

AFRICAN DEVELOPMENT BANK



COMPLETION REPORT

RUBBER PROGRAMME II (MITZIC III, BITAM II, KANGO II)

REPUBLIC OF GABON

VICE- PRESIDENCY FOR OPERATIONS
NORTH, SOUTH AND EAST REGION

*DEPARTMENT OF AGRICULTURE AND
RURAL DEVELOPMENT*

*ONAR
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FISCAL YEAR

01 January - 31 December

WEIGHTS AND MEASURES

1 hectare (ha)	:	2.47 acres (ac.)
1 metric tonne (t)	:	2 204 pounds (lbs)
1 kilometre (km)	:	0.62 mile (ml.)
1 square kilometre (km ²)	:	0.384 square mile

ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	Agence Française de Développement
AGROGABON	:	Société de Développement de l'Agriculture
BD	:	Bidding Document
BDEAC	:	Banque de Développement des États de l'Afrique Centrale
BUA	:	Bank Unit of Account
CATH	:	Centre d'Appui Technique à l'Hévéaculture (Rubber Tree Crop Tech. Support Centre)
CC	:	Cash Crops
CCCE	:	Caisse Centrale de Coopération Economique
CFD	:	Caisse Française de Développement
CIRAD	:	Centre International de Recherche Agronomique pour la Développement
EDF	:	European Development Fund
EIG	:	Economic Interest Group
HEVEGAB	:	Société de Développement de l'Hévéaculture au Gabon
IBRD	:	International Bank for Reconstruction and Development
IGAD	:	Institut gabonais d'Appui au Développement
IMA	:	International Management Assistance
IRCA	:	Institut de recherches sur le caoutchouc
NCC	:	Non Cash Crops
UL	:	Unskilled Labourers
PMPH	:	Plantation Moyenne Privée d'Hévéa (Average Private Rubber Tree Plantation)
SM	:	Supervisory Management
SODECI	:	Société de Développement de Cultures Industrielles
SQ	:	Secondary Quality Grade
UA	:	Unit of Account
VP	:	Village Programme

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EXECUTIVE SUMMARY

1. INTRODUCTION

1.1 This completion report is on the Gabon Rubber Programme II in Gabon, which comes in the wake of the establishment of the three agro-industrial sites of Mitzic, Bitam and Kango occupying a total of 9,000 ha of rubber plantations.

1.2 The Bank participated in its financing to the amount of UA 40.0 million, jointly with the AFD- ex-CFD (UA 15.79 million) and the Gabonese Government (UA 25.79 million). The project executing agency was the Société de Développement de Hévéaculture au Gabon (HEVEGAB).

2. PROJECT OBJECTIVES

The objectives targeted by the project are of three types: i) continue to maintain the immature crops and the service roads and to provide trees old enough to be tapped with essential equipment, ii) complete the industrial installations of Mitzic, iii) develop village rubber plantations around the industrial sites.

3. PROJECT IMPLEMENTATION

3.1 The Board of Directors of the Bank approved the project on 26 February 1992. The loan agreement was signed on 13 May 1992 and the loan entered into force on 23 November 1992.

3.2 The project was implemented in accordance with the initial components, but with some modifications, notably the shelving of the construction of the Kanga plant, the construction on force account with simple materials in place of the housing loan to be granted to the new workers by a banking institution and the extension of the village programme to Oyem, Kango and Minvoul.

3.3 The executing agency kept the Bank regularly informed of the project status. Sixty (60) or so contracts were signed and performed under satisfactory conditions with the exception of two contracts relating to the extension of Bitam and Kango, performed by COLAS and SOBEA respectively (1000 ha on each site). The first work and equipment contracts were one year behind schedule at their signature and the official project completion took place one year after the initial closing date, i.e. 1998.

4. PROJECT PERFORMANCE

Notwithstanding the financial problems encountered since 1998, the productivity of the plantations is satisfactory but falls short of appraisal estimates and is below that observed in other African producing countries. The labour productivity of the tappers is on the other hand very high. The key constraint remains the high production cost per Kg (700 F.CFA compared to 350 F.CFA in other African producing countries) mainly owing to the high costs of the factors of production and the committed costs. The operating income before tax, observed in recent years, shows a deficit of over CFA.F 2 billion. The project executing agency co-ordinated all the actions satisfactorily.

5. PROJECT IMPACT

The project has brought about considerable changes in the Wolem Ntem and Kango regions through the construction of socio-community facilities such as roads, dispensaries, schools, which have helped improve the lifestyle and education of the employees, their families and the populations of the surrounding villages. Women's participation, though timid, is significant. The impact of the project activities on environmental degradation is relatively limited. However, with regard to the plant, certain preventive measures should be taken to contain the present effects.

6. SUSTAINABILITY OF OUTPUTS

The project personnel, who in terms of technical itineraries and management have a good mastery of rubber tree crop management, constitute the strengths of the project. However, the advanced deterioration of the material heritage, the project financial position in deficit and the disengagement of Hévégab from the supervision of the village programme with a view to the implementation of the restructuring plan, give cause for concern about the sustainability of the outputs.

7. PERFORMANCE OF THE BANK AND THE BORROWER

The Bank's support to Gabon through the financing of this project contributes to the achievement of the objectives of the rubber master plan. The supervision missions were organized at convenient intervals and the recommendations made helped adjust certain project activities. The Government's commitments, though met, were late and consequently handicapped the smooth implementation of the project.

8. OVERLL PERFORMANCE

Overall, the Bank's performance was satisfactory; the implementation performance and the project outputs are acceptable.

9. CONCLUSION AND RECOMMENDATIONS

The project is characterised by extremely high production costs that make the finished product less competitive; the only maintenance alternative, or even the strengthening of the existing heritage, lies in the application of the privatisation plan drawn up by the Committee set up to that end by the Gabonese government. The key recommendations seek to: i) speed up the restructuring plan of Hévégab, ii) provide, through the Government, an emergency fund to facilitate the resumption of activities centred on the Mitzic and Bitam sites and the Mitzic plant, iii) launch a new privatisation within six months to one year of operation, iv) find a solution that enables village farmers to carry on with their activities, especially by finding an institution to replace Hévégab in the implementation of supervision and credit activities for the village plantations, and v) officially transfer the social infrastructure and equipment to the overseeing ministries concerned.

BASIC DATA ON THE PROJECT

PROJECT NAME : RUBBER PROGRAMME II (MITZIC III, BITAM II, KANGO II)

PRELIMINARY DATA

1. N° of ADB loan : Rubber Programme II
2. Borrower : Government of Gabon
3. Beneficiary : Gabonese population
4. Executing Agency: HEVEGAB

A. DATA OF ADB LOAN

	<u>Estimate at appraisal</u>	<u>Actual</u>
1. Amount (million UA)	40.00	40.00
2. Interest rate (%/year)	9.55	9.55
3. Statutory Charge (%/year)	1	1
3. Commitment charge (%)	1(on the undisbursed portion)	1
4. Repayment period (years)	13	
5. Grace period (years)	7	7
6. Approval date	December 1991	26 February 1992
7. Signing date		13 May 1992
8. Effectiveness date	January 1992	23 November 1992

B. PROJECT DATA

	<u>Estimate at appraisal</u>	<u>Actual figures</u>
1. Total cost (million UA) :	87.90	81.32
2. Financing plan (million UA)		

	<u>Estimate at appraisal</u>		<u>Actual figures</u>	
	F.E.	L.C.	F.E.	L.C.
ADB	24.25	15.75	24.25	15.75
CCCE	10.32	5.47	10.32	5.47
BDEAC	3.88	2.70	0	0
GOVERNMENT	16.59	8.94	16.59	8.94

3. Effective first disbursement date: 8 December 1992
4. Effective last disbursement date: 31 December 2000
5. Start of project implementation activities: January 1992
6. Completion date of project implementation activities: December 1998

C. PERFORMANCE INDICATORS

1. Financial balance (in million UA and %):	6.81 or 17.03% (in 2000) and 3.3 or 8.25% (in Sept (2002))
2. Time underrun/overrun:	
- Slippage on entry into force: +10 months	
- Slippage on start of activities	: 6 months ??
- Slippage on completion date	: +12 months
- Slippage on last disbursement	: +36 months
- Number of extensions of the last disbursement deadline	: 2
3. Project implementation status	: Completed
4. Institutional performance	: Acceptable
5. Borrower's performance	: Acceptable
6. Consultant's performance	: Satisfactory
7. Bank's performance	: Satisfactory
8. List of verifiable indicators and level of completion	
a/ Village programme	
- Planting of 1488 ha VP, or implementation rate	: 80%
- Planting of 381 ha of PMPH, or implementation rate:	43%
- 165 km of roads constructed, or implementation rate :	75%
b/Industrial programme	
- 9003 ha tapped, or implementation rate	: 103%
- Equipped plant	
9. Internal financial rate of return :	<u>Appraisal</u> 16 % ¹ <u>Completion</u> Scenario. I = - 4.0 % Scenario. II = -5.6 %
10. Internal economic rate of return :	18 % 4.51 %

D. MISSIONS

Types	Number of persons	Composition	Person-days
Identification	ND	ND	ND
Preparation	3	Agronomist, Agro-Economist and Financial Analyst	120
Appraisal			
Monitoring	ND	ND	ND
Supervision	1.5	Agronomist/ Agro-Economist	180
PCR	2	Agronomist and Agro-Economist	60

¹ Without committed costs

E. ADB DISBURSEMENT

1. Slippage on effective entry into force : 1 month
 2. Slippage on effective start of activities : 12 months

	<u>Estimate at appraisal</u> (million UA)	<u>Actual data</u> (million UA)
3. Total disbursed	40	36.45 (Sept.2002)
4. Amount cancelled	0	0
5. Unutilised balance	0	3.55

F. MAIN CONTRACTS

Name of Contractor or Supplier	Responsibility	Amount (million cfa.f)	Donor
COLAS Gabon	Improvement 1000 ha in Bitam	2665.2	ADB
SOBEA-SOGEA-Gabon	Improvement 1000 ha in Kango	2133.08	ADB
HARBORN- France	Supply of plant equipment	230.0	ADB
SOGASCIC	Civil works of the plant	68.96	ADB
SOGEC	Electricity –Water of the plant	52.22	ADB

MATRIX OF THE LOGICAL FRAMEWORK
(Period of project entry into force: 1991/92 to 1998)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS (OVI)		MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>1. <u>Sector goals</u> Contribute to the improvement of the trade balance and to the diversification of crops.</p>	<p style="text-align: center;"><u>Projections</u></p> <p>Plant 28000 ha of rubber trees by 2000</p>	<p style="text-align: center;"><u>Outputs</u></p> <p>13414 ha of rubber trees planted, representing 48% of the sector objectives</p>	<p>- Rubber tree crop development master plan. - Status reports of CATH and HEVEGAB</p>	
<p>2. <u>Project objectives</u></p> <p>1.2 Improve incomes and create stable jobs in the rural areas</p>	<p style="text-align: center;"><u>Projections</u></p> <p>The project objective was to establish a permanent production apparatus with the creation of jobs in the rural areas, improve the incomes of farmers and the export of rubber.</p>	<p style="text-align: center;"><u>Outputs</u></p> <p>- The project created about 1200 jobs between 1997 and 1998 - 600 to 800 million CFA.F of incomes in the form of salaries distributed annually to maintenance workers and tappers between 1997 and 1998 - incomes currently distributed to smallholders owing to the volume of non-cash crops.</p>	<p>Hévégab status reports - Field survey</p>	<p>- Provided that donors and the Government still support this plan. - Provided that the project is still operational.</p>
<p>3. <u>Outputs</u></p> <p>- Maintain the immature crops and earth roads of the industrial programme. - Tap the areas under production in the industrial programme. - Complete the industrial installations of Mitzic - Develop village plantations</p>	<p style="text-align: center;"><u>Projections</u></p> <p>- maintain all the NCC of the industrial programme. - Tap 8708 ha of the industrial programme - produce 13193 t of dry rubber - install a creping machine, 1 shredder and 1 dryer for the latex line and 1 dryer and grinding mill for the secondary quality line. - Plant 1864 ha of VP and 900 ha of PMPH - Construct 221 km of earth roads - maintain 2764 ha of NCC of the VP and PMPH component</p>	<p style="text-align: center;"><u>Outputs</u></p> <p>- All the NCC maintained - 9003 ha of industrial plantation tapped, representing an implementation rate of 103% - 10549 t of rubber produced - 1 creping machine, 1 shredder and 1 dryer for the latex line and 1 dryer and 1 grinding mill for the secondary quality line are installed at the Mitzic plant. - 1488 ha of VP (80%) and 391 ha of PMPH (43%) planted, i.e. 68% altogether. - 165 Km of roads constructed (representing a rate of 75%) - 2019 ha of NCC of the VP and PMPH component maintained.</p>	<p>- Site visit in 1998 1998 status report - Status reports - Final acceptance report - Visit to the plant - Status reports - Acceptance reports of the earth roads</p>	<p>Suspension of disbursement</p>

I. INTRODUCTION

1.1 The Rubber Programme II, subject of the present completion report, attests to the determination of the Gabonese Government to promote a balanced regional development and prepare its economy for the necessary “post-oil” change. It constitutes one of the implementation phases of the Rubber Development Master Plan in Gabon, which provides for the development of 28 000 hectares of rubber tree plantation by year 2000.

1.2 The idea to promote rubber production in Gabon dates back to 1978, during which the African Development Bank was one of the first Donors to be contacted to participate in the financing of the Mitzic rubber project.

1.3 Following this first project, the February 1985 meeting enabled the launching of the Rubber Programme I (the Bank contributed UA 40.17 million to its financing) which, on completion, developed 2000 hectares of industrial plantations in Kango and Bitam and extended the plantations to 5000 hectares in Mitzic, with the installation of a full latex and cup scrap processing line.

1.4 The present Rubber Programme II (Mitzic III, Bitam II and Kango II) is the logical result of the efforts made by the Gabonese Government for the success of the Rubber Development Master Plan whose economic and social impacts are indisputable. The utilization of private farmers during this phase corresponds indeed to the strategic policies of poverty reduction, stabilization of the rural population and job creation laid down by the Gabonese Government and the ADB. Donors approved this programme and decided to assist the Gabonese Government in pursuing its strategy in this sector. A joint ADB, BDEAC, CCCE AND EDF mission therefore visited Gabon in May 1981 to appraise the project. In addition, review meetings were held successively in Paris, Abidjan and Libreville in October/November 1991 to mark the agreement of the co-financiers on the final policy to integrate private farmers into the project.

1.5 Furthermore, it should be noted that ADB has been intervening in Gabon since 1974. As at August 2002, the Bank Group had approved 30 operations: 25 investment projects, two (2) structural adjustment programmes and three (3) studies. Of the 30 operations, two (2) projects were cancelled, 18 projects and two studies have been completed. Net commitments amount to UA 488.19 million: UA 484.98 million from ADB resources and UA 3.21 million from ADF/TAF resources. The amount of net commitments of ongoing projects, henceforth six in number, is UA 108.55 million. With nine (9) operations financed in the agricultural sector for a net commitment level of UA 131 million, from 1975 to date, this sector represents 1/3 of the Bank’s portfolio and 27 % of its total net commitments.

II. PROJECT OBJECTIVES AND FORMULATION

2.1 Objectives

The Rubber Programme Phase II, coming in the wake of the establishment of the three agro-industrial sites of Mitzic, Bitam and Kango and focused on 9,000 ha of rubber tree plantations, has three objectives:

- i) continue to maintain the immature crops and the service roads and to provide trees old enough to be tapped with the essential equipment,

- ii) complete the industrial installations of Mitzic, and
- iii) develop around the industrial sites a village rubber tree plantation programme of average size. This programme will be accompanied by the opening of feeder and access roads to the village plantations from the plants.

2.2 Description

2.2.1 The project consists in:

- i) Mitzic :
 - Developing, on completion (1991-1995), about 750 ha of village plantations (600 ha from 1992 to 1995);
 - Completing the plant by installing the second latex line comprising 1 dryer, 1 creping machine and 1 shredder, and installing 1 dryer for the secondary quality grade;
 - **Maintaining non-cash crop plantations** and gradually tapping the mature trees.
- ii) Bitam :
 - Developing on completion (1997) about 1,700 ha of private plantations (900 ha by 1995);
 - Installing a coagulation centre and exploring the future local processing of the production;
 - **Maintaining non-cash crop plantations** and gradually tapping the mature trees.
- iii) Kango :
 - Developing on completion (1997) 900 ha of medium-scale private plantations involving a minimum of 30 farmers;
 - **Maintaining non-cash crop plantations** and gradually tapping the mature trees.

2.2.2 The main project components as outlined in the appraisal report are: i) roads and earth roads, ii) constructions, iii) housing and transport, iv) equipment and vehicles, v) agricultural costs, vi) plant, vii) technical assistance, viii) research, ix) operating expenses, x) studies and trainings; these components are divided according to three operating systems, namely:

- Industrial plantations,
- Village plantations, and
- Medium-scale private plantations

2.3 Formulation

2.3.1 Analysis of the ADB/BD/91/166 appraisal report shows that, overall, the project appears well formulated. Therefore, on reading the said report, one understands better the integration framework of the project from the physical, socio-economic and institutional points of view, the technical and organizational consistency and its profitability. However, the development goals and the project components do not seem to us well defined. In terms of design, the project should serve as an integrated regional development model. The agro-industrial complexes will serve as pilot centres around which are programmed the development of a network of village plantations, feeder roads, social amenities and the diversification of crops. This project implementation pattern is the same one observed in all African countries where the rubber tree is grown, notably in Côte d'Ivoire, Cameroon and Ghana. However, this type of integrated agro-

industrial project, with a heavy State involvement, since the second half of the 90s, is no longer in tune with the new international context of State disengagement from productive activities, liberalisation and privatisation of economic activities.

III. PROJECT IMPLEMENTATION STATUS

3.1 Entry into Force and Start-up

3.1.1 The project was approved by the Board of Directors of the Bank on 26 February 1992. The loan agreement was signed on 13 May 1992 and the loan entered into force on 23 November 1992.

3.1.2 According to the appraisal report, the project would start in January 1992 and be completed in December 1997, representing a duration of six (6) years. However, the first disbursement took place only on 08 December 1992 (for reasons connected with the delay in the Bank's approval of the loan agreement and the fulfilment of the loan effectiveness conditions by the Gabonese Government). The actual project completion date was 31 December 1998, even if certain activities, on pre-financing, had to start in the course of 1992, prior to the first disbursement.

3.1.3 The conditions precedent to loan effectiveness, which the Gabonese government fulfilled are:

- i) Decree N° 013/92/PR of the President of the Republic authorising the Gabonese Government to contract a loan of a maximum amount equivalent to UA 40 000 000 from the ADB;
- ii) Favourable legal opinion of the Administrative House of the Supreme Court signed by its President on 27/10/92 guaranteeing the validity of the loan agreement;
 - a. Loan on lending agreement signed on 20 August 1992 between the Gabonese Government represented by the Minister of Finance and Budget, on the one hand and HEVEGAB, represented by the Chairperson of the Board of Directors of the said company, on the other hand;
- iv) Law N° 26/93 adopted by the National Assembly and promulgated by the President of the Republic, on 12 August 1993, authorizing the Gabonese Government to contract the said loan.

3.2 Implementation Status of the Activities/Components

- Planting and maintenance of the crops in the village programme

3.2.1 For the planting, the initial physical objective set for the village programme in phase II focused on 1864 ha for the VP and 900 ha for the PMPH to be implemented in the Mitzic and Bitam areas. At project completion, 1488 ha had been planted under the VP and 391 ha under the PMPH, representing an implementation rate of 80% and 43% respectively. The low implementation rate observed for the whole village programme (68%) is owing to the delay encountered in the early years of project implementation, for lack of harmonisation of the operational strategy with the ADB. In addition, at implementation, the village programme extended to the Oyem, Kango and Minvoul areas.

3.2.2 For the tapping, the implementation rate was 57%, corresponding to a tapping of 280 ha for a projection of 490. That of the maintenance component of the non-cash crops is 82%. However, for failure to distribute cash advances to the farmers, all the plantations have since the last semester of 1998 been in a state of total abandonment and advanced vegetal invasion.

- Maintenance and tapping in respect of the industrial programme

3.2.3 The attainment rate of the objectives is given in the following table by site.

HEADINGS	MITZIC	BITAM	KANGO	TOTAL
Maintenance of NCC (ha)	118%	99%	87%	102%
Tapping (ha)	100%	95%	117%	102%
Areas being tapped (ha)	93%	99%	128%	99%
Field production (t of dry rubber)	75%	117%	74%	85%

3.2.4 We note that in general, outputs are in keeping with projections, with the exception of the field production of dry rubber.

- Roads and earth roads

3.2.5 This component consists in constructing, maintaining and reshaping, on force account, the roads and earth roads of the **non-cash crop plantations and those old enough to be tapped**; it comprises: (a) earthworks, laterite, building of bridges and laying of culverts; (b) mechanical maintenance of earth roads with rotary cutters and chemical maintenance by using weed killers; (c) reshaping using graders and compactors on the degraded earth roads.

3.2.6 In the village programme, 165 Km of earth roads out of the 221 Km projected have been opened up, which represents an implementation rate of 75%. This shortfall is explained by the delay in the planting of the village programme.

3.2.7 For the industrial programme, the network of earth roads maintained in accord with the projections is as follows:

	Access roads to the plantations	Plantation roads	Network of secondary roads and earth roads peripheral to the plots
Mitzic (km)	7	63	400
Bitam (km)	18	64	320
Kango (km)	18	44	86

During the project implementation period, these earth roads were regularly maintained in keeping with projections; but, since the project completion date up to now, they are no longer maintained and are in an advanced state of degradation (especially in Kango where access to the plantation is at present impossible).

- Constructions and equipment

3.2.8 The principal physical objectives set for this component are: i) completion of village V1 in Kango, ii) improvement and electrification of the Mitzic and Bitam labour houses, iii) construction, under the village programme, of a farmers' house in Kango. With the exception of this last component, which has been abandoned, works relating to the above component were completed in 1996. In addition, other works not envisaged at project start-up were executed on the Government's financing; they are mainly the building of the new Hévégab headquarters in Libreville and the construction of the Headquarters of the Village Programme in Oyem.

3.2.9 This component also includes the maintenance of administrative buildings and social amenities without new construction. For all the sites, the following social amenities are maintained: primary schools (8), markets (2), market stands (10), clubs (10), dispensaries (3), gendarmerie (2) standpipes (114), sanitary facilities (64), small shops (4) and recreation grounds (2).

- Housing and transport

3.2.10 This component seeks to solve the housing and integration problem of temporary workers in the project and to restore greater social justice. Provision was made through BNCR to assist new recruits of the industrial complexes to secure their own housing, through repayable loans granted by BNCR. However, for reasons connected with the guarantee conditions imposed by this bank, this housing credit was never effective. Furthermore, it was noticed that the houses would be located outside HEVEGAB premises and would not have solved the transport problem of the labourers of the subcontractors.

3.2.11 Consequently it was decided, following the May 1995 supervision mission, that HEVEGAB should build houses of simple materials, which it would then rent to the employees. Under this arrangement, 45 houses were built in late 1997, in addition to the 15 new houses for the tappers and a house for a subcontractor.

3.2.12 With regard to the transport of the labourers, private individuals were at the time reticent about its privatisation. They did not find it financially attractive because of the under-utilisation of vehicles for this type of operation.

- Heavy duty and other vehicles and equipment

3.2.13 This component comprises light vehicles, motorbikes for managers and foremen, trucks, harvesting equipment, agricultural hardware (tractors, saws, sprinklers, trailers, latex tanks). The maintenance of heavy PW equipment needed to keep the roads and earth roads in good condition is also included.

3.2.14 The main procurements are: vehicles for managers, trucks to transport the production, agricultural implements, heavy duty vehicles for civil works equipment and office equipment.

- Agricultural costs and diversification

3.2.15 According to the appraisal report, the agricultural costs concern soil maintenance, tree maintenance and investments made prior to tapping. The agricultural costs of the NCC concern in particular the maintenance and operating of the bud wood gardens (BG), and the creation of nurseries. The initial outlay concerns the factors of production as well as cash advances given in credit form to private farmers to enable them to carry out felling, cleaning of the undergrowth, planting and maintenance works. Finally, this component also includes the food crops diversification programme, which comprises mainly food production, stockbreeding and fish farming.

3.2.16 The diversification component has two parts: fish farming done on force account by Hévégab and mixed farming contracted out to the Institut Gabonais d'Appui au Développement (IGAD), under an agreement for the establishment of mixed farms and processing plants. An inconclusive review of fish farming activities was conducted in May 1997. Since then, there have been no new developments.

3.2.17 Regarding mixed farming, almost all the 12 farmers set up by IGAD abandoned their farms for lack of supervision and monitoring. The contracts of these farmers should therefore be terminated without further delay.

- Plant

3.2.18 Rubber Programme II provides for the extension of the MITZIC rubber plant through the addition of a creping machine, a shredder and a dryer for the latex line, a dryer and a grinding mill for the secondary quality grade.

3.2.19 All the works of the Mitzic rubber plant were completed and the related contracts finalized as at 31/12/1996. However, the company's present financial difficulties have led to a quasi-suspension of supplies, resulting in a heavy deterioration of the production equipment and zero stocks of the critical materials of the company. At present, following the complete suspension of production since June 2002, the plant has stopped operating. Under the rubber sub-sector study completed in May 1997, a comprehensive feasibility study was conducted on the Kango plant, which was included in the revision of the 1996 list of goods and services. In view of the delay encountered in finalizing the bidding documents (BD) for the launching of this contract, the November 1999 restructuring mission agreed with the Gabonese party to temporarily put off the construction of this plant.

- Back-up Research

3.2.20 The back-up research adopted under the programme was entrusted to the Centre d'Appui Technique à l'Hévéaculture (CATH), which has an testing network throughout Gabon. The first conclusive tests of the CATH works led to the introduction of cloning on the three sites. The main research themes are:

- improvement of the rubber tree (cloning, growth and production studies);
- monitoring of the File on Complexes,
- cropping methods (establishment of plantations, crops associated with the rubber tree, plant/soil/climate relationship),
- farming (types of tapping, frequency, stimulation),
- leaf and root diseases and phanerogamia parasites (*Loranthus*).

3.2.21 In this connection, CATH participated actively in the large-scale aerial defoliation operation in Mitzic up to 1998. Since then, following the company's liquidity problems, the defoliation campaign has not taken place. At present, CATH is rechannelling the training of its extension agents and village farmers to Hévégab.

- Studies and training

3.2.22 This component comprises the sub-sector study aimed at a better knowledge of the sub-sector and therefore of the production, processing and selling process of Gabonese rubber; the study of the processing pattern adapted to the sub-sector (feasibility of the Bitam and Kango plants) and the organization and management study consisting in putting in place a private type of organisation and a good management system of the production apparatus in Gabon. The sub-sector study and the feasibility study of the Kango and Bitam processing units were entrusted to the firm Louis Berger International, which submitted the final report in March 1997. As for the feasibility report of the Bitam and Kango latex plants finalized in August 1997, Hévégab was to have used it to prepare the Bidding Documents (BD) of the Kango plant, whose contract was temporarily suspended following the restructuring mission. Other more recent studies produced with a view to the privatisation of HEVEGAB are:

- Rubber master plan and institutional post-privatisation scheme of HEVEGAB, SOFRECO, June 2000;
- Socio-economic Study to support the development of village rubber tree plantations in Gabon, J. M. ESCHBACH, CIRAD, Marcy 2002;
- Assessment of the cost price of HEVEGAB rubber after restructuring and the recovery plan, SOFRECO, May 2002;
- Village rubber plantation development support mission to Gabon – processing of the farmers' production, CIRAD, April 2002.

3.2.23 The training should facilitate the preparation of national staff to take over from the technical assistance in the programme. To this end, it is planned to train 10 top-level managers in the areas of technical management, project accounting and administration. In terms of outputs, it should be noted that, up to 1994, on-the-job training was provided and that there was no specific programme. It was only at the end of the supervision mission in April-May 1995 that a real training programme was drawn up. The technical component of this training was provided by Société Ivoirienne (International Management Assistance: IMA) and, the computer component, by Société Gabonaise (Galaxie Informatique International).

3.3 Implementation Schedule

3.3.1 According to the appraisal report, the project was to start in January 1992 and end in December 1997; launching and procurement of the major contracts, notably machines, vehicles and plant equipment, were to start in March 1992. The project effectively took off in January 1992 through the maintenance of non-cash crops, thanks to Government and CCCE (currently AFD) financing. The major goods procurement contracts were launched one year late and the project was completed in December 1998, i.e. one year after the estimated completion date.

3.4 Modifications

3.4.1 The major modifications to the project are: i) shelving of the construction of the Kango plant owing to delays in the preparation of the feasibility studies and the bidding documents (BD), ii) construction by HEVEGAB, on force account, of houses of simple materials in place of the repayable housing loan granted by a banking institution to the new employees of the company, because of the little guarantee provided by the employees, iii) extension of the village programme to Oyem, Kango and Minvoul areas.

3.5 Reporting

3.5.1 The various documents concerned relate to the status, audit and supervision reports. In keeping with the procedures, HEVEGAB regularly produced and transmitted to the Bank half-yearly status reports whose contents reflect the project status; the same goes for the ADB audit report and the report of the external auditor, which are produced annually and submitted to the HEVEGAB Board of Directors for adoption. The ADB audit report prepared by the external auditor was regularly transmitted by HEVEGAB to the Bank, but after 1998, it was no longer systematically addressed to the Bank. In accordance with the procedures, supervision missions were organised once every nine months on average and culminated in a report regularly transmitted to HEVEGAB by the Bank. With a few rare exceptions, the recommendations of the audit and supervision reports were generally taken into account, especially between 1992 and 1998.

3.6 Procurement of Goods and Services

3.6.1 In all, about 60 contracts were signed under the project and performed under satisfactory conditions, with the exception of two contracts relating to the extension of Bitam and Kango signed with COLAS and SOBEA respectively (1000 ha on each site), which were not performed in accordance with the contractual provisions. Thus, the mission noted that these two contracts were disbursed to the tune of 90% (COLAS) and 100% (SOBEA), for a physical implementation level of 70% and 62% respectively.

3.6.2 The table below identifies the beneficiaries of the major contracts performed, the type, amount and the implementation ratio of the said contracts.

<i>Suppliers/Contractors</i>	<i>Type of contract</i>	<i>Contract amount</i>	<i>Contract</i>	<i>ADB share</i>
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		<i>(million cfa.f)</i>	<i>status</i>	
COLAS GABON	Field preparation Bitam	2665.2	Implemented at 70%	100%
SOBEA-SOGEA GABON	Field preparation Kango	2133.1	Implemented at 62%	100%
HARBORN	Procurement of equipment	230	96%	100%
SOGI	Assembly of equipment and steel framing	25.9	100%	100%
SOGASCIC	Civil works	68.9	100%	100%
SOGEC	Electricity/water	52.2	100%	100%

3.7 Cost Estimates and Sources of Finance

- Financing Plan

3.7.1 The key programme components with their respective costs in million UA and by source of finance, as they appear in the appraisal report are:

<u>Components</u>	<u>ADB</u>	<u>BDEAC*</u>	<u>CFD</u>	<u>GOVT</u>	<u>TOTAL</u>
A. Roads and earth roads	4.26				4.26
B. Constructions and equipment.	3.09				3.09
C. Housing, labour transport.	3.36				3,36
D. Machines and vehicles	6.28				6.28
E. Agricultural costs	11.84	4.39	6.67		22.94
F. Plants		0.71			0.71
G. Techn. Assist.		1.48	4.57		6.05
H. Research	0.77		0.77		
I. Operating cost	9.62	3.78	25.53	38.89	
J. Study, Training	1.55				1.55
Total	40.00	6.58	15.79	25.53	87.90

3.7.2 Following the withdrawal of BDEAC*, the total project cost was scaled down to UA 81.32 million and the planting area reduced by 500 ha from 2 300 to 1 800 ha. The cost adjustment of the programme, after the devaluation of the CFA.F in January 1994, enabled the ADB to bear the costs of the plant and back-up research.

- Financial implementation

3.7.3 The disbursement monitoring status, updated as at 31/12/2001, shows a total amount so far disbursed of UA 33.19 million, i.e. a disbursement rate of 82.95% out of the loan of UA 40.00 million. The undisbursed balance is UA 6.81 million. If account is taken of commitments corresponding to the balance of ongoing contracts and to Hévégab's last disbursement request for a total amount of UA 3.550 million, the uncommitted and available balance would be UA 3.3 million.

3.7.4 The Government's contribution to the Rubber Programme II, from 1992 to end 2000, is CFA.F 9.768 billion, i.e. 99% of its initial contribution projected in the appraisal report. From 2001 to date, the Government has continued to pay the salaries of the personnel of the company.

IV. PROJECT PERFORMANCE

4.1 Physical Outputs

4.1.1 The rubber crop project started in Gabon in 1982 and the first trees were tapped in 1990 with a 'field' production of 140 tonnes of dry rubber (t of rubber). At the start of Phase II (in 1992), this production was 1248 tonnes and showed a steady trend until it reached its maximum production phase in 1997 and 1998 when it posted 'field' production of 10 400 tonnes on average. From that date, production dropped sharply and that of 1999 (4503 t) fell by 56% in relation to 1998. In year 2000, it was only 3090 tonnes before production virtually came to a standstill in 2002. The main cause is that the plant stopped functioning in early 2002 for lack of fuel to operate it. This situation stems from the structural difficulties HEVEGAB has been encountering since late 1998, following the suspension of ADB disbursements, the fall in the international rubber price, which, between 1998 and 2001, reached an all time low in the last thirty years, and the difficulties the Gabonese Government has in meeting its commitments to HEVEGAB.

4.1.2 The total planted area is 12 018 hectares: 9 012 ha of industrial plantations established between 1982 and 1990 and 3006 hectares of village plantations (including 501 ha of PMPH and 2504 ha of VP, as well as 2518 ha planted in the second phase) established between 1988 and 1998. The yield, which in the first year of production was only 234 kg/ha, has increased steadily in correlation with the physiological growth of the rubber tree to reach its highest level in 1997, i.e. 1250 kg/ha. Like production, the yield also experienced a slump in 1999 when it was only 517 kg/ha and 352 kg/ha in 2000. The same downward trend is observed in 2001 and 2002. The main reason is the suspension or reduction in the number of tapped trees owing to the suspension of the operating of the plant, lack of working capital to pay the tappers and failure to maintain the plantations and feeder roads, thereby rendering access to the trees difficult or even impossible. In addition, the average yield is lower than the projections of the appraisal report and the yields observed in other producing countries, notably in Cameroon and Côte d'Ivoire. Nonetheless, productivity per tapper and per day (65kg) remains very high compared with the other countries. Concerning the clones, the three introduced in the industrial complexes are GT1 (45%), PB 260 (23%) and PB 235 (19%).

4.1.3 In the village plantations, the number of farmers involved in the VP is 572 and the number participating in the PMPH is 19. One of the constraints on the promotion of the village programme is the age of the farmers, 50% of who are more than 50 years old.

4.1.4 The end product exported is of fairly good quality in relation to other countries. In addition, in partnership with Société MICHELIN, which buys 60 % of the production, the plant benefits from quality control assistance.

4.2 Performance of the Service Providers

4.2.1 The leading service providers involved in the implementation of the project are sub-contractors for the trees, contractors and suppliers.

4.2.2 Following the difficulties encountered in the operation on force account, HEVEGAB decided during Phase II to subcontract the tapping of the plantations to small and medium-scale enterprises. Consequently, 99% of the areas operated are subcontracted to 20 or so local enterprises. They are for:

- MITZIC: SAT, NOEL MAX, EGESCO, ECAMI, NDA BOT, BIA, LATEX

PRO, EGEL, ECAD, EXCAM.

- BITAM: CODERCO, SEAN, SOPROCAN, ENAB, ENAMSE;
- KANGO: CODERCO, EGAP, MALUMBI, SANA FILS

In general, all of these subcontractors did highly commendable work as the 700 tappers they utilize on average every year, achieved a productivity markedly higher than that obtained through operation on force account (65 kg/tapper and per day in relation to 47 kg on force account)

4.2.3 As indicated above in the paragraph on the procurement of goods and services, the leading suppliers and contractors that performed the contracts are: for the field preparation works: COLAS GABON and SOBEA-SOGEA GABON, and for plant equipment: HARBORN France. With the exception of COLAS and SOBEA -SOGEA GABON, the other suppliers provided their services in accordance with the specifications.

4.3 Institutional Performance

4.3.1 The project executing agency is the Société de Développement de l'Hévéaculture au Gabon (HEVEGAB). It is a public liability company with an equity capital of CFA.F 5.5 billion, legally incorporated since 1981; the Gabonese Government holds 99.99 % of the shares. The remaining capital is held by the technical partner, GIE TERRE ROUGE.

4.3.2 It has a standard type of organisation adopted by most of the rubber companies in Africa. The expatriate technical assistance represented by the technical partner GIE TERRE ROUGE occupied all the positions of responsibility at the start of phase II of the project. It was only in 1996 that an effort was made to promote national staff to positions of responsibility and upgrade them. Furthermore, the expatriate staff of over twenty was plethoric and had an impact on the increase in the company's production cost. While there was no planned transfer of skills by the technical assistance to the national staff, it was noted that many of the latter had technical skills and rigour in the planning and implementation of operations. The efforts made to train and involve staff in the project management towards the end of the project enabled the present national personnel to master the technical, organisational and management practices of the rubber tree crop. The management control unit monitors the performance indicators of the project.

4.3.3 The current permanent staff complement is 718 employees: 43 managerial staff, 51 supervisors, 163 highly skilled workers, 161 skilled workers and 300 unskilled workers, in addition to nearly 800 temporary workers. The large number of permanent staff weighs heavily on the cash position of the company (permanent staff salary is fully borne by the Gabonese Government), especially in this period of total inactivity.

4.4 Financial Performance

4.4.1 From 1992 to end 2000, HEVEGAB regularly presented its financial and accounting documents, which are audited annually and certified by an independent auditor. These are mainly balance sheets, the typical management balances and internal management control reports prepared on the basis of general and cost accounting documents kept by the company.

4.4.2 The financial indicators from the typical management balances show that: i) the value added generated by the project between 1992 and 2000, was often positive with an annual average, over the period, of nearly CFA.F 650 million, if 1994 (year of devaluation of the CFA.F) and 1998 are excluded, ii) earnings before taxes are always in deficit, with the exception of 1997; which attests to the precariousness of the Company's financial position. This financial position deteriorated between 1998 and 2000 when the annual average income before tax showed a deficit of CFA.F 2.8 billion.

4.4.3 HEVEGAB balance sheets show, in terms of the company's assets, that the net fixed assets, as at 31 December 2000, were CFA.F 71 538.8 million and that accumulated amortization and reserves amounted to CFA.F 17 296.5 million.

4.4.4 The financial return (see annex) is – 4.0 % in scenario I and – 5.6 % in scenario II compared with 16 % (not taking into account the committed costs) at appraisal.

4.5 Economic Performance

4.5.1 The project economic performance is mixed. It is negative for public finance: at least CFA.F 10 billion was spent on subsidies for this second phase in relation to only about CFA.F 100 million of taxes recorded in the accounting documents and to be paid to the tax authorities. Positive impacts are observed in: i) the trade balance with CFA.F 21 billion in export earnings from rubber between 1992 and 1999 (clearly higher than expenses on imports of project equipment and supplies, ii) improvement of Gabon's gross domestic product (GDP), as the accumulated value added generated by the project between 1992 and 2000 is close to CFA.F 6 billion, iii) improvement of revenues with roughly CFA.F 600 million distributed to tappers annually between 1997 and 1998, and as much to be distributed to 591 village farmers when all the plantations will be tapped, starting from 2005, and iv) the creation of about 1200 direct jobs 10% of which are occupied by women.

4.5.2 The project economic rate of return determined by the completion mission is 4.51 % (cf. annex) compared with 18 % at appraisal.

V. SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACTS

5.1 Socio-economic Impacts

5.1.1 The project has brought about considerable changes in the Woleu Ntem and Kango regions. In effect, it has created six modern villages which are today integrated into the country's administrative set up, with village chiefs elected and sworn-in at the prefecture. Over 900 houses have been built in these villages for the direct labourers and about 200 houses for the executives, supervisors and skilled labourers. The settlement of these employees with their families has led to the repopulation of the region with over 12 000 inhabitants in periods of normal activities, thereby helping curb rural-urban migration.

5.1.2 The 8 schools built are primary schools complete with six grades and sometimes a kindergarten. The enrolment varies between 310 and 450 pupils from HEVEGAB villages and the neighbouring villages. 50% of the school population are boys and 50% girls. The teachers of each school are civil servants on secondment who enjoy the project benefits: free housing, water and electricity, medical care in the dispensary. The results of school examinations are encouraging. In the June 2002 First School Leaving Certificate examination (CEP), the success rate was, for example, 100% in Bitam. The enrolment ratio observed in the project area is one of the highest in Gabon.

5.1.3 The project dispensaries have two sections, one for health care and the other for maternal health with a delivery room. Each of them is staffed with 1 chief nurse, 1 nurse, 1 midwife, and 4 HEVEGAB contract workers. This staff is supervised by the company's doctor who works on a part-time basis. Each dispensary is equipped with an ambulance and a driver. These health facilities have helped guarantee the best conditions of health to the workers involved in the project implementation and to the population of the neighbouring villages, even if in recent years, owing to the company's financial difficulties, none of the health institutions has received pharmaceutical first aid products.

5.1.4 The earth roads constructed or rehabilitated have enabled a better disposal of agricultural products. At times, food crop fields are to be found along the roads.

5.1.5 The other socio-economic impacts of the project are the improvement of the housing and incomes of farmers and a greater circulation of money in the project area.

5.2 Impacts on the Female Population

5.2.1 Women represent 10% of the employees and some of them have positions of responsibility. It is therefore noted that with the departure of technical assistance and as a result of 'gabonisation' of posts, they occupy technical positions of responsibility such as head of the laboratory, Financial Manager. One also notes the emergence of women SME managers engaged in the subcontracting of tapping operations. In general, the project impact on the female population, though limited, is relatively satisfactory.

5.2.2 With the village plantations programme, food crops in which women play a key role, are associated with plantations during the first two years. They have enabled women to procure additional incomes, thereby improving households' food security. It should also be noted that, as heads of households, 14% of the women participate in the village programme.

5.3 Environmental Impacts

5.3.1 In the industrial complexes, the forests destroyed between 1982 and 1990 have almost been fully reconstituted, thanks to the forest cover restored by the rubber plantations. Thus, virtually all the ecosystem benefits related to forest resources may be assumed conserved, among others, those related to the reduction of greenhouse gases (the existing plantations thus sinks for the said gases). In addition, chemical fertilizer is not utilized, which eliminates the risks of pollution of the groundwater table. Concerning the village component, the method of felling without full stumping only slightly modifies the microclimate for a short period of time. In the two operating systems, the light methods of maintaining plantations (with the machete) and the use of cover crops have no negative impacts on the conservation of edaphic resources.

5.3.2 The immediate environment of the Mitzic plant is not yet experiencing pollution problems, as is the case in other countries. The Mitzic plant, located 500m from village V1, causes sound nuisance to the inhabitants of this village owing to its relatively noisy functioning during rubber processing. Its odour nuisance is very negligible in spite of the heavy unpleasant odour that comes from the plant. In effect, although village V1 is situated in the neighbourhood of the plant, the prevailing wind blows from it towards the plant, which is in the northeast; consequently, the inhabitants do not notice the odour. On the other hand, village V4 is in the direction of the prevailing wind, but fortunately at a relatively long distance (3 km) and the inhabitants receive only very little odour from the plant. In addition, the trees planted around the factory mitigate this nuisance. Factory effluents containing ammonia stay for some days in settling pits in order to be freed from impurities. The wastewater is then channelled by a 200 m drain towards the low-lying areas and the plantations downstream of the plant, flooding the areas around the rubber tree, causing them to die. The situation will become more dramatic at full development if nothing is done, as HEVEGAB will have lost the whole surrounding plantation. In future, it will be necessary to install a residual water treatment system, whose cost is generally not prohibitive.

VI. PROJECT SUSTAINABILITY

6.1 The project sustainability indicators to be assessed will be institutional, managerial, technical, financial and political.

6.2 From the institutional and management points of view, the present staff (managerial staff, executives, supervisors and tappers) have a good mastery of rubber production techniques, from field preparation to the processing of the final dry rubber product, whose quality compares well with that of the other producing countries. Mastery, by the staff, of the operations management and monitoring instruments is also an additional major asset for the sustainability of the actions undertaken. However, the present staff is plethoric and has a negative impact on the viability of the project in the perspective of restructuring HEVEGAB.

6.3 Regarding the technical assets, most of the plantations, though not maintained for one year or even two and therefore invaded by weeds, still conserve their productive capacities and will produce a normal yield as soon as tapping resumes. Apart from the plantations, the remaining assets have greatly deteriorated; this is the case of the feeder roads some of which are impassable, making access to the plantations impossible (case of Kango, in particular). If all the roads are not remetalled and/or reshaped in time, the operating of all the plantations would in the end be compromised. The other structures and equipment, such constructions (schools, dispensaries, houses), logistical facilities and agricultural and industrial equipment are in an advanced state of deterioration and dilapidation.

6.4 The privatisation of Hévégab requires that the supervision of the village plantations be entrusted to another structure. In view of the size of unproductive areas and the farmers' poor mastery of rubber production techniques, the sustainability of the village plantation would be compromised. if the new structure does not have the relevant technical and organisational skills.

6.5 Concerning the financial viability, in the present condition of the company, all the indicators are in the red. This greatly constrains the sustainability of the actions in view of the privatisation of the company decided by the Gabonese Government. In effect, the analysis of the financial performance shows that the pre-tax operating deficit was on average CFA.F 2.8 billion per annum between 1998 and 2000.

6.6 From the political viewpoint, there are signs of lack of Government motivation because of the financial drain this project constitutes on its portfolio.

VII. PERFORMANCE OF THE BANK, THE CO-FINANCIERS AND THE BORROWER

7.1 Performance of the Bank

7.1.1 The financial participation of the Bank was only to support the Gabonese Government in the implementation of its rubber production development master plan aimed at planting 28 000 hectares of rubber trees in 2000. The Bank's intervention is appropriate; by accepting to support the Gabonese Government since 1998 in the implementation of this plan, the Bank is preparing the economy, which depends essentially on oil and timber earnings, for diversification. In addition, from the discussions with the Gabonese authorities and the project management agency, and from our own verifications, it follows that, on the whole, the Bank met its commitments; the time between HEVEGAB's request for reimbursement and the Bank's order to disburse is reasonable; supervision missions were also regularly organised in keeping with the established schedule, i.e. roughly every nine months. We also noted that the recommendations of the supervision missions sometimes helped adjust certain project components (for example the housing loan, the reallocation of funds to certain components following the devaluation of the CFA.F and the shelving of the construction of the Kango plant because of delays in the preparation of the bidding documents).

7.2 Performance of the Co-financiers

7.2.1 The project co-financiers are AFD (ex-CFD) and BDEAC. Although it was programmed in the project financing plan to support the 'agricultural costs, plant and technical assistance' components, BDEAC withdrew in the end. AFD's participation in the project implementation focused on the financing of technical assistance, and no faults were noted both in the supervisions and release of funds.

7.3 Performance of the Borrower

7.3.1 The Gabonese Government's participation consisted of a subsidy mainly intended for the financing of the operating expenses and agricultural costs of the project. Overall, the Government did not meet its commitments. As a result, there were significant delays in the payment of the said subsidies and a constant reduction of the committed amounts in relation to those listed in the Finance Act, namely 1995 (-1%), 1996 (-11%), 1997 (-24%) and 1998 (-73%).

7.3.2 It should, however, be noted that, since 1999, the Government has continued to pay the salaries of the permanent staff of the company amounting to CFA.F 170 000 million per month. In 2000, it also contributed an exceptional effort that made it possible to resume project activities for some months in the same year, by paying a huge amount of CFA.F 1.3 billion. The fulfilment of all the terms and conditions, which enabled the entry into force of the loan, is also a point in the Government's favour.

VIII. OVERALL PERFORMANCE AND RATING

The performance evaluation tables in the annexes show that the project implementation performance was considered acceptable with a rating of 2.75 out of 4. Performance in terms of overall project outputs is deemed acceptable and receives an average rating of 2 out of 4.

IX. CONCLUSIONS AND RECOMMENDATIONS

9.1 Conclusions

9.1.1 The Rubber Programme II, implemented from 1991 to 1998, was at the onset designed, like other similar projects in Africa, as an integrated agro-industrial development and regional planning programme. Its objectives were to create jobs, stabilise the rural population, diversify the productive capacity of the economy, generate foreign exchange for the Government and create value added without the financial return being a key eligibility criterion. The current problems of the project are multi-dimensional. In effect, the present situation of the free market economy compels Governments to disengage from productive activities and to focus on their regalian role (policy development, regulation, control and monitoring), which has the effect of creating the conditions for a privatisation of HEVEGAB. But since 1998, the company is confronted with a number of problems, namely the suspension of ADB disbursement, the reduction of Government subsidies, and the fall in international prices, which have had an impact on the selling prices. These prices dropped from CFA.F 652/kg in 1995, to CFA.F 578 in 1997, and then rose from CFA.F 300 to 400 between 1998 and 2001². And yet over the same period, the production costs were very high (CFA.F 700/kg compared with CFA.F 350/kg in Cameroon and Côte d'Ivoire). The reasons are connected with: i) the plethora of managerial, supervisory and support staff, ii) the high maintenance and operating cost (twice that of other African countries)- 99% of the labourers come from the neighbouring countries, iii) the scattered nature of the agro-industrial sites and their relatively small size compel the company to multiply the supervisory structures, v) the distance from the plant to the port (430 km), the high transportation costs (CFA.F 40/kg) for the FOB, v) the high supervision cost of the village programme amounting to CFA.F 1 billion, whereas since 1996 rubber is bought at a fixed price of CFA.F 262/kg despite the drastic fall in international prices.

² Prices improved markedly in 2002 and those observed between June and August 2002 are on average CFA.F 500/Kg.

9.1.2 All these reasons call for the privatisation of Hévégab, whose implementation process is handled by a committee set up to that end. But the privatisation of Hévégab will lead to a de facto breach of contract with the farmers who have benefited from the loans and should continue to benefit from the technical extension services until their rubber plantation is completely tapped (2005).

9.2 Recommendations

The recommendations made at the end of this completion mission are:

To Hévégab Management

- i) Speed up the implementation of the Hévégab restructuring plan, notably the application of the emergency measures for the effective revival of activities; initiation of proceedings for the preventive settlement of all debts; the effective transfer, by Hévégab, of the village component to the Ministry of Agriculture; and implementation of the welfare plan.
- ii) Provision of an emergency fund presented accordingly by Hévégab to the Gabonese Government to enable the rapid resumption of Hévégab activities, refocused on the plantations of Mitzic and Bitam sites and the Mitzic plant; and
- iii) Launch a new privatisation bid after six months to one-year of operations.

To the Gabonese Authorities

- i) Find a solution to enable the village farmers to pursue their activities, especially by finding an institution to replace Hévégab for the implementation of supervision and credit activities in favour of the village plantations;
- ii) Pursue and expand the village programme in order to achieve the objectives of the National Rubber Master Plan in Gabon (28 000 hectares of plantations);
- iii) Officially transfer the social infrastructure and equipment to the overseeing ministries concerned.

To the ADB:

- i) Envisage support to the Government for the continuation and expansion of the programme under a specific project whose features will be defined later if contacted by the Government.

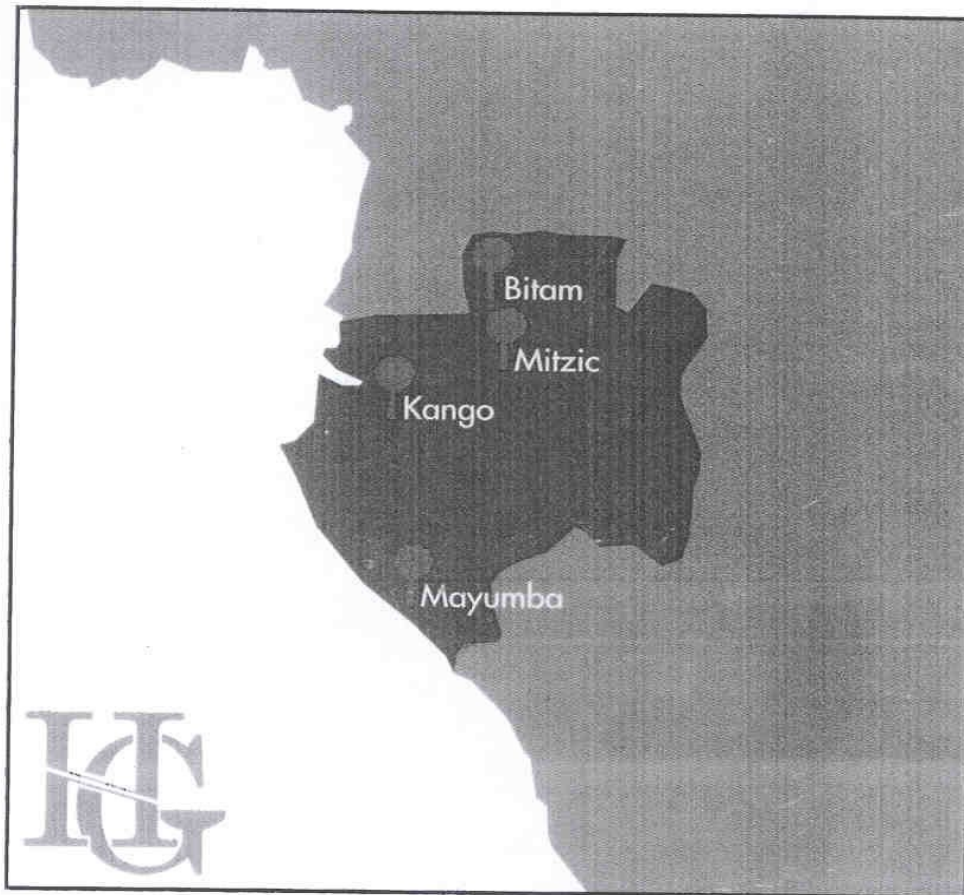
REPUBLIC OF GABON

COMPLETION REPORT OF THE RUBBER PROGRAMME II

ANEXES

LOCATION MAP

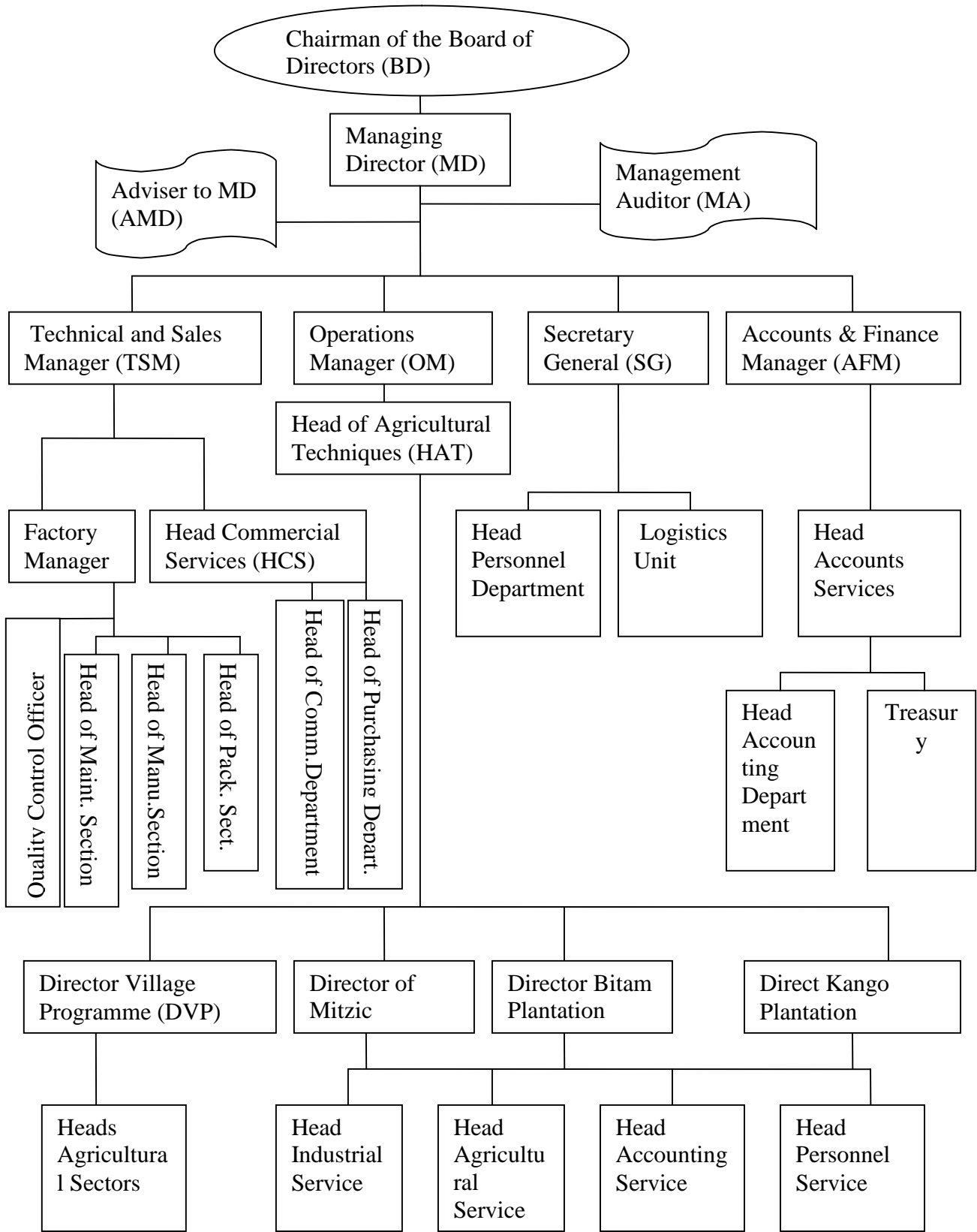
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HÉVÉGAB

SOCIÉTÉ DE DÉVELOPPEMENT DE L'HÉVÉACULTURE AU GABON
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ANNEX II: ORGANIZATION CHART (reconstituted) OF HEVEGAB



ANNEX III ACTUAL BASIC PRODUCTION DATA

DESCRIPTION	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Industrial Plantations																			
Planted areas Mitzic project (ha)	174	590	1034	1104	405														
Planted areas phase I (ha)				200	300	721	1539	1681	1264										
Tot. Planted areas /yr (ha)	174	590	1034	1304	705	721	1539	1681	1264										
Total Planted areas (ha)	174	764	1798	3102	3807	4528	6067	7748	9012	9012	9012	9012	9012	9012	9012	9012	9012	9012	9012
Maintenance NCC (ha)		174	764	1798	3102	3807	4528	6067	7748	9012	9012	9012	9012	9012	9012	9012	9012	9012	9012
Tapping (ha)									600	945	875	705	1416	1760	1347	739			
Areas in production (ha)									600	1545	2420	3125	4541	6301	7648	8387	8589	8703	8752
Field productions (t c/c sec)									140	662	1248	1742	3025	5100	8214	10511	10340	4503	3091
Output (kg/ha)									234	429	516	558	666	809	1 074	1 253	1 204	517	353
Village plantations																			
Planted area /yr (ha)							101	130	127	132	14	79	308	466	528	511			
Tot. Planted areas (ha)							101	231	358	490	504	583	891	1357	1885	2396	2396	2396	2396
Areas in production (ha)																300	490		
Field productions (t of c/c sec)																69,9	285		
Processing																			
Production Factory c/c sec (t)									153	677	1253	1748	3037	5117	7202	7615	10609		
Cumulative production (t)									153	830	2083	3831	6868	11985	19187	26802	37411		
Rubber sale (t)										403	1008	1371	3044	4879	8113	8033	10640	6249	2077
Turnover (million cfa.f)											210,3	303,6	1603,8	3179,3	4817,7	4819,9	4189,2	1861	886
Average selling price (cfaf/kg)											209	221	527	652	594	600	394	297	426

TABLES OF MONETARY AND ECONOMIC FLOWS

Bases for the calculation of monetary and economic tables

- IRR Assumption I: Investment = to the current Hévégab assets divided in proportion to the planted areas (Mitzić, Bitam and VP), i.e. 67 billion x 85%.

Projected expenditures and estimated revenues up to 2020 taking into account the restructuring plan and considering for 2003, the 1998 production level after a supplementary reactivation of investment.

- IRR Assumption II: Schedule of actual flows considering all the actual operating expenses and incomes from 1992 to 2001, then estimate from 2002, based on the restructuring plan by considering for 2003 the 1998 production level.

Phase I investment, taken into account in its value before the devaluation of investment from phase I to phase II, taking into account the devaluation.

ERR factors for converting monetary prices into economic prices

1. REVENUES: Revenues valorised at FOB prices less the transport costs (cfa. F 39,95 /Kg)

2. EXPENDITURE:

- Tapping and maintenance labour: 15% (99 % of this labour comes from the neighbouring countries)
- Other operating expenses: 80%
- Investment: 75% on average (imported equipment 86%, works: 65%)

SCENARIO I: SCHEDULE OF MONETARY FLOWS (Bitam+ Mitzic+purchase of village production) in thousand cfa.f

Years	Invest. (net accounting value) ⁽¹⁾	Renewal.	Operating expenses.	Total Application	Resources	Monetary Cash flow	Conversion factors	N.P.V
2003	57000000	3000000	4154083	64154083	5390000	-58764083	1.04166667	- 61 212 586
2004			4498752	4498752	6050000	1551248	1.08506944	1 683 212
2005			4843421	4843421	7320000	2476579	1.13028067	2 799 229
2006			4923811	4923811	7440000	2516189	1.1773757	2 962 499
2007			5084591	5084591	7680000	2595409	1.22643302	3 183 095
2008		1500000	5164981	6664981	7800000	1135019	1.2775344	1 450 025
2009			5285566	5285566	7980000	2694434	1.330765	3 585 658
2010			5285566	5285566	7980000	2694434	1.38621354	3 735 060
2011			5285566	5285566	7980000	2694434	1.44397243	3 890 688
2012			5285566	5285566	7980000	2694434	1.50413795	4 052 800
2013		1500000	5285566	6785566	7980000	1194434	1.56681037	1 871 451
2014			5285566	5285566	7980000	2694434	1.63209413	4 397 569
2015			5285566	5285566	7980000	2694434	1.70009805	4 580 801
2016			5285566	5285566	7980000	2694434	1.77093547	4 771 668
2017			5285566	5285566	7980000	2694434	1.84472445	4 970 487
2018		1500000	5285566	6785566	7980000	1194434	1.92158797	2 295 209
2019			5285566	5285566	7980000	2694434	2.00165414	5 393 324
2020			5285566	5285566	7980000	2694434	2.08505639	5 618 046
Total						-19156438		28 235
							IRR: -4.0	

(1) Current asset from the accounting standpoint. in proportion to the planted areas (67 billion x 0.85%)

SCENARIO II: SCHEDULE OF MONETARY FLOWS IN MILLION CFA.F

YEARS	Investment	Operating expenses	Total expenditure	RESOURCES	Monetary Cash flow f	Conversion factor	NPV
1985-1991	47000		47000		-47000	1.059	- 49 788.316
1992		4737	4737	210	-4527	1.122	- 5 080.033
1993	4200	3695	7895	303	-7592	1.189	- 9 024.855
1994	40000	4097	44097	1603	-42494	1.259	- 53 510.577
1995		4407	4407	3179	-1228	1.334	- 1 638.092
1996		4599	4599	4818	219	1.413	309.465
1997		6200	6200	4820	-1380	1.497	- 2 065.737
1998		7782	7782	4189	-3593	1.586	- 5 697.460
1999		4168	4168	1937	-2231	1.680	- 3 747.586
2000		3300	3300	887	-2413	1.779	- 4 293.756
2001		3200	3200	800	-2400	1.885	- 4 523.966
2002		2500	2500	0	-2500	1.997	- 4 992.017
2003	3000	4154	7154	5390	-1764	2.115	- 3 731.321
2004		4498	4498	6050	1552	2.241	3 477.633
2005		4843	4843	7320	2477	2.374	5 879.577
2006		4924	4924	7440	2516	2.514	6 326.430
2007		5084	5084	7680	2596	2.664	6 914.818
2008	1500	5164	6664	7800	1136	2.822	3 205.401
2009		5286	5286	7980	2694	2.989	8 052.481
2010		5286	5286	7980	2694	3.166	8 530.170
2011		5286	5286	7980	2694	3.354	9 036.197
2012		5286	5286	7980	2694	3.553	9 572.243
2013	1500	5286	6786	7980	1194	3.764	4 494.159
2014		5286	5286	7980	2694	3.987	10 741.619
2015		5286	5286	7980	2694	4.224	11 378.833
2016		5286	5286	7980	2694	4.474	12 053.849
2017		5286	5286	7980	2694	4.740	12 768.908
2018	1500	5286	6786	7980	1194	5.021	5 994.990
2019		5286	5286	7980	2694	5.319	14 328.798
2020		5286	5286	7980	2694	5.634	15 178.811
Total					-79298	TRI = -5.6%	150.849

SCENARIO I: SCHEDULE OF ECONOMIC FLOWS
(Bitam+ Mitzic+purchase of village production) in thousand cfa.f

ANNEX IV
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Years	Invest.(Net acct. value) ⁽¹⁾	Renewal	Operating expenses	Total Application	Resources	Economic cash flow	Conversion factors	N.P.V
2003	42750000	2250000	2737501	47737501	4998490	-42739011	0.95684623	- 40 894 662
2004			2941510	2941510	5610550	2669040	0.91555472	2 443 652
2005			3145519	3145519	6832610	3687091	0.87604508	3 230 058
2006			3197876	3197876	6944620	3746744	0.83824044	3 140 672
2007			3302592	3302592	7168640	3866048	0.80206721	3 100 831
2008		1125000	3354949	4479949	7280650	2800701	0.76745499	2 149 412
2009			3433486	3433486	7448665	4015179	0.73433642	2 948 492
2010			3433486	3433486	7448665	4015179	0.70264704	2 821 254
2011			3433486	3433486	7448665	4015179	0.67232517	2 699 506
2012			3433486	3433486	7448665	4015179	0.64331181	2 583 012
2013		1125000	3433486	4558486	7448665	2890179	0.61555048	1 779 051
2014			3433486	3433486	7448665	4015179	0.58898716	2 364 889
2015			3433486	3433486	7448665	4015179	0.56357015	2 262 835
2016			3433486	3433486	7448665	4015179	0.53924997	2 165 185
2017			3433486	3433486	7448665	4015179	0.51597931	2 071 750
2018		1125000	3433486	4558486	7448665	2890179	0.49371286	1 426 919
2019			3433486	3433486	7448665	4015179	0.47240729	1 896 800
2020			3433486	3433486	7448665	4015179	0.45202113	1 814 946
Total						19962767		4 604
							ERR: 4.51%	

OVERALL PERFORMANCE AND RATING

IMPLEMENTATION PERFORMANCE

Component indicators	Score (1 to 4)	Observations
1. Compliance with the general schedule	2,5	The delay was mainly in the VP/PMPH
2. Compliance with the cost schedule	2	The non-compliance is attributable to the two companies COLAS and SOBEA-SOGEA, which failed to comply with the specifications. Furthermore, there were internal reallocations following the devaluation of the CFA.F.
3. Respect of the clauses	2,5	Overall, the procedures were respected
4. Adequacy of monitoring, evaluation and reports	2,5	Monitoring and evaluation were average
5. Satisfactory operations	-	
Total	11	
Overall performance evaluation	24	Acceptable operation

PERFORMANCE OF THE BANK

Component Indicators	Scores (1 to 4)	Observations
1. During identification	2	Adequacy with the rubber master plan, but high production cost and inadequate investigation in the alternative crops.
2. During project preparation	3	Concerns mainly the industrial component of the consolidation of phase I
3. At appraisal	3	In close match with the preparation document
During supervision	3	The Bank carried out all the supervisions; some recommendations helped readjust the project.
Overall performance evaluation of the Bank	2.75	Bank performance was overall satisfactory

PROJECT OUTPUT

N°	Component indicators	Scores (1 to 4)	Observations
1.	1. Relevance and achievement of objectives		
	i) Macro-economic policy	2	Average macro-economic impact
	ii) Sector policy	3	Contribution to the achievement of the objectives of the rubber master plan.
	iii) Physical outputs (including production)	2	Shortfall in relation to projections
	iv) Financial component	1.5	Low financial return
	v) Poverty reduction	2	No focusing of the poor and vulnerable areas
	vi) Environment	2	Average impact on the environment, deterioration of resources and no specific pollution control measures.
	vii) Private sector promotion	2	Heavy Government involvement, but most of the works were subcontracted to private enterprises.
	viii) Others (to be specified)		
	2. Institution Building		
	i) Institutional framework (including restructuring)	2	Effort in the training of workers, Hévégab restructuring prospects.
	ii) Financial and management information systems, including audit system.	3	Satisfactory mastery of the accounting management and management control tools.
	iii) Transfer of technology	2	Inadequate transfer by GIE TEERE ROUGE technical assistance at project start.
	Endowment with skilled staff	3	Satisfactory qualification level of the present staff
	3. Sustainability		
	i) Borrower's continuing commitment	1,5	Lack of Government motivation in view of the financial abyss the project constitutes.
	ii) Environmental policy	2	
	iii) Institutional framework	2.5	Overstaffing and mismatch with the production level.
	iv) Technical viability and staff training.	2	
	v) Financial viability including the cost recovery system.	1	
	Vi) Economic viability	2	
	Vii) Environmental viability	2.5	
	Viii) Operating and maintenance (availability of recurrent funds, exchange rate, spare part workshop equipment, etc.)	1.5	
	4. Internal rate of return	0.5	
	Overall assessment of the impact on development	2.0	Acceptable performance output