

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



REPUBLIC OF GABON
PORTFOLIO REVIEW REPORT

COUNTRY DEPARTMENT
CENTRAL REGION
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(i)

SUMMARY

1. This portfolio review report was prepared with a view to informing the Board of Directors of the status of Bank Group operations in Gabon, in the context of the country's economic crisis stemming from the decline on the oil market and the substantial reduction of export revenue from timber as a result of the Asian crisis. It was prepared at the request of the Gabonese Government pursuant to a multidisciplinary mission sent by the Bank to Gabon in July 1999. In this context, all of the Bank-financed projects in Gabon were reviewed in detail; in addition, recommendations were made to improve the portfolio's quality and to reduce the country's commitment level.

2. Since 1998, the country's macro-economic situation has deteriorated considerably. The GDP growth rate attained 2.0% in 1998, against 5.3% in 1997. In 1998, the decline of total budgetary revenue, of which more than 50% came from oil-related activity and the high level of the cost of debts (debt accounts for 53.4% of GDP and debt service 26.6% of export revenue), limited Gabon's money supply and its absorption capacity. In reality, Gabon's financial and economic crisis made it possible to highlight the weaknesses in Bank Group portfolio management, previously concealed by a prosperous economic context. Implementation of Bank projects, the leading donor in Gabon, is thwarted by a series of factors that are: (i) the lack of counterpart funds; (ii) some executing agencies' weak administrative capacity; (iii) the rigid structure of Gabon's economy; and in exceptional cases (iv) poor, even oversized, project design.

3. Bank Group operations in Gabon began in September 1974. Since that time, the Bank has approved 30 operations including 25 investment projects, 2 structural adjustment programmes and 3 studies. Of the thirty operations, two (2) have been cancelled, sixteen (16) projects and two (2) studies have been completed. The net commitments cancelled amount to UA 538.52 million including UA 535.31 million from ADB resources and UA 3.21 million from ADF/TAF resources. The Bank Group portfolio comprises ten projects including one that has not yet been signed.

4. With the average age of projects being 5.75 years, Gabon's portfolio management performance has deteriorated considerably since 1998. The average rating given to the nine projects under review is 1.6. It is clearly below the ratings given in 1998 and 1996. In comparison to the last portfolio review in 1998, the overall rating declined by 22%. The number of problem projects represents 55% of the portfolio as compared to 40% during the last review in 1998. The country's poor performance can be ascribed mainly to two criteria, which are (i) financial performance; and (ii) performance of project activities and output.

(ii)

5. Aid co-ordination is still weak at the internal level and at the donor intervention level. The Government shows a willingness to mitigate these shortcomings by reinforcing the public

investment three-year programming process and organising international conferences on sectoral topics. Aid among donors was well co-ordinated in the transport sector. The Bank Group, through the operations follow-up unit and the increase of dialogue and supervision missions, associated its efforts with the Donor Community to reinforce foreign aid co-ordination. Furthermore, it is expected that the Bank Group Operations Follow-up Committee will help reinforce external aid co-ordination. Furthermore, it is expected that the Bank Group Operations Follow-up Committee; set up by the Gabonese Government; will contribute to improving the quality of our operations.

6. Until 1997, Gabon honoured its commitments to the Bank Group. However, because of the financial difficulties encountered since the beginning of 1998, Gabon has accumulated arrears and this situation led the Bank Group to suspend its operations in the country from August 1998. At the Bank Group's request, in April 1999, a debt schedule was set up which Gabon honoured in May 1999 with the partial repayment of about a quarter of its arrears stock. The Government, which undertook to settle all of its arrears by the end of 1999, made a partial payment in November 1999, accounting for a third of the sums due. The Bank Group reinforced the dialogue with the Government of Gabon with a view to collecting all arrears by the beginning of 2000.

7. This portfolio review operation led to the resizing of projects, even the cancellation of project balances. The country's commitment capacity to the Bank should be reduced by UA 24.87 million. For projects maintained in the portfolio, severe measures have been recommended to enhance the impact on development and to restore their sustainability. However, it should be noted that the opening of the Bank's regional office, envisaged for the first semester of the year 2000 at latest, should contribute to improving the Bank's portfolio management and aid co-ordination with the Donors.

8. The Boards of Directors are invited to take note of the portfolio's situation and the conclusions of this report.

I. INTRODUCTION

1.1 Objective and Structure of the Report

1.1.1 This Gabonese portfolio review report is based on information gathered during different supervision missions carried out in 1998 and a multidisciplinary Portfolio Review Mission to Gabon in July 1999. This mission, carried out at the request of the Government of Gabon, was intended to review the projects financed by the Bank in Gabon in the new context of the country's economic crisis characterised by a reduction of the Gabonese Government's money supply owing to the decline on the oil market as well as the considerable reduction of export revenue on timber subsequent to the Asian crisis. The decline of total budgetary income resulting mainly from revenue on oil activities and the country's high debt costs including the debt service which accounted for more than 26.6% of export earnings in 1998, now limit the country's absorption capacity. In reality, Gabon's economic and financial crisis made it possible to point out shortcomings detected in Bank project management, previously concealed by a prosperous economic situation. The document reviews the ongoing operations in the country, analyses the problems and constraints that thwart their implementation and makes recommendations to improve the quality of the portfolio and reduce the Bank's commitment level in Gabon.

1.1.2 In addition to this introduction, this report includes eight parts, that is to say: (i) recent economic developments; (ii) review of ongoing projects; (iii) assessment of the country's management and implementation capacity; (iv) donor co-ordination; (v) repayment of loans and arrears; (vi) initiatives to be taken to improve the portfolio's quality; and (vii) the major conclusions and recommendations.

1.2 Scope and Composition of the Portfolio

Bank Group operations began in Gabon in the beginning of September 1974. Since then, the Bank has approved, on behalf of the country, 30 operations including 25 investment projects, 2 structural adjustment programmes and 3 studies. Of the thirty operations, two (2) have been cancelled, sixteen (16) projects and two (2) studies have been completed. Net commitments of cancellations amount to UA 538.52 million including UA 535.31 million from ADB resources and UA 3.21 million from ADF/TAF resources. These interventions concern the following sectors: transport 29.0%, agriculture 26.0%, multisectoral operations 19.0%, social 17.0%, industry and development banks 5.0% and public utilities 4.0%.

II. RECENT ECONOMIC DEVELOPMENTS

Recent Economic Development

2.1 From 1995 to 1997, with the assistance of the international community, Gabon undertook reform programmes that produced satisfactory results. During this period, per capita revenue increased regularly. Large-scale road system development and maintenance works were carried out. However, the country's economic and financial situation deteriorated starting in 1998, with the pursuit of an developmentalist budgetary policy, within the context of presidential elections and an unfavourable international environment, marked by a downturn of the oil market and difficulties of the timber sub-sector following

the Asian crisis. The slippage in public expenditure management *due to a problem of governance* resulted in the accumulation of considerable external and internal arrears due the Bank. Also. the programme supported by the IMF Extended Arrangement was suspended in March 1999.

2.2 From 1995 to 1998, the development of the major macro-economic aggregates was as follows :

- **GDP Trend:** In real terms, average GDP growth was about 5.0% due to the oil sector value added increase. Moreover, oil production reached record levels under the combined effect of production kept above 18 million tons, maintaining good dollar rates and very favourable world prices (the barrel went from US \$ 16.5 to US \$ 19.6). Oil sector development was accompanied by the soundness of the non-oil sector, especially logging, the building and civil engineering sector and tertiary sector activities. In 1998. under the combined effect of the decline of the price of the barrel of oil (US \$ 12), the decline of oil production due to the ageing of the major oil fields and the absence of new findings. the GDP growth rate dropped to 2.0%.
- **Price Trends:** The rate of inflation estimated by the consumer price index for modest income households went from 10% in 1995 to 2.2% in 1998. Control of inflationary pressure was possible owing to the implementation of a monetary and restricted income policy. Furthermore. reduction of customs taxes, prices of many food products, and water and electricity rates, following privatisation of the national company, explain this evolution.
- **Unemployment:** The unemployment rate was 21% in 1998. This fairly high rate is explained by a series of factors of which the most important are related to the structure of the Gabonese economy, manpower competence and the influx of refugees from sub-regional countries in conflict. Moreover. the low level of elasticity between employment and GDP growth generated by oil activity and the unsuitability of the education sector, focused more on general education than on enterprises' technical and scientific qualification requirements are the major causes of this situation. In 1998. it was estimated that thirty percent of the active urban population, under twenty-six years of age, was unemployed.
- **Budgetary revenue:** Under the effect of the oil sector's good performances, budgetary revenue became stable at an average of 29% of GDP from 1995 to 1997. Non petroleum revenue influenced by a strong resumption of logging, services and building and civil engineering activities, as well as fiscal standardisation measures within the context of UDEAC, also increased but in a lesser proportion. Establishing a budget on the basis of a Gabonese gross price of US \$ 17 compared to the effective price of US \$ 12 led to the 26% reduction of oil revenue in 1998 against projections. In 1999, the budgetary revenue declined by 20%. This situation considerably limited the State's available funds.
- **Public finance expenditure and deficit:** Despite the decline in budgetary revenue, budgetary expenditure from 1995 to 1998 increased. Indeed. under the weight of uncontrolled public expenditure expansion within the context of the presidential elections, sub-regional mediation efforts, many Government commitments regarding operating expenses and capital expenditure, total expenditure increased considerably in 1998. Expenditure went from 26.3% of GDP in 1995 to 38.1% in 1998. The primary budget balance, which had showed a surplus since 1995, for the first time showed a deficit in 1998. The level of this deficit was 0.6% of GDP in 1998 against a surplus of 13.7% of GDP in 1997. In 1998, the State was not able to meet all of its contractual commitments and arrears accumulated in respect of the

settlement of internal and external public debt. The global balance deficit (commitment basis) was around 9% of GDP in 1998. against a surplus of 3.2% of GDP in 1995.

Money and Credit : From 1995 to 1997, under the weight of the increase of non-oil related activities and the reduction of inflation, the wage bill increased from 12.1% to 16.7%. This growth was accompanied by an increase of credits to the economy and a reduction of credits to the State. The increase of credit to the economy is due to the financing of non-oil related activities (timber, transport, building and civil engineering works). In 1998, there was a downturn and the wage bill dropped by 1.8%. In 1998, the deterioration of the level of external assets was accompanied by the increase of credit to the State. This situation can be explained by the State's use of the local banking system to meet cash constraints stemming from the deterioration of the terms of trade: decline in oil prices and a slump in the sale of timber.

Balance of Payments: During the period under review, the trade balance structural surplus gradually deteriorated under the negative impact of the downturn of the oil market on export revenue and the developmentalist budgetary policy on the level of imports. The 1998 trade balance surplus declined considerably and accounted for half of the average annual surplus attained from 1995 to 1997. In 1995, the current account balance surplus produced a negative balance in 1998. This negative development of the current account balance stems from the deterioration of the trade balance despite the relative reduction of deficits on net services and transfers without equivalent. The current account balance went from a surplus of 1.9% of GDP in 1995 to a deficit of 16.9% of GDP in 1998. Increasing capital outflows related to debt amortisation and speculative capital flows explain the deterioration of the overall current account balance starting in 1998. This overall balance deficit was financed by international reserves and an accumulation of arrears. By the end of 1998, external arrears amounted to CFAF 161.2 billion (i.e.5.9% of GDP).

- **Public Debt** : Outstanding public debt should increase from CFAF 2367.9 billion in 1998 to CFAF 2800 billion in 1999 and account for 87.9% of GDP in 1998 and about 112 % of GDP in 1999. External debt service on export revenues should increase from 26.6% in 1998 to 29% in 1999. The country accumulated arrears due to most of the key development partners (AFD and ADB) as from the third quarter of 1998. This situation was worsened by the impact of the international crisis on export revenues and the negative effects of the unsatisfactory conclusion of the third year of the Extended Arrangement signed with the IMF, because the country was unable to profit from the rescheduling planned for the year 1998. This situation is all the more disturbing as Gabon is a middle income country not eligible for the heavily indebted country initiative.
- **Internal Debt, made** up of non-budgetary operations, various Government financial commitments and trade agreements, was estimated at CFAF 655 billion in 1998. This level of debt, which is more than twice that of 1997, was ascribed to public finance developmentalist management and to the weak control of public expenditure 1998 presidential elections.

2.3 Gabon's economic and financial crisis made it possible to point out the weaknesses in Bank Group portfolio management, previously concealed by a prosperous economic context. Implementation of Bank (Gabon's leading donor) projects is hampered by a series of factors which are: (i) the lack of counterpart funds; (ii) some executing agencies' weak administrative capacity; (iii) the rigid structure of Gabon's economy and in exceptional cases (iv) poor project design, even oversizing.

2.4 The recovery of international prices for the barrel of oil, noted since April 1999 contributed to a slight improvement of the country's financial situation, without totally making up for the effects of the decline of oil production. Furthermore, public finance developmentalist management in 1998 weighs on external balances and the level of internal debt and explains the high deficit level of the year 2000 draft appropriation law estimated at CFAF 1,359.5 billion. In respect of the reduction of the available funds, the Gabonese Government should pursue a restrictive budgetary policy and do everything possible to conclude, as soon as possible, a reform programme with Bretton Woods Institutions.

2.5 Since the beginning of 1999, the Gabonese Government has been implementing rehabilitation measures prior to signing a new agreement with the IMF. Among these measures are the implementation of an austerity budget for the year 1999, and three audits of public finances, the administration and internal debt, at present, practically completed. Subsequent to the preliminary results of these audits, the Government has already introduced several measures, including the reorganisation of key departments of the Ministry of Finance, Budget and Privatisation. The domestic debt level was reduced by CFAF 200 billion corresponding to fictitious operations. The year 2000 according to projections, will be very austere because the investment budget will be limited to CFAF 100 billion focused on transport, education, defence, health and housing. The objective of this budget is to reduce production costs: reduce expenditure and make the country more attractive to foreign investments.

III. REVIEW OF ONGOING PROJECTS

3.1 Overview

Of the thirty (30) operations approved in Gabon, sixteen (16) projects and two (2) studies have been completed and two (2) projects have been cancelled. Ten (10) projects are being implemented. Of the sixteen projects completed, completion reports have been prepared for nine (9) and audit reports for three. The sectoral distribution of Bank Group operations in Gabon is as follows:

Sectoral Distribution (in million UA)

SECTORS	ADB	ADF	TOTAL	%	NB
Transport	161.14	-	161.14	29.0	5
Agriculture	140.17	0.90	141.07	26.0	8*
Multisector	105.95	-	105.95	19.0	3

Social	95.0	1.57	93.43	17.0	6
Industry and Development Banks	28.0	0.74	28.74	5.0	2*
Public Utilities	20.30	-	20.3	4.0	4
Total	535.31	3.21	538.52	100.0	28

* One agricultural project and one industrial project have been cancelled.

3.2 Presentation of Ongoing Projects

3.2.1 Net commitments for the ten on-going operations amount to UA 219.83 million. Sectoral distribution is as follows: 31.2% for the social sector, 26.5% for agriculture, 24.2% for the transport sector, 12.7% for the industrial sector and 5% for the multisector.

Table 2
SUMMARY OF ON-GOING OPERATIONS
(In millions of UA)

Sectors	Nb.	Gross Amount	ADB	%	Disbursements	Un-disbursed	% Disbursed
Agriculture	2	58.3	58.3	26.5	49.9	8.4	85.6
Transport	1	53.0	53.0	24.2	14.31	38.69	27.0
Social	4	69.6	69.42	31.2	6.86	62.55	9.8
Multi-sector	1	10.93	10.93	5.0	-	10.93	-
Ind. Sector	1	28.0	28.0	12.7	18.78	9.22	67.0
Total	9	219.83	219.83	199	89.85	129.79	40.9

A. Transport Sector

3.2.2 This sector is the major recipient of Bank resources with 29.0% of net commitments. Five projects have been financed, of which three have been completed, one is being implemented and one for which the loan agreement has not yet been signed. The TRANSGABON Railway Signalisation Project, approved in 1974, was completed in 1978. The Road Maintenance Project, approved in 1989, was completed in 1993; its completion report was prepared in 1994. The Road Rehabilitation and Development Project was completed in July 1996 and preparation of the completion report is scheduled for the beginning of the year 2000. The Franceville-Laleyou-Lastourville Road Project is the only ongoing operation.

Franceville-Laleyou-Lastourville Road Project

3.2.3 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 53.00	<u>Disbursements</u> : 14.318	<u>Balance</u> : 38.682
<u>Date of approval</u> : 19/12/95	<u>Date of signature</u> : 15/01/96	<u>Date of effectiveness</u> : 15/07/97
<u>Deadline of last disbursement</u> : 31/12/2000		<u>Executing Agency</u> : Ministry of Public Utilities
<p><u>Objectives, description/components</u>: The project's overall objective is to contribute to the reduction of road transport costs. In particular, the project's overall objective aims at reducing vehicle operating and maintenance costs on the project road and strengthening the institutional capacities of the Ministry of Public Utilities and Construction constitute a road data bank. The loan should finance (i) road works; (ii) works inspection and supervision; (iii) procurement of equipment for the road data bank; and (iv) the project audit.</p> <p><u>Supervision Mission</u> : January and July 1999</p> <p><u>Audit</u>: Bidding for technical and financial audits was launched on 8 June 1999 and bids were submitted by 6 August 1999.</p>		

3.2.4 Compliance with Conditions Precedent/Undertakings: the loan agreement became effective on 15 July 1997, i.e. nineteen months after approval. The delay was due to the failure to fulfil conditions in good time relating to the establishment and provisioning of a road maintenance fund. The draft law establishing the fund was prepared by the country and considered by the Bank. However, its approval was delayed by the dissolution of the Gabonese National Assembly in 1996. Progress reports are submitted regularly. The audit has not yet been conducted.

3.2.5 Procurement Performance: Goods and services have been procured satisfactorily, as planned and in conformity with the Bank's rules of procedure. However, the Government, subsequent to the Bank's request to reissue invitations to tender for procurement of equipment for a road data base, decided to finance all the costs from its own funds. This equipment was effectively procured and put into operation.

3.2.6 Financial Performance: All foreign exchange costs were financed by the Bank. Works having begun in August 1997, the loan disbursement rate is 27.02%. The Government financed the entire local currency share. This project has considerable arrears on local currency shares because of the Government's financial difficulties and foreign exchange shares pursuant to the suspension of ADB disbursements because of sanctions. The Government's attention was drawn to these shortcomings so that the appropriate measures might be taken.

3.2.7 Performance of Project Activities and Outputs: Works began in August 1997. However, the contractor had started some preliminary activities in November 1996 financed from the Government's contribution. The works performance period was 26 months for the two bid packages. The implementation schedule will be revised and the works are going to be considerably behind schedule. The contractual period for implementation of the 2 bid packages will be considerably overrun. Moreover, a substantial increase in the project cost testifies to the many modifications made by the executing agency without the Bank's prior approval. The Bank notified the country that the financing of costs inherent to these modifications would be financed only after seeing the results of the requested financial and technical audits. Despite these modifications, the cost of the project will be clearly below that envisaged at appraisal. The

performance of the consultant responsible for works supervision was not satisfactory, that of contractors satisfactory and the executing agency unsatisfactory.

3.2.8 Impact on Development: The project will permit the establishment of a more economical link between the regional capitals of Haut Ogooué and Ogooué-Lolo, and promote the development of agricultural and industrial activities in the area. It will also contribute to the country's economic integration in the region, by improving one of the road links with the Congo. This objective can be attained.

3.2.9 Overall Assessment: Compliance with loan conditions is unsatisfactory because of the very long delay in achieving loan effectiveness, as well as the financial performance, due to insufficient mobilization of the national contribution to the project's financing, and resources required for the road network's maintenance and procurement of goods and services. On the other hand, the impact on development is satisfactory. The project's overall performance is unsatisfactory. It has deteriorated in comparison to the last portfolio review in 1998.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and works	Impact on Development	Overall Assessment
Rating	1	2	1.6	1.1	2	1.5

B. Agricultural Sector

3.2.10 Ten (10) of the 30 operations were in this sector, i.e. one third of the Bank Group's portfolio, representing 26% of net commitments. Five operations have been completed and one cancelled. The first two operations, namely the cocoa growing projects in Woleu N'Tem 1 and 2 have experienced socio-political difficulties in the sub-sector, due to the following factors: the ageing of the rural population, the migration of youths, pursuit of an unsuitable village association policy, competition from food crops and institutional problems arising from the executing agency's poor management. Drawing lessons from those difficulties of the agricultural sector, the Bank did not hesitate to cancel the third operation, namely the N'Dende Rice Cultivation Project when the preliminary designs turned out to be inconclusive. The Livestock Feasibility Study in the Northern Provinces has now been completed. This study culminated in a Livestock Development Support Project in the forest area, which was appraised in April 1998. The leading objective of this project was to increase animal production and alleviate poverty among the populations concerned. Currently, in the agricultural sector there are two ongoing operations, i.e. the Livestock Project, Phase II and the Rubber Cultivation Project, Phase II.

Livestock Project, Phase II

3.2.11 Basic Administrative and Financial Data (millions of UA)

<u>Amount:</u> ADB: 18.30	<u>Disbursements:</u> : 15.91	<u>Balance:</u> : 2.38
<u>Date of Approval:</u> 17/10/89	<u>Date of Signature:</u> 30/01/90	<u>Date of Effectiveness:</u> : 10/10/90

<u>Deadline for Final Disbursement</u> : 31/12/1999	<u>Executing Agency</u> : Ministry of Agriculture and Rural Development
<p><u>Objectives, description/components</u>: The project objective is to develop stockraising on three ranches in the country's savannah agricultural areas and promote its expansion in the farming community through a « Village Livestock Development Component » attached to one of the ranches. The loan was to be used to finance (i) land development and maintenance, (ii) the construction of buildings and miscellaneous furnishings, (iii) the procurement of vehicles, equipment, veterinary drugs and vaccines, (iv) technical assistance, as well as (v) institutional support.</p> <p><u>Supervision Mission</u> : June and October 1999</p> <p><u>Audit</u>: The last audit was carried out in December 1999.</p>	

3.2.12 Compliance with the Conditions Precedent/Undertakings: The loan agreement became effective one year following its approval. The other loan conditions have been fulfilled. However, the quarterly reports and the audit reports on project accounts are submitted irregularly. The first phase of the operational and strategic audit report requested by the Bank has been completed. It was considered and approved by the Gabonese authorities. The second phase of the audit will be carried out as soon as the sanctions on Gabon are lifted.

3.2.13 Procurement Performance: Procurement, carried out in compliance with the procurement methods envisaged in the project's appraisal, encountered very long delays. A lack of familiarity with the Bank Group's rules of procedure on procurement caused, at the beginning of the project, some very long delays (from several months to one year). This was recently noted with regard to the procurement of veterinary products. The seminar on procurement organised in 1998 by the Bank in Gabon, attended by project managers, will permit them to be operational in this area.

3.2.14 Financial Performance: The loan financed the foreign exchange costs. The disbursement rate is 86.9%. The regularity of disbursements was disrupted due to sanctions on arrears. Furthermore, since June 1995, the Bank has decided to suspend project disbursements because of management problems. The Government's contributions were released partially and irregularly. The loans granted and the costs of services provided to village stockbreeders are recovered irregularly, hence the accumulation of substantial arrears.

3.2.15 Performance of Project Activities and Outputs: The implementation status of the different components is as follows: (i) 81% of the land development and maintenance work has been carried out; (ii) 80% of building construction and procurement of miscellaneous furniture has been performed; in relation to projections, two slaughter areas remain; (iii) procurement of vehicles and equipment has been 77% performed; (iv) 44% of the procurement of medicines, salts and veterinary vaccines has been carried out; the delay is due mainly to the sanctions imposed on Gabon in 1994 and the suspension of project-related disbursements since June 1995 due to poor management; (v) technical assistance has been completed; (vi) 72% of livestock management has been performed; (vii) only 69% of institutional support has been carried out due to the poor performance of the « training » sub-component and suspension of institutional support with regard to the slaughterhouse.

3.2.16 Impact on development: To a great extent (80%) the project has attained the technical objectives fixed at appraisal, in particular with regard to land development, construction and furniture, vehicles and equipment, as well as the total animal population on the ranches. However, some zootechnical parameters such as mortality (9%) and the birth rate (65%) remain very average and below the anticipated results: 3% and 80% respectively. Furthermore, although the « Village Component » has production figures which in general, exceed those of ranches, Gabon remains very highly dependent on meat imports: SOGADEL meat production in 1993 and 1994 reached 3% of the country's beef market demand, in keeping with the project's objective. However, following the suspension of disbursements in June 1995, because of the project's management problems, this level subsequently declined to 1.5% in 1997. The poor performances of SOGADEL show that implementation by public enterprises of livestock development activities on ranches is not viable, and that the livestock development strategy should be abandoned. The company should be privatised and the animals re-distributed to villages within the framework of a village cattle-breeding project that will be appraised by the Bank.

3.2.17 Farmers in the southern part of the country have now been sensitised to cattle breeding. The large number of unsatisfied applications for training under the « Village Component » clearly illustrates this fact. However, the irregularity with which the Gabonese Government paid counterpart funds throughout the project's second phase raises doubts about the Gabonese Government's ability to pursue project activities on its own. It is for this reason that the latter has decided to privatise SOGADEL. The second phase of this company's operational and strategic audit, financed by the Bank, will permit the Government to submit different recovery options with a view to privatisation.

3.2. 18 Overall Assessment: It retrogressed in relation to the 1998 review. It is for this reason that the Bank, in agreement with the Government, recommended cancelling the loan balance, while making provision to finalise the SOGADEL operational and strategic audit, as well as the audit of project accounts.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	2	1	1.4	1.75	0.6	1.4

Rubber Cultivation Programme, phase II

3.2.19 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 40.00	<u>Disbursements</u> : 33.18	<u>Balance</u> : 6.82
<u>Date of Approval</u> : 26/02/92	<u>Date of Signature</u> : 13/05/92	<u>Date of Effectiveness</u> : 23/11/92
<u>Deadline for Final Disbursement</u> : 31/12/2000		<u>Executing Agency</u> : Ministry of Agriculture and Rural Development

Objectives, description/components: The objective of this programme is to: i) continue to tend young trees, maintain their tracks and fix the first accessories to mature trees ready for tapping; ii) complete the Mitzic industrial installations; iii) develop near industrial sites, a Small-Scale Private Rubber Outgrower Programme and open collection and access roads from the factories to the outgrower plantations. The following components are fully financed by the Bank: i) roads and tracks; ii) constructions; iii) housing and transport; iv) apparatus and vehicles; v) factory; vi) studies and training. A portion of the agricultural costs, accompanying measures and operational cost, is also Bank-financed.

Supervision Mission : June and October 1999

Audit: The last audit was carried out in September 1999.

3.2.20 Compliance with Conditions Precedent/Undertakings: The conditions precedent to the first disbursement were fulfilled without difficulty. The conditions precedent to loan effectiveness were fulfilled within nine (9) months following the date of approval. The other loan conditions were also fulfilled. However, the quarterly reports and the audit reports are submitted irregularly, except for the last two financial years.

3.2.21 Procurement Performance: Owing to the understanding of Bank rules and procedures gained by the executing agency (HEVEGAB) in the first phase of the programme, goods and services were procured without difficulty. To-date, with the exception of equipment for the factory, all goods and services have been procured without significant delays and in compliance with the procurement methods anticipated at appraisal. In fact, there has been some delay in the procurement of factory equipment because of the Malaysian origin of the equipment proposed by the contractor. Since Malaysia is not a member of the Bank Group, a waiver had to be granted by the Board of Directors prior to approval of the contract. At the present time, all the works have been completed.

3.2.22 Financial Performance: This project is co-financed with the Agence Francaise de Developpement, AFD (French Development Agency). The disbursement rate is 82.9%. AFD loan disbursements have been satisfactory. The Government was able to satisfactorily fulfil its commitments up to 1997, by paying its local currency contributions on time. In 1998 and 1999, however, this contribution was reduced and disbursed with delay. Sanctions did not have a negative impact on this project in 1998, because the last disbursement made by the Bank dates from September 1998. The Government, with Hévégab, determined the practical terms for the settlement of contribution and salary arrears by monthly payments of CFAF 250 million.

3.2.23 Performance of Project Activities and Outputs: The project's Executing Agency (HEVEGAB), is managing this second phase of the programme satisfactorily as a result of the experience acquired during the first phase of the programme. Positive technical results have been achieved with technical assistance support. Works have been implemented within the deadlines, with the exception of the construction of the factory, the Small and Medium-Scale Rubber Plantation Programme (PMPH) and the training component, which are somewhat behind the initial implementation schedule.

3.2.24 Impact on Development: The Rubber Cultivation Programme has achieved most of its set objectives, namely, to foster the economic and social development of the Mitzic, Bitam and Kango areas, create paid employment and social infrastructure to retain the local population in those areas. Among the benefits obtained, social infrastructure have also improved living conditions of population's in the areas concerned. These social infrastructure have led hundreds

of people to become involved in tending rubber plantations in regions where the acceptance of perennial crops by the population was difficult. Hévégab, after 20 years of existence, has built up an impressive and complex estate, although difficult to maintain and manage due to a lack of resources stemming from the slump in rubber prices and the suspension of ADB loan disbursements due to arrears. The current situation is marked by a gradual deterioration of infrastructure. Since this company was earmarked for the Government's privatisation programme, the mission, sent to Gabon in November 1999, to restructure Bank agricultural projects, agreed with Gabonese authorities to set up a one-year emergency plan in order to consolidate the production tool and to preserve the company's estate; this was to make the company more attractive for privatisation and to maintain the impact on development.

3.2.25 Overall Assessment: Project performance remains satisfactory because of the efficiency of HEVEGAB's management, which was backed by external technical assistance.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	2.0	2.5	1.6	2.0	1.7	2.1

C. Social Sector

3.2.26 The Bank Group has financed six operations in this sector, accounting for 17.0% of net commitments, including a study and three projects in the education subsector, one project in the health subsector and one women in development project. The education project study, approved in 1990, is the only completed operation in this sector. The balance of this loan was cancelled in January 1999. The sector has five on-going operations.

Education Project (Phase II)

3.2.27 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 30.00	<u>Disbursements</u> : 6.12	<u>Balance</u> : 23.88
<u>Date of Approval</u> :01/12/92	<u>Date of Signature</u> :07/01/93	<u>Date of Effectiveness</u> :30/09/94
<u>Deadline for Final Disbursement</u> : 31/12/98		<u>Executing Agency</u> : Ministry of Education
<p><u>Objectives, description/components</u>: this project aims to improve the quality of education. It is going to extend and enhance Phase I's operations on the national scale and provide the entire Gabonese education system with the means to improve its quality. The loan is going to finance: (i) studies on/supervision of construction works; (2) construction works; (3) procurement of equipment, furniture and supplies; and (4) training and technical assistance with a view to institution building.</p> <p><u>Supervision Mission</u>: August and November 1999.</p> <p><u>Audit</u>: This project has not yet been audited.</p>		

3.2.28 Compliance with Conditions Precedent/Undertakings: The loan became effective twenty-one (21) months after the project was approved. Quarterly reports are submitted irregularly and project accounts have not yet been audited.

3.2.29 Procurement Performance: The PIU has weak management capacities. Consequently, the project implementation period has been extended and amendments made to virtually all contracts for goods and services, which makes actual costs very high. The problems concerning procurement procedures are due to a lack of familiarity with the Bank's rules and procedures. The Bank has objected to several files regarding the procurement of goods and services and has therefore delayed some procurement.

3.2.30 Financial Performance: This project has no co-financiers. The disbursement rate is only 20.42%. Because of sanctions, no disbursements have been made and the Government has not paid all of its envisaged contribution for the project's financing.

3.2.31 Performance of Project Activities and Outputs: The project is behind its initial implementation schedule. The management capacities of the executing agency and the contractors are poor. The problems experienced by the project are related to the non-compliance with the Bank's rules and procedures on procurement, delay in the training programme's preparation and recruitment of technical assistance to train trainers and for maintenance and the recruitment of the audit firm.

3.2.32 Impact on Development: The project will have a satisfactory impact on development due to an increase in the number of teachers in scientific disciplines, the upgrading of their skills and enhanced pedagogical inspection capacities.

3.2.33 Overall Assessment: Compliance with the loan conditions, procurement performance and the performance of activities are unsatisfactory. On the other hand, the financial performance, despite the still poor disbursement rate, and the impact on development are satisfactory. The overall project performance is unsatisfactory. It deteriorated in relation to the last portfolio review of 1998.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Outputs	Impact on Development	Overall Assessment
Rating	1	1	1.0	1	2	1.2

Education Project (Phase III)

3.2.34 Basic Administrative and Financial Data (millions of French Francs)

<u>Amount</u> : ADB: 19.5	<u>Disbursements</u> : 0.00	<u>Balance</u> : 19.5
<u>Date of Approval</u> : 11/12/97	<u>Date of Signature</u> : 11/01/98	<u>Date of Effectiveness</u> : 01/10/98
<u>Deadline for Final Disbursement</u> : 31/12/2003		<u>Executing Agency</u> : Ministry of Education

Objectives, description/components: The project is in keeping with the objective of strengthening the quality of education pursued within the context of the first 2 projects. It aims to finance the improvement of technical and vocational education in the country's major public training centres. The project has two components: (i) strengthening the technical and vocational education directorate, and (ii) strengthening technical and vocational education institutions.

Launching/Follow-up mission: August and November 1999.

3.2.35 Compliance with Conditions Precedent/Undertakings and Impact on Development: This project became effective ten months after its approval. Once launched, this project should permit the problems related to the shortage of qualified staff to be solved. It will also permit permanent training structures, at the national level, to be provided for on the job training. Its impact on development should be satisfactory. The other criteria can be assessed only after the project's effective start-up.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	3.0	NA	NA	NA	2.0	2.5

Health Services Development Project

3.2.36 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : 14.130	ADB:	<u>Disbursements</u> : 0.589	<u>Balance</u> : 13.541
<u>Date of Approval</u> : 29/04/94	<u>Date of Signature</u> : 12/05/94		<u>Date of Effectiveness</u> : 29/06/95
<u>Deadline for Final Disbursement</u> : 31/12/99		<u>Executing Agency</u> : Ministry of Health and Population/PIU	
<u>Objectives, description/components:</u> This project aims at improving the population's state of health by using quality health services. The loan will be used to finance: (i) construction work studies/monitoring; (2) construction work; (3) procurement of equipment, furniture and supplies; and (4) technical assistance and project management costs.			
<u>Supervision Mission:</u> June 1999.			
<u>Audit:</u> This project has not yet been audited.			

3.2.37 Compliance with Conditions Precedent/Undertakings: The loan became effective fourteen (14) months after its approval. The other loan conditions have been fulfilled. The auditor has been recruited, but the audit has not yet been conducted, because the audit mission was to take place after an accounting system was set up and staff trained to use this tool. The quarterly activity reports are submitted regularly to the Bank.

3.2.38 Procurement Performance: The Bank Group trained the staff of project management structures. Thus, considerable improvement was noted in regard to compliance with rules of procedure for procurement of works, goods and services. Performance is deemed satisfactory.

3.2.39 Financial Performance: This project has not been co-financed. The loan will be used to finance the totality of foreign exchange costs and part of the local currency costs. At this stage of project implementation, counterpart funds, although budgeted, were disbursed to be used for other than loan outputs. The disbursement rate is still low (less than 4%). Sanctions penalise the pace of disbursements.

3.2.40 Performance of Project Activities and Outputs: This project is far behind schedule. The Project Implementation Unit (PIU) was established in June 1995 with technical assistance provided by WHO. Works, begun before sanctions were imposed in August 1998, have been implemented and completed to the Bank's satisfaction. Therefore, on the whole, the performance of the unit is satisfactory.

3.2.41 Impact on Development: The project will make it possible to improve the efficiency of the health services and increase the health engineering capacities, thus improving quality of care and the health of the beneficiaries.

3.2.42 Overall Assessment: Compliance with conditions is satisfactory, as well as the project's impact on development. On the other hand, the financial performance and those of procurement and activities are unsatisfactory. Furthermore, the overall performance is unsatisfactory in relation to the schedule. It is better than at the last portfolio review of 1998.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	2.0	2.0	1.33	1.8	2.0	1.8

Women's Socio-Economic Activities Promotion Project

3.2.43 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 5.790	<u>Disbursements</u> : 0.144	<u>Balance</u> : ADB: 5.646
<u>Date of Approval</u> : 29/04/94	<u>Date of Signature</u> : 10/05/94	<u>Date of Effectiveness</u> : 04/11/96
<u>Deadline for Final Disbursement</u> : 31/12/99		<u>Executing Agency</u> : Project Implementation Unit at the General Directorate for Women's Issues (Ministry for the

Family and Women's Promotion)
<p><u>Objectives, description/components:</u> This project is intended to facilitate women's participation in social and economic development by encouraging the promotion of income-generating activities. The loan will be used to finance: (1) the preparation of a micro-credit facility; (2) construction and rehabilitation of provincial women's centres; (3) training and technical assistance; (4) procurement of equipment, furniture and supplies.</p> <p><u>Supervision Mission:</u> July 1999.</p> <p><u>Audit:</u> This project has not yet been audited.</p>

3.2.44 Compliance with Conditions Precedent/Undertakings: The loan became effective thirty-one (31) months following its approval. The other loan conditions have not yet been fulfilled. Quarterly reports have not been submitted and the audit of accounts not yet concluded.

3.2.45 Procurement Performance: The documents submitted to the Bank for the procurement of vehicles and furniture for the Project Implementation Unit had shortcomings in respect of compliance with the Bank Group's rules and procedures. The file on the recruitment of an audit firm was submitted to the Bank and the short list of audit firms approved.

3.2.46 Financial Performance: The loan will be used to finance the totality of foreign exchange costs and 80% of the local currency costs. At this stage of project implementation, the Government has not yet financed any category of expenditure for which it is responsible. The disbursement rate is still low.

3.2.47 Performance of Project Activities and Outputs: The project is far behind schedule. The Project Implementation Unit's performance is poor. The Agreement with ILO aimed at establishing technical assistance and organising training activities was signed and candidacies for the two long duration technical assistance posts retained. Henceforth, the project could be implemented more rapidly.

3.2.48 Impact on Development: The project will make it possible to improve women's socio-economic condition by encouraging their training and their participation in income-generating activities.

3.2.49 Overall Assessment: Compliance with the loan conditions, the financial performance, that of procurement and activities are unsatisfactory. The anticipated impact on development is satisfactory. However, the project's performance is unsatisfactory.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	1	1.5	1	1	2	1.3

D. Industrial Sector and Development Banks

3.2.50 Three operations have been financed in this sector, i.e. a tourism development master plan study, an industrial project which was cancelled and a SME/SMI promotion project. Operations in this sector represent 5.0% of net Bank Group commitments. The study on a

tourism development master plan, approved in October 1992, was completed in 1995. The Government is preparing the plan of action for the implementation of its conclusions. The industrial project, approved in December 1992, was cancelled prior to the signing of the loan agreement, because of the withdrawal of one of the project's co-financiers. The SMEs/SMIs Promotion Project is the only ongoing project in this sector.

SME/SMI Development Project

3.2.51 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 50.00 (*)	<u>Disbursements</u> : 18.78	<u>Balance</u> : 9.22
<u>Date of Approval</u> : 06/05/93	<u>Date of Signature</u> : 13/05/93	<u>Date of Effectiveness</u> : 31/05/94
<u>Deadline for Final Disbursement</u> : 31/12/97	<u>Executing Agency</u> : Fonds de développement et d'expansion. FODEX (Expansion and Development Fund)	
<p><u>Objectives, description/components</u>: The project objective is to promote and develop about 200 SMEs/SMIs in Gabon, by financing productive projects in industrial and manufacturing sectors, small mining activities and services, and non-commercial services. To attain this objective, an SME expansion and development fund (FODEX) has been established by the Project in collaboration with the Government. This fund operates through four specific windows, namely; (i) a studies window permitting authorised consulting firms to conduct SME/SMI project feasibility studies, as well as the monitoring of the launching phase; (2) an equity loans window to ensure that promoters will be able to raise the necessary equity capital to launch their projects; (3) a guarantee window which will cover 50% of the guarantees required by banks on the loans granted, and (4) a development window permitting the refinancing of SMEs from the proceeds of the Bank loan and from other resources which could be mobilised by the Government.</p> <p><u>Supervision Mission</u> : April 1999</p> <p><u>Audit</u>: The last audit was carried out in December 1997.</p>		

(*) UA 22 million was cancelled at the Government's request.

3.2.52 Compliance with Conditions Precedent/Undertakings: The conditions precedent to loan effectiveness were fulfilled 12 months after approval. The Government was very slow in fulfilling the other conditions, in particular, the accompanying measures, and the provisions related to the project's operation. The investment charter has been approved and the study on the single window completed. Quarterly reports are submitted regularly. The general audit of accounts for the years 1994 to 1996 was conducted last year. However, the 1998 audit has not yet been conducted. Performance in this area is satisfactory.

3.2.53 Procurement Performance: The rules and procedures for the procurement of goods and services for sub-projects financed from the loan have not been submitted by the participating banks. Therefore, this aspect is difficult to verify.

3.2.54 Financial Performance: Disbursements of the ADB loan have been delayed by the slow pace of project implementation. The disbursement rate is 67% following cancellation of part of

the loan in 1994 (UA 22 million). The deadline for the final disbursement has expired since 31/12/97. Its extension could be examined only after complete utilisation of the last working capital disbursed for the project and following a supervision mission which will determine the project's new orientation. The Government's contributions are irregular and insufficient. Project cost management is unsatisfactory because ineligible projects have been financed by FODEX and the Government has had to reimburse them. Since setting up working capital in 1996 and because of the sanctions against the country since August, no Bank resources have been disbursed. The overall assessment is unsatisfactory.

3.2.55 Performance of Project Activities and Outputs: The implementation pace is slow and the project implementation schedule has been exceeded. The project implementation unit's performance is poor. However, some progress in the project's management has been observed recently. The project's performance in this area is unsatisfactory.

3.2.56 Impact on Development: At the present stage, the project's impact on development is unsatisfactory. However, if the project is reformulated and a new team set up the probability of attaining project objectives and preserving its benefits beyond the implementation phase might be improved.

3.2.57 Overall Assessment: Overall project performance, at present, is unsatisfactory. Subsequent to the portfolio review mission which went to Gabon in July 1999, it was agreed that the FODEX management team should be renewed and refocused on its major mission of refinancing SME projects in association with authorised banks. A Bank reformulation mission should go to Gabon in the third quarter of 1999 to propose the reorganisation of FODEX and the establishment of a new partnership with the banks.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	2.0	N.A.	1.25	1	1	1.3

Multi-Sector

3.2.58 Three operations have been financed in this sector, i.e. a structural adjustment programme, an economic recovery programme and recently a support project to the public enterprises privatisation and restructuring programme accounting for 4.0% of the Bank Group's net commitments. The SAP, approved in June 1988, was completed in 1990. The Economic Recovery Programme, approved in September 1994, was completed in 1995. The Support Project to the Restructuring Programme is the only ongoing operation in this sector.

Support Project to the Public Enterprises Privatisation and Restructuring Programme

3.2.59 Basic Administrative and Financial Data (millions of UA)

<u>Amount</u> : ADB: 10.93	<u>Disbursements</u> : 0.00	<u>Balance</u> : 10.93
<u>Date of Approval</u> : 22/04/98	<u>Date of Signature</u> : 28/05/98	<u>Date of Effectiveness</u> : 18/05/99
<u>Deadline for Final Disbursement</u> : 31/12/2003		<u>Executing Agency</u> : Privatisation Support Committee
<p><u>Objectives, description/components</u>: The Project's specific objectives are to: (i) establish a regulatory, legal and institutional framework conducive to private sector development; and (ii) transfer to the private sector public enterprises and minority interests. The verifiable indicators are the laws and regulations that will be introduced starting in 1998, the number of public enterprises that will be privatised and the transfer of Government minority interests in 2002. The Project comprises the following seven components: (i) communication; (ii) strengthening regulatory capacities; (iii) public enterprises' restructuring /privatisation; (iv) participation of nationals in the privatisation process; (v) modernisation of the business environment; (vi) social dimension of privatisation; and (vii) support to the project implementation unit.</p> <p><u>Start-up Mission</u>: April and November 1999.</p>		

Compliance with loan conditions

3.2.60 The project became effective thirteen months after approval. As regards the compliance with general conditions, to-date no progress report has been submitted to the Bank. Furthermore, other information and documents on the project have been submitted to the Bank irregularly. Lastly, some of the other conditions were fulfilled before the deadline and others are being fulfilled.

Procurement

3.2.61 The procurement of consultancy services financed from ADB resources is far behind schedule. Furthermore, some services envisaged under ADB financing have been financed from IDA resources without the ADB having been informed. The performance is unsatisfactory.

Financial Performance

3.2.62 Implementation of the World Bank loan permitted the project to start-up. The ADB loan has not yet been disbursed for this project due to sanctions against the country and the slowness with which the ADB-financed components have started-up. The Government has had difficulty in paying its counterpart funds. However, cost management is correct. The performance in this area is deemed satisfactory.

Progress of Activities and Outputs

3.2.63 The project is behind schedule in all its components because of the inexperience of the team from the Secretariat of the Privatisation Committee, in respect of the socio-cultural environment of this new reform experience and the country's arrears. However, the first assistants recruited with IBRD resources are working satisfactorily. The performance is unsatisfactory.

Impact on Development

3.2.64 Despite the delay incurred, the project should have a positive impact on the country's development owing to the additional resources that will be generated by the privatised enterprises.

Overall Assessment

3.2.65 Project performance is fairly satisfactory.

Indicator	Progress	Procurement Performance	Financial Performance	Activities and Works	Impact on Development	Overall Assessment
Rating	1.7	1	1.75	1.33	2.33	1.6

3.3 Old projects, potentially problematic projects and problem projects

3.3.1 The average age of projects in Gabon is 5.75 years. The oldest project is the Livestock II Project which had a 10-year useful life. It is followed by two projects: Rubber Cultivation Programme II and Education II Project which had a 7-year useful life. The SME/SMI Project had a 6-year useful life. The long delays in implementing these projects is due mainly to the executing agencies' weak administrative capacity, the rigid economic structure, the penalising effect of sanctions due to arrears (1993 and 1998) and, in exceptional cases, to poor designing, even oversizing, of some projects. Moreover, the Livestock II Project's implementation aimed at promoting and developing cattle breeding on ranches in order to reduce the country's dependence on meat imports, was compromised, by the project's ambitious nature which intended to introduce diversification of the Gabonese economy based on a delicate and highly capitalistic operation and, by the problems encountered with regard to the project's administrative and financial management. The project executing agency's management left room for improvement. SOGADEL's poor performance led to the conclusion that this activity was not viable. After an audit of accounts in 1995, another strategic and operational audit was carried out in 1997. At the conclusion of these two audits, it was decided that the management of this activity by a public company should be abandoned. For that reason, this portfolio review recommends cancellation of the loan balance. The long SME/SMI project implementation period can be ascribed to the loan's absorption capacity problems and the disfunctioning of the FODEX refinancing facility. This project proved to have been designed in an environment that was not conducive to SME development and that allowed for insignificant development of corporateness. To give new impetus to this project, the Bank Group conducted a study to identify the impediments. At the conclusion of this study, it was agreed, with the Gabonese Government, that the Project be reoriented. As regards the implementation of the Education II

Project, there were difficulties in the procurement of project equipment and also in selecting managers for the envisaged training.

3.3.2 Problem projects which are defined as operations rated below 1.5 for criteria related to the progress or development objective, they are: (i) the Franceville-Layelou-Lastourville Road Project; (ii) the Livestock II Project; (iii) the Education II Project; (iv) the SME/SMI Development Programme and; (v) Women's Socio-Economic Activities Promotion Project, The potentially problematic projects are: the Women's Activities Promotion Project and the Education II Project which have had unsatisfactory ratings for two consecutive years for the progress and procurement criteria. The SME/SMI Development Project has had unsatisfactory performance for the impact on development criteria for two consecutive years. The unsatisfactory performance for the Franceville-Layelou-Lastourville Road Project for the two criteria mentioned classify it also as a potentially problematic project. Projects at risk include the sum of these two groups of projects.

3.4 Assessment of the Frequency of Supervision Missions and Their Quality

Since 1998, the Bank Group has carried out one supervision mission per year and per ongoing project, despite the suspension of its operations in the country. For problem projects, namely the road project and agricultural sector projects, two supervision missions were carried out in 1999. On the whole, the generally accepted duration of a supervision mission of ten working days per project was respected. Supervision missions which cover, on the average, ten working days, comprise one expert per project. Consultants are recruited for complex projects. The different supervision missions carried out discussed the measures to be taken to facilitate the resumption of activities as soon as sanctions are lifted and also to advise the Government on points requiring the Bank's opinion. Often, the effect of sanctions has impeded the Government from diligently applying the recommendations of the various supervision missions. For most of the projects, the major recommendation concerned conducting audits in order to understand better the problems encountered in implementing projects. In accordance with the last portfolio review report, special emphasis was put on social sector projects which are being implemented slowly. The discussions also concerned the need to budget counterpart funds within the context of the crisis and to submit quarterly status reports on time. In general, the resumption of Bank Group projects in Gabon has been postponed to the year 2000.

3.5 Cross-Cutting Issues

Most of the operations financed in Gabon have considerable impact on cross-cutting issues, namely on: (i) human resource development; (ii) poverty alleviation; and (iii) environmental conservation.

Human Resource Development: Out of a total of ten projects, three Bank Group projects, i.e. a third of the portfolio, aim at having a direct impact on human resource development: they are the Health Development Project; the Project for the Improvement of the Quality of Education (Education II); and the Education III Project whose implementation has not yet begun. In the health sector, Bank operations will aim at enhancing the efficiency of curative and preventive health care services by reinforcing health services in three provinces. The Education II Project

will provide the entire Gabonese education system with the means to improve its quality. This project extends and amplifies the Education I project to the national level. In conclusion, it is expected that Education III Project's implementation, focused on vocational training development, is going to improve the balance between the unemployment rate which is 20% of the active population and job creation which absorbs 5% of this supply.

Poverty Alleviation: The determination to translate poverty alleviation into concrete actions is reflected in the number of operations approved by the Bank since 1996 on behalf of the poor and by more thorough analysis of gender issues in projects, in general. Three ongoing Bank projects, i.e. one third of the portfolio, aim, in priority, at reducing poverty; they are the Women's Socio-Economic Activities Promotion Project; (ii) Pilot Public Works Project for the Promotion of Entrepreneurship and Employment, not yet signed and; (iii) the Livestock II Project. The Women's Socio-Economic Activities Promotion Project is intended to ensure women's integration in development (they represent 52% of total population and 80% of the labour force in the agricultural sector) by establishing a micro-credit facility to foster revenue generating activities. The Pilot Public Works Project for the Promotion of Entrepreneurship and Employment aimed at promoting the local private sector with a view to reducing unemployment and consequently alleviating poverty by creating employment in Building and Public Works and micro and small-scale enterprises. Within the framework of this project, utilisation of labour intense techniques should be encouraged. In the agricultural sector, the Livestock II Project, through its Village Livestock Development component, was able to encourage careers as breeders because farmers in the area have been highly sensitised to this activity which formerly did not exist in Gabon. Implementation of this project permitted local farmer's revenues to be increased. In the Privatisation Support Project, the Bank Group had planned for the recruitment of a technical assistant responsible for following up the programme's social component. Her/His role was to see that workers who had lost their jobs found new employment. Furthermore, the road programme which should be financed by the Bank in the year 2000, will make it possible to link the capital Libreville to various agricultural production centres and forests in the southern part of the country. Programme roads will serve a service area where women account for about 66% of the local workforce.

Gender Issues: Women, who represent 52% of Gabon's total population, are in the majority and require particular attention. The first operation approved on behalf of women dates from 1994. The Women's Socio-Economic Activities Promotion Project targeted a specific region's population. In order to affect female populations of other regions, the Bank Group envisages multiplying operations in this field. In the Education III Project, it was agreed that sensitisation campaigns for girls should be intensified and that one of the nine vocational training centres should be reserved exclusively for youths. That will permit training adapted to their needs to be given. Furthermore, the three agricultural projects appraised in 1998 (Livestock Development Project, Artisanal Fisheries and Fish Farming Project and the Middle-Ogoue Forestry Resources and Management Project) have all integrated women in their design and identified important activities for them. These activities are: project supervision, namely as regards rural extension work, micro-credit to finance their processing and marketing activities, training and organization of viable socio-professional groups and their accountability in land and natural resources management, etc...

Participatory Approach: The Bank Group's CSP for 1999-2001 was prepared according to the participatory approach. A half-day seminar was conducted for representatives of civil society, namely NGOs, the Economic and Social Council, the Senate and Professional Associations (forestry and oil companies) to discuss the contents and future orientations of Bank operations. During the seminar, Bank Group contributions treated the following points: (i) Bank structure

and its different windows; (ii) the new Bank vision; (iii) the scope of Bank operations since 1974, date of its first operation; (iv) implementation of the 1996-98 lending programme; and (v) sectoral priorities selected for the 1999-2001 period. In future, the Bank Group intends to intensify utilisation of this approach for project preparation and follow up. Consulting project beneficiaries, NGOs and some representatives of civil society, is envisaged to discuss the measures and orientations to be taken at each stage of the project.

Environmental Conservation: Environmental impact assessments were carried out for all Bank Group projects in Gabon. The ensuing questions were treated, according to their classification at project preparation. The Livestock II Project, approved in 1990, before implementation of this measure was also included in an environmental impact assessment. During appraisal of the Franceville-Lastourville-Layelou Road Project, appropriate measures were taken to protect the environment during and after works. With regard to the environment, Bank recommendations were taken into account, namely as regards the insolation constraint which was adapted gradually with the progress of works.

3.6 Overall Assessment of Portfolio Performance

3.6.1 Overall Assessment: The average rating attributed to the 9 operations under review is 1.6. It is clearly below the assessments made in 1998 and 1996. In comparison to the last portfolio review in 1998, there was a 22.0% decline in the overall rating. In relation to this last review, the ratings of five operations declined. The Education III Project, which has not yet started, has been stationary. The Privatisation Project, not yet begun, has a fairly satisfactory rating. Sharp declines are seen with regard to the following operations: (i) the road project which indicated the adverse effects of the weakness of the administrative capacity of the control mission and the project's executing agency; the Rubber Cultivation II Programme whose viability is jeopardised by the attacks of parasites; the Small and Medium Scale Enterprise Development Project which is being implemented very slowly. The number of problem projects accounts for 55% of the portfolio against 40% at the last review carried out in 1998. Among the five problem projects, three not only have unsatisfactory ratings, but they also have low disbursement rates, barely 30% four years after their approval. The Livestock II Project has had its disbursements suspended since 1995, because of management problems.

3.6.2 Analysis by Criteria: In view of the ratings given, the three criteria which are the procurement of goods and services, compliance with loan conditions and the impact on development have the best average with ratings of 1.8, 1.7 and 1.7; then comes the financial performance with an average of 1.5; followed by works and activities with an average rating of 1.4. The average 15-month delay for loan effectiveness, against an accepted standard of between 6 and 12 months, is fairly satisfactory. Half of the operations under consideration have not regularly submitted their progress reports. In 1998, only the following three projects were audited: (i) SME/SMI Project; (ii) Rubber Cultivation II Project and (iii) Livestock II Project. The procurement performance is fairly satisfactory. The irregularity or insufficiency of national contributions to project financing and some projects' low disbursement rate, aggravated by the sanctions imposed since August 1998, are the major causes of most projects' weak financial performance. Activities and works performance has deteriorated since 1998. Only three projects, including two projects practically completed in the agricultural sector, have fairly satisfactory ratings. This performance, in addition to the sanctions, contributed to the delays in project implementation and in the low capacity of their executing agencies. As regards the development objective criterion, except for the two agricultural sector projects for which there are no plans to continue the development of new activities, and the SME/SMI Development Project, which will be reoriented, all the projects have satisfactory performance.

3.6.3 Analysis by Sector: The transport sector project showed the adverse effects of the difficulties encountered by the Government in mobilising adequate national contributions and in replenishing the Road Maintenance Fund. In the agricultural sector, except for the impact on development and the financial performance, all the criteria of assessment for the Rubber Cultivation Project are satisfactory. Livestock II Project performance was unsatisfactory because of the low probability of the project attaining its objectives. The social sector is still encountering difficulties in implementing its projects, characterised by slowness, executing agencies' inefficiency and unfamiliarity with Bank rules. Of the four approved projects, this sector has two problem projects. As regards the industrial sector and development banking, the performance reflects the difficulties encountered in SME/SMI Development Project management. A study was carried out to analyse the problems encountered and to decide on the follow up to be given to this operation. The multi-sector performance suffered from the absence of disbursed funds due to the suspension of Bank Group operations and problems in starting up activities which initially should have been financed by the Bank and which henceforth are financed by the World Bank. Procurement for contracts were made without consulting the Bank and the social aspect of reforms is not well followed-up.

Gabon:

Overall Assessment of the Portfolio

Project Title	Amount in Millions of UA	1996 Review	1998 Review	1999 Review
1. TRANSPORT SECTOR				
Franceville-Laleyou-Lastourville Road Project	53.00	2.5	2.0	1.5
2. AGRICULTURAL SECTOR	18.30	1.7	1.3	1.4
2.1 Livestock II Project	40.00	2.2	2.6	2.1
2.2 Rubber Cultivation II Project				
3. SOCIAL SECTOR				
3.1 Education II Project	30.00	1.5	1.5	1.2
3.2 Education III Project	19.50	N.A.	2.0	2.5
3.3 Health Services Development Project	14.13	1.5	1.5	1.8
3.4 Women's Socio-Economic Activities Development Project	5.79	1.0	1.3	1.3
4. INDUSTRIAL SECTOR AND BANKING				
Small and Medium Scale Enterprises Development Project	28.00	1.0	1.8	1.3
5. MULTI-SECTOR				
5.1 Privatisation and Restructuring Programme Support Project	10.93	N.A.	N.A.	1.6
Weighted Average	219.65	1.84	1.92	1.6

3.7 Disbursements

As at 30 October 1999, total disbursements amounted to UA 403.52 million. This represents about 75% of the Bank Group's net commitments in Gabon. Until Gabon came under sanctions in August 1998, the pace of disbursements was satisfactory for the average age of its projects. The disbursement rate for ongoing projects is 40.6% (see Table 2). This rate reflects the slowness encountered in achieving loan effectiveness and the physical implementation of new projects. Moreover, at the sectoral level, the highest disbursement rate for ongoing projects is 84.6% accredited to the agricultural sector; it is followed by the industrial sector which has a rate of 67.0% and the transport sector 27%. The social sector which has an average age of five years has a low rate (i.e. 9.8%). Recent operations not yet started up are in the transport and education sectors, and the multi-sector. This situation explains the multi-sector's negative disbursement rate.

IV PROJECT MANAGEMENT AND/OR IMPLEMENTATION CAPACITY ASSESSMENT

4.1 Performance of Government

4.1.1 The institutional capacity with regard to Gabon's economic management is different from one institution to another. The country has considerable macro-economic management capacity. However, at the sectoral level, the capacity remains weak, namely in social sections, in particular as regards the defining of sectoral policies and project analysis and appraisal. The shortcomings noted in the implementation of projects included weaknesses in project preparation, delays in loans becoming effective, slowness in contract awards, irregularity in submitting progress reports and the absence of financial audit reports for project accounts. In the 1996 portfolio review report, it was also noted that, among the causes of projects' weak implementation capacity, there was an absence of a centralised structure for project follow-up with regard to project managers' administration and instability. To mitigate this situation, the Gabonese Government was obliged to request technical assistance which was provided at a fairly high cost. Although this constraint persists, some changes in the project's management led to progress in this area. Efforts to train managers are to be continued.

4.1.2 It should be noted that during these last few years the Gabonese Government has been making efforts to introduce a new type of partnership with the international community. To improve Bank Group projects implementation, the Government has created a Co-ordination Committee for Bank Group Operations in Gabon. This committee, created by a ministerial decree, is made up of representatives from the Ministries of the Economy, Finance and Budget, and Privatisation and the « Haut Commissariat au Plan ». For this committee's works, it was agreed that the programme manager should prepare a quarterly report on project implementation, and the different problems encountered by projects. This report should be submitted for consideration by the Co-ordination Committee which, after analysis, will submit its recommendations to the Ministers for decisions to be taken. It is expected that the Committee's proceedings, through close project monitoring, will help improve the quality of Bank Group operations.

4.2 Performance by the Bank

4.2.1 To rectify this disparity in the institutional capacity and to facilitate project implementation, the Bank Group initiated three actions:

- In November 1997, a Bank operations monitoring unit was created and installed within the Libreville UNDP office. This unit is headed by a locally recruited programme manager. His/Her task is to assist executing agencies in carrying out their mission and in facilitating communications with the Bank. The various Bank supervision missions will also be added.
- In October 1998, the Bank organised a seminar in Gabon to familiarise project managers with Bank rules of procedure. Furthermore, since then, it has been decided that managers of Bank projects, during their supervision mission, will devote one day to conducting seminars on rules and regulations for the managers of supervised projects ;
- The Bank Group is increasing the number of supervision missions to Gabon ; it was agreed that there would be two supervision mission per year for problem projects ;
- The Bank Group has reduced the time to respond to various correspondences from the Government. There is a maximum of five days to reply to correspondence,

4.2.2 The measures described above and the follow-up of the recommendations of the portfolio review mission carried out in the country in July 1999 should help improve, in future, the Bank's performance in Gabon. Furthermore, the opening of the regional office in Libreville in the year 2000 will permit improvement of Bank portfolio management in Gabon and its co-operation with the country. It is expected that the Office reinforce the dialogue with the Government on issues of governance. The Office will be able to ensure production of audit and quarterly progress reports.

V. DONORS' AID COORDINATION

5.1 Assessment of the Government's Capacity to co-ordinate External Aid

5.1.1 Aid co-ordination is still weak, at the internal level, and at the level of donors' operations. The weakness noted in aid co-ordination with donors stems from the fact that the latter have several parties to deal with in the Administration. The Government shows a strong determination to mitigate these shortcomings, through a series of initiatives the most important of which are: (i) reinforcement of the public investment three-year programming process and (ii) organisation of international conferences on sectoral topics. Moreover, the Government continues to demonstrate its determination to make the three-year programme a framework for joint action with donors. Within the context of the country's Administrative Capacities Reinforcement Programme to be set up with the assistance of the international community, importance will be given to strengthening public investment programming. The transport sector benefited from the good aid co-ordination between donors. In April 1998, Gabon's Council of Ministers adopted the « Transport Policy Statement ». The Government, when implementing this policy, submitted at the Round Table Donors Conference, held on 16 and 17 July 1998 in Paris, its transport master plan (PDIT), which was approved by the donor community and covers the period 1998-2015. This master plan became a frame of reference for donors in the transport sector.

5.2 Assessment of the Bank Group's Co-ordination Capacity with the Other Donors.

5.2.1 The opening of a Bank Operations Monitoring Unit with UNDP assistance permitted the Bank to participate in the external aid co-ordination efforts. The Bank Operations Monitoring Unit participates in all the donor meetings and ensures a regular exchange of information on co-financing prospects. This information is systematically improved during the different economic and supervision missions in the field. Furthermore, installing the Bank Operations Monitoring Unit in UNDP offices in Libreville with the World Bank resident Economist contributes to reinforcing collaboration between the three institutions. It is expected that the opening of the Libreville regional office, planned for the first semester of 2000 at the latest, is going to strengthen co-ordination with donors represented in Gabon (UNDP, World Bank, UE and AFD).

5.3 Assessment of the Performance of Co-Financiers in Co-Financed Operations

5.3.1 For the year 1999, the World Bank portfolio performed fairly satisfactorily. Its portfolio consists of four projects, that is to say the Transport and Urban Sectors Institutional Support Project, the Regional Project for the Environment and Forestry and the Public Enterprises Privatisation Support Project. This last project was implemented satisfactorily. Development of

the Transport and Urban Sectors Institutional Support Project was less satisfactory. This project's major constraints were related to its complexity and the lack of counterpart funds. The recommendation requiring the intensification of supervision missions, at a pace of one per quarter, was respected. As regards the Environment and Forestry Project, its performance improved. The problem of procurement is the major constraint to this project's implementation. It would be premature to give an assessment of the Union Europeene's portfolio, comprised of three operations (one in the transport sector, one in the health sector and one education sector study) begun toward the end of 1999, AFD portfolio management performance was unsatisfactory. This institution's operations were interrupted because of arrears. Only the project preparation study fund functioned. Some private sector operations were also financed.

5.3.2 The Bank Group was to participate in a total of five joint operations, the Rubber Cultivation Programme with the AFD, two structural adjustment programmes and recently, the Public Enterprises Privatisation Support Project and the Pilot Public Works Project for Partnership with the World Bank. Collaboration with these two institutions in implementing these operations and namely three operations (TIPPE Project has not been signed) was satisfactory. There was good co-ordination with AFD for the Rubber Programme's financing. The World Bank and the Bank Group agreed to postpone the TIPPE Project's effectiveness until the year 2000. Furthermore, to facilitate the implementation of the Public Enterprises Privatisation Support Project, the Bank Group should reinforce collaboration with the World Bank which is also co-financing this operation. To finance social projects, the Bank, to the extent possible, is seeking co-financing with donors operating with concessional resources. Within the context of the 1996-1998 programme, with the Union Europeenne, co-financing of a health sector project had been envisaged but was postponed until the year 2000.

VI. LOAN AND ARREARS REPAYMENTS

6.1 Up until the beginning of the year 1998, Gabon was paid up with the Bank in respect of arrears payment on loans and the payment of capital subscriptions. Since 1995, when it settled all of its arrears, payments have been made on time and the Government has given priority to the regular payment of its debt. Owing to the country's financial difficulties following the downturn of the oil market and the decline of export revenue, Gabon began to accumulate arrears in August 1998.

6.2 In April 1999, at the Bank's request, a timetable was drawn up for settlement of all arrears. In mid-June 1999, the Gabonese Government made a partial repayment of about a quarter of the arrears. The Government, which had undertaken to settle all of its arrears during the third quarter of 1999, made a partial payment in November 1999, representing a third of the amounts due. It undertook to settle the balance of arrears by the end of 1999, or during the first quarter on the year 2000.

VII. INITIATIVES TO BE TAKEN TO IMPROVE THE PORTFOLIO'S QUALITY

7.1 Potential Problems and Solutions

7.1.1 Gabon's financial and economic crisis made it possible to point out problems in management of the Bank's portfolio concealed previously by the prosperous economic situation. The major problems encountered in implementing Bank projects are: (i) the lack of counterpart funds; (ii) failure to comply with Bank rules of procedure for procurement of

goods and services; (iii) failure to carry out audits and prepare quarterly progress reports; (iv) lack of transparency in project resource management; (v) weakness of some executing agencies' administrative capacities; and (iv) negative impact of sanctions on continued project implementation. To these generic projects, should also be mentioned the rigidity of the structure of the Gabonese economy and the poor design of some projects.

7.1.2 The measures presented hereafter and envisaged by the Bank took into account the Government's new orientation which aims at ensuring the transition of the Gabonese economy from an economic rent structure to a diversified economy promoted by the private sector. This portfolio review operation recommended firm measures going from reinforcing problem project management to cancellation of balances on oversized loans or structurally deficient operations. It led to a reduction of the Bank's commitment level in the country. With the proposed cancellations, the Bank Group's portfolio should be reduced to eight operations in the year 2000. Portfolio management should be improved by the implementation of the following actions: (i) opening of the regional office; (ii) increased supervision missions; and (iii) reinforcing the dialogue on all Bank operations.

7.1.3 Within the framework of this review, cancellation of components and loan balances have already involved the sum of UA 24.87 million. The cancellations made are as follows :

Agricultural Sector

7.1.4 **Livestock II Project:** Project performances are well advanced because the disbursement rate is 86.9% and the project has attained most (80%) of the technical objectives fixed at appraisal, in particular those regarding land development, buildings and furniture, vehicles and equipment, as well as the total animal population on ranches. However, the poor performances of SOGADEL, the project-executing agency, show that implementation by public enterprises of livestock development activities on ranches is not viable, and this livestock development strategy should be abandoned. It is for this reason that the Bank, in agreement with the Government, during the portfolio review recommended cancellation of the loan balance, while constituting a reserve for finalisation of the operational and strategic audit of SOGADEL. The UA 2.38 million balance of this loan will be cancelled.

7.1.5 **Rubber Cultivation II Project:** The disbursement rate for this loan is 82.9% and the rubber cultivation programme has attained a substantial part of the objectives that were assigned to it, that is to say, encourage economic and social development of Mitzic, Bitam and Kanogo, create salaried employment and social infrastructure to halt the exodus from rural areas. Hevegab, after 20 years of existence, has built up an impressive and complex estate, however difficult to maintain and to manage due to a lack of resources stemming from the downturn in rubber prices and the suspension of ADB loan disbursements because of arrears. The current situation is characterised by gradual deterioration of infrastructure. As this company was programmed in the Government privatisation programme, the Gabonese authorities agreed to set up a one-year emergency plan to consolidate the production tool and to preserve the company's estate in order to make it attractive for privatisation and to make its development impact sustainable. The uncommitted loan balance will be used to finance the newly established emergency plan.

Social Sector

7.1.6 Women's Socio-Economic Activities Promotion Project: At this stage of project implementation, the Government has still not financed any expenditure category for which it is responsible. The disbursement rate on the ADB loan is still low. Technical assistance can now be introduced, pursuant to the signing of the agreement between the Government and ILO, and project implementation can be carried out at a more rapid pace. For this project, reduction of the Credit Fund category of expenditure is envisaged. Moreover, the credit fund intended to finance income-generating activities as provided for in the project appraisal report, as an ADB loan-financed expenditure category, was originally UA 2 million. UA 1.3 million from this component was cancelled. The credit fund therefore was reduced to UA 700.000. It is estimated that the re-sizing of the credit fund will not at all affect micro-credit operations envisaged within the project's framework because, owing to the « revolving » formula which has been selected, the available resources will permit the financing of programmed income-generating activities, under the best possible conditions.

7.1.7 Education II Project: This project was thoroughly redesigned prompted by the completion of construction works, appreciation of the UA exchange rate in relation to the CFAF (381.844 at appraisal in August 1994 against 848.480 in July 1999). the modification of strategies and primary/secondary teachers training requirements. Of UA 30 million from the loan agreement, 6.18 million have already been disbursed. Resources envisaged ensuring implementation of project activities amount to UA 7.02 million. The UA 16.80 million balance produced was cancelled. This modification does not change the project's objectives since almost all of the envisaged actions will be carried out. The appreciation in value of the UA and domestic inflation lower than expected explain the surplus of resources in relation to the project's appraisal.

7.1.8 Education III Project: Redesigning this project concerned the elimination of 2 institutions planned in the initial programme. This elimination brought about a modification of the amounts of one component and the corresponding expenditure categories. About UA 15.58 million is required to implement priority actions for a loan of UA 19.50. The UA 3.92 million balance produced was cancelled. In fact, those two institutions were financed by the Government in 1998 from its equity.

7.1.9 Considering these cancellations, projects considered "problem projects" were reduced in number and include: (i) the SME/SMI Development Project; (ii) Women's Socio-Economic Activities Promotion Project; (iii) Education II Project; and (iv) Franceville-Layelou Lastrourville Road Project. For the first project, a firm measure was taken, namely the change of the entire project supervisory team. In addition, the re-orientation mission and the 1998 audit mission are expected to produce new perspectives for this operation. As regards the second Project, on Women's Socio-Economic Activities Promotion, a plan of action was defined to find accessible premises, and a procedures manual should be designed for micro-credits to be allocated to women. As regards the Road Project, a request was made to reinforce the controlling body and the project-executing agency, to carry out a technical and organisational audit and to replenish the Road Maintenance Fund. Furthermore, the Government was requested to honour its contributions to the different projects and to audit all projects in abeyance. Conducting these audits should permit project management to be improved and any malfunctioning to be detected in time.

7.2 Summary of the Plan of Action

The joint plan of action in Annex shows the major measures to be taken to correct this situation. In view of the lack, or poor programming, of counterpart funds, it is recommended that reform programmes with the assistance of Bretton Woods Institutions and the Bank's participation in future Public Expenditure Review Missions be resumed. The circuit of public expenditure, in future, should improve because the World Bank is planning to finance an institutional support project for better control of the entire public expenditure chain. The mediocre performance of the budgetary process can be ascribed to several factors summarized as follows: (i) inadequate controls which divert expenditure from the agreed composition of budget allocations and; (ii) insufficient capacity devoted to strategic reflection because sectoral ministries have not produced strategies that can be used to determine priorities and to provide the bases for a joint governmental vision; and (iii) insufficient basic information which hinders planning and appraisal. The Bank Group is going to intensify the dialogue by increasing the number of supervision missions and organising additional seminars. Timely submission of Audit Reports and Quarterly Progress Reports will be systematised.

7.3 Lessons to be Learned for Future CSPs and Portfolio Reviews

7.3.1 For future Bank Group operations, special attention should be paid to: (i) inadequate resources appropriated to the Road Maintenance Fund and (ii) the country's fluctuating absorption capacity. Moreover, the Road Maintenance Fund is alarming because its insufficient replenishment could compromise continued donor participation, especially that of the Bank in the transport sector. Moreover, revenues envisaged in the amended appropriation law of 1999 do not cover the provision of about CFAF 18 billion required to ensure maintenance on the entire road system. This situation is disconcerting because financing this fund determines the International Community's continued operations in the transport sector. Furthermore, the Government should take measures to satisfy the Bank because, at this stage, it should be noted that: i) the Road Maintenance Fund (RMF) administrator has not yet been appointed; (ii) the law regarding road user charges, which should have become effective on 1 January 1999, has not yet been effectively applied. The RMF has not been audited since it was established in 1997.

7.3.2 In view of the vulnerability of the Gabonese economy in respect of external shocks, the Bank Group should take the macro-economic context into account to assess the country's absorption capacity. In addition, the Bank's priority should be to join its efforts to those of the Gabonese Government to accelerate diversification of the economy and to reduce its dependence on the oil sector. However, in the medium-term and namely for the 1999-2001 period, it was agreed that the Bank's lending programme for Gabon should be reduced. The lending programme for the year 2000 has been limited to two operations, the Road Programme and the Health Project. This action plan complies with the Investment Budget for the year 2000 which gives priority to basic infrastructure, health, the social sector, education and the productive sector. The remainder of the operations appraised in 1998 and 1999 have been put into the pipeline of Bank Group Projects. They will be submitted to the Board of Directors as soon as the country's economic and financial situation improves.

VIII. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

8.1 The Bank's overall portfolio performance has clearly deteriorated since 1998. Aside from phenomena related to the deterioration of the macro-economic context and the suspension of Bank disbursements due to arrears, portfolio management has been affected by structural weaknesses that can be attributed to shortcomings noted in projects' economic and financial management. The Portfolio Review permitted a detailed review of all ongoing operations in Gabon. This situation has led to the accumulation of delays in loan effectiveness and projects' physical implementation, irregularity in the submission of quarterly progress reports and the preparation of project accounts' audit reports. Current portfolio review made it possible to cancel the oversized components, loan balances and propose to the Government solutions to project implementation problems.

8.2 The Government and the Bank implemented most of the recommendations made in the 1996 Portfolio Review. Those from 1998 are beginning to be implemented. Moreover, the accompanying measures envisaged in the FODEX with a view to promoting the private sector, were realised, through the adoption of an Investment Charter and the Single Window Study; a Bank Project Co-ordination and Follow-up Committee was introduced; supervision missions were increased by at least one mission per project and per year; a seminar on Bank procedures was organized in October 1998. Recommendations from this Portfolio Review Report are beginning to be implemented with the Gabonese Government's corroboration, regarding cancellations agreed in the three social sector projects and conducting two Bank supervision missions in the agricultural sector in order to define measures to speed up the privatisation of public enterprises responsible for project management. The Gabonese Government should be firm and apply the recommendations to improve project financial management (namely, reinforce the control mission and the road project's executing agency, renewal of the entire FODEX supervisory team and carrying out its audit...).

Recommendations

General Recommendations

The Government should:

By the year 2000, conclude a reform programme with the IMF:

- to settle all accumulated arrears due the Bank ;
- to instruct project managers so that they will regularly submit quarterly project progress reports and project accounts' audit reports ;
- to carry out the various recommendations of supervision missions ;
- to allow for adequate budgetary appropriations for national contributions to the financing of projects ;
- to allow for replenishment of the Road Maintenance Fund adequate to ensure network maintenance because continued donor operations in the transport sector is dependent on it.

The Bank should:

- take the country's absorption capacity into account for future operations;
- make more managers familiar with Bank rules of procedure by continuing to organise seminars on disbursements and procedures for the procurement of goods and services ;
- maintain the three supervision missions every two years for active projects , two supervision missions per year for problem projects and ensure the follow-up of application of recommendations from the different supervision missions ;
- reinforce the dialogue and monitoring of projects through the Bank Group Operations Monitoring Unit in Libreville by increasing the efficiency of the Unit's work and diligent processing of dossiers ;
- reinforce collaboration with the country's major development partners to establish a permanent dialogue and better follow-up of operations in the field.

Specific Recommendations

Franceville-Laleyou-Lastourville Road Project: The Government should finance the Road Maintenance Fund; set up counterpart funds; carry out the technical and financial audit and reinforce the control mission and the project executing agency. In addition, considering the substantial balances outstanding, it is recommended that the Bank (FLAD) carry out, as soon as possible, the conciliation of accounts with the Borrower and the executing agency.

Livestock II Project: The Bank Group cancelled the loan balance amounting to UA 2.83 million after constituting a provision for the second phase of the study to consider privatisation. The Government should conduct a project audit.

Rubber Cultivation Programme, Phase II: A one-year emergency plan has been set up to consolidate the production tool and to preserve the HEVEGAB estate in order to make privatisation attractive and to maintain the impact on development. The Government should finalise the study for the preparation of the HEVEGAB privatisation strategy. The Government should respect its financial commitments (national contributions) and carry out the project audit.

Education II: The Bank Group cancelled UA 16.82 million. The Government should ensure its contribution to counterpart funds; allow for the financing of recurrent charges after implementing the project; resume bidding for the procurement of equipment and begin the project audit.

Education III: The Bank Group cancelled UA 3.92 million from this project and it should launch the project's implementation as soon as Bank Group operations resume in the country.

Health II: The Government should pay its contribution to counterpart funds and allow for the payment of recurrent charges.

Women's Socio-Economic Activities Promotion: The Bank Group cancelled UA 1.3 million from the Credit Fund Component. The Government should make available to the Project, for the

construction of the CFP in Libreville, a new plot accessible to the targeted female population and release the counterpart funds.

TIPPE: The Government should start implementation of this project as soon as Group Bank operations are resumed.

SME Project: The Government should renew this project's management team in collaboration with the Bank and conduct the 1998 audit.

Support to Privatisation: The Government should start up this project's implementation as soon as arrears are settled.

Summary of Bank Group Operations
COMPLETED OR CANCELLED PROJECTS

Operations	Date of approval	Date of signature	Date of effectiveness	Date of completion	Loan amount	Amount Disbursed	Completion report	Post evaluation	Observations
<u>AGRICULTURAL SECTOR</u>									
Wolen-Ntem Cocoa Plantation I	18/11/75	16/03/76	Dec. 1976	1983	4.00	4.00	Yes	No	
Wolen-Ntem Cocoa Plantation II	24/04/79	09/01/80	1981	1983	2.00	1.85	Yes	No	Balance cancelled
N'Dende Rice Development	29/08/79	09/01/80	Dec. 1981	1983	8.00	0.28	N.A.	N.A.	Balance cancelled
Mitzi Rubber Plantation	19/09/81	26/10/81	Feb. 1982	1991	9.10	7.80	Yes	No	Balance cancelled
Nyanga and Lekabi Ranch Livestock Project	23/08/83	17/11/83	Feb. 1984	1988	18.60	18.41	Yes	No	Balance cancelled
Rubber Cultivation Programme I	29/08/85	25/02/86	May 1986	1992	40.17	40.17	Yes	No	
<u>TRANSPORT SECTOR</u>									
Telecommunications and Signalisation for the Transgabon Railway	19/06/74	21/02/75	August 1976	1978	4.00	4.00	No	No	
Road Maintenance Project	23/08/89	11/10/89	Oct. 1990	1993	25.74	25.59	Yes	No	Cancelled
Road Rehabilitation and Maintenance Project	06/05/93	13/05/93	Nov. 1993	1996	72.55	71.60	No	No	Being cancelled
<u>PUBLIC UTILITIES SECTOR</u>									
Port Gentil Water Supply	19/12/76	19/01/77	Oct. 1977	1979	5.00	5.00	Yes	Yes	
Extension of the Libreville Electricity Network	08/06/78	04/12/78	March 1981	1983	5.00	4.99	No	No	
Telecommunications in Port-Gentil and in Eight Centres of the Interior	19/09/78	04/12/78	Dec. 1980	1987	5.00	4.99	Yes	Yes	Balance cancelled
Extension of the Libreville Electricity Network	17/06/80	27/06/80	April 1981	1983	5.30	5.24	No	No	Balance cancelled
<u>SOCIAL SECTOR</u>									
Education Project Study	14/05/90	12/06/91	July 1991	1995	1.57	1.57	N.A.	N.A.	
<u>MULTI-SECTOR</u>									
Structural Adjustment Programme	23/06/88	10/08/88	Jan. 1989	1990	45.00	45.00	Yes	No	
Economic Recovery Programme	20/09/94	21/06/94	Sept. 1994	1995	50.00	50.00	Yes	No	
<u>INDUSTRIAL SECTOR</u>									
Production of Salts and By-products	01/12/92	-	-	-	22.00	0.00	N.A.	N.A.	Loan cancelled.
<u>TOURISM SECTOR</u>									
Tourism Master Plan	02/10/92	07/01/93	Nov. 93	1995	0.74	0.68	N.A.	N.A.	Being cancelled.

Summary of Bank Operations
ONGOING PROJECTS
(Millions of UA)

Operations	Date of approval	Date of Signature	Date of effectiveness	of Date of Completion	Loan Amount	Amount Disbursed
<u>AGRICULTURAL SECTOR</u>						
Livestock II Project	17/10/89	30/01/90	27/04/91	31/06/2000	18.30	15.91
Rubber Cultivation II Programme	26/02/92	13/05/92	23/11/92	31/12/2000	40.00	31.18
<u>TRANSPORT SECTOR</u>						
Franceville-Laleyou-Lastourville Road Project	19/12/95	15/01/96	15/07/97	31/12/2000	53.00	14.31
Pilot Public Works Project	08/07/98	-	-	-	5.90	-
<u>SOCIAL SECTOR</u>						
Improvement of the Quality of Education II	01/12/92	07./01/93	06/09/94	21/12/99	30.00	6.17
Health Services Development	29/04/94	12/05/94	29/06/95	30/06/99	14.13	0.548
Women's Socio-Economic Activities Development	29/04/94	10/05/94	30/01/96	31/12/99	5.79	0.143
Education III Project	11/12/97	13/01/98	01/10/98	31/12/2004	19.50	-
<u>INDUSTRIAL SECTOR</u>						
SME/SMI Developpement	06/05/93	13/05/93	26/05/94	31/12/97	28.00	18.78
<u>MULTI-SECTOR</u>						
Public Enterprises Privatisation and Restructuring Support Programme	22/04/98	28/05/98	18/05/99	31/12/2003	10.72	-

FRANCEVILLE-LAYELOU-LASTOURVILLE ROAD PROJECT

PROJECT REVIEW		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1. Compliance with conditions for loan effectiveness	1	1
2. Compliance with general conditions	1	1
3. Compliance with other conditions	1	1
B. PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	3	3
2. Procurement of goods and services	3	1
C. FINANCIAL PERFORMANCE		
1. Availability of foreign exchange	2	N.A.
2. Availability of local currency	1	1
3. Disbursement Flows	1	1
4. Cost management	N.A.	3
5. Performance of co-financiers	N.A.	N.A.
D. ACTIVITIES AND WORKS		
1. Compliance with implementation schedule	3	1
2. Performance of consultants and technical assistants	3	1
3. Performance of contractors	3	2
4. Performance of Project management	3	1
E. IMPACT ON DEVELOPMENT		
1. Probability of attaining project objectives	3	2
2. Probability of sustaining benefits in the after-Project phase	3	2
3. Probable contribution of the project to the strengthening of its institutional capacities	3	2
4. Projected rate of return	3	2
F. OVERALL ASSESSMENT		
1. At present	2.2	1.5
2. Trend over time	2.6	2
Code :	3 = Highly Satisfactory	
	2 = Satisfactory; some problems. the Bank should follow-up	
	1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is required	
	0 = Highly unsatisfactory: serious problems ; Bank action required	

Livestock Project II

Project REVIEW		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1. Compliance with conditions for loan effectiveness	2	3
2. Compliance with general conditions	2	1
3. Compliance with other conditions	2	2
B. PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	1	1
2. Procurement of goods and services	1	1
C. FINANCIAL PERFORMANCE		
1. Availability of foreign exchange	2	2
2. Availability of local currency	1	2
3. Disbursement Flows	1	1
4. Cost Management	1	1
5. Performance of co-financiers	N.A	1
D. ACTIVITIES AND WORKS		
1. Compliance with implementation schedule	1	1
2. Performance of consultants and Technical assistants	2	2
3. Performance of contractors	2	2
4. Performance of project management	1	2
E. IMPACT ON DEVELOPMENT		
1. Probability of attaining project objectives	2	0
2. Probability of sustaining benefits in the after-project phase	1	1
3. Probable contribution of the project to the strengthening of its institutional capacities	1	2
4. Projected rate of return	1	0
F. OVERALL ASSESSMENT		
1. At present	1.3	1.4
2. Trend over time	1.5	2
<p>Code : 3 = Highly satisfactory 2 = Satisfactory ; some problems ; the Bank should monitor 1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is require 0 = Highly Unsatisfactory ; serious problems :Bank action required</p>		

RUBBER CULTIVATION PROGRAMME

Project REVIEW		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1. Compliance with conditions for loan effectiveness	3	2
2. Compliance with general conditions	3	2
3. Compliance with other conditions	2	2
B. PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	2	3
2. Procurement of goods and services	3	2
C. FINANCIAL PERFORMANCE		
1 Availability of foreign exchange	3	2
2 Availability of local currency	3	2
3 Disbursement Flows	3	2
4 Cost Management	N.A	2
5 Performance of co-financiers	3	2
D. ACTIVITIES AND WORKS		
1. Compliance with implementation schedule	2	2
2. Performance of consultants and Technical assistants	2	2
3. Performance of contractors	3	2
4. Performance of project management	3	2
E. IMPACT ON DEVELOPMENT		
1 Probability of attaining project objectives	3	2
2 Probability of sustaining benefits in the after-project phase	2	1
3 Probable contribution of the Project to the strengthening of its institutional capacities	2	2
4 Projected rate of return	2	2
F. OVERALL ASSESSMENT		
1. At present	2.6	2.1
2. Trend over time	2.4	2

Code:

- 3 = Highly satisfactory
- 2 = Satisfactory; some problems; the Bank should monitor
- 1 = Unsatisfactory; problems; the Bank should monitor closely
But no immediate action is required
- 0 = Highly Unsatisfactory; serious problems: Bank action required

PROJECT FOR THE IMPROVEMENT OF THE QUALITY OF EDUCATION II

PROJECT TREND		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1. Compliance with conditions for loan effectiveness	1	1
2. Compliance with general conditions	1	1
3. Compliance with other conditions	1	1
B. PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	1	1
2. Procurement of goods and services	1	1
C. FINANCIAL PERFORMANCE		
1. Availability of foreign exchange	3	NA
2. Availability of local currency	3	1
3. Disbursement Flows	1	1
4. Cost Management	N.A	1
5. Performance of co-financiers	N.A.	NA
D. ACTIVITIES AND WORKS		
1. Compliance with implementation schedule	1	1
2. Performance of consultants and Technical assistants	1	NA
3. Performance of contractors	1	NA
4. Performance of project management	1	1
E. IMPACT ON DEVELOPMENT		
1. Probability of attaining project objectives	2	2
2. Probability of sustaining benefits in the after-project phase	2	2
3. Probable contribution of the Project to the strengthening of its institutional capacities	2	2
4. Projected rate of return	NA	NA
F. OVERALL ASSESSMENT		
1. At present	1.5	1.2
2. Trend over time	1.5	2
<p>Code :</p> <p>3 = Highly satisfactory</p> <p>2 = Satisfactory ; some problems ; the Bank should monitor</p> <p>1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is required</p> <p>0 = Highly Unsatisfactory ; serious problems :Bank action required</p>		

HEALTH SERVICES DEVELOPMENT PROJECT

PROJECT TREND		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1. Compliance with conditions for loan effectiveness	1	2
2. Compliance with general conditions	2	2
3. Compliance with other conditions	2	2
B PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	1	2
2. Procurement of goods and services	1	2
C. FINANCIAL PERFORMANCE		
1. Availability of foreign exchange	2	N.A
2. Availability of local currency	N.A	1
3. Disbursement Flows	1	1
4. Cost Management	N.A	2
5. Performance of co-financiers	N.A.	N.A
D ACTIVITIES AND WORKS		
1. Compliance with implementation schedule	1	1
2. Performance of consultants and Technical assistants	2	2
3. Performance of contractors	2	2
4. Performance of project management	1	2
E. IMPACT ON DEVELOPMENT		
1.Probability of attaining project objectives	2	2
2.Probability of sustaining benefits in the after-project phase	2	2
3.Probable contribution of the project to the strengthening of its institutional capacities	2	2
4.Projected rate of return	N.A.	N.A
F. OVERALL ASSESSMENT		
1. At present	1.3	1.8
2. Trend over time	1.4	N.A
Code : 3 = Highly satisfactory 2 = Satisfactory ; some problems ; the Bank should monitor 1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is required 0 = Highly Unsatisfactory ; serious problems :Bank action required		

Women's Socio-Economic Activities Promotion Project

PROJECT TREND		
INDICATORS	RATINGS	
	Previous Status	Current Status
A. PROJECT IMPLEMENTATION		
1 Compliance with conditions for loan effectiveness	1	2
2. Compliance with general conditions	2	2
3. Compliance with other conditions	2	2
B PROCUREMENT PERFORMANCE		
1. Procurement of consultancy services	1	2
2. Procurement of goods and services	1	2
B. FINANCIAL PERFORMANCE		
1 Availability of foreign exchange	2	N.A
2 Availability of local currency	N.A	1
3 Disbursement Flows	1	1
4 Cost Management	N.A	2
5 Performance of co-financiers	N.A.	N.A
D ACTIVITIES AND WORKS		
1 Compliance with implementation schedule	1	1
2 Performance of Consultants and Technical assistants	2	2
6 Performance of contractors	2	2
Performance of project management	1	2
G. IMPACT ON DEVELOPMENT		
1.Probability of attaining project objectives	2	2
2.Probability of sustaining benefits in the after-project phase	2	2
3.Probable contribution of the project to the strengthening of its institutional capacities	2	2
4.Projected rate of return	N.A.	N.A
H. OVERALL ASSESSMENT		
1. At present	1.3	1.8
2. Trend over time	1.4	N.A
Code :	3 = Highly satisfactory 2 = Satisfactory ; some problems ; the Bank should monitor 1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is required 0 = Highly Unsatisfactory ; serious problems :Bank action required	

PUBLIC ENTERPRISES PRIVATISATION SUPPORT PROJECT

PERFORMANCES	
INDICATORS	RATINGS
A. PROJECT IMPLEMENTATION	2
1 Compliance with conditions for loan effectiveness	1
2. Compliance with general conditions	2
3. Compliance with other conditions	
B. PROCUREMENT PERFORMANCE	
1 Procurement of consultancy services	1
2 Procurement of goods and services	N.A
C. FINANCIAL PERFORMANCE	
1. Availability of foreign exchange	2
2. Availability of local currency	1
3. Disbursement Flows	N.A.
4. Cost Management	3
5. Performance of cofinanciers	2
D. ACTIVITIES AND WORK	
1 Implementation schedule	1
2 Performance of consultants and Technical assistants	2
3 Performance of contractors	N.A
4 Performance de la direction du projet	1
E. IMPACT ON DEVELOPMENT	
1 Probability of attaining project objectives	3
2 Probability of sustaining benefits in the after-project phase	2
3 Probable contribution of the project to the strengthening of its institutional capacities	2
4 Projected rate of return	N.A
F. OVERALL ASSESSMENT	
1. At present	1.6
2. Trend over time	2
Code:	
3 = Highly satisfactory	
2 = Satisfactory ; some problems ; the Bank should monitor	
1 = Unsatisfactory ; problems ; the Bank should monitor closely but no immediate action is required	
0 = Highly Unsatisfactory ; serious problems :Bank action required	

ASSESSMENT OF BANK GROUP PORTFOLIO IN GABON

Projects Sectors\Performance Criteria	Progress	Procurement of Goods & Services	Financial Performances	Activities & Works	Impact on Development	Overall assessment	Amount s (in Mn of UA)	Weighted Assessment
A. TRANSPORT SECTOR	1.0	2.0	1.6	1.1	2.0	1.5		
1. Franceville-Layelou-Lastourville Road Project	1	2	1.6	1.1	2	1.5	53.00	81.62
B. AGRICULTURAL SECTOR	2.0	2.0	1.8	1.9	1.4	1.8		
2.Livestock II	2	1	1.4	1.75	0.6	1.4	18.3	24.71
3. Rubber Cultivation II	2	2.5	2	2	1.75	2.1	40	82.00
C.Social Sector	1.8	1.2	1.2	1.2	2.0	1.7		
4. Education II	1	1	1	1	2	1.2	30	36.00
5. Education III	3				2	2.5	19.5	48.75
6. Health Services Development Project	2	2	1.33	1.8	2	1.8	14.13	25.80
7.Women's Socio-Economic Activities Promotion	1	1.5	1	1	2	1.3	5.79	
D.Multi-sector	1.7	1.0	1.6	1.3	2.3	1.6		
8. Public Enterprises Privatisation Support Project	1.7	1	1.6	1.33	2.33	1.6	10.93	17.40
E. Industrial Sector	2.0	0.0	1.3	1.0	1.0	1.3		
9. SME/SMI Development	2		1.25	1	1	1.3	28	36.75
TOTAL	1.7	1.8	1.5	1.4	1.7	1.6	219.65	353.03

MATRIX OF COMMON PROBLEMS

Problems	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Project 7	Project 8	Project 9	Project 10
Lack of counterpart funds	X	X	X			X	X			
Non compliance with procurement rules of procedure	X	X		X					X	
Failure to submit progress reports				X					X	
Management problems	X	X								
Weak PIU capacity	X						X	X		
Physical implementation delays		X		X		X	X	X	X	
Delay in becoming effective				X	X					
No audit	X			X		X	X			

Project 1: Franceville-Layelou-Lastourville; Project 2: Livestock II; Project 3: Rubber Cultivation II; Project 4: Education; Project 5: Education III; Project 6: Health Services Development Project; Project 7: Women's Socio-Economic Activities Promotion Project; Project 8: SME/SMI Development Project; Project 9: Public Enterprises Privatisation Support Project; and Project 10: TIPPE Project

MATRIX OF CROSS-CUTTING ISSUES

Problems	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Project 7	Project 8	Project 9	Project 10
Environment	X	X	X				X			X
Gender Issues	X	X	X	X	X	X	X	X	X	X
Participatory Approach		X		X	X	X	X			X
Poverty Alleviation	X	X	X	X	X	X	X			X
Population		X		X	X	X	X			X
Micro-credit		X					X			X
Regional Integration	X						X	X	X	
Social Issues		X	X	X	X	X	X	X		X

Project 1: Franceville-Layelou-Lastourville; Project 2: Livestock II; Project 3: Rubber Cultivation II; Project 4: Education; Project 5: Education III; Project 6: Health Services Development Project; Project 7: Women's Socio-Economic Activities Promotion Project; Project 8: SME/SMI Development Project; Project 9: Public Enterprises Privatisation Support Project; and Project 10: TIPPE Project

GABON/ MATRIX OF ACTION FOR ONGOING PROJECTS

Project Titles	Problems Encountered	Actions Taken	Actions Required
1. General Considerations 1. Country's absorption capacity	Country under sanctions since August 1998 Disbursement rate of ongoing projects 40% Budgetary constraints	Creation of an operations follow-up unit to facilitate Bank project implementation Creation of an ADB operations follow-up committee and guide Bank operations in Gabon Increase supervision and start-up missions	i) Take this capacity into account when preparing future operations ii) Contribute to the Government's reform programme to facilitate the repayment of arrears and rehabilitate the public finance situation
2. Administrative capacity of the Government and some executing agencies	Unfamiliarity with Bank rules of procedure Poor performance by technical ministries Non compliance with Bank rules of procedure for procurements No audits and quarterly progress reports	Conducting a seminar in October 1998 for managers on Bank Group rules of procedure on disbursement and procurement Include an institutional support component in all projects where administrative shortcomings have been detected	i) Continue to conduct seminars for Gabonese managers ii) Provide technical assistance for each Project
3. Absence of counterpart funds	The Government budgets inadequate amounts or does not deposit the expected resources on project accounts	Reinforce the dialogue with the Government on the counterpart funds issue.	i) Participate in the various public expenditure review missions with Bretton Woods Institutes.
4. Difficulties in Project implementation	Some projects are being implemented very slowly	Increased start-up and supervision missions and exchanges of correspondence through the projects follow-up unit regarding difficult points	i) Strict application of Bank Group rules on loan cancellations
5. Follow-up and dialogue	Need to reinforce the follow-up and dialogue facility	Dialogue with the Government and the country's major development partners	i) Regularly prepare progress and project audit reports ii) Promote the participatory approach in mid-term reviews and missions
6. Projects financial management 7. Co-ordination with other partners	Audits not always prepared Need to harmonise strategies with other partners to avoid duplications and to exchange experiences	The Government was asked to conduct audits on five projects for 1997 and 1998. The Department noted the close collaboration with the country's major development partners. The Bank Group's operations follow-up unit created with the assistance of UNDP plays the role of co-ordinator.	i) Audit recommendations should be followed-up by the Bank in collaboration with the Government ii) Continue to reinforce co-ordination with resident partners by exchanging reports from supervision and co-ordination missions, etc.
<u>II. Specific Plan of Action</u>	This project can be considered a project at risk because	Increased supervision missions and regular contacts with the Government in order to bring its attention to	In compliance with commitments to the International

Franceville-Laleyou-Lastourville Road Project	<p>Inadequate resources appropriated to the Road Maintenance Fund</p> <p>Counterpart funds in local currency are clearly insufficient to ensure the project's coverage</p> <p>Considerable amendments were made to the initial project without the Bank's approval</p>	these issues	<p>Community, the Government should replenish the Road Funds as anticipated</p> <p>Conduct a technical and financial audit to better understand implementation works and the changes made without its approval</p> <p>Include counterpart funds in the budget or postpone resumption of the project until the year 2000</p> <p>Project implementation</p>
2. Livestock II Project	<p>Staff charges account for twice the company's turnover</p> <p>There is a decline of the cattle population with a 9% mortality rate</p> <p>The self-financing capacity does not exist and the company survives only because of Government subsidies</p> <p>The gross operating surplus has never covered amortizations and the financial charges</p>	<p>Project disbursements were suspended in June 1995, except for the « medicines, salts and vaccines » and « institutional support components because of management problems</p> <p>Audit of accounts made in February 1995 recommended a strategic and operational audit conducted in December 1997. That led to the preparation of a Recovery Plan with measures for immediate action in the short and long term</p>	<p>Cancellation of the loan balance, after constituting reserves to conduct the second phase of the SOGADEL operational and strategic audit</p> <p>The Government should pre-finance implementation of the audit while waiting for the resumption of Bank operations</p>
3. Rubber Cultivation, Phase II	Perturbation of the international rubber market whose prices fell by 50%; the Government's failure to pay subsidies and the end of AFD financing; In addition, the enterprise is among those to be privatised	A subsector study was carried out to propose different methods of management for Hevegab including State divestment	<p>Conduct a study on preparation of a privatisation strategy, an implementation plan and an outline of the salient points of a policy liable to promote long-term development of the rubber sector</p> <p>Cancel the loan balance after preparation of a one year emergency plan to consolidate the production tool and preserve the company's estate while waiting for its privatisation and to maintain the impact on development</p> <p>Set up financial counterparts The Bank is going to send a mission in the third quarter of 1999 to discuss the budgetary implications of the various measures selected</p>
4. Education II Project	i) Some project components are considerably behind schedule (training and teaching aids)	Restructuring of the PIU Resumption of tendering	Reinforcing technical staff responsible for implementing the training components

	<p>ii) Inefficiency of the PIU</p> <p>iii) Procurement of goods and services not in conformity with donors' procedures</p>		Appointment of new managers
5. Education III	Project could not be implemented because of arrears	Fulfilment of conditions for loan effectiveness and intensification of the dialogue to start-up the project	Start-up project implementation
6. Health Development Project	<p>This project is four years behind the implementation schedule and procurement did not comply with the rules of procedure and the audit of accounts has not been conducted since 1997; furthermore, the Government does not regularly appropriate the anticipated resources</p> <p>At the request of the Government, the project was reformulated to take into account the withdrawal of co-financiers</p>	<p>Sensitise project management to all of these problems</p> <p>The Government has submitted a very incomplete report to which we made observations and requested amendments</p>	The Government should take measures to ensure regular appropriation of resources and assume all recurrent costs related to the operating requirements of the infrastructure financed
7. Women's Socio-Economic Activities Promotion Project	Absence of counterpart funds; the site retained for the CFP of Libreville is unsuitable; the micro-credit fund is oversized	During supervision missions, project management's attention was drawn to all these issues. The project audit was not carried out and some conditions remain to be fulfilled	<p>The Government should ensure regular appropriation of the envisaged counterpart funds to the Project</p> <p>Another plot should be allocated to the project for construction of the CFP of Libreville</p> <p>UA 1.3 million was cancelled from the Credit Fund Category</p>
SME/SMI Development Project	The project is confronted with loan absorption problems and disfunctioning of the FODEX refinancing mechanism delays start-up of the study	<p>Easing the criteria of eligibility for the ADB loan (ceiling of the investment amount, criteria of nationality and ownership reviewed)</p> <p>Regular follow-up of project implementation and the conduct of a financial and operational audit</p> <p>Carry out the first stage of a project re-design/reorientation mission</p>	<p>Renew the project supervisory team in collaboration with the Bank</p> <p>Conduct the 1998 audit of the new team installed</p> <p>Apply audit recommendations</p>