

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

Report No.: PIDA2544

Project Name	Gabon Investment Promotion & Competitiveness Project (P129267)
Region	AFRICA
Country	Gabon
Sector(s)	Public administration- Industry and trade (75%), General industry and trade sector (13%), SME Finance (12%)
Theme(s)	Regulation and competition policy (54%), Micro, Small and Medium Enterprise support (29%), Other Private Sector Development (12%), Gender (5%)
Lending Instrument	Investment Project Financing
Project ID	P129267
Borrower(s)	Ministère de l'Economie, de l'Emploi et du Développement Durable (MEED)
Implementing Agency	CN-TIPPEE, MPIIHAT
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	09-Jan-2014
Date PID Approved/Disclosed	17-Sep-2014
Estimated Date of Appraisal Completion	17-Jan-2014
Estimated Date of Board Approval	11-Mar-2014
Decision	

I. Project Context

Country Context

Gabon is an upper middle income country (MIC) in transition from a factor-driven to an efficiency-driven economy. It is resource-rich, well-endowed with arable land, forest, and mineral resources. At this stage, emerging sources of growth are not sufficiently competitive. While 80 percent of its population lives in urban areas, Gabon has an untapped 20 million hectares (ha) of arable land, a circumstance that has led to 85 percent of its food products being imported. Three industries—oil, manganese, and forestry—account for 95 percent of exports and 50 percent of GDP. On average, over the last five years, the oil sector has accounted for 81 percent of exports, 45 percent of GDP, and 60 percent of government revenue. The Gabonese economy is expected to continue to benefit from relatively high commodity prices and the government's expansionary fiscal policy. In the medium term, economic prospects remain favorable.

With oil reserves gradually depleting, well targeted reforms are critical to promote private

investments in nonoil sectors. Efforts to diversify the economy have not yet reduced Gabon's dependence on oil; therefore the Government intends to focus on potentially highly competitive value chains as a catalyzer for broader nonoil growth. In the near term (2014–16), the Gabonese economy is expected to continue to benefit from high oil prices. On the one hand, from 2005 to 2010, high prices enabled the authorities to maintain a large positive fiscal balance averaging 7.8 percent of GDP. However, in the long term, because oil production is expected to decline gradually (for example, by 1.4 percent by 2016), fiscal sustainability will remain a key challenge for Gabon. On the other hand, the nonoil primary deficit grew significantly from 13.8 percent in 2009 to 21 percent of nonoil GDP in 2010. This large increase in one year reflects the government's decision to triple capital expenditure and increase wages. During 2012–15, nonoil GDP is expected to grow on average 4.5 percent annually as a result of manganese production increase, a rebound in wood-processing activities, a boom in public works, and a strong expansion of services and domestic trade.

At the same time, Gabon's human development outcomes fall short of countries with similar per capita income. GDP per capita reached US\$ 8,643 in 2010, which ranks Gabon 56th in the world; however, income inequality is high. The richest quintile of the population receives half the national income; yet one-third lives in poverty. Gabon is ranked 106 out of 187 countries in the 2011 UNDP Human Development Index, well below countries with similar GDP per capita. There has been an increase in the proportion of Gabon's population living below the poverty line from 25 percent in 1997 to 33 percent in 2005. Large households with low levels of education and weak labor skills are the poorest. The strong economic growth during the past decade has not been able to absorb the estimated 10,000–15,000 people that enter the labor market each year. The unemployment rate is high at 16 percent, with women and youth being the most affected: the unemployment rate among young people (those younger than 30) is 30 percent, whereas the female unemployment rate is 27 percent. Women are particularly affected: they represent only 29 percent of wage and salary workers but 63 percent of vulnerable employment. Households headed by females, which account for 20 percent, are more likely to be living below the poverty line than households headed by males. Concerted efforts will be required for Gabon to significantly improve its social indicators particularly with regards to poverty reduction, youth and gender equality.

Within this context, in 2010, Gabon started implementing its new economic vision known as “Plan Stratégique Gabon Emergent” (PSGE). It aims at modernizing the country and turning it into an emerging economy by 2025. The Government, which took office in 2009, emphasized broad-based sustainable growth development, and improved social indicators in a context of reduced oil reserves. The immediate challenge for the Gabonese authorities is to translate its ambitious new economic development plan into practical sector strategies with visible impacts, including poverty reduction, in the short to medium term.

Sectoral and institutional Context

Recognizing the pressing need for economic diversification, the government is centering its new strategy on improving the investment climate, developing skills, and providing assistance to small and medium enterprises, including fostering links with larger investments or industries. Building on analytical and advisory activities related to export diversification and competitiveness and employment and growth, the CPS proposes to focus on four specific areas: establishing an investment climate favorable to private investment, fostering industry-specific competitiveness, enhancing competitiveness through in-firm technical learning, and supporting institutional reform

and project implementation.

The government's strategy, "Plan Stratégique Gabon Emergent" (PSGE), targets capitalizing on Gabon's comparative advantages. This ambitious strategy is built on three pillars: (i) "Gabon Industriel": developing metallurgic and industrial capacities; (ii) "Gabon Vert": fostering sustainable forest management and transforming Gabon into a global leader in certified tropical timber production, developing agriculture and livestock farming to improve food security, and creating sustainable and responsible fisheries; (iii) and "Gabon des Services": making Gabon a center of excellence in business, tourism, and value-added services.

Successful completion of the Government's strategy will require the improvement of the investment climate and the upgrading of Gabon's private sector. Currently, Gabon's investment climate is not conducive to fostering broad-based economic diversification. Gabon ranks 163rd out of 189 countries in the 2014 Doing Business Report. It ranks 153rd globally on the "starting a business" index. Creating a business in Gabon takes 7 procedures and 50 days. The cost is 12.5% of per capita income, with a paid-up minimum capital of 19.3 % of income per capita. These figures are better than those of Doing Business 2013, but there is still room for improvement. Entrepreneurs face a wide range of complex, time-consuming, and costly procedures throughout the lifecycle of a business from its creation through its daily operations to its ultimate market exit. Promoting growth of both nonoil and non-extractive industries will foster the domestic private sector and create new employment opportunities. However, for the country to fully seize these opportunities it is necessary that the investment climate, particularly the regulatory environment, be conducive to doing business. As such, to improve competitiveness and contribute to economic diversification envisioned under the PSGE, Government investment in business climate reforms and enterprise development is essential.

II. Proposed Development Objectives

The objectives of the Project are to contribute to the improvement of the investment climate and to foster enterprise development in the Borrower's territory.

III. Project Description

Component Name

Institutional development to improve the business climate

Comments (optional)

The objective of the component 1 is to foster domestic and foreign investments and to reduce the burden for businesses in dealing with registration procedures in Gabon.

Component Name

Support to Enterprise Development

Comments (optional)

The objective of the component 2 is to help in facilitating the operationalization of Gabonese companies and fostering MSMEs development.

Component Name

Coordination, Implementation and Public Private Dialogue

Comments (optional)

The objective of the component 3 is to timely deliver project targets, monitor and evaluate activities and to establish the Presidential Investment Council.

IV. Financing (in USD Million)

Total Project Cost:	18.00	Total Bank Financing:	18.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
International Bank for Reconstruction and Development			18.00
Total			18.00

V. Implementation

The Ministère de la Promotion des Investissements, des Travaux Publics, des Transports, de l'Habitat et du Tourisme, Chargé de l'Aménagement du Territoire (MPITPTHTAT or Ministry of Investment Promotion) will be the responsible Ministry for the Project. The Ministry of Investment Promotion is currently recipient of the Project Preparation Facility with support from the CN-TIPPEE that ensures the fiduciary role pending the recruitment of adequate staff for the PCU. It is expected that CN-TIPPEE will also provide training and support to the incoming PCU during the initial months of implementation.

Day-to-day technical guidance and supervision of project activities will be provided by a Project Technical Committee (PTC) comprising of members appointed by the Ministry of Investment Promotion. APIC and PTC will have the overall responsibility of project coordination. Since APIC is a new agency with no experience in implementing World Bank financed project; the PCU will be established within the APIC to implement the Project. A Business Plan Competition manager and experts will be contracted by APIC and the PCU. These experts will include: Project Coordinator, Project Administrator (also in charge of M&E), Procurement Specialist, FM Specialist, etc. Where adequate skills are available within the implementing agency, no new recruitments will be carried out.

To ensure proper supervision of the Project, a Project Steering Committee (PSC) will be established to provide policy and oversight, and a Project Technical Committee (PTC) to provide day-to-day technical guidance and supervision of the project activities. The PSC and PTC will be established by effectiveness.

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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