

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

Report No.: AB1014

<b>Project Name</b>	Priority Infrastructure and Local Economic Development
<b>Region</b>	AFRICA
<b>Sector</b>	General public administration sector (20%);Sewerage (20%);Other social services (20%);Sanitation (20%);Roads and highways (20%)
<b>Project ID</b>	P082812
<b>Borrower(s)</b>	GOVERNMENT OF GABON
<b>Implementing Agency</b>	
	Ministère de la Planification, de la Programmation, du Développement et de l'Aménagement du Territoire B.P. 2119 Libreville Gabon Tel: (241) 72 14 32 Fax: (241) 77 35 90
	PAPSUT P.O. Box 114 Gabon Tel: (241) 76 58 30 Fax: (241) 76 58 31 papsut@internetgabon.com
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Safeguard Classification</b>	<input type="checkbox"/> S <sub>1</sub> <input checked="" type="checkbox"/> S <sub>2</sub> <input type="checkbox"/> S <sub>3</sub> <input type="checkbox"/> S <sub>F</sub> <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	July 19, 2004
<b>Estimated Date of Appraisal Authorization</b>	February 2005
<b>Estimated Date of Board Approval</b>	April 5, 2005

**1. Key development issues and rationale for Bank involvement**

Gabon faces two major challenges to ensure a smooth transition from an oil-based economy to a diversified economy (the direction recommended in both the latest and upcoming CAS): sustainable development of a local private sector and poverty reduction, particularly in urban areas where more than 75% of the population of the country lives.

One of the most efficient and reliable means for achieving those objectives is to improve the quality of public investment and maximize its impact on both the local private sector and poverty alleviation, *first* by making public works in infrastructure more accessible to local small and medium-scale enterprises (SMEs) through the use of labor-based technologies and appropriate procurement methods; *and second* by developing public infrastructure projects at the community level, mostly in urban areas, to improve access to basic social services.

The Pilot Community Infrastructure Works and Capacity Building Project (Learning and Innovation Loan - LIL)<sup>1</sup>, has already suggested that such an approach is feasible in the context of Gabon, at least on a small scale. It helped assert the role of SMEs in the local construction and public works industry; improved access to infrastructure and services in impoverished neighborhoods; involved the civil society in the choice of investments and improvement of living conditions; and strengthened the capacity of local governments to monitor slum upgrading operations.

<sup>1</sup> Ln. 4387-GA; closed June 30, 2004.

Despite its small size, this first project is perceived in Gabon as a unique example in the fight against poverty. A few months before its closure on June 30, 2004, the project was discussed and evaluated openly at a national workshop that included representatives from all relevant department ministries, local governments, the local private sector and the civil society. The participants praised the project achievements and asked that it be scaled up and expanded both in terms of sectors (primary health centers, schools, roads and municipal facilities) and geographical coverage (urban and rural areas).

Over the last few months, specific requests have already been made by the Mayor of Oyem (Gabon's fourth larger city; not included in the LIL) and the Minister of Education. The Minister of Planning has also suggested that the upcoming project be at the core of both upcoming PRSP and CAS, the latter focusing on the diversification of the economy through, in particular, a stronger local private sector and better and more efficient use of public expenditures to improve service delivery to the poor<sup>2</sup>. The proposed project is prepared, both in Gabon and in the context of the Bank country team, as a core element of the CAS, scheduled for Board presentation end CY04.

The proposed project would build upon the existing Public Investment Program (PIP), which is mostly financed locally, Gabon being an IBRD country. The Project would help develop, within the PIP, the content of a sub-program that could be procured by local SMEs. Within this sub-program, the Bank's contribution would only finance the urban infrastructure sub-sector that could be delivered by the local construction industry, in order to initiate a process that would eventually be sustained by local resources at the end of project implementation.

The critical element to achieve this objective in a sustainable manner is to set up an infrastructure Public Investment Program across sub-sectors (namely urban, transport, rural, social) out of which a growing proportion would be contracted out to local private SMEs. The IBRD-financed project would be part of a broader program involving several line ministries concerned with local infrastructure (transport, health, education, municipal development, rural development, etc.).

The Bank's involvement is critical to successful scale-up because (i) it can, through the project, support the development of institutional mechanisms geared to enhance local capacity in both public and private sectors; and (ii) the Bank's financial contribution is likely to leverage additional financing from other donors, part of it through grants or concessional loans. It would thus not only optimize the quality of public investment but also maximize its quantitative impact, at no significant extra cost in terms of public debt. While other donors have already expressed interest in the Project<sup>3</sup>, the Bank has a comparative advantage to take the lead in that operation. It has an extended knowledge of the infrastructure sector in Gabon. It has contributed to the preparation of an infrastructure strategy in the transport and urban sector that allows for easy identification of public investment priorities in the medium and longer terms. It has subsequently supported and partly financed the LIL mentioned here above. It is ideally positioned to take the lead on an effort likely to bear a significant impact on Gabon's transition to a diversified economy.

## **2. Proposed objective**

The proposed project development objective is to increase access by the population, especially the poor, to basic infrastructure and services.

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<sup>2</sup> as defined during the CAS preparation retreat, June 30 – July 1, 2004.

<sup>3</sup> in particular the African Development Bank, the European Union, and the French Development Agency; the latter is already planning specific operations in the sanitation sector.

The project will work both (1) at the macroeconomic level, by developing the local private sector through optimizing public investments in construction and public works; and (2) at the sector level, by improving access to basic infrastructure through community-based upgrading of poorly-served urban areas. The project will seek to achieve these objectives through:

- ⌚ supporting the streamlining of Gabon's Public Investment Program by setting up a Priority Investment Program in Infrastructure (urban, municipal, health, and education) that could be increasingly procured to local SMEs; and
- ⌚ supporting priority urban investments involving community-based neighborhood upgrading.

The approach, which will not add a line of infrastructure works to the existing PIP, is suited to a country where external funds only complement local public resources in the financing of the investment budget. SMEs' involvement in public works execution will also be facilitated by a larger recourse to labor-based technologies and appropriate procurement methods, as tested in the former LIL: two critical factors for larger SMEs' involvement in public works execution.

The project outputs will include: the development of local SMEs; improved access to basic infrastructure and services by the poor; enhanced community participation at the neighborhood level; and capacity building in the management of urban development at both the national and local/municipal levels.

### 3. Preliminary description

The Project is conceived and prepared as a key element of the forthcoming CAS. It is proposed that its duration coincides with that of the CAS (four to five years, as suggested for the CAS). The financial instrument proposed is either a Sector Investment Loan (SIL) or a Specific Investment Maintenance Loan (SIML), more suited than an Adaptable Program Loan (APL) because the project will be based on the findings of the LIL, where the concept of the operation has been identified and tested, and could eventually develop into the core of a more comprehensive public expenditure program or a PRSC.

The Project will scale up and expand the transparent procurement methods tested under the LIL. These methods have been labeled as "TIPPEE" because they promote enterprise development and employment through public works (*travaux d'intérêt public pour la promotion de l'entreprise et de l'emploi*).

On that basis, the Project will support (i) the design and preparation of a program of public works accessible to SMEs, at the national budget level, i.e., a "national PIP-TIPPEE"<sup>4</sup>; (ii) capacity building efforts specifically geared to enhance the quality of preparation and implementation of "TIPPEE" operations at the municipal level; and (iii) financing of priority infrastructure and facilities accessible to SMEs, through the "TIPPEE" methods. The contents of the three components are given below:

(a) Support to the management of the "TIPPEE" Program (\$2 million):

- ⌚ support to the Planning Ministry in the design, coordination, and monitoring of the "TIPPEE" Program (technical secretariat);
- ⌚ contribution to the Project Unit's operating and training expenses;
- ⌚ technical support to the Departments in charge of budget and local finances in the implementation of the Program;
- ⌚ SMEs' training (technical, financial, and management);

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<sup>4</sup> This would include small urban infrastructure investments (secondary roads, drainage) as well as social facilities (typically schools or classrooms, clinics) as defined in the PIP of the relevant sector ministries.

- ⌚ consultants' services (environmental, social and economic impact, monitoring and evaluation, audits)
- ⌚ housing finance study (to be carried in collaboration with the banking sector) geared, in part, to enhance the role of SMEs in the construction industry.

(b) Capacity building for the management of municipal “PIP-TIPPEE” (\$3 million)

- ⌚ information and community participation;
- ⌚ support to local governments to enhance consultation/ participation on the definition of investment priorities (preparation of municipal PIPs);
- ⌚ identification and feasibility studies of “TIPPEE” operations ;
- ⌚ contribution to operating costs as induced by the Project
- ⌚ training of municipal staff (managerial, technical, and financial).

(c) Contribution to a three-year (revolving) infrastructure and equipment program accessible to SMEs (\$11 million)

- ⌚ priority infrastructure and facilities investments as defined in the PIP of sector ministries (primarily Health and Education);
- ⌚ secondary roads and drainage (Ministries of Public Works and Transport);
- ⌚ local urban infrastructure (municipal investments, e.g. secondary and tertiary roads and drainage, bus stations, slaughterhouses, markets, etc.) as defined in the municipal investment programs;
- ⌚ support to the programming and implementation of micro-projects;
- ⌚ consultants' services (technical studies, monitoring and control).

#### 4. Safeguard policies that might apply

Environment category B will apply for the proposed project. The Borrower will prepare an environmental and social management framework, as well as a resettlement policy framework for the project. AFTU2 will assume responsibility for overseeing the environmental impact of the proposed operations.

#### 5. Tentative financing

Source:	(\$m.)
BORROWER	7
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	16
Total	23

#### 6. Contact point

Contact: Chantal Reliquet  
 Title: Senior Urban Specialist  
 Tel: (202) 473-6385  
 Fax: (202) 473 8249  
 Email: [Creliquet@worldbank.org](mailto:Creliquet@worldbank.org)