines constructed under the project in rural areas (Kilometers)		0.00	320.00
<i>Action: This indicator is New</i>			
Component B: Implementation support, supervision, and monitoring & evaluation			
Number of villages with electricity or water services covered by an O&M operator under the project (Number)		0.00	140.00
<i>Action: This indicator has been Revised</i>			
Number of villages benefiting from communication, education, and awareness campaigns (Number)		0.00	140.00
<i>Action: This indicator has been Revised</i>			
Master plan for access to basic services in rural areas completed and approved (Yes/No)		No	Yes
<i>Action: This indicator is New</i>			
Component C: Capacity building and sectoral technical assistance			
Electricity generation and transmission master plan completed and approved (Yes/No)		No	Yes
Number of other electricity and water service providers that the project is supporting (Number)		0.00	220.00
<i>Action: This indicator has been Marked for Deletion</i>			
Electricity generation and transmission master plan completed and approved (Yes/No)		No	Yes
<i>Action: This indicator is New</i>			



Indicator Name	DLI	Baseline	End Target
Tariff study completed and approved (Yes/No)		No	Yes
<i>Action: This indicator is New</i>			
Sector financial model completed and approved (Yes/No)		No	Yes
<i>Action: This indicator is New</i>			
Sector reform completed, and road map adopted (Yes/No)		No	Yes
<i>Action: This indicator is New</i>			



Annex 1: Revised Results Framework and Monitoring

Gabon: Access to Basic Services in Rural Areas and Capacity building Project (P144135)

PDO Level Results Indicators	Core	Unit of Measure	Current		Proposed		Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
			Baseline	Project Closing	Baseline	Project Closing				
Indicator 1: Number of people provided with access to electricity under the project by household connections –grid/mini-grid	<input checked="" type="checkbox"/>	Number	0	55,000	0	60,000	Quarterly and annually	CN-TIPPEE’s reports and audits; quarterly project reports	CN-TIPPEE	Access provided through grid/mini-grid
Indicator 2: Number of people provided with access to electricity under the project by household connections – only renewable sources	<input checked="" type="checkbox"/>	Number	0	55,000	deleted	deleted				
Indicator 3: Number of people provided with access to “improved water sources” under the project	<input checked="" type="checkbox"/>	Number	0	55,000	0	36,000	Quarterly and annually	CN-TIPPEE’s reports and audits; quarterly project reports	CN-TIPPEE	Improved water source is defined as small scale piped network and household connections
Indicator 4: Percentage of households in villages covered by an O&M operator(SEEG) under the project with functional electricity and water services	<input type="checkbox"/>	Percentage	0	90	deleted	deleted	Annually	Annual survey, Annual Reports	CN-TIPPEE	Households with functional service / total households in villages benefitting



										from access to electricity and water services under the project
Indicator 5: Number of direct project beneficiaries – <i>of which female</i>	<input checked="" type="checkbox"/>	Number <i>Percentage</i>	0	55,000	0	60,000	Quarterly and annually	CN-TIPPEE's reports and audits; quarterly project reports	CN-TIPPEE	Rural people with electricity and/or water access

Intermediate Results Indicators	Core	Unit of Measure	Current		Proposed		Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
			Baseline	Project Closing	Baseline	Project Closing				
Intermediate Result (Component A): Expand access to basic services in rural areas.										
1: Number of villages benefiting from improved access to basic services	<input type="checkbox"/>	Number	0	15	0	140	Quarterly and annually	CN-TIPPEE's reports; quarterly project reports	SEEG/CN-TIPPEE	Villages with electricity and/or water access
2: Number of improved community water points constructed or rehabilitated under the project	<input checked="" type="checkbox"/>	Number	0	220	deleted	deleted	Quarterly and annually	CN-TIPPEE's reports; quarterly project reports	SEEG/CN-TIPPEE	
3: Number of villages with electricity or water services covered by an O&M	<input type="checkbox"/>	Number	0	220	0	140	Annually	CN-TIPPEE's reports;	SEEG/CN-TIPPEE	Villages with electricity and/or



(SEEG)operator under the project								quarterly project reports		water access to be operated by SEEG
Renewable energy generation capacity constructed under the project		Megawatt	New	New	0	1.5	Annually	CN-TIPPEE's reports; quarterly project reports	SEEG/CN-TIPPEE	Renewable energy generation capacity in megawatt constructed under the project
4. Distribution HTA lines constructed under the project in rural areas	<input type="checkbox"/>	km	New	New	0	180		Annually	CN-TIPPEE's reports; quarterly project reports	The length in km of the Medium voltage distribution lines constructed under the project.
5. Distribution BTA lines constructed under the project in rural areas	<input type="checkbox"/>	km	New	New	0	320		Annually	CN-TIPPEE's reports; quarterly project reports	The length in km of the low voltage distribution lines constructed under the project
Intermediate Result (Component B): Implementation support, supervision, and monitoring & evaluation										
1: Number of other electricity and water service providers that the project is supporting	<input type="checkbox"/>	Number	0	1	deleted	deleted				
2: Master plan for access to basic services in rural areas completed and approved.	<input type="checkbox"/>	Yes/No	No	Yes	No	Yes	Annually	Annual reports	CN-TIPPEE	Access to Basic services Master plan
3: Number of villages benefiting from communication, education, and awareness campaigns	<input type="checkbox"/>	Number	0	220	0	140	Quarterly and annually	CN-TIPPEE's reports and audits; quarterly project reports	CN-TIPPEE	Villages with electricity and/or water access to be operated by SEEG
Intermediate Result (Component C): Capacity in the sector through capacity building and analytical work.										
1: Electricity generation and transmission master plan completed and approved	<input type="checkbox"/>	Yes/No	No	Yes	No	Yes	Annually	Annual reports	MINEE/CN-TIPPEE	Electricity Generation and transmission master plan
2. Tariff study completed and approved	<input type="checkbox"/>	Yes/No	New	New	No	Yes	Annually	Annual reports	MINEE/CN-TIPPEE	Tariff study completed



3. Sector Financial Model completed and approved	<input type="checkbox"/>	Yes/No	New	New	No	Yes	Annually	Annual reports	MINEE/CN-TIPPEE	Sector Financial Model
4. Sector reform completed, and Road Map adopted	<input type="checkbox"/>	Yes/No	New	New	No	Yes	Annually	Annual reports	MINEE/CN-TIPPEE	Study on sector reform and Road Map



Annex 2: Updated Economic Cost Benefit Analysis (Sample Data Set)

Table 2.1: Project Costs Breakdown

Cost Category	Project Costs (US\$ million)	Of Which IDA (US\$ million)
Electrification by grid extension in rural and peri-urban areas	20.0	20.0
Decentralized rural Electrification by hybridization	8.6	8.6
Water Supply by rehabilitation and extension	13.4	13.4
Construction of sanitation facilities in schools/health facilities in project area ¹ .	1.0	1.0
Implementation support, supervision, and M&E	7.0	7.0
Capacity building and sectoral technical assistance ²	10.0	10.0
Total Project Costs	60.0	60.0

Table 2.2: Project Economic Results (ENPV and EIRR - Base Case)

Investment	ENPV (US\$ million)	Benefits/Costs Ratio	(EIRR) (%)
Component A.1 -Electrification by grid extension in rural and peri-urban areas	94.5	2.16	41.8
Component A.2 - Decentralized rural Electrification by hybridization	7.4	1.78	16.3
Component B - Water and Sanitation Basic Services	26.2	1.61	20.2
Component A & B	128.1	1.23	29.8

Table 2.3: Project Financial Results (FNPVs and FIRRs - Base Case)

Investment	FNPV (at 0.49% ³ discount rate) (US\$ million)	Estimated Financial Internal Rate of Return (FIRR) (%)	Profitability Index (PI) (PI= 1+FNPV/Capex)
Component A.1 -Electrification by grid extension in rural and peri-urban areas	100.8	11.5	5.4
Component A.2 - Decentralized rural Electrification by hybridization	34.4	13.9	4.5
Component B - Water and Sanitation Basic Services	7.8	2.3	1.5
Component A & B	143.0	9.3	3.9

¹ Cost not included in the evaluation.

² Cost not included in the evaluation.

³ WACC = 0.75 percent*(1-Corporate Tax) = 0.75percent*(1-39%) = 0.49 percent



Annex3: Financial Mangement Action Plan as of April 2019

Recommandations formulées	Responsible	Time/ frequency
1. Speed up the restructuring process for better planning of activities to be performed	Project Coordinator	Immediate
2. Before finalization of the restructuring, ensure that only activities that are aimed at achieving the project's development objective and that are part of the ongoing restructuring are carried out and require the opinion of the Bank before incurring the related expenditure	Project Coordinator / Financial coordinator	Permanent
3. In the future, CN-TIPPEE must submit to the Bank's opinion the overall fuel budget for its annual operation as well as project-by-project proposal.	Project Coordinator / Financial coordinator	Permanent
4. Keep registering fuel consumption in a non-accounting register which contains among others information (i) identification of the vehicle (registration & project), (ii) the quantity of fuel consumed, (iii) the reason of the consumption (if it's a mission, attach the authorization or mission ToRs), the name and signature of the driver on the receipt and in the register. This register should be subject of material control and analysis every month or quarter by the chief accountant, to assess the need for reallocation of consumption by project	Financial coordinator /Chief accounting	Permanent
5. Implement the recommendations made during reviews of other projects implemented by CN-TIPPEE and applicable to that project	Financial coordinator /Chief accounting	Immediate
6. Realistic disbursement forecasts should be realized, going forward, to avoid receiving large amount as advances that are not spent in the expected period, resulting in significant idle cash. By doing so, that jeopardize project financial performance.	Project Coordinator / Financial coordinator	Permanent