

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA35530

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<b>Project Name</b>	Infrastructure and Local Development Program II (P151077)
<b>Region</b>	AFRICA
<b>Country</b>	Gabon
<b>Sector(s)</b>	General public administration sector (20%), General water, sanitation and flood protection sector (35%), Other social services (6%), Other industry (5%), Urban Transport (34%)
<b>Theme(s)</b>	Urban services and housing for the poor (60%), Micro, Small and Medium Enterprise support (10%), Participation and civic engagement (10%), Municipal governance and institution building (20%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P151077
<b>Borrower(s)</b>	GABONESE REPUBLIC
<b>Implementing Agency</b>	National Commission for Public Infrs. Works and Promotion of Small-Scale Enterprises (CN-TIPPEE)
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	23-Oct-2015
<b>Date PID Approved/Disclosed</b>	24-Oct-2015
<b>Estimated Date of Appraisal Completion</b>	23-Oct-2015
<b>Estimated Date of Board Approval</b>	10-Dec-2015
<b>Appraisal Review Decision (from Decision Note)</b>	Authorization to appraise and negotiate the project were given at Decision Meeting on October 16, 2015, subject to the disclosure of all safeguards documents.

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**I. Project Context**

**Country Context**

Located on the west coast of Central Africa, Gabon is a small country with the population of 1.7 million over a surface area of 268,000 square kilometers. Rich in natural resources, the country has relatively high GDP per capita (estimated at US\$11,114). Oil production over the past 40 years has transformed Gabon into one of Africa's few middle-income countries. Despite declining oil production and attempts at economic diversification, Gabon remains largely dependent on natural resources.

Despite the country's wealth and relatively high per capita income, the poverty rate remains high in Gabon—one in three Gabonese citizens is still living below the poverty line of \$1.25 a day. Gabon

occupies 112th place out of 189 countries on the 2014 Human Development Index. Gabon's human development falls short of countries with similar income levels, with very high inequality and unemployment levels. The latest national household survey, dated 2005, revealed an increase in the proportion of Gabon's population living below the poverty line from 25 percent in 1997 to 33 percent in 2005. A new poverty survey is planned for 2016. The country's unemployment rate is high at 27 percent (2010) and youth and women are the most affected.

Gabon has not met a number of the Millennium Development Goals. Progress falls short of targets related to poverty reduction, infant and maternal mortality, and the prevalence of HIV/AIDS. Moreover, the significant share of precarious housing is one of the indicators of increased poverty in Gabon. In 2005, 8 percent of homes were located in precarious habitats and by 2011 this had risen to 11.6 percent.

Further, the economic growth slowed down in recent years, from 5.6 percent in 2013 to 4.3 percent in 2014, and the growth rate is expected to decline further to 4.1 percent in 2015. This is driven by negative growth in construction and public works led by a slowdown in public investment caused by declining oil prices. The reduction in public investment caused total expenditure to decline from 29 percent to 24 percent of GDP from 2013 to 2014.

Gabon has formulated a medium-term strategy aimed at becoming an emerging country by 2025 (Plan Stratégique Gabon Emergent, PSGE) and sector strategies. The PSGE is a three-pronged strategy that seeks to leverage industry, sustainable natural resource management, and services to transform Gabon into an emerging country by 2025. In 2012, the Government announced a new infrastructure plan, amounting to US\$13 billion, to be implemented between 2013 and 2016. This is a global development strategy aimed at providing Gabon with the requisite infrastructure across the country for the socio-economic development of its hinterland and a diversification of its national economy.

### **Sectoral and institutional Context**

Gabon is one of the most urbanized countries in Africa, with more than four in five Gabonese citizens living in urban areas. However, its urbanization is characterized by unevenly distributed urban network, inadequate urban services, insufficient job market, and urban poverty (30 percent in 2005) close to rural poverty levels. A recent trend in Gabon's urbanization is that the greater part of urban population growth is taking place outside of Libreville, in smaller and badly interconnected urban centers. The national urban population increased by 2.7 to 4.1 percent over the past 20 years, compared with 2.4% in Libreville. In consequence, secondary urban centers are gaining importance and Libreville has seen its share of the urban population decline steadily from just over 60 percent in the 1970s to about 48 percent in 2014. The population of the capital city now stands at about 730,000.

Urbanization has taken place without any policy or planning documents to support the process, resulting in inefficient cities. The large urban agglomerations of Libreville and Port Gentil are made up of mono-functional and badly interconnected urban areas. Updating of the Urban Master Plan of Libreville was initiated in 1995, but remains incomplete, and a National Land Use and Development Plan was approved only as recently as 2014. Other cities lack any reference in approved planning documents to guide their development.

Rapid and uncontrolled urbanization has led to the development of unplanned settlements on underserved land, and in consequence an increase in the number of poor urban households without access to basic urban services. Development has often taken place in flood-prone areas that are not suitable for habitation, making delivery of services costly. This situation is aggravated by lack of storm water drainage, increasing the risk of natural disasters. These so-called “underserved” settlements, in which more than three quarters of the urban population and 60 percent of economically disadvantaged households live, are characterized by poor access to basic services, precarious houses built of makeshift materials, lack of land titles, high population density, poor urban mobility (the number of individuals with access to an all-season road is estimated at 43 percent), and lack of wastewater/drainage systems. Public health and hygiene is at risk, with only 43 percent of the urban population having access to improved sanitation. Inadequate solid waste management is degrading urban environment. The percentage of households with access to an effective solid waste system is relatively low (37.2 percent in 2010) and has declined since 2005 (45.4 percent). Housing shortage is estimated at between 50,000 and 170,000 units for the two major cities, with an annual additional deficit of about 6,000 units. As a consequence about 80 percent of housing in Libreville is self-constructed.

A partial and incomplete decentralization process leaves cities with limited means and capacity to discharge their functional mandate. Almost 20 years after its enactment, the framework law (Law No. 15/96 of June 6, 1996) is still encountering implementation difficulties owing, in particular, to: (1) the government’s delay in effectively transferring powers and the resources needed for their effective implementation by local governments, with sector ministries continuing to exercise functions transferred to local governments; (2) low institutional capacity of local governments; (3) the lack of guiding urban policies and plans; and (4) the failure by municipalities to enforce regulations in terms of land use and management of public investments. A new framework law for decentralization was approved by parliament on June 15, 2015. The own-source revenues accorded to municipalities by law (mainly business and housing taxes) are largely undeveloped and debt-financed investments remain purely theoretical. As a consequence, even major cities have very limited financial resources available to provide services to the city inhabitants, and almost all of municipal budgets are consumed by payroll expenditure (80 to 85 percent, leaving little for investments).

This proposed Project is a follow-up operation to the Local Infrastructure Development Project I (LIDP1, US\$25 million) , which closed in 2011. During preparation of the 2012-2016 Country Partnership Strategy (CPS), there were strong requests for continued support in urban infrastructure, particularly in areas covered by the LIDP1, with demands from all mayors and beneficiaries. The LIDP1 intervened in six Gabonese provincial capitals: Libreville, Lambaréné, Oyem, Mouila, Port Gentil, and Franceville. While the LIDP1 succeeded in establishing some minimal technical capacity in those provincial capitals, from a starting point of hardly any capacity, this has largely withered due to lack of activity on the part of municipal administrations since the closure of the LIDP1. Further, the provision of urban infrastructure and services was too limited in scope to substantially meet the huge demands. Therefore, the need for a follow-up operation has been discussed between the Government and the Bank since 2011.

In continuation of the LIDP1, the proposed Project will support urban services delivery, but with a greater focus on building municipal management capacities in target cities. While the Project will not be able to, and does not claim to, substantially address all issues outlined above related to urbanization, service delivery, and decentralization (including the overstaffing of municipalities), it

aims to address the issue of access to basic services in specific underserved neighborhoods in the target cities and to strengthen the capacity of the municipal administrations to execute their mandate. This dual approach builds on synergies between investing in infrastructure, establishing consultative budget and planning processes, and supporting increase in cities' own-source revenues and maintaining at least some urban infrastructure (against none presently). Against the backdrop of historic inertia in advancing the decentralization agenda, the Project will start laying the foundations for a future shift from a highly centralized political and administrative system towards a more decentralized system, with municipalities better able to execute their mandate, including assuring at least some investments.

## II. Proposed Development Objectives

The PDO is to improve access to urban services in selected underserved neighborhoods, and to build basic capacities for municipal management in target cities.

## III. Project Description

### Component Name

Component 1: Urban infrastructure and services (US\$86.4 million)

### Comments (optional)

This component will increase access to services in underserved neighborhoods and to assure better integration of these neighborhoods into the urban fabric. The component has two sub-components: (i) Priority Investment Program (PIP); and (ii) Neighborhood Investments.

### Component Name

Component 2: Institutional support and capacity-building (US\$8.6 million)

### Comments (optional)

This component aims to strengthen the capacity of municipalities of target cities and other stakeholders in urban development to plan, program, implement, and manage municipal services in a transparent and inclusive manner. The component has four sub-components targeting specific groups of stakeholders: (i) Municipal strengthening; (ii) Government strengthening; (iii) Private sector strengthening; and (iv) Civil society strengthening.

### Component Name

Component 3: Management, coordination, monitoring and evaluation (US\$5 million)

### Comments (optional)

This component will assure smooth implementation of all project activities in accordance with the Bank policies and guidelines. It will finance cost related to, inter alia: (i) training for the CN-TIPPEE; (ii) environmental and social monitoring; (iii) project monitoring and evaluation; (iv) operating expenditures; and (v) audits. The fixed cost will be shared with three other Bank-funded project implemented by the CN-TIPPEE while the ILDP2 will pay for specific cost related to project implementation.

## IV. Financing (in USD Million)

Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
Borrower			0.00

International Bank for Reconstruction and Development	100.00
Total	100.00

## V. Implementation

The project implementation arrangements are essentially built on the LIDP1 implementation arrangements, which relied on the Permanent Secretariat (PS) of the CN-TIPPEE, a national steering committee and city-level implementation arrangements. These arrangements worked well overall, and have been reused for the ILDP2, with some changes.

The CN-TIPPEE is currently implementing three other projects funded by the Bank and its capacity has been reassessed to ensure that the CN-TIPPEE has the required technical and fiduciary capacity for the additional workload. It was concluded that the PS will be strengthened by the addition of an Assistant Permanent Secretary, additional technical specialists, a procurement specialist, an environmental and social safeguards specialist, and an accountant. The coordination aspect is strengthened through reinforced oversight mechanisms and the addition of a communication specialist to the CN-TIPPEE.

A steering committee will be established for Project monitoring. It will include representatives of the following institutions and entities: the Ministry of Economy, the Ministry of Internal Affairs and Decentralization, the Presidential Office, the Ministry of Budget, the Ministry of Poverty, the Ministry of Environment, the Ministry of Land Management, the Ministry of Commerce and Artisans, the Ministry of City, the Ministry of Urbanism, and the Mayors' Association.

In each participating municipality, a coordination committee chaired by the mayor will be established. This committee will include the arrondissement mayors, the representatives of deconcentrated services, the IA, local government technical services, the private sector, and representatives of local communities. Women and youth, who are commonly marginalized from local decision-making, will be included in local consultative forums through local women's and youth organizations. These committees will ensure planning and monitoring of implementation of the Project activities. The mayor of each target city will enter into a municipal contract with the Government for their respective programs.

The target cities will implement activities subject to demonstrating sufficient capacity. The municipalities do not, in the outset, have the basic capacity to implement Project activities and therefore this will be transferred to the CN-TIPPEE through a delegated management arrangement. Several elements of the Project are designed to help the municipalities achieve the basic required capacity to take on implementation responsibility, including involvement in project activities as described in the lessons learned section. Subject to the cities developing sufficient capacity during Project implementation, they will be given responsibility for procurement and/or supervision of smaller works of sub-component 1.2 (Neighborhood Investments) after an initial startup phase and potentially with a differentiated approach to take into account variations in capacity among target cities.

## VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	

Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

**Comments (optional)**

**VII. Contact point**

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