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The World Bank

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Report No: PAD716

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EURO 13.1 MILLION  
(US\$18 MILLION EQUIVALENT)

TO THE

GABONESE REPUBLIC

FOR AN

INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT

February 12, 2014

Finance and Private Sector Development  
West and Central Africa  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2013)

Currency Unit = EURO  
US\$1 = XAF 472  
US\$1 = EURO 0.72

### FISCAL YEAR

January 1 – December 31

|                          |                  |
|--------------------------|------------------|
| Regional Vice President: | Makhtar Diop     |
| Country Director:        | Gregor Binkert   |
| Sector Director:         | Gaiv M. Tata     |
| Acting Sector Manager:   | John F. Speakman |
| Task Team Leader:        | Alexandre Laure  |

## ABBREVIATIONS AND ACRONYMS

|            |   |
|------------|---|
| ANPI-Gabon | Gabon Investment Promotion Agency ( <i>Agence de Promotion des Investissements du Gabon</i> )   |
| APIEX      | Investment and Export Promotion Agency ( <i>Agence de Promotion des Investissements et des Exportations</i> )   |
| AFD        | French Development Agency ( <i>Agence Française de Développement</i> )  |
| AfDB       | African Development Bank  |
| CCAIMG     | Chamber of Commerce, Agriculture, Industry, Mines and Handicrafts ( <i>Chambre de Commerce, d'Agriculture, d'Industrie, des Mines et de l'Artisanat</i> )   |
| CDE        | Enterprise Development Center ( <i>Centre de Développement des Entreprises</i> )  |
| CEMAC      | Economic and Monetary Community of Central Africa ( <i>Communauté Économique et Monétaire des Etats de l'Afrique Centrale</i> )   |
| CEPIG      | Centre for Industrial Property ( <i>Centre de Propriété Industrielle du Gabon</i> )   |
| CNSS       | Social Security Corporation ( <i>Caisse Nationale de Sécurité Sociale</i> )   |
| CN-TIPPEE  | National Commission for Public Works for Enterprise and Employment Development ( <i>Commission Nationale des Travaux d'intérêt public pour la promotion de l'entrepreneuriat et de l'emploi</i> ) |
| CPS        | Country Partnership Strategy  |
| DA         | Designated Account  |
| EOI        | Expressions of Interest   |
| ERR        | Economic Rate of Return   |
| ESMF       | Environmental and Social Management Framework   |
| EU         | European Union  |
| FDI        | Foreign Direct Investment   |
| FM         | Financial Management  |
| FPD        | Financial and Private Sector Development  |
| GDP        | Gross Domestic Product  |
| GoG        | Government of Gabon   |
| GPN        | General Procurement Notice  |
| HR         | Human Resources   |
| IBRD       | International Bank for Reconstruction and Development   |
| ICB        | International Competitive Bidding   |
| ICT        | Information and Communication Technology  |
| IDA        | International Development Association   |
| IDB        | Inter-American Development Bank   |
| IFC        | International Finance Corporation   |
| IFR        | Interim Financial Report  |
| IPF        | Investment Project Financing  |
| ISR        | Implementation Status and Results Report  |
| LCS        | Least-Cost Selection  |

|             |  |
|-------------|--|
| LIB         | Limited International Biddings   |
| MDE         | Minimum Detectable Effect  |
| MEP         | Ministry of Economy and Prospective ( <i>Ministère de l'Economie et de la Prospective</i> )  |
| MIC         | Middle Income Country  |
| MPIIHAT     | Ministry of Investment Promotion, Infrastructure, Housing and Planning ( <i>Ministère de la Promotion des investissements, des Infrastructures, de l'Habitat et de l'Aménagement du territoire</i> ) |
| NCB         | National Competitive Bidding   |
| NPV         | Net Present Value  |
| OECD        | Organization for Economic Cooperation and Development  |
| ORAF        | Operational Risk Assessment Framework  |
| PCU         | Project Coordination Unit  |
| PDO         | Project Development Objective  |
| PIC         | Presidential Investment Council  |
| POM         | Project Operational Manual   |
| PPA         | Project Preparation Advance  |
| PPD         | Public-Private Dialogue  |
| PPF         | Project Preparation Facility   |
| PSC         | Project Steering Committee   |
| PSGE        | Emerging Gabon Strategic Plan ( <i>Plan Stratégique Gabon Emergent</i> )   |
| PTC         | Project Technical Committee  |
| QBS         | Quality-Based Selection  |
| QCBS        | Quality-and Cost-Based Selection   |
| QER         | Quality Enhancement Review   |
| RAS         | Reimbursable Advisory Services   |
| RCCM        | Register of Companies and Sureties ( <i>Registre du Commerce et du Crédit Mobilier</i> )   |
| SBD         | Standard Bidding Documents   |
| SFB         | Selection under a Fixed Budget   |
| SME         | Small and Medium Enterprise  |
| TA          | Technical Assistance   |
| UNDB online | United Nations Development Business online   |
| USAID       | United States Agency for International Development   |
| WA          | Withdrawal Applications  |
| WBGES       | World Bank Group Entrepreneurship Snapshots  |

# GABON

## INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT

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**PAD DATA SHEET***Gabonese Republic**Gabon Investment Promotion and Competitiveness Project (P129267)***PROJECT APPRAISAL DOCUMENT***AFRICA**AFTFW*

Report No.: PAD716

| <b>Basic Information</b>  |  |                                     |   |
|---|--|-------------------------------------|---|
| Project ID<br>P129267   | EA Category<br>B - Partial Assessment          | Team Leader<br>Alexandre Hugo Laure |   |
| Lending Instrument<br>Investment Project Financing  | Fragile and/or Capacity Constraints [ ]        |                                     |   |
|   | Financial Intermediaries [ ]                   |                                     |   |
|   | Series of Projects [ ]                         |                                     |   |
| Project Implementation Start Date<br>11-Mar-2014  | Project Implementation End Date<br>31-May-2019 |                                     |   |
| Expected Effectiveness Date<br>01-Jun-2014  | Expected Closing Date<br>31-May-2019           |                                     |   |
| Joint IFC<br>No   |  |                                     |   |
| Sector Manager<br>John F. Speakman  | Sector Director<br>Gaiv M. Tata                | Country Director<br>Gregor Binkert  | Regional Vice President<br>Makhtar Diop |
| Borrower: Ministre de l'Economie et de la Prospective   |  |                                     |   |
| Responsible Agency: Ministre de la Promotion des investissements, des Infrastructures, de l'Habitat et de l'Aménagement du territoire (MPIIHAT) |  |                                     |   |
| Contact:<br>Telephone No.:  | Magloire Ngambia<br>24101763849                | Title:<br>Email:                    | Minister                                |
| <b>Project Financing Data(in USD Million)</b>   |  |                                     |   |
| [ X ] Loan  | [ ] Grant                                      | [ ] Guarantee                       |   |
| [ ] Credit  | [ ] IDA Grant                                  | [ ] Other                           |   |
| Total Project Cost:   | 18.00  | Total Bank Financing:               | 18.00                                   |
| Financing Gap:  | 0.00   |                                     |   |

| <b>Financing Source</b>                               | <b>Amount</b> |
|---|---------------|
| Borrower  | 0.00          |
| International Bank for Reconstruction and Development | 18.00         |
| Total   | 18.00         |

#### **Expected Disbursements (in USD Million)**

| Fiscal Year | 2014 | 2015 | 2016  | 2017  | 2018  | 2019  |  |  |  |
|-------------|------|------|-------|-------|-------|-------|--|--|--|
| Annual      | 1.35 | 4.00 | 5.50  | 4.00  | 2.00  | 1.15  |  |  |  |
| Cumulative  | 1.35 | 5.35 | 10.85 | 14.85 | 16.85 | 18.00 |  |  |  |

#### **Proposed Development Objective(s)**

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.

#### **Components**

| <b>Component Name</b>                                 | <b>Cost (USD Millions)</b> |
|---|----------------------------|
| Institutional Development to Improve Business Climate | 9.00                       |
| Support Enterprise Development                        | 6.00                       |
| Project Management and Public-Private Dialogue        | 3.00                       |

#### **Institutional Data**

##### **Sector Board**

Investment Climate Practice

##### **Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

| Major Sector                            | Sector                                   | %   | Adaptation Co-benefits % | Mitigation Co-benefits % |
|---|--|-----|--------------------------|--------------------------|
| Public Administration, Law, and Justice | Public administration-Industry and trade | 50  |                          |                          |
| Finance                                 | SME Finance                              | 30  |                          |                          |
| Industry and trade                      | General industry and trade sector        | 20  |                          |                          |
| Total                                   |  | 100 |                          |                          |

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

##### **Themes**

Theme (Maximum 5 and total % must equal 100)

| Major theme | Theme | % |
|-------------|-------|---|
|-------------|-------|---|



|  |  |     |
|--|--|-----|
| Financial and private sector development | Regulation and competition policy          | 50  |
| Financial and private sector development | Micro, Small and Medium Enterprise support | 30  |
| Financial and private sector development | Other Private Sector Development           | 20  |
| Total                                    |  | 100 |

### Compliance

#### Policy

|   |           |          |
|---|-----------|----------|
| Does the project depart from the CAS in content or in other significant respects? | Yes [ ]   | No [ X ] |
| Does the project require any waivers of Bank policies?                            | Yes [ ]   | No [ X ] |
| Have these been approved by Bank management?                                      | Yes [ ]   | No [ ]   |
| Is approval for any policy waiver sought from the Board?                          | Yes [ ]   | No [ ]   |
| Does the project meet the Regional criteria for readiness for implementation?     | Yes [ X ] | No [ ]   |

| 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  |

#### Legal Covenants

| Name                      | Recurrent | Due Date  | Frequency |
|---------------------------|-----------|---|-----------|
| Payment of Front-end Fees | No        | Not later than 60 days after the Effective Date | Once      |

#### Description of Covenant

The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.

| Name                            | Recurrent | Due Date  | Frequency |
|---------------------------------|-----------|---|-----------|
| Recruitment of External Auditor | No        | Not later than four (4) months after the Effective Date | Once      |

|  |                  |  |                  |
|--|------------------|--|------------------|
| <b>Description of Covenant</b>   |                  |  |                  |
| The Borrower shall employ, not later than four (4) months after the Effective Date: the external auditor referred to in Section 5.09 (b) of the General Conditions in accordance with Section III of Schedule 2 of the Loan Agreement and pursuant to terms of reference satisfactory to the Bank. |                  |  |                  |
| <b>Name</b>  | <b>Recurrent</b> | <b>Due Date</b>  | <b>Frequency</b> |
| Functioning Accounting Software  | Yes              | Not later than three (3) months after the Effective Date | Continuous       |
| <b>Description of Covenant</b>   |                  |  |                  |
| The Borrower shall, not later than three (3) months after the Effective Date, acquire, install and thereafter maintain an accounting software acceptable to the Bank, for the Project.   |                  |  |                  |
| <b>Name</b>  | <b>Recurrent</b> | <b>Due Date</b>  | <b>Frequency</b> |
| Establishment of Record Keeping System   | No               | Not later than three (3) months after the Effective Date | Once             |
| <b>Description of Covenant</b>   |                  |  |                  |
| The Borrower shall ensure that a comprehensive record keeping system for the PCU has been established in a manner satisfactory to the Bank, by not later than three (3) months after the Effective Date.   |                  |  |                  |
| <b>Name</b>  | <b>Recurrent</b> | <b>Due Date</b>  | <b>Frequency</b> |
| Provision of procurement Training  | No               | Not later than two (2) months after the Effective Date   | Once             |
| <b>Description of Covenant</b>   |                  |  |                  |
| The Borrower shall ensure that a procurement Training has been provided to appropriate staff responsible for Project implementation, by not later than two (2) months after the Effective Date.  |                  |  |                  |
| <b>Conditions</b>  |                  |  |                  |
| <b>Name</b>  |                  |  | <b>Type</b>      |
| Establishment of ANPI-Gabon  |                  |  | Effectiveness    |
| <b>Description of Condition</b>  |                  |  |                  |
| ANPI-Gabon has been established under terms and conditions and with a mandate acceptable to the Bank.  |                  |  |                  |
| <b>Name</b>  |                  |  | <b>Type</b>      |
| Adoption of Project Operational Manual   |                  |  | Effectiveness    |
| <b>Description of Condition</b>  |                  |  |                  |

The Project Operational Manual has been adopted in accordance with Section I.B of the Schedule 2 of the Loan Agreement.

| <b>Name</b>   | <b>Type</b>   |
|---|---------------|
| Establishment and Staffing of Project Coordination Unit (PCU) | Effectiveness |

**Description of Condition**

The PCU has been established and staffed in accordance with Section I.A.3 of Schedule 2 of the Loan Agreement.

| <b>Name</b>                         | <b>Type</b>   |
|-------------------------------------|---------------|
| Establishment of Steering Committee | Effectiveness |

**Description of Condition**

The Steering Committee has been established and staffed in accordance with Section I.A.1 of Schedule 2 of the Loan Agreement.

| <b>Name</b>                          | <b>Type</b>   |
|--------------------------------------|---------------|
| Establishment of Technical Committee | Effectiveness |

**Description of Condition**

The Technical Committee has been established and staffed in accordance with Section I.A.2 of Schedule 2 of the Loan Agreement.

**Team Composition**

**Bank Staff**

| <b>Name</b>                       | <b>Title</b>                          | <b>Specialization</b>                | <b>Unit</b> |
|-----------------------------------|---------------------------------------|--------------------------------------|-------------|
| Lucienne M. M’Baipor              | Senior Social Development Specialist  | Senior Social Development Specialist | AFTCS       |
| Aissatou Diallo                   | Senior Finance Officer                | Senior Finance Officer               | CTRLA       |
| Kouami Hounsinou Messan           | Senior Procurement Specialist         | Senior Procurement Specialist        | AFTPW       |
| Emeran Serge M. Menang Evouna     | Senior Environmental Specialist       | Senior Environmental Specialist      | AFTN1       |
| Enagnon Ernest Eric Adda          | Financial Management Specialist       | Financial Management Specialist      | AFTMW       |
| Maya Abi Karam                    | Senior Counsel                        | Senior Counsel                       | LEGAM       |
| Irene Marguerite Nnomo Ayinda-Mah | Program Assistant                     | Program Assistant                    | AFTFW       |
| Lina Sawaqed                      | Consultant                            | Investment Promotion Specialist      | AFTFW       |
| Alexandre Hugo Laure              | Private Sector Development Specialist | Task Team Leader                     | AFTFW       |
| Monique Courchesne                | Senior Operations Officer             | Senior Operations Officer            | CAFIC       |
| Matina Deen                       | Operations Officer                    | Operations Officer                   | CAFIC       |

| <b>Non-Bank Staff</b> |                                      |                 |                     |               |                 |
|-----------------------|--------------------------------------|-----------------|---------------------|---------------|-----------------|
| <b>Name</b>           |                                      | <b>Title</b>    | <b>Office Phone</b> |               | <b>City</b>     |
| Joseph Andjembe       |                                      | Consultant      |                     |               |                 |
| <b>Locations</b>      |                                      |                 |                     |               |                 |
| <b>Country</b>        | <b>First Administrative Division</b> | <b>Location</b> | <b>Planned</b>      | <b>Actual</b> | <b>Comments</b> |
| Gabon                 | Estuaire                             | Libreville      |                     | <b>X</b>      |                 |
| Gabon                 | All                                  |                 | <b>X</b>            |               |                 |

## I. STRATEGIC CONTEXT

### A. Country Context

1. 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. This 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.

2. With oil reserves gradually depleting, well targeted reforms are critical to promote private investments in non-oil 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 non-oil 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 non-oil primary deficit grew significantly from 13.8 percent in 2009 to 21 percent of non-oil GDP in 2010. This large increase in one year reflects the Government's decision to triple capital expenditure and increase wages. During 2012–15, non-oil 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 (World Bank, 2012).

3. 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, ranking Gabon 56<sup>th</sup> 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 of 187 countries in the 2011 UNDP Human Development Index, well below countries with similar GDP per capita. The proportion of Gabon's population living below the poverty line increased 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 who enter the labor market each year. The unemployment rate is high at 16 percent. Youth and women are the most affected. The unemployment rate among young people (younger than 30) is 30 percent, whereas the female unemployment rate is 27 percent (World Bank, 2012). However, women are particularly affected in that they represent only 29 percent of wage and salaried 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, and youth and gender equality (World Bank, 2012).

4. Within this context, in 2010, Gabon started implementing its new economic vision, *Plan Stratégique Gabon Emergent* (PSGE). The plan 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 the Government's ambitious new economic development plan into practical sector strategies with visible impacts, including poverty reduction, in the short to medium term.

## **B. Sectoral and Institutional Context**

5. 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 (SMEs), including fostering links with larger investments or industries. Building on analytical and advisory activities (AAA) related to export diversification and competitiveness and employment and growth, the Country Partnership Strategy (CPS) proposes to focus on four specific areas: (i) establishing an investment climate favorable to private investment, (ii) fostering industry-specific competitiveness, (iii) enhancing competitiveness through in-firm technical learning, and (iv) supporting institutional reform and Project implementation.

6. The PSGE targets capitalizing on Gabon's comparative advantages. This ambitious strategy is built on three pillars: (a) *Gabon Industriel*: developing metallurgic and industrial capacities; (b) *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; and (c) *Gabon des Services*: making Gabon a center of excellence in business, tourism, and value-added services.

7. Successful completion of the Government's strategy will require improving the investment climate and upgrading Gabon's private sector. Currently, the country investment climate is not conducive to fostering broad-based economic diversification. Gabon ranks 163 of 189 countries in the 2014 Doing Business Report.<sup>1</sup> It ranks 153 globally on the "starting a business" index. Creating a business in Gabon takes seven procedures and 50 days. The cost is 12.5 percent of per capita income, with a paid-up minimum capital of 19.3 percent of income per capita. These figures are better than those of 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 non-oil and non-extractive industries will foster the domestic private sector and create new employment opportunities. However, for the country to fully seize these opportunities, its investment climate, particularly the regulatory environment, must be conducive to doing business. As such, to improve competitiveness and contribute to economic

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<sup>1</sup>Doing Business Report, 2014, World Bank Group: <http://www.doingbusiness.org/data/exploreeconomies/gabon/>

diversification as envisioned under the PSGE, Government investment in business climate reforms and enterprise development is essential.

8. Prior to 2014, the institutional landscape related to investment promotion, company registration and enterprise support in Gabon had been complex and confusing. Several public agencies in Gabon jointly had fulfilled the missions of investment promotion, business registry and enterprise support. The multiplicity of these agencies and their overlapping mandates resulted in a non-efficient allocation of human and financial resources and often reflected negatively on the quality of service offered and on customer experience. To improve the investment climate, public services to domestic and international investors will be reorganized in the newly-created ANPI-Gabon (*Agence de Promotion des Investissements du Gabon*). This agency is being established to attract, facilitate and support private investments. These improvements will be achieved either by incorporating within ANPI-Gabon the relevant functions of some agencies; or by fully integrating other agencies, which subsequently will cease to exist after a transition phase of six months.

### **C. Higher Level Objectives to Which the Project Contributes**

9. The higher level objective of the Project is to contribute to the Government's strategic plan, PSGE. This plan aims at diversifying the economy and encouraging private sector participation in the Gabonese economy, particularly in non-oil sectors, thus contributing to reduce poverty and enhance the resilience of the economy in the medium to long term. The Project is closely aligned with PSGE Pillar 3: "Improvement of investment climate and private sector development". The key expected outcomes are:

- (i) Investment climate reforms that would improve access to investment opportunities and reduce regulatory, administrative and financial entry barriers for businesses;
- (ii) Improved business performance in non-oil sectors supported by better access to knowledge and various development services and opportunities; and
- (iii) Improved endogenous private sector support and development capacity resulting from increased public-private coordination and policy dialogue.

10. The Project also is in line with Pillar 2 of the Gabon Country Partnership Strategy (CPS) FY2012-FY2016 discussed by the Executive Directors on April 3, 2012, titled "Increasing Gabon's Competitiveness and Employment"; and with the "Competitiveness and Employment – Business Climate" Theme of the 2011-2016 Africa Regional Strategy.

11. The Project addresses a number of corporate-level objectives. The Project has been prepared in close cooperation with IFC staff who have been actively engaged in preparation and will be engaged in implementation through supporting the basic building blocks of the investment climate. The Project will create the conditions for job-creating investment that will reduce poverty and encourage inclusive growth. Gender is targeted with a specific intervention and clear indicators.

## II. PROJECT DEVELOPMENT OBJECTIVE(S)

### A. Project Development Objective (PDO)

12. 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. This will be achieved by supporting the implementation of business environment reforms and stimulating Small and Medium Enterprises (SME) development in selected areas.

### B. Project Beneficiaries

13. Project beneficiaries will include both existing and future entrepreneurs conducting business in Gabon and trained civil servants.

14. All entrepreneurs will benefit from the cross-cutting business environment reforms (investment promotion, business registration, SME support, public private dialogue). Specifically, they will be able to register a new business and get in one location all the necessary information to evaluate business opportunities and obtain licenses and permits more quickly and efficiently. Moreover, opportunities for rent-seeking practices will be reduced. SMEs<sup>2</sup> will particularly benefit from these reforms, considering that they bear much higher costs for complying with burdensome regulations and procedures, since they do not have the appropriate infrastructure to absorb such costs.

15. Relevant Government agencies will also benefit from the activities implemented as part of the Project. For example, relevant ministries will have more up-to-date and reliable information on businesses to strengthen their policy-formulation functions. Technical assistance (TA) provided as part of the Project will also help to improve the skills of the following institutions:

- (i) *L'Agence de Promotion des Investissements du Gabon* (ANPI-Gabon) in the form of a one-stop-shop
- (ii) *La Chambre de Commerce, d'Agriculture, de l'Industrie et des Mines du Gabon*, the Chamber of Commerce, Agriculture, Industry and Mining

### C. PDO Level Result Indicators

16. The PDO Level Results Indicators include: (a) Reduction in time (days) to register a business; (b) Increase in number of newly registered corporations; and (c) Direct project beneficiaries (number), of which female (percentage).

## III. PROJECT DESCRIPTION

17. The proposed Project (US\$18 million equivalent) will support the Government's broader institutional objectives to improve investment climate and to support enterprise development.

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<sup>2</sup> Definition of SME (Ministry of SMEs): "a company that has an annual turnover below 2 billion CFA francs".



The Project will finance activities involving three components: (a) institutional development to improve business climate (Component 1); (b) support enterprise development (Component 2); and (c) Project management and public-private dialogue (PPD) (Component 3).

18. There had been several public agencies in Gabon that collectively fulfilled the missions of investment promotion, business registry and enterprise support. The multiplicity of these agencies and their overlapping mandates resulted in a suboptimal allocation of human and financial resources and often reflected negatively on the quality of service offered and of customer experience. The Project will contribute to the operationalization of a new agency, ANPI-Gabon, which is being established with Project assistance under the project preparation phase. This one-stop shop aims to: (a) promote Gabon as an investment destination; (b) simplify business registration; and (c) facilitate the operationalization of enterprises. The Project will contribute to the design and functioning of ANPI-Gabon through technical assistance (TA), software development, development of action plans, operations manual, and trainings. In addition, the Project will support the execution of its missions, which include: (a) investment promotion; (b) business registration; and (c) enterprise support.

19. A Project Coordination Unit (PCU) is being established to ensure overall project coordination, financial management, procurement and monitoring and evaluation (M&E). A Project Technical Committee (PTC) and a Project Steering Committee (PSC) are being put in place to provide technical and strategic guidance to the Project and ensure achievement of the intended objectives. Finally, a Presidential Investment Council (PIC) is expected to lead public private dialogues (PPDs) to support the reforms agenda on private sector development (PSD).

20. A Project Preparation Advance (PPA) is being implemented with the technical support of the *Commission Nationale des Travaux d'intérêt public pour la promotion de l'entrepreneuriat et de l'emploi* (CN-TIPPEE) to finance (a) critical activities related to the design and functioning of ANPI-Gabon and the PIC, based on international good practices; and (b) the recruitment of consultants for the PCU and associated trainings to fulfill its fiduciary role.

## **A. Project Components**

21. The Project is divided into three components, Components 1 and 3 target the improvement of the investment climate, and Component 2 targets enterprise development.

### **Component 1: Institutional Development to Improve Business Climate (IBRD: US\$9 million equivalent)**

#### ***Sub-component 1.1: Contribution to the Design of ANPI-Gabon (IBRD: US\$1.5 million)***

22. The Project will carry out a program of activities aimed at building the operational capacity of ANPI-Gabon through: (a) the development of (i) required operational tools including strategic plans, business plans, a communication strategy, and any other necessary documents for ANPI-Gabon's operations; (ii) Training in skills required for investment assistance; (iii) awareness campaign; and (b) provision of goods required for the purpose.

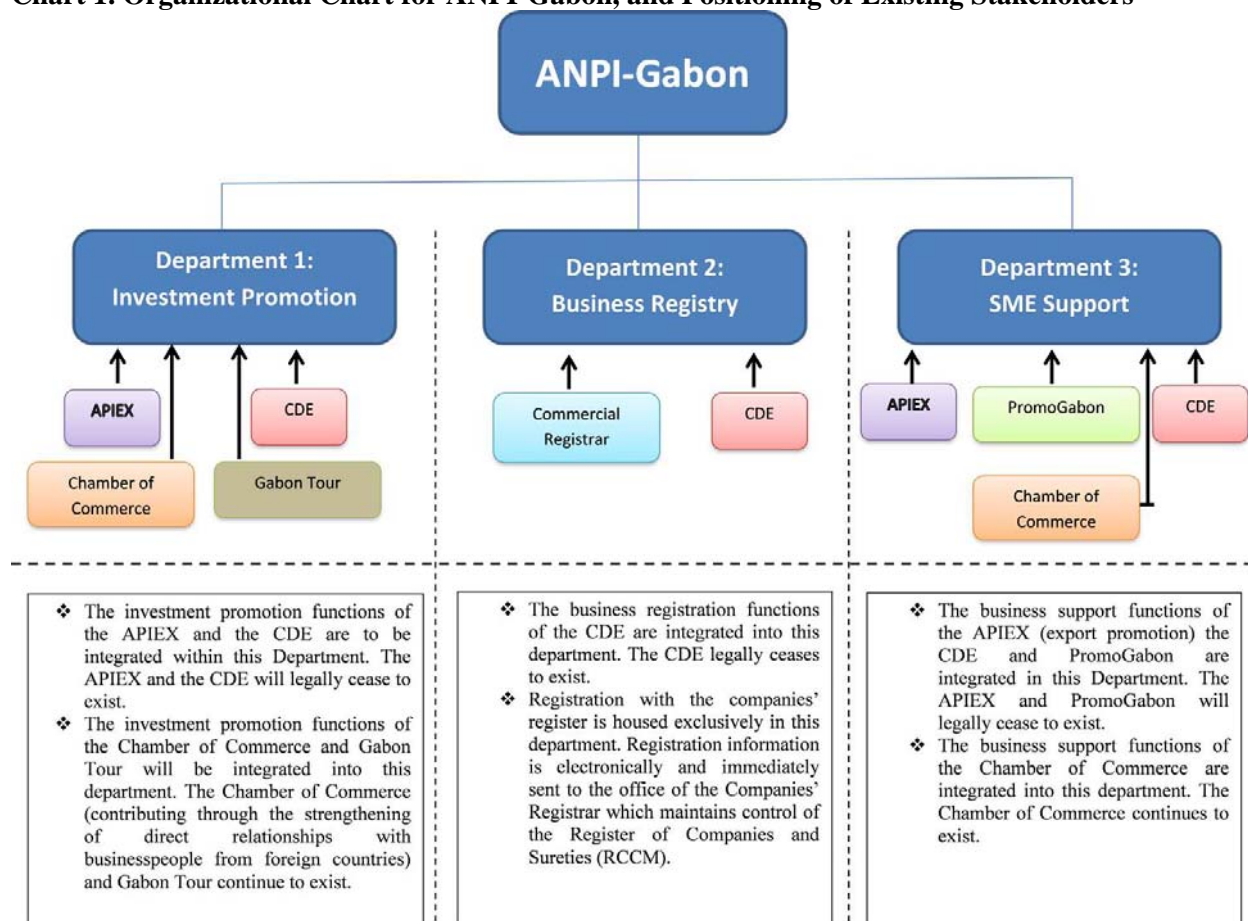
23. ANPI-Gabon (One-Stop Shop) will have three departments (Chart 1): (a) the Investment Promotion Department's mission will aim to generate investments in Gabon through reactive and proactive targeted promotion, and to facilitate the setting up of investors in the country; (b) the Business Registration Department will aim at completing all business registry procedures on behalf of investors within a period not exceeding two days; (c) the Enterprise Support Department will be in charge of advising and guiding companies with regard to formalities, services and opportunities that may concern them, especially those relating to the export process.

24. The Project's role is to contribute to ANPI-Gabon's creation and to assist in generating the knowledge that is critical to ANPI-Gabon establishment phase. The first steps, which have been financed by the PPA, have been to map the existing institutions in order to identify overlaps and duplication, analyze the legislation of existing institutions to harmonize it, define the architecture of ANPI-Gabon, and determine the necessary institutional and legal mechanisms. Based on this analysis, the legislation in accordance with Gabonese law establishing ANPI-Gabon and defining its mandates has been slated for discussion and is pending approval by the Council of Ministers (weekly meeting). The effective establishment of the agency in accordance with Gabonese law is a condition of effectiveness.

25. The Project will provide assistance with ANPI-Gabon's operationalization phase. A number of documents and activities that will guide ANPI-Gabon's operations will be prepared. These will include the strategic plan, business plan, communications strategy, HR strategy, change management plan, digital strategy to create an effective website, impact assessment and technical rationale, and operations manual. These documents will be developed closely with relevant stakeholders and subsequently disseminated.

26. A number of activities critical to the initial operationalization of ANPI-Gabon will also be financed. These activities will include awareness-raising campaigns, capacity building for new staff, and selecting and deploying equipment and systems. Combining a number of distinct public services (business registration, investment promotion and SME support) in one agency will work best if these services are autonomous and delineated. Therefore, the three departments will be interconnected but will remain autonomous. They will have the necessary flexibility and control over their respective organizational charts, job profiles, hiring processes, website interface, and budgets.

**Chart 1. Organizational Chart for ANPI-Gabon, and Positioning of Existing Stakeholders**



***Sub-component 1.2: Promoting Investments in Targeted Sectors (IBRD: US\$3 million)***

27. The Project will develop the Borrower's investment promotion capacity to effectively perform its investment promotion and outreach role through: (a) provision of technical assistance to develop and implement investment promotion and communication strategies and related action plans; (b) acquisition of an investor tracking system and provision of Training in said system; (c) provision of Training to the Borrower's staff in embassies and ANPI-Gabon staff posted abroad to better respond to requests for information and expressions of interests from potential foreign investors; (d) development and implementation of a foreign investors 'survey on investment in the Gabonese Republic; (e) development of simplified regulations for investors' visa procedures; (f) carrying out a feasibility study for the creation of a special counter for investors' visas at the Borrower's airports; and (g) provision of goods required for the purpose.

28. The first Department in ANPI-Gabon –the Investment Promotion Department- will integrate the investment promotion functions of previously held by the APIEX, Enterprise Development Center (CDE) and the Chamber of Commerce. The Project will support the Investment Promotion Department in developing and implementing the most relevant and revised investment promotion and communication strategies and action plans in order to effectively perform its roles in image building, investor outreach and targeting, investment facilitation, servicing and aftercare, and policy advocacy. It is essential for any investment

promotion intermediary to operate according to clear promotion and communication strategies and well-articulated action plans.

29. For promotional activities to be meaningful and cost-effective, ANPI-Gabon will concentrate its efforts on a number of pre-identified sectors. In accordance with international good practices, investment promotion activities will target specific sectors and sub-sectors or areas (such as Special Economic Zones, or SEZs). The Project will finance technical assistance (recruitment of an expert), and sectoral analysis (studies, strategies) will be conducted to identify the most relevant sectors and sub-sectors with the highest potential for development and impact, in which investment promotion and business development activities will be concentrated; and sectoral strategies will be developed. Also, products, investment opportunities and markets will be packaged and made available online for national and foreign investors.

30. An Investor Tracking System is critical for a well-functioning investment promotion intermediary. This System will help ANPI-Gabon better manage its relationships with potential and current investors, offer a better and more comprehensive customer experience, and readily have the data and statistics that would help assess its performance and push for policy reform. The Project will finance the acquisition of this Investor Tracking System through a bidding process to select a suitable provider. The system will be built to order and customized according to ANPI-Gabon's needs, and connected to the larger Agency platform. The selected provider will also be responsible for equipment, installation, maintenance and training.

31. The role of Gabonese embassies and ANPI-Gabon staff posted abroad must be strengthened as they are the first point of contact of foreign investors. In order to fulfill this role it is important that economic attachés and ANPI-Gabon undergo training to better respond to requests for information and expressions of interest from potential investors. This training could take place either domestically for new cohorts of economic attaches and ANPI-Gabon before settling abroad. The Project will also finance investors' surveys in order to gauge their perception of investing in Gabon and their assessment of the public services available to them.

32. Physical entry into Gabon may be an obstacle for many investors and must be eased. Libreville airport is difficult to navigate, and travelers often are subject to delays. The Project will help with the drafting of regulation to ease visa procedures for current and potential investors. An assessment will be conducted to measure the feasibility of creating a special counter for investors in line with the initiative "*J'accompagne mon investisseur*".

### ***Sub-component 1.3: Creation a Business Registry (IBRD: US\$4.5 million)***

33. The Project will develop a streamlined business registry and a web-based platform with a unified e-database to facilitate business registration; and provision of related Training, awareness campaigns, and goods required for the purpose.

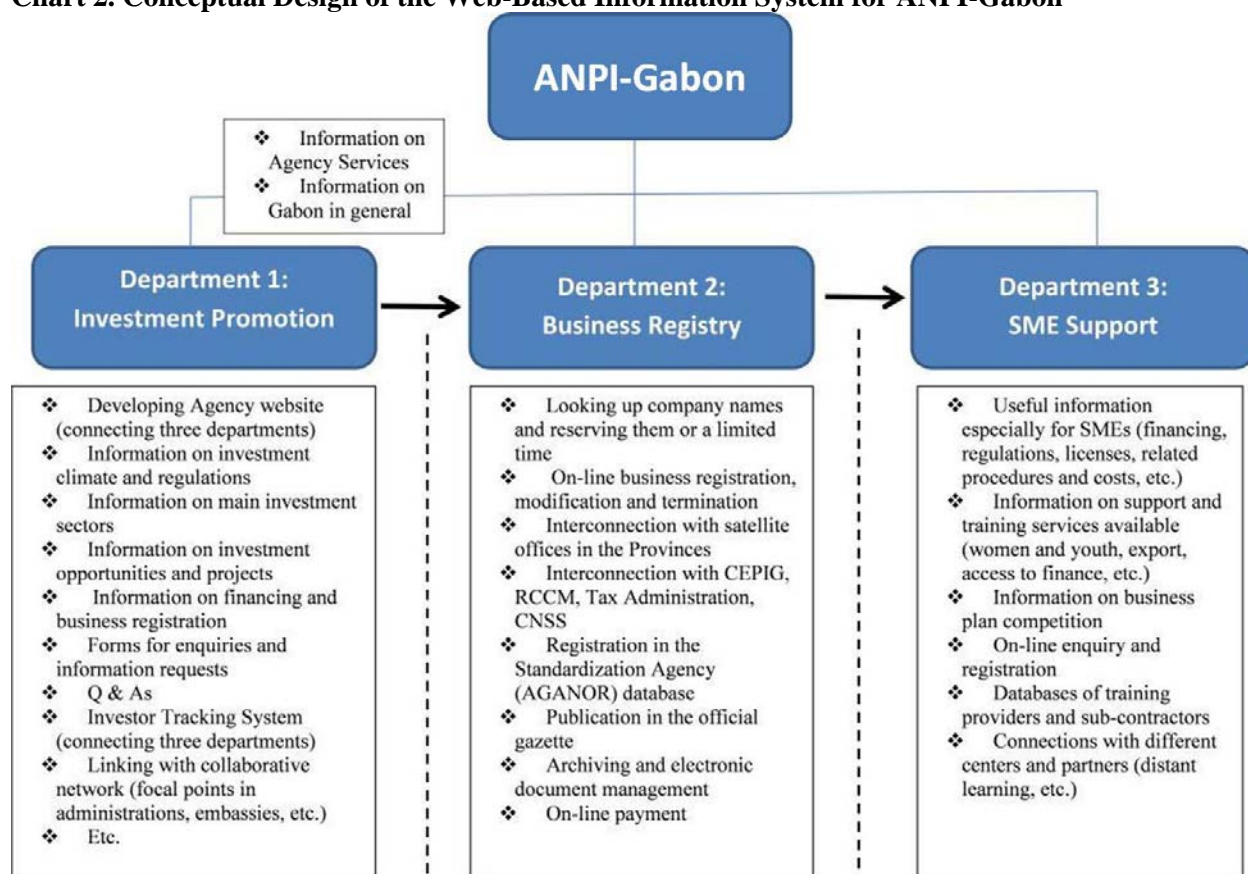
34. The Project will support the second Department of ANPI-Gabon that will incorporate a business registry based on a simplified and streamlined procedure and use of an electronic and web based platform with a single database to facilitate registration on site and online. Established by Decree No. 730/PR/MECIT on June 21, 2011 (under the Ministry of Economy), the

Enterprise Development Center (CDE) has been the main agency in charge of the creation, modification and termination of companies in Gabon. Users had to travel to the relatively remote offices of the CDE to create, modify or terminate their companies. A number of representatives from institutions involved in the business creation process were located in the CDE: the CEPIG (Centre for Industrial Property, under the Ministry of Industry, which assigns company names), CNSS (Social Security Corporation), and the Commercial Registrar which assigns the commercial registry number. The registration process was manual.

35. The CDE's current functions of business creation, modification and termination will be transferred to the new Department 2—the Business Registration Department—of ANPI-Gabon, and the CDE will be terminated. The roles and procedures in the business registration process will be comprehensively revamped and restructured. Users will be able to establish businesses either online or physically going to ANPI-Gabon's offices (which will be centrally located in Libreville with a satellite in each province). All the entities involved in registering a business (CEPIG, Tax Administration, Commercial Registrar, and CNSS) will be physically represented at ANPI-Gabon. Furthermore they will be interconnected through a workflow management system based on a customized web application through which all documents will be stored and managed. Other stakeholders in the business creation process, such as visa services (Immigration), the official gazette, line ministries, the national employment bureau, the civil service department, land services, customs department, and all other relevant focal points will be interconnected. The publication of newly-registered companies will also be published online free of charge, and general company information will be available for consultation online. In addition, the CDE's current eight regional locations (one per province) will be maintained and interconnected under the new departments to service the provinces.

36. The Project will finance the recruitment of a firm to develop the information system and web-based interface. The Project will also finance the purchase of related IT equipment. Moreover, training of business registry staff on using the system and in customer service, in addition to country-wide campaigns on the system's benefits and use, will figure prominently in the training and awareness-raising activities that will be undertaken by the stakeholders and financed by the Project.

**Chart 2. Conceptual Design of the Web-Based Information System for ANPI-Gabon**



**Component 2: Support Enterprise Development (IBRD: US\$6 million equivalent)**

37. This component aims to facilitate the operationalization of Gabonese companies and foster small and medium enterprise (SME) development. Operationalization encompasses all activities companies need to undertake throughout their daily operations in order to be sustainable and lucrative; these include HR, finance, accounting, exports, IT, logistics, accreditations, production, business development, marketing, and R&D, among others. The component will create the conditions for existing and future entrepreneurs to integrate into national and international markets. Integration will be achieved by: (a) guiding entrepreneurs with SME support services; (b) stimulating entrepreneurship particularly among youth and female entrepreneurs in selected areas; and (c) building local Chamber of Commerce capacity to deliver business development services.

38. The third Department of ANPI-Gabon –the SME Support Department- will integrate the formal business support functions of APIEX (export promotion), CDE, Promo Gabon and the Chamber of Commerce. The Project will support the SME Support Department of ANPI-Gabon to help enterprises get started and become operational, and it will host the Business Plan Competition. The Chamber of Commerce will also receive technical support and financing for minor works.

***Sub-component 2.1: Support to Enterprises (IBRD: US\$1 million)***

39. The Project will finance the following activities of the third Department of ANPI-Gabon:

(i) *Development of a strategy to support SMEs with action plans, and communication strategy through events and forums, targeting local firms and local products.* Technical assistance will be provided to structure the Department and experts will only be recruited to support the operationalization of the Department.

(ii) *A Women's Business Center to support current and future women entrepreneurs through orientation and advisory services; training; networking; and dissemination and facilitation of opportunities for business, markets, and financing.* The Center will draw on the experience of specialized centers such as the Washington, D.C. Women's Business Center which aim to offer novel solutions to unique issues faced by women entrepreneurs. For example, the Women's Business Center will offer flexible and extended business hours for women who are otherwise employed during the day, in-house child care during training and consultation sessions, and the possibility of off-location sessions and distance learning. Thus, the Center will have conferencing services and will provide support services to its members to host promotional events; organize training; and provide basic administrative and information communication technology (ICT) support, including distance learning. The Project will finance the provision of equipment and develop the distance learning platform in collaboration with training providers; and the elaboration of specific communication, outreach training and partnership strategies, plans, and activities.

(iii) *An Information and Documentation Desk for increased awareness of business opportunities and business practices including information on procedures and services.* The Project will finance studies to map procedures for industry-specific licensing and services related to businesses and making this information available to companies. It will also finance the production and dissemination of an SME Guide.

(iv) *Export promotion.* Develop a strategy, business plan and communication strategy to promote exports, make available information on foreign markets, assist with upgrading/compliance with export procedures; norms and standards; packaging; quality, link potential exporters with markets, and organize trade missions. The Project also will finance the production and dissemination of an Exports Guide (report), available online.

(v) *Contribute to improving access to finance.* Gabon has few or no guarantees available for SME loans, and no specialized institution (such as a credit bureau) that would facilitate access to loans. The Project will finance the review of financial instruments that are accessible to SMEs.

***Sub-component 2.2: Enterprises Business Plan Competition (IBRD: US\$3.5 million)***

40. The Project will finance the organization of a Business Plan Competition aimed at assisting entrepreneurs in launching new businesses in different economic sectors, through: (a) organizing an information campaign to raise awareness and invite proposals for new business ideas; (b) selection of most promising business concepts; (c) support in the drafting of business

plans and provision of required Training in the areas of business planning and entrepreneurship; (d) provision of Sub-Grants to selected Beneficiaries as seed capital for specific development projects; and (e) technical assistance and mentoring for the carrying out of Subprojects. The intervention will build from a similar pilot experience called *Mon Projet*, launched by Promo Gabon in 2011. The Competition will be organized in three cycles, each lasting 18 months with some overlap expected. Each cycle will comprise a promotion phase, and an aftercare phase of one year. The Competition will provide a combination of seed capital and mentoring to help each targeted entrepreneur to initiate a business or launch a new product. The target audience will be existing as well as new entrepreneurs, aged 21 to 40 years. Women entrepreneurs will be strongly encouraged to participate to the competition.

41. In the first cycle, entrepreneurs may submit ideas from several of the sectors identified in the PSGE (agriculture, fishing, tourism, communication and digital economy, other services). In the two subsequent cycles, the call for proposals will be more selective and will target specific sectors identified for their high growth potential. Across all cycles, special focus will be given to business ideas with stronger potential for jobs creation.

42. After this initial screening, applicants will be invited to participate in a 5-day training course on the preparation of a business plan. At the end of the training, each applicant will submit a first draft of her/his business plans to the independent panel. The selected applicants will be organized in groups of 10 people for a 10-day workshop targeting sector-specific issues designed to enable applicants to further sharpen their business plans. At the end of the workshop, the competitors will finalize and submit their business plans, and deliver short presentations to the Selection Panel. The Selection Panel will select the 50 most promising business plans. The panel will award support to 40 new entrepreneurs and 10 existing entrepreneurs.

43. During an initial 12-month aftercare phase, winners will be paired with local part-time consultants in order to receive support toward the successful implementation of the business plan and to secure additional financing as required. These mentors will be financed by the Project.

44. Eligibility criteria for seeds grants, as well as governance structure and details will be further developed in the Project Operational Manual.

### ***Sub-component 2.3: Support to the Chamber of Commerce (IBRD: US\$1.5 million)***

45. The Chamber of Commerce capacity will be strengthened to effectively carry out its mandate and to articulate private sector needs to be addressed by ANPI-Gabon. To complement the role of ANPI-Gabon, the Chamber of Commerce will offer an array of services to support SMEs and farm, business, and industry associations. Support will be organized around two key activities:

(i) The sub-component will finance capacity building activities for the Chamber of Commerce's staff to be able to fully carry out the mandate (i.e. advising members of business opportunities) of the Department for Enterprises and Strategy which offers selected business development services.



(ii) The Project will further support the Chamber of Commerce by financing a building that will host the *Centre de Gestion Agree*, the *Bourse de la Sous-Traitance*, and the event conference rooms for training, workshops, and consultations). The construction does not require purchase of a new land, nor does it negatively impact the population. The Borrower's ESMF addresses this construction.

**Component 3: Project Management and Public Private Dialogue (IBRD: US\$3 million equivalent)**

46. Component 3 aims to deliver Project targets in a timely manner, and to monitor and evaluate activities. A dedicated Project Coordination Unit (PCU) is currently being staffed and will report to the Project Technical Committee (PSC). A Presidential Investment Council will also be established to lead Public Private Dialogue and conduct key policy reforms. All the activities have started under the financing of the Project Preparation Advance (PPA) during the Project preparation phase.

***Sub-component 3.1: Project Coordination Unit for Implementation (IBRD: US\$2.6 million)***

47. This subcomponent –Project Coordination Unit for implementation– will finance the recruitment of a dedicated PCU team – to be housed in the Ministry of Investment Promotion. The Project will finance Support to the Borrower in the areas of Project coordination, supervision, financial management, communication and outreach, procurement, supervision of implementation of the Safeguards Instruments, including through the provision of Training, Operating Costs, goods and services for the required purpose.

***Sub-component 3.2: Presidential Investment Council for PPD and Policy Reforms Agenda (IBRD: US\$0.4 million)***

48. This sub-component –Presidential Investment Council for PPD and policy reform agenda– will finance the establishment of a well-functioning Presidential Investment Council (*Conseil Présidentiel de l'Investissement*, or CPI) for public-private dialogue and policy reform agenda. The Council will serve as a PPD platform to promote reforms to improve the investment climate. The Project will finance the CPI permanent secretariat and a study tour will be financed by the Project Preparation Advance to visit successful PPD mechanisms in Africa.

**B. Project Financing**

49. The Project will be financed through Investment Project Financing (IPF) in the amount of US\$18 million. The IPF will be financed by an IBRD Flexible Loan denominated in Euro, with a fixed spread and maturity of 20 years including a grace period of 3 and 1/2 years. Front-End Fees of 0.25 percent are financed by Borrower's own resources.

### C. Project Cost and Financing

50. The total Project cost is US\$18 million equivalent, including a Project Preparation Facility (PPF) of US\$3 million.

| Project Components  | Project cost | IBRD financing | Percent financing (%) |
|---|--------------|----------------|-----------------------|
| <b>Component 1: Institutional Development to Improve Business Climate</b> | <b>9.0</b>   | <b>9.0</b>     | 100                   |
| 1.1 Contribution to the Design of ANPI-Gabon                              | 1.5          | 1.5            | 100                   |
| 1.2 Promoting Investments in Targeted Sectors                             | 3.0          | 3.0            | 100                   |
| 1.3 Creation a Business Registry  | 4.5          | 4.5            | 100                   |
| <b>Component 2: Support Enterprise Development</b>                        | <b>6.0</b>   | <b>6.0</b>     | 100                   |
| 2.1 Support to Enterprises  | 1.0          | 1.0            | 100                   |
| 2.2 Enterprises Business Plan Competition                                 | 3.5          | 3.5            | 100                   |
| 2.3 Support to the Chamber of Commerce                                    | 1.5          | 1.5            | 100                   |
| <b>Component 3: Project Management and Public Private Dialogue</b>        | <b>3.0</b>   | <b>3.0</b>     | 100                   |
| 3.1 Project Coordination Unit for Implementation                          | 2.6          | 2.6            | 100                   |
| 3.2 Presidential Investment Council for PPD and Policy Reforms Agenda     | 0.4          | 0.4            | 100                   |
| <b>Total Costs</b>  | <b>18.0</b>  | <b>18.0</b>    | 100                   |
| <i>Front-End Fees<sup>3</sup></i>   |              |                |                       |

### D. Lessons Learned and Reflected in the Project Design

51. Over the last few decades, the importance of efficient business registration procedures has been widely recognized worldwide. A business registration regime that is simple, secure, transparent and predictable helps promote formalization as well as job creation and poverty reduction. A modern business registration system comprises a centralized electronic database of all registered businesses, is accessible to the public, and contains accurate data. It also should require the submission of only one application form for all business registration procedures, and this form should enable the electronic exchange of data among all relevant institutions. Registration should be possible at the registration office or on-line. Payments also should be possible electronically. To save time and cost, economic operators should be able to register in the satellite offices of each province. Therefore, to create a significant impact, an integrated approach to establish a one-stop-shop for business registration is essential. This approach involves not only changing the regulatory framework but also redesigning the institutional and ICT frameworks. This reform, first, will ease the burden of regulatory compliance for businesses. Second, it will also give ministries and other users up-to-date and reliable information on businesses to help them carry out their policy-formulation functions. Third, this approach will assist market participants by improving information on businesses.

<sup>3</sup> Front-end fee of 0.25 percent of the Loan Amount is financed from the Borrower's own resources.

52. Skills enhancement is another key success factor for business regulatory reform. Even with the existence of a good legal framework and a modern ICT system, if stakeholders do not know how to use the system, the reform will have little impact. A good skills enhancement program is an integral part of any business regulatory reform. The Project will include skills enhancement and dissemination across the country.

53. Gabon's current institutional landscape encompassing investment promotion, company registration and enterprise support is complex and confusing. Experiences elsewhere, particularly in World Bank Group projects, show clearly that such a context —no clear lead agency, overlapping or contradictory mandates, and multiple promotional messages and activities— potentially confuses investors and is seriously problematic for any investment promotion and business support strategy. For this reason, and to advise the establishment and operationalization of ANPI-Gabon to optimize its role in remedying this situation, during a mission in Gabon in October 2013, the IFC conducted a detailed institutional landscape assessment to identify issues and recommend solutions. The assessment identified all institutions with relevant mandates and recommends institutional arrangements and mechanisms for bringing these mandates under ANPI-Gabon (Chart 1). In addition, strong political backing and stakeholder buy-in are crucial for the establishment and success of such an over-arching agency, which is visible, prominent and has a wide range of mandates. The new agency entails the downsizing or disappearance of a number of agencies to eliminate duplication and overlap and to bring all the public services related to investment promotion, company registration and enterprise support under one roof, physically and virtually. Therefore, this agency also must have a strong legal base for its creation and for establishing interconnections and cooperation with other agencies. It is for these reasons that the establishment of ANPI-Gabon is a critical milestone.

54. The time required to address the challenges presented by the creation of such a complex and multi-functional new agency must not be underestimated. World Bank Group experience in Rwanda showed that the difficulties faced by the Rwanda Development Board (RDB) in doing so were quite significant. The tasks included creating a system to set up and manage diverse functions; creating the right structures, budgets and incentives; and setting up staffing, management and Board; and resulted in a significant delay before the RDB was effective. The Gabon Project implementation will draw on the RDB case to highlight the complexity of the task at hand and success determinants.

55. The current ANPI-Gabon structure corresponds to a clearly expressed Government of Gabon vision to collect the public services provided to current and potential entrepreneurs and investors (promotion and facilitation, registration and licensing, and SME support) under one roof. However, global best practices suggest that putting business regulatory functions (business registration) and investment promotion functions in one agency is a difficult set-up to manage and to operate. First, the institutional needs of promotion and regulation differ greatly. Promotion is customer oriented whereas regulation is compliance oriented. This divergence could create confusion and ambiguity for investors in dealing with various agency officials. In addition, investment promotion is unique in that it is best done by agents with a private sector orientation and experience, particularly in sales, marketing and business development. Nevertheless ANPI-Gabon's three departments will be sufficiently autonomous to address the difficulties presented

by this design. They will have their own structures, human resources strategies, action plans, and website interface access. The ANPI-Gabon set-up will benefit from the Mauritius example. There, the Board of Investment combines the two functions but still ranked among the top 30 investment promotion agencies worldwide in the 2009 World Bank Global Investment Promotion Benchmarking (GIPB) report.

56. It also is very important that ANPI-Gabon be endowed with adequate human, technological and financial resources. The necessity for excellent staff particularly holds true for investment promotion, whose human resource needs are unique. Other characteristics of investment promotion are that initial costs are considerable and the returns on investment are not always immediate or straightforward; but the benefits can be immense down the road. A good website also is crucial to support sector-focused investment promotion. The Project will refer to the detailed and significant work undertaken in recent years as part of the World Bank Group's Global Investment Promotion Benchmarking (GIPB) surveys on global best practices in investment promotion websites.

57. Experiences in other locations have shown that tools and knowledge pieces produced to support the establishment of such agencies will have a lower probability of being sustainable if created "for" the client instead of "with" the client. There may be administrative resistance to new and innovative systems and processes. Resistance may arise especially regarding complex electronic / online systems, such as the Investor Tracking System and the business registration platform. These tools must be designed and deployed with enough advance time and great attention to client needs, ownership and participation. Deployment must emphasize raising absorptive capacity, awareness, and stakeholder buy-in.

58. A strong change management plan must follow the creation of ANPI-Gabon to ensure a smooth transition. It is especially important to mitigate the social impacts brought on by the reshuffling of existing agencies and the potential employment change or even termination associated with this reshuffling. Awareness-raising campaigns are critical for numerous reasons. They drive the need for change and the expected positive impact of ANPI-Gabon; garner public and private cooperation and support; support the push for current and future policy reforms; and inform the beneficiaries about the new services and registration procedures, thus increasing the rate of business creation and formalization. It is particularly important to carefully inform smaller, individual, young, and/or female current or potential entrepreneurs;

59. Lessons were learned from the World Bank Finance and Private Sector Development (FPD) operation in Cote d'Ivoire, InfoDev and Technoserve experience that are relevant to the proposed Business Plan Competition include: (a) demand-driven approaches are essential; (b) selectivity is needed to ensure success and have a demonstration effect that can have positive spillover to the target group; and (c) there is a need to address risks associated with implementation, including governance. Other operational lessons include: (d) provision of after care services to entrepreneurs to access additional financing, in addition to coaching, mentoring and advice leading up to the award, and (e) extensive promotion of the mechanism.

60. The Project and Business Plan Competition design were validated by the private sector through consultations held in September 2013 as well as by public stakeholders. The close

communications with the private sector established during Project preparation will be continued throughout Project implementation. The Project also was coordinated with development partners active in Gabon. They included the European Union Delegation, African Development Bank (AfDB), and *Agence Française de Développement* (AFD).

61. Finally, as evidenced by the lessons from similar private sector development (PSD) operations, keeping track of the success of reforms through a proper data collection process, pre- and post-reform, is important as doing so helps identify whether ongoing reforms are sufficient. Comparison of pre- and post-reform data will enable the Government to evaluate the success of reforms in reaching its goals.

#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

62. The *Ministère de la Promotion des investissements, des Infrastructures, de l'Habitat et de l'Aménagement du territoire* (MPIIHAT 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. The Ministry is receiving the support from the National Commission for Public Works for Enterprise and Employment Development (CN-TIPPEE) that ensures temporary fiduciary role pending the recruitment of adequate staff for the Project Coordination Unit (PCU). It is expected that CN-TIPPEE will also provide training and support to the incoming PCU during the initial months of implementation.

63. Since the Ministry of Investment Promotion has no experience in implementing World Bank financed Projects, the PCU will be established within this Ministry to implement the Project (condition of effectiveness). The experts will include Project Coordinator, Project Administrator (also in charge of M&E), Procurement Specialist, and Financial Management (FM) Specialist. Where adequate skills are available within the implementing agency, no new recruitments will be carried out.

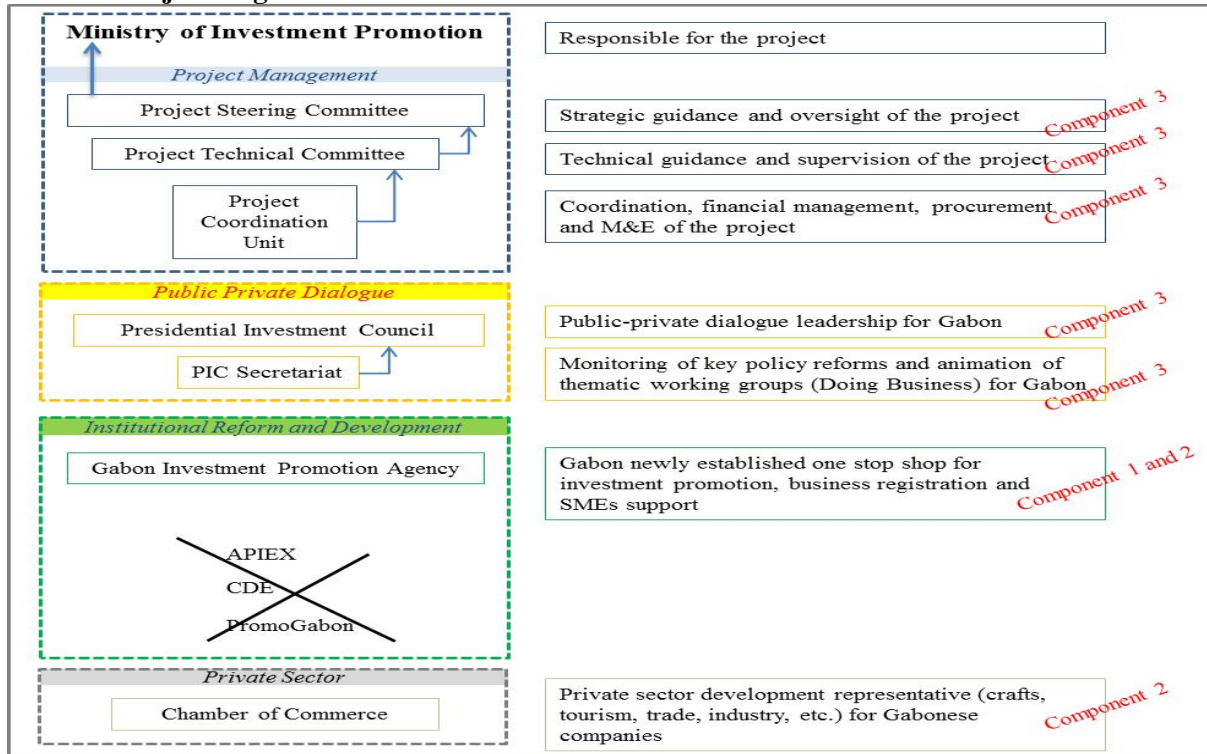
64. To ensure proper supervision of the Project, a Project Steering Committee (PSC) will be established to provide policy and oversight. In addition, a Project Technical Committee (PTC) comprising members appointed by the Ministry of Investment Promotion will provide day-to-day technical guidance and supervision of the Project activities. The PSC and PTC's establishment are conditions of effectiveness. PCU will prepare monthly and quarterly reports, validated by the PTC, to the PSC. The scope of the PSC's work will be to provide strategic guidance and policy formulation and to receive and take action on reports from the PCU; the PTC will validate day-to-day Project activities when technical advice is required.

65. Fiduciary aspects of the Project will be managed by the PCU. The unit also will be responsible for (a) the development of annual plans for Project activities (to be approved by the PTC, then PSC); (b) Project financial management, including Project accounts, payments, disbursements of IBRD funds, Project budgeting, and auditing; (c) procurement; (d) monitoring of Project progress and evaluating results with regular reviews of Project M&E data to determine

progress and make any needed adjustments to ensure satisfactory achievement of end-of-Project outcomes; and (e) reporting to the PTC and PSC.

66. The organizational chart of the Project follows (Chart 3):

**Chart 3. Project Organizational Chart**



**B. Results Monitoring and Evaluation**

67. The monitoring and evaluation (M&E) system will be based on the Results Framework and monitoring arrangements described in Annex 1. An M&E specialist (*Administrateur*) within the PCU will have primary responsibility for establishing and managing the M&E system. Management will include data collection, compilation, and reporting from various agencies; and preparation of M&E reports for the Project. The details of the M&E arrangements will be provided in the POM.

68. The PCU will prepare quarterly updates and annual reports to the Project Technical Committee. In addition, the World Bank will undertake an implementation support mission three times per year.

69. An independent external consultant will carry out a comprehensive Mid-Term Review of the Project will be held not later than 30 months from the effectiveness date. This review will assess progress of the Project and performance of the implementing agency.

70. The comprehensive mid-term review also will assess of the performance of the Project’s institutional arrangements will be undertaken to provide recommendations for improvement.

## C. Sustainability

71. The Government will finance the provision of the relevant infrastructure for the establishment of ANPI-Gabon. The Government also will finance all operational costs, including salaries. Therefore, the Project's impact will be sustainable as most expenses are covered by the Borrower.

72. The implementation arrangements under this Project will be established only for its duration. However, they will support capacity building within key Government agencies including ANPI-Gabon so that the fiduciary functions remain after Project's end.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

|  | <b>Rating</b>      |
|--|--------------------|
| <b>Stakeholder Risk</b>                  | <b>High</b>        |
| <b>Implementing Agency Risk</b>          |                    |
| - Capacity                               | <b>High</b>        |
| - Governance                             | <b>Moderate</b>    |
| <b>Project Risk</b>                      |                    |
| - Design                                 | <b>Low</b>         |
| - Social and Environmental               | <b>Low</b>         |
| - Program and Donor                      | <b>Low</b>         |
| - Delivery Monitoring and Sustainability | <b>Low</b>         |
| <b>Overall Implementation Risk</b>       | <b>Substantial</b> |

### B. Overall Risk Rating Explanation

73. The associated risks are substantial due to the institutional changes impacting Project stakeholders under Component 1:

- (i) Implementation risk due to implementing agency capacity, including non-adequate human resources and unfamiliarity with World Bank Projects and procedures;
- (ii) Fiduciary risk beyond the Project preparation phase related to the inexperience of the newly created PCU;
- (iii) Dependency of Project outcomes on a number of actions that must be taken by the Borrower (passing or modifying laws and regulations, taking administrative decisions, designating and involving of key actors).

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

74. The first and third components of the Project aim at improving the investment climate, whereas the second component aims at stimulating enterprise development in Gabon.

75. A literature review has been conducted for Components 1 and 3. The first component, Institutional Development to Improve Business Climate, and the third component, Project Management and Public-Private Dialogue (PPD), are expected to contribute to their respective outcomes indirectly. A literature review thus has been provided to demonstrate the positive impact of investment climate reform and PPD on the increase in inward investment flows, increase in foreign and local enterprises registration and activity, and economic growth.

76. The economic analysis of Components 1 and 3 presents a special challenge due to the indirect relationship between the actions taken under the Project and the stream of benefits that these are expected to trigger. In components related to investment climate reforms, the complexity of quantification of economic benefits is multiplied. In the absence of commonly accepted methodologies for the economic analysis of business environment reform and capacity building, these types of projects are based on cost effectiveness and more general analytical work on the positive effects of investment climate reforms and private sector growth and entrepreneurship.

77. Given the available budget for the Business Plan Competition, it would not be possible to have enough statistical power to detect an effect. The Minimum Detectable Effect (MDE) provides the probability that the study will detect an effect, assuming that a genuine effect exists to be detected. The Business Plan Competition would need at least 314 winners to detect a 10 percent change in outcome variable considered (for example, revenues, turnover, employment). Currently, it is expected that 50 winners will be awarded by the Business Plan Competition. Hence the economic analyses for the Business Plan Competition follows the standard economic rate of return/net present value (ERR/NPV) format because the impact evaluation part does not seem possible.

78. The Business Plan Competition will provide mentoring and training services as well as seed capital to selected businesses. To maximize the probability of supporting viable and profitable plans, the beneficiaries will be chosen based on the quality of business plans proposed and applicant's individual characteristics. The services and grants provided are expected to support the creation of new firms and enhance the management abilities of existing and new companies. As such, the sub-component is expected to generate an increase in both employment and profits. The Project is investing a total of US\$3.5 million on this component, disbursed over five years.

79. The ERR of this sub-component is 19 percent, and the NPV is US\$1.34 million (US\$0.65 million), assuming a discount rate of 5 percent (10 percent).

80. Please refer to the detailed Financial and Economic Analysis in Annex 6.



## **B. Technical**

81. The Project design builds on previous engagements with the authorities in Gabon including the Procurement and Financial Management assessments undertaken for the Project Preparation Advance. The Project also builds on World Bank and IFC support to the Government of Gabon through Reimbursable Advisory Services (RAS) on procurement capacity, taxation reform, and three integrated value chain analyses in the tourism, agriculture and wood/furniture sectors, which are among the sectors to be targeted by Project investment promotion activities. Project design incorporates international good practices and lessons learned from a number of sources, notably, donor projects (World Bank, IFC, IDB, AfDB, USAID, Asian Development Bank, EU, Millennium Challenge Corporation) and direct experience in client Governments and the private sector. This knowledge spans countries such as Armenia, Burkina Faso, Egypt, Guinea-Bissau, Jordan, Mauritius, Mozambique, Rwanda, Senegal, and the UAE. The knowledge covers such areas as business registry, one-stop-shop establishment, investment climate reform, investment promotion and enterprise development. It draws upon various knowledge pieces such as World Bank and OECD Toolkits on investment promotion, business registry and one-stop shops.

82. Considerable preparatory and participatory work has been conducted during the Project preparation phase. The Project has been designed jointly with the client, during intensive two-week workshops (September 2013), the pre-appraisal mission (November 2013) and appraisal mission (January 2014), which included all Project stakeholders.

## **C. Financial Management**

83. The Project will be managed by the Project Coordination Unit (PCU) under the responsibility of the Ministry of Investment Promotion. In line with the FM policies of the OP/BP 10.00 on Investment Project Financing, PCU's financial management arrangements have been assessed to determine whether they are acceptable to the Bank.

84. The objective of the assessment was to determine whether, (i) the PCU has adequate financial management arrangements to ensure that the funds of the Project will be used for its intended purposes in an efficient and economical way; (ii) the financial reports will be prepared in an accurate, reliable, and timely manner; and (iii) Project's assets will be safeguarded.

85. The assessment concludes that the financial management system of the PCU is adequate if mitigating measures below are well implemented.

86. The overall Financial Management (FM) risk is assessed as Substantial. The assessment proposes as mitigation measures: (i) the development of a Project Operation Manual including a section on administrative and financial procedures as effectiveness condition, (ii) the recruitment of one Financial Management specialist and one Accountant, (iii) the installation of a computerized accounting system and (iv) the recruitment of an independent external auditor according to ToRs acceptable to the Bank.

### ***FM Conditions and FM Covenants***

- (i) The development of a Project Operation Manual including a section on administrative and financial procedures as effectiveness condition;
- (ii) The recruitment of one Financial Management Specialist and one Accountant as effectiveness condition;
- (iii) The recruitment of an independent external auditor four months after effectiveness;
- (iv) The installation of a computerized accounting system three months after effectiveness.

87. The detailed financial management arrangements are described in the Financial Management Annex 3.

### **D. Procurement**

88. An assessment of the project implementation arrangements, in particular the Ministry of Investment Promotion, was carried out. The capacity assessment found that: (i) the Ministry of Investment Promotion has no experience in the implementation of World Bank financed projects; (ii) at present there is no qualified procurement specialist within the PCU to be set up within the Ministry to handle the project execution; (iii) the Project Operational Manual including a section on procurement will need to be prepared for use by the project, including for sub-grants allocated to selected beneficiaries for subprojects; and (iv) the PCU does not have a comprehensive record keeping system.

89. Mitigation action plans have been developed (see details in Annex 3).

90. The overall project procurement risk at the time of assessment is high. The satisfactory implementation of the action plans, mentioned in the above paragraph, will reasonably bring this overall risk to substantial.

91. ***Procurement Plan.*** The first draft of the Procurement Plan for the first 18 months of the project was prepared. It was approved during the negotiations. During implementation, the Procurement Plan will be updated in agreement with the Project Team at least annually, or as required, to reflect the actual Project implementation needs and improvements in institutional capacity. The plan will be available in the project's database, and a summary will be disclosed on the Bank's external website once the Project is approved.

### **E. Social (Including Safeguards)**

92. 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. These objectives will be achieved by supporting the implementation of business environment reforms and stimulating SMEs development in selected areas. This will help to improve transparency, governance and accountability in the business enterprises, the communities, and Government.

93. On the social side, the business environment is becoming more sensitive to community needs and efforts are being made to enhance community consultation, participation, and ownership. The Project will work with key stakeholders, Government officials, enterprises, and communities, including women, to promote inclusion and enhance social accountability and governance, to increase productivity and better development outcomes in the business areas. With regard to gender, the Project will conduct training on how to better engage community groups, redress unintended gender bias, and provide more direct and indirect employment opportunities for women and men.

## **F. Environment (Including Safeguards)**

94. The Project is an Environmental Assessment (EA) Category B (Partial Assessment) Project because the Business Plan Competition and activities associated with the institutional support to the Chamber of Commerce trigger the following Safeguard: Environmental Assessment OP/BP 4.01.

95. To prevent risks related to environmental impacts of the Business Plan Competition and to support the Chamber of Commerce, the Borrower has prepared an Environmental and Social Management Framework (ESMF). This framework provides an uniform approach for addressing potential negative impacts; and specifies the arrangements for screening, reviewing, implementing and monitoring specific Environmental and Social Management Plans (as required during implementation).

### **Overall readiness**

96. A number of activities already have been commenced or been completed under the Project Preparation Advance. These activities included workshops and meetings that gathered public and private sector representatives from Project recipient, beneficiary and stakeholder entities and discussed and refined Project components and activities; the different committees and implementation units; the design of the new agency (ANPI-Gabon); practical considerations such as the physical location of the new agency; and next steps and timeline.

97. Priority terms of reference (ToRs) were drafted by a committee of Gabonese Project stakeholders during a one-week workshop. These terms of reference cover activities such as conducting the project Environmental and Social Management Framework (ESMF); writing the Project Operational Manual; carrying out a benchmarking study for establishing the Presidential Investment Council; revising the investment code; devising an impact assessment, strategic plan, communication strategy, HR strategy and change management plan for ANPI-Gabon; devising an investment promotion strategy and a communication strategy for the Investment Promotion Department; preparing studies on access to finance and sub-contracting for Gabonese SMEs; and recruiting key specialists and PCU personnel. Most ToRs for the first 18 months of the Project have been drafted and technically validated.

98. An assessment of the institutional landscape was carried out with two important results: (i) an identification of all institutions with relevant mandates and suggested institutional arrangements for bringing these mandates under ANPI-Gabon; and (ii) an assessment of the

status of the IT infrastructure and recommendations for the establishment of the business registry. The findings and recommendations have been validated with the Borrower. Chart 1 (Organizational Chart for ANPI-Gabon, and Positioning of Existing Stakeholders) and Chart 2 (Conceptual Design of Web-based Information System for ANPI-Gabon) are based on the preparatory phase of the Project.

99. In addition, a reverse mission to Washington, D.C. by a Gabonese delegation consisting of key stakeholder representatives was organized. The mission aimed at (i) sharing knowledge related to the technical aspects of the Project and to Bank operations; (ii) advancing on the project preparation phase activities; and (iii) finalizing and validating the content of the project appraisal document (PAD). The program included work and training sessions and site visits, and brought together a number of World Bank and external speakers and trainers.

100. Moreover, the Environmental and Social Management Framework (ESMF) has been completed by the Borrower, published locally in the national newspaper *L'Union* and on Infoshop.

101. Finally, ANPI-Gabon is being established under the project preparation phase. The text was drafted by a committee of legal experts from Gabonese Project stakeholder agencies during a legal workshop led by the *Secrétariat Général du Gouvernement*. The text in accordance with Gabonese law has been slated for discussion and is pending validation by the Council of Ministers (weekly meeting). The effective establishment of the agency in accordance with Gabonese law is a condition of effectiveness. The Project provided support to establish the new agency: discussions, workshops, technical missions, and training sessions shared relevant knowledge, experience and best practices, and helped with identifying the most suited and effective design and institutional arrangements for the new agency.

## Annex 1: Results Framework and Monitoring

### Gabon

#### Project Name: Gabon Investment Promotion and Competitiveness Project (P129267)

#### Results Framework

#### Project Development Objectives

**PDO Statement**

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.

**These results are at** | Project Level

#### Project Development Objective Indicators

| Indicator Name                                   | Core                                | Unit of Measure | 2014    | Cumulative Target Values |         |          |          |          | Frequency | Data Source/<br>Methodology         | Responsibility for<br>Data Collection |
|--|-------------------------------------|-----------------|---------|--------------------------|---------|----------|----------|----------|-----------|-------------------------------------|---------------------------------------|
|  |                                     |                 |         | 2015                     | 2016    | 2017     | 2018     | 2019     |           |                                     |                                       |
| Reduction in time (days) to register a business  | <input type="checkbox"/>            | Days            | 50.00   | 50.00                    | 30.00   | 20.00    | 10.00    | 2.00     | Annually  | Doing Business                      | World Bank Group with Government      |
| Increase number of newly registered corporations | <input type="checkbox"/>            | Number          | 3490.00 | 4000.00                  | 8000.00 | 13000.00 | 18000.00 | 22000.00 | Annually  | Doing Business; Kauffman Foundation | World Bank Group with Government      |
| Direct project beneficiaries                     | <input checked="" type="checkbox"/> | Number          | 0.00    | 4500.00                  | 9000.00 | 14500.00 | 20000.00 | 25500.00 | Annually  | Ministry of Investment Promotion    | Ministry of Investment Promotion      |

### Annex 1: Results Framework and Monitoring

|                      |                                     |                                  |      |       |       |       |       |       |          |                                  |                                  |
|----------------------|-------------------------------------|----------------------------------|------|-------|-------|-------|-------|-------|----------|----------------------------------|----------------------------------|
| Female beneficiaries | <input checked="" type="checkbox"/> | Percentage Sub-Type Supplemental | 0.00 | 10.00 | 20.00 | 30.00 | 40.00 | 50.00 | Annually | Ministry of Investment Promotion | Ministry of Investment Promotion |
|----------------------|-------------------------------------|----------------------------------|------|-------|-------|-------|-------|-------|----------|----------------------------------|----------------------------------|

#### Intermediate Results Indicators

| Indicator Name  | Core                     | Unit of Measure | 2014 | Cumulative Target Values |        |        |        |        | Frequency | Data Source/<br>Methodology       | Responsibility for<br>Data Collection      |
|---|--------------------------|-----------------|------|--------------------------|--------|--------|--------|--------|-----------|-----------------------------------|--|
|   |                          |                 |      | 2015                     | 2016   | 2017   | 2018   | 2019   |           |                                   |  |
| Policy establishing ANPI-Gabon drafted with detailed action plan and manual of procedures | <input type="checkbox"/> | Yes/No          | No   | Yes                      | Yes    | Yes    | Yes    | Yes    | Annually  | Ministry of Investment Promotion  | Ministry of Investment Promotion           |
| Number of domestic and foreign investors tracked in the Investors Tracking System         | <input type="checkbox"/> | Number          | 0.00 | 50.00                    | 200.00 | 400.00 | 600.00 | 800.00 | Quarterly | APIEX or ANPI-Gabon               | APIEX or ANPI-Gabon                        |
| Reduction number of procedures to register a business                                     | <input type="checkbox"/> | Number          | 7.00 | 7.00                     | 6.00   | 5.00   | 5.00   | 5.00   | Annually  | Doing Business; CDE or ANPI-Gabon | Doing Business; CDE or ANPI-Gabon          |
| Number of entrepreneurs formally advised or mentored or                                   | <input type="checkbox"/> | Number          | 0.00 | 20.00                    | 50.00  | 75.00  | 100.00 | 150.00 | Annually  | APIEX or ANPI-Gabon or Chamber of | APIEX or ANPI-Gabon or Chamber of Commerce |

**Annex 1: Results Framework and Monitoring**

|  |                          |            |       |       |       |       |       |       |          |   |   |  |
|--|--------------------------|------------|-------|-------|-------|-------|-------|-------|----------|---|---|--|
| granted startup capital or receiving aftercare support through the Business Plan Competition |                          |            |       |       |       |       |       |       |          |   | Commerce  |  |
| Number of policy workshops organized   | <input type="checkbox"/> | Number     | 0.00  | 2.00  | 4.00  | 6.00  | 8.00  | 10.00 | Annually | Project Steering Committee or Presidential Investment Council or ANPI-Gabon | Project Steering Committee or Presidential Investment Council or ANPI-Gabon |  |
| Reduction in cost to register a business   | <input type="checkbox"/> | Percentage | 12.50 | 12.00 | 11.50 | 11.00 | 10.50 | 9.50  | Annually | Doing Business; CDE or ANPI-Gabon   | Doing Business; CDE or ANPI-Gabon   |  |

## Annex 1: Results Framework and Monitoring

**Country: Gabon**

**Project Name: Gabon Investment Promotion & Competitiveness Project (P129267)**

### Results Framework

| <b>Project Development Objective Indicators</b>   |   |
|---|---|
| Indicator Name  | Description (indicator definition etc.)   |
| Reduction in time (days) to register a business   | The total number of days required to register a firm. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with Government agencies and no extra payments.  |
| Increase number of newly registered corporations  | Is the number of newly registered corporations during the calendar year.  |
| Direct project beneficiaries  | Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct Project beneficiaries, specify what proportion of the direct Project beneficiaries are female. This indicator is calculated as a percentage. |
| Female beneficiaries  | Based on the assessment and definition of direct Project beneficiaries, specify what percentage of the beneficiaries are female.  |
| <b>Intermediate Results Indicators</b>  |   |
| Indicator Name  | Description (indicator definition etc.)   |
| Policy establishing ANPI-Gabon drafted with detailed action plan and manual of procedures | The successful preparation of relevant, sound and clearly articulated strategies, action plans and procedures manual. The indicator measures whether or not these guiding documents have been prepared following Agency establishment so that they positively influence ANPI-Gabon's strategic direction and operations from the start.   |
| Number of domestic and foreign investors tracked in the Investors Tracking System         | The number of domestic and foreign investors that have been contacted or serviced by ANPI-Gabon in any way, whether an investment takes place or not, and whose   |



### Annex 1: Results Framework and Monitoring

|  |  |
|--|--|
|  | information is entered in the Investor Tracking system for follow-up and statistics. Servicing may include actions ranging from initiating business opportunity through targeting, responding to queries, providing with information, facilitating site visits, assisting with formalities, helping to solve issues. |
| Reduction number of procedures to register a business  | The number of procedures required to start a business, including interactions to obtain necessary permits and licenses and to complete all inscriptions, verifications, and notifications to start operations. Data are for businesses with specific characteristics of ownership, size, and type of production.     |
| Number of entrepreneurs formally advised or mentored or granted startup capital or receiving aftercare support through the Business Plan Competition | The number of entrepreneurs that benefit from the services offered by the Business Plan Competition scheme. The indicator captures the reach of this Project activity through services that could include formal advice/mentoring, startup capital or aftercare support.   |
| Number of policy workshops organized   | The number of policy workshops addressing investment climate reform organized with the participation of public and private sector stakeholders. This indicator measures the intensification of policy reform, awareness-raising and public-private dialogue achieved under the Project.                              |
| Reduction in cost to register a business   | The cost associated with starting a business, which includes all official fees and fees for legal or professional services that are required by law. Data are for businesses with specific characteristics of ownership, size, and type of production.   |

## **Annex 2: Detailed Project Description**

### **GABON: INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT**

1. The proposed Project (US\$18 million) will support Government's broader institutional objectives to improve the investment climate and to foster enterprise development. The Project will finance activities involving three components: (a) institutional development to improve business climate (Component 1); (b) support enterprise development (Component 2); and (c) project management and public-private-dialogue (PPD) (Component 3).

2. The Project will contribute to the operationalization of a new agency, ANPI-Gabon, which is being established with Project assistance under the project preparation phase. This one-stop shop aims to (a) promote Gabon as an investment destination; (b) simplify business registration; and (c) facilitate the operationalization of enterprises. The project will contribute to the design and functioning of ANPI-Gabon through technical assistance (TA), software development, development of action plans, operations manual, and trainings. In addition, the Project will support the execution of its missions, which include: (a) investment promotion, (b) business registration, and (c) enterprise support.

3. A Project Coordination Unit (PCU) is being established to ensure overall Project coordination, financial management, procurement and monitoring and evaluation (M&E). A Project Technical Committee (PTC) and a Project Steering Committee (PSC) already have been put in place to provide technical and strategic guidance to the Project and ensure achievement of the intended objectives. Finally, a Presidential Investment Council (PIC) is expected to lead public private dialogues (PPDs) to support the reforms agenda on private sector development (PSD).

4. A Project Preparation Advance (PPA) is being implemented by the *Commission Nationale des Travaux d'intérêt public pour la promotion de l'entrepreneuriat et de l'emploi* (CN-TIPPEE) to finance (a) critical activities related to the design and functioning of ANPI-Gabon and the PIC, based on international good practices; and (b) the recruitment of consultants for the PCU and associated trainings to fulfill its fiduciary role.

#### **Component 1: Institutional Development to Improve Business Climate**

5. There have been several public agencies in Gabon that collectively fulfill the missions of investment promotion, business registry and enterprise support. The multiplicity of these agencies and their overlapping mandates resulted in a non-efficient allocation of human and financial resources and often reflected negatively on the quality of service offered and of customer experience. The business registration process in particular is long, complex and expensive. Gabon ranks 163 of 189 countries in the 2014 Doing Business Report. It ranks 153 globally on the "starting a business" index. Creating a business in Gabon require seven procedures and 50 days. The cost is 12.5 percent of per capita income, with a paid-up minimum capital of 19.3 percent of income per capita. While these figures are better than those of 2013, there is still room for improvement.

6. To improve the investment climate in Gabon, public services to domestic and international investors will be reorganized in ANPI-Gabon, which will be established to attract, facilitate and support private investments. This consolidation will be accomplished either by incorporating within ANPI-Gabon the relevant functions of some agencies, or by integrating in full other agencies (which subsequently will cease to exist after a transition phase of six months).

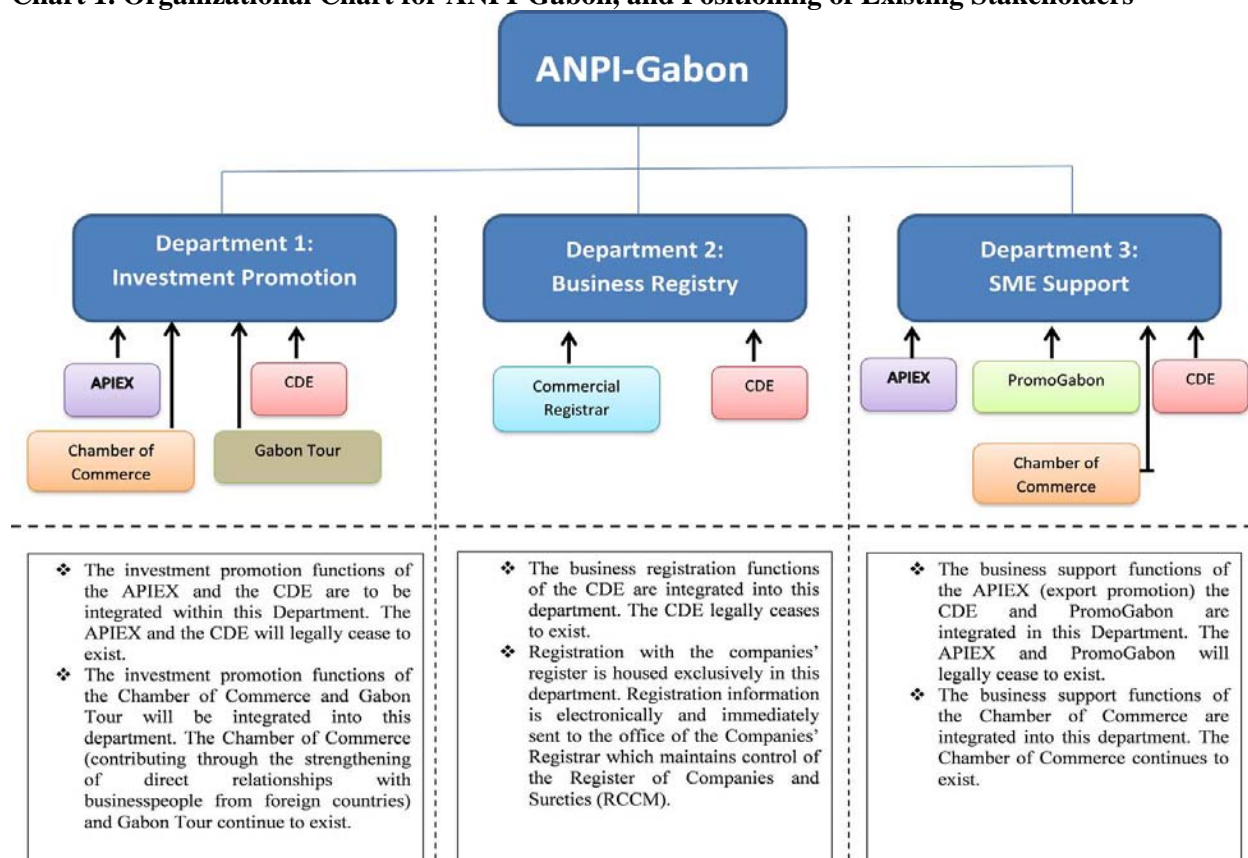
7. Particular emphasis will be placed on business registration reform. The process of starting a business will be streamlined and simplified to reduce the number of processes, the cost, and the time required. ANPI-Gabon will be designed according to international good practices while adapting to the Gabonese context. It will have the appropriate legal framework. It will operate according to clear strategies, action plans and procedures. Finally, ANPI-Gabon will be endowed with the financial, human and technological resources required to accomplish its missions.

### ***Sub-component 1.1: Contribution to the Design of ANPI-Gabon***

8. This institutional reform by the Government is motivated by the legal and institutional overlaps of existing administrations and agencies that service the private sector in three functions: investment promotion, business registration and enterprise support. The lack of coordination among administrations and agencies that service the private sector creates inefficiencies that affect the investment climate and impede good public-private dialogue. Part of the difficulty comes from the fact that the existing administrations and agencies in charge of these functions are spread out geographically. In addition, the absence of single physical entry points for investment promotion, business registration and enterprise support respectively makes it difficult for national and international investors to conduct their business, particularly when it comes to operationalization and market opportunities.

9. ANPI-Gabon (One-Stop Shop) has three departments (Chart 1). (a) The Investment Promotion Department's mission will aim to generate investments in Gabon through reactive and proactive targeted promotion, and to facilitate setting up investors in the country. (b) The Business Registration Department will aim at completing all business registry procedures on behalf of investors within a period not exceeding two days. (c) The Enterprise Support Department will be in charge of advising and guiding companies with regard to formalities, services and opportunities that may concern them, especially those relating to the export process.

**Chart 1. Organizational Chart for ANPI-Gabon, and Positioning of Existing Stakeholders**



10. The Project's role is to contribute to ANPI-Gabon's creation and to assist in generating the knowledge that is critical to ANPI-Gabon establishment phase. The first steps, which have been financed by the PPA, have been to map the existing institutions in order to identify overlaps and duplication, analyze the legislation of existing institutions in view of harmonizing it, define the architecture of ANPI-Gabon, and determine the necessary institutional and legal mechanisms. Based on this analysis, the legislation establishing ANPI-Gabon and defining its mandates has been slated for discussion and is pending approval by the Council of Ministers (weekly meeting). The effective establishment of the agency in accordance with Gabonese law is a condition of effectiveness.

11. The Project will provide assistance with ANPI-Gabon's operationalization phase. A number of documents and activities that will guide ANPI-Gabon's operations will be prepared. These will include the strategic plan, business plan, communications strategy, HR strategy, change management plan, digital strategy to create an effective website, impact assessment and technical rationale, and operations manual. These documents will be developed closely with different stakeholders and subsequently disseminated. A number of activities that are critical to the initial operationalization of ANPI-Gabon will also be financed. These activities will include awareness-raising campaigns, capacity building for new staff, and selecting equipment and systems. It is worth mentioning that combining a number of distinct public services in one agency (business registration, investment promotion and SME support) will work best if these services are autonomous and delineated. Therefore, the three departments will be interconnected

but autonomous, and will have flexibility and control over their respective organizational charts, job profiles, hiring processes, website interface, budgets, etc. ANPI-Gabon will also have a strong policy advocacy role. ANPI-Gabon will be the first line of contact with current and potential investors and entrepreneurs and thus can relay areas of concern to investors and push for investment climate reforms. ANPI-Gabon's operations manual will specify these policy advocacy mechanisms. As one of the first such actions under the Project, ANPI-Gabon will spearhead the revision of the outdated Investment Code.

### ***Sub-component 1.2: Promote Investments in Targeted Sectors***

12. The first Department in ANPI-Gabon –the Investment Promotion Department- will integrate the investment promotion functions of previously held by the APIEX, Enterprise Development Center (CDE) and Chamber of Commerce. The Project will support the Investment Promotion Department in developing and implementing the most relevant and adapted investment promotion and communication strategies and action plans in order to effectively perform its roles in image building, investor outreach and targeting, investment facilitation, servicing and aftercare, and policy advocacy. It is essential for any investment promotion intermediary to operate according to clear promotion and communication strategies and well-articulated action plans.

13. Investment promotion covers activities such as market intelligence and research, identifying and preparing projects and opportunities, targeting a set of companies in specific sectors and countries according to predefined criteria, organizing promotional visits abroad and investor visits in-country, participating in and organizing national and international forums, handling enquiries and expressions of interest, facilitating investor visits and actions, offering precise and up-to-date information and advice to assist investors in investment location decisions, providing aftercare (which is a highly effective low-cost way of securing additional investment flows through repeat business); and building relations with business intermediaries.

14. Communications covers branding, marketing, image building, campaigns, advertising, different information media. The sub-component will finance technical assistance; the development of the strategies and action plans; and to a number of relevant activities, such as communication events and efforts, production and dissemination of promotional materials, participation in international forums, and targeting missions.

15. For promotional activities to be meaningful and cost effective, ANPI-Gabon must concentrate its efforts on a number of pre-identified sectors. Investment promotion is a costly endeavor and must be directed where it will yield the highest impact. In accordance with international good practices, investment promotion activities will target specific sectors and sub-sectors or areas (such as Special Economic Zones, or SEZs). These sectors will be pre-identified according to a set of criteria such as relevance to over-arching national strategy (PSGE), sector competitiveness and development potential (comparative advantage, availability of inputs), expected impact (job creation, technological upgrade, value chain integration), and international opportunities and trends. The Project will finance technical assistance (recruitment of an expert). Sectoral analysis (studies, strategies) also will be conducted to identify the most relevant sectors and sub-sectors with the highest potential for development and impact, in which investment

promotion and business development activities will be concentrated; and for which sectoral strategies will be developed. Products, investment opportunities, and markets will also be packaged and made available online for national and foreign investors. Best practices show that sectoral analyses take up to one year to prepare properly. In the meantime reactive promotional sectoral activities (such as securing updated and relevant information from line ministries) could revolve around some of the sectors identified in the national strategy PSGE (seven of nine, excluding mining/oil and forestry).

16. It is equally important for ANPI-Gabon to have readily accessible and be able to disseminate reliable, precise, and up-to-date country data. Relevant and adequate sectoral and non-sectoral information will enable the potential investor to properly evaluate the investment opportunities in Gabon. The lack of such information (information asymmetries) negatively affects a country's attractiveness and constitutes a serious deterrent to investors who are inclined to turn to more familiar or knowable locations. It is not possible for ANPI-Gabon to have all the required information in-house. The Agency therefore shall establish close working relations with all the institutions that generate and aggregate this information (line ministries, central bank, Statistics Department) by identifying focal points. To be able to fulfill their roles, these focal points—who already have been identified by APIEX— will undergo training and be provided with the adequate equipment. This information will be packaged and disseminated on the ANPI-Gabon website and in different media forms and venues (brochures, forums, etc.) according to the communication strategy. More detailed information will be available to investors on request.

17. An Investor Tracking System is critical for a well-functioning investment promotion intermediary. Each contact with ANPI-Gabon, whether received or initiated by a promotion officer, constitutes a potential opportunity, if not for investment then for gleaning valuable insights and information. These interactions therefore must be recorded and followed on in an Investor Tracking System, which is a subset of Customer Relationship Management systems. This system will help ANPI-Gabon better manage its relationships with potential and current investors, offer a better and more comprehensive customer experience, and readily have the data and statistics that would help assess its performance and push for policy reform. The Project will finance the acquisition of the Investor Tracking System through a bidding process to select a suitable provider. The system will be built to order and customized according to ANPI-Gabon's needs, and connected to the larger Agency platform. The selected provider will also be responsible for equipment, installation, maintenance and training.

18. The role of Gabonese embassies and ANPI-Gabon staff posted abroad must be strengthened because they are the first point of contact for foreign investors. Gabonese embassies play an important role in representing the country to potential foreign investors. The embassies frequently receive investor enquiries and often have the chance to interact with foreign investors. The embassy staff must be able to provide potential investors with initial information and refer them to the Investment Promotion Department for further assistance. In order to fulfill this role, it is important that economic attachés and ANPI-Gabon undergo training to better respond to requests for information and expressions of interest from potential investors. Consuls also must be aware that it is important to grant visas quickly to potential investors. This training could take place either domestically for new cohorts of economic attachés and ANPI-Gabon before settling

abroad. The Project will also finance surveys of foreign investors to gauge their perceptions of investing in Gabon and their assessment of the public services available to them.

19. Physical entry into Gabon may be an obstacle for many investors and must be eased. Libreville airport is difficult to navigate and travelers often are subject to delays. The Project will help with the drafting of regulations to ease visa procedures for current and potential investors. An assessment will be conducted to measure the feasibility of creating a special counter for investors in line with the initiative “*J’accompagne mon investisseur*”.

### ***Sub-component 1.3: Creation a Business Registry***

20. The nonexistence of an electronic and potentially web-based information system at the CDE, in addition to the lack of interconnection among administrations and agencies involved in business registration process has caused delays in business registration of up to 30 days.<sup>4</sup>

21. Established by Decree No. 730/PR/MECIT on 21 June 2011 (under the Ministry of Economy), the CDE had been the main agency in charge of the creation, modification and termination of companies in Gabon. Users had to travel to the relatively remote CDE offices to create, modify or terminate their companies. A number of representatives from national institutions involved in business creation were located in the CDE. These institutions included the CEPIG (Centre for Industrial Property, under the Ministry of Industry, which assigns company names), the CNSS (Social Security Corporation), and the Commercial Registrar (which assigns the commercial registry number).

22. The procedure for assigning a commercial registry number had been entirely manual because neither the CDE nor the Registrar had a computer system capable of automatic allocation. The registrar at the CDE had to regularly refer to the Commercial Registrar’s office to request a range of unallocated registration numbers in order to meet the demands of new companies being registered at the CDE. In addition, the General Tax Directorate was not represented at the CDE so tax registration had to be done at the Directorate by an agent who physically transferred files from the CDE on a regular basis. Some companies opted to register directly at the Commercial Registrar’s office located in the Court of First Appeal.

23. The Project will support the second Department of ANPI-Gabon to incorporate a business registry based on a streamlined procedure and the use of a web-based platform with a single e-database to facilitate registration both on site and online.

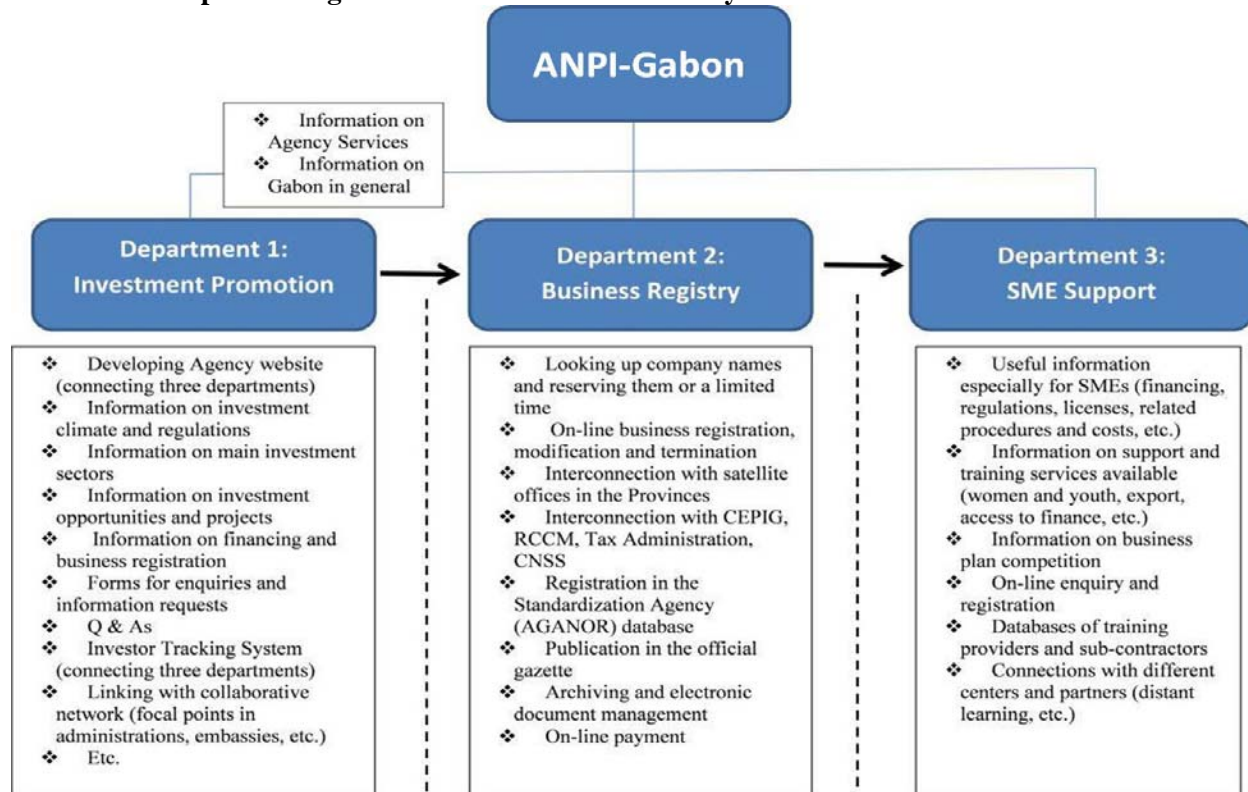
24. The current functions of business creation, modification and termination at the CDE will be transferred to the new Department 2—the Business Registration Department—of ANPI-Gabon, and the CDE will be repealed. The roles and procedures in the business registration process will be comprehensively restructured. Users will be able to establish businesses either by physically going to ANPI-Gabon’s offices, which will be centrally located in Libreville with a satellite in each province; or by going online. All the entities involved in the business registration process (CEPIG, Tax Administration, Commercial Registrar, and CNSS) will be physically represented at ANPI-Gabon, as well as interconnected through a workflow management system

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<sup>4</sup> Doing Business in Gabon, 2014, <http://www.doingbusiness.org/data/exploreeconomies/gabon/>

based on a customized web application, through which all documents will be stored and managed. All other stakeholders and focal points in the business creation process, such as visa services (Immigration), the official gazette, line ministries, the National Employment Bureau, the Civil Service Department, land services and the Customs Department, will simply be interconnected. The names of newly registered companies will also be published online free of charge, and general company information will be available for consultation online. In addition, the CDE's current eight regional locations (one per province) will be maintained and interconnected under the new departments to service the provinces.

**Chart 2. Conceptual Design of Web-Based Information System for ANPI-Gabon**



25. The Project will finance the recruitment of firms to develop the information system and web-based interface. The Project will also finance the purchase of related IT equipment in Libreville. Moreover, training of business registry staff on using the system and in customer service, in addition to country-wide campaigns on the system's benefits and use targeting current and perspective users, will figure prominently in the training and awareness-raising activities that will be undertaken by ANPI-Gabon and financed by the project.

### **Component 2: Support Enterprise Development**

26. Component 2 aims to facilitate the operationalization of Gabonese companies and foster SME development. Operationalization encompasses all activities companies need to undertake throughout their daily operations in order to be sustainable and lucrative; these include HR, finance, accounting, exports, IT, logistics, accreditations, production, business development, marketing, and R&D, among others. The component will create the conditions for existing and



future entrepreneurs to integrate in national and international markets. These conditions will be accomplished by (a) guiding entrepreneurs by using SME support services; (b) stimulating entrepreneurship, particularly among youth and female entrepreneurs in selected areas; and (c) building local capacity of Chamber of Commerce to deliver business development services.

27. The third Department of ANPI-Gabon —the SME Support Department— will integrate the formal business support functions of APIEX (export promotion), CDE, Promo Gabon and the Chamber of Commerce. The Project will support the SME Support Department of ANPI-Gabon to help SMEs get started and become operational, and it will host the Business Plan Competition. The Chamber of Commerce will also receive technical support and financing for minor works.

### ***Sub-component 2.1: Support to Enterprises***

28. Sub-component 2.1 will finance the following activities of the third Department of ANPI-Gabon:

(i) *Development of a strategy to support SMEs with action plans, and communication strategies and through events and forums that target local firms and local products.* Technical assistance will be provided to structure the Department and experts will be recruited to support the operationalization of the Department.

(ii) *A Women's Business Center to support current and future women entrepreneurs through orientation and advisory services; training; networking; and dissemination and facilitation of opportunities for business, markets, and financing.* The Center will draw on the experience of specialized centers such as the Washington, D.C. Women's Business Center, that offer novel solutions to unique issues faced by women entrepreneurs. For example, the Women's Business Center will offer flexible and extended business hours for women who are otherwise employed during the day, in-house child care during training and consultation sessions, and the possibility of off-location sessions and distance learning. Accordingly, the Center will have conferencing services and will provide support services to its members to host promotional events; organize training; and provide basic administrative and information communication technology (ICT) support, including distance learning. The Project will finance the provision of equipment and develop the distance learning platform in collaboration with training providers; and the elaboration of specific communication, outreach training and partnership strategies, plans, and activities. The Project will finance the elaboration of specific communication; outreach training; and partnership strategies, plans, and activities. The Project will also finance the provision of equipment and development of the distance learning platform in collaboration with the Chamber of Commerce and training institutions such as *L'Institut National des Sciences de Gestion (INSG), L'Institut Supérieur de Technologies (IST), Le Centre de Formation Basile ONDIMBA, Le Lycée Technique Omar BONGO ONDIMBA, L'Ecole Normale d'Enseignement Technique, Le Fonds d'Insertion et de Réinsertion, and Le Centre des Métiers de la Femme.*

(iii) *An Information and Documentation Desk to increase awareness of business opportunities and business practices including information on procedures and services.* The Project will finance studies to map procedures for industry-specific licensing and services related to businesses and to make this information available to companies. The Project will also finance the

production and dissemination of a SME Guide. Activities related to mapping licensing procedures and tax (including those in the Doing Business<sup>5</sup>) will include organizing workshops, scanning relevant Doing Business documentation and legal documents, and providing equipment to access the information.

(iv) *Export promotion.* Activities will comprise developing a strategy, business plan and communication strategy to promote exports; making available information on foreign markets; assisting with upgrading/compliance with export procedures, norms, and standards and with packaging and quality requirements; linking potential exporters with markets; and organizing trade missions. The Project will finance the production and dissemination of an Exports Guide (report), also available online.

(v) *Contribute to improving SME access to finance.* Gabon has few or no guarantees available for SME loans, and no specialized institution (such as a credit bureau) that could facilitate access to loans. The Project will finance the review of financial instruments that are accessible to SMEs.

### ***Sub-component 2.2: Enterprises Business Plan Competition***

29. Sub-component 2.2 will finance the organization of a Business Plan Competition. The intervention will complement the *Prix d'excellence du Président de la République* (Women Entrepreneur Award for Outstanding Achievement in Agriculture) by taking into consideration additional categories of applicants and sectors. The sub-component will also build from a similar pilot experience called *Mon Projet*, launched by Promo Gabon in 2011.

30. The Competition will be organized in three cycles, each one lasting 18 months, with some overlap expected. Each cycle will comprise a promotion phase and an aftercare phase of one year. The Business Plan Competition will provide a combination of seed capital and mentoring to help targeted entrepreneurs initiate a business or launch a new product.

31. The implementation of the Business Plan Competition will involve members of the Ministry of Small and Medium Enterprises (*Ministère des PME*), Ministry of Investment Promotion (*Ministère de la Promotion des investissements*), Ministry of Economy (*Ministère de l'économie*), the Chamber of Commerce (*Chambre de Commerce*) and the Association of Young Entrepreneurs (*Association des jeunes entrepreneurs*). The inputs from the different members will inform the agenda of locally-hired full-time consultants who will coordinate the implementation of the Competition.

32. In the first year of the Project, the implementation agency will conduct an information campaign to promote the Competition. The target audience will be existing as well as new entrepreneurs, aged 21 to 40.

33. Entrepreneurs will be invited to submit proposals of new business ideas in different economic sectors. In the first cycle, entrepreneurs may submit ideas from several of the sectors

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<sup>5</sup> Such as “Registering Property” and “Paying Taxes” Indicators. Doing Business in Gabon, 2014  
<http://www.doingbusiness.org/data/exploreeconomies/gabon/>

identified in the PSGE (agriculture, fishing, tourism, communication and digital economy, and other services). In the two subsequent cycles, the call for proposals will be more selective and will target specific sectors identified for their high growth potential. Across all cycles, special focus will be given to business ideas with stronger potential for jobs creation

34. When submitting their proposals, applicants will be asked to complete a simple screening questionnaire to measure their basic entrepreneurial skills and motivation.<sup>6</sup> Approximately 500 (25 percent) of the total applicants will be selected based on the quality of their proposals and their entrepreneurial skills.

35. The selection panel will award realistic business ideas proposed by individuals with the skills and motivation to start businesses that would continue successfully during the program. The panel will include independent experts representing the private sector including representatives of commercial banks, venture capitalists, successful entrepreneurs, industry professionals, ANPI-Gabon, and the Chamber of Commerce. Entrepreneurs who are part of the Selection Panel will not be allowed to submit business plans. This restriction will also apply to immediate family members of Selection Panel members.

36. After this initial screening, applicants will be invited to participate in a 5-day training course on how to prepare a business plan. The training will be given to groups of 20 applicants and will cover several aspects of the business plan. These aspects include (a) developing innovative business ideas, (b) analyzing the demand for such ideas, (c) marketing strategies, (d) financing a business plan, (e) overview of key legal and regulatory issues, and (f) presentation skills.

37. At the end of the training, applicants will submit first drafts of their business plans to the independent panel. Approximately 250 (50 percent) of the remaining competitors then will be selected to advance to a second phase. To enable these selected applicants to further sharpen their business plans, they will be organized in groups of 10 people for 10-day workshops that will target specific issues relevant to their chosen sectors.

38. At the end of these workshops, the competitors will finalize and submit their business plans, and deliver short presentations on them to the Selection Panel. Of the 250 candidates, the Selection Panel then will select the 50 most promising business plans. The panel will award support to 40 new entrepreneurs and 10 existing entrepreneurs. The bias in favor of new companies is motivated by the existing empirical evidence that new ventures tend to create more jobs and therefore have larger development potential. To ensure fairness and transparency during the entire Competition, the panelists will publish the official rankings of all submitted business plans after each selection phase.

39. Depending on the needs identified and carefully justified in their business plans, the 50 winners will receive seed capital, or technical assistance and/or training. The exact amount of the seed capital award will depend on the sector. On average, micro and small enterprises are

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<sup>6</sup> Among other information, the questionnaire will ask about the applicant's idea for a business and its innovativeness, education, measures of entrepreneurship, measures of honesty, understanding of the major market opportunities and challenges expected, and strategies to cope with identified risks.

expected to receive US\$40,000, whereas medium enterprises are expected to receive US\$80,000. It is expected to fund approximately 40 micro and 10 small/medium enterprises.

40. During an initial phase of aftercare (12 months), winners will be paired with local part-time consultants in order to receive support toward the successful implementation of their business plans and secure additional financing as required. Entrepreneurs will be visited every other month by the advising consultants. These consultants will be recruited from the pool of local business development service providers.

41. In line with international good practices, the Business Plan Competition will be managed by competitively selected consultants. Consultants are expected to bring international experience in running the Business Plan Competition and to have a successful track record of managing similar programs. The rationale for selecting consultants is the need to augment specific financial assistance with firm-level mentoring and technical assistance to provide a structured technical assistance to relevant Government agency staff throughout the Project. This governance structure also mitigates risks of corruption, and maximizes interaction with private sector entities in the design and implementation of the Competition. A Selection Panel for the Business Plan Competition will comprise both public and private stakeholders (line ministries, Chamber of Commerce, training institutions, commercial banks).

42. Eligibility criteria for seed grants, as well as governance structure and details will be further developed in the Project Operational Manual.

### ***Sub-component 2.3: Support to the Chamber of Commerce***

43. The Chamber of Commerce's capacity will be strengthened to effectively carry out its mandate and articulate the needs of the private sector that are to be addressed by ANPI-Gabon. To complement the role of ANPI-Gabon, the Chamber of Commerce will offer an array of services to support small and medium enterprises (SMEs); and farm, business, and industry associations. These services will be organized around two key activities:

(i) Sub-component 2.3 will finance capacity building activities to enable the Chamber of Commerce's staff to fully carry out the mandate (that is, advising members on business opportunities) of the Department for Enterprises and Strategy, which offers selected business development services.

(ii) The Project will further support the Chamber of Commerce by financing a building that will host the *Centre de Gestion Agréé (CGA)*, the *Bourse de la Sous-Traitance*, and the conference rooms for events (training, workshops, consultations) for investors and entrepreneurs. The Project will transform the Chamber's conference room into a multimedia room with videoconference features, thus making good use of the Chamber's strategic location in Libreville. The Project will also finance the construction of new buildings and the refurbishment of an existing one. The construction does not require purchase of new land, nor does it negatively impact the population.

### **Component 3: Project Management and Public-Private Dialogue**

44. The aim of Component 3 is to deliver Project targets in a timely manner, and to monitor and evaluate activities. A dedicated Project Coordination Unit (PCU) is being staffed and will report to the Project Technical Committee. In addition, a Presidential Investment Council will be established to lead Public-Private Dialogue and conduct key policy reforms. All of these activities have started under financing of the Project Preparation Advance being implemented during the preparation of the Project.

#### ***Sub-component 3.1: Project Coordination Unit for Implementation***

45. Project Coordination Unit for implementation. This subcomponent will finance the recruitment of a dedicated team—for the Project Coordination Unit (PCU)— at the Ministry of Investment Promotion. The Project will finance activities for Project coordination, supervision, financial management, communication and outreach, procurement, and supervision of implementation of the Safeguards instruments, including through the provision of technical assistance, training, operating costs, and goods and services for the required purpose.

#### ***Sub-component 3.2: Presidential Investment Council for PPD and Policy Reforms Agenda***

46. Presidential Investment Council for PPD and policy reform agenda. This sub-component will finance the establishment of a well-functioning Presidential Investment Council (*Conseil Présidentiel de l'Investissement*, or CPI) to serve as a public-private dialogue platform to promote reforms aiming at improving the investment climate. The Project will finance the permanent secretariat of the CPI and a study tour to visit successful PPD mechanisms in Africa.

47. The Government's intention in improving the investment climate needs to be implemented through a consultation process with the private sector. Lessons from experience have shown that having a champion to carry out these reforms is critical. In Gabon, both public and private sectors have strong counterparts, and champions already have been identified to drive forward this multiple-stakeholders process. The CPI will hold periodic consultations between public and private representatives to agree on a time-bound and sequenced action plan that emphasizes the most relevant reforms to be implemented by the relevant Government agencies. This plan will be updated periodically through Project assistance. To make it effective this consultative body will comprise eminent private- and public-sector figures, selected based on their competency, experience, and achievements. The Council will meet annually or bi-annually with the President assisted by relevant Ministers.

48. The CPI will have a small Permanent Secretariat to ensure timely follow-up of actions adopted by the Council. The Permanent Secretariat will be hosted within ANPI-Gabon, and will oversee (a) a monitoring committee (*Comité de suivi*), and (b) thematic working groups (*Groupes thématiques de travail*: joint public and private representatives). The Project will finance the cost of a small high-caliber team to manage the Presidential Investment Council and its Permanent Secretariat, and related activities such as events and workshops.

## Annex 3: Implementation Arrangements

### GABON: INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT

#### Project Institutional and Implementation Arrangements

1. The *Ministère de la Promotion des investissements, des Infrastructures, de l'Habitat et de l'Aménagement du territoire* (MPIIHAT, or Ministry of Investment Promotion) will be the responsible Ministry for the Project. The Ministry of Investment Promotion is currently the recipient of the Project Preparation Facility with support from the CN-TIPPEE that ensures temporary fiduciary role pending the recruitment of adequate staff for the PCU. It is expected that CN-TIPPEE will also provide training and technical support to the incoming PCU during the initial months of implementation.
2. Since the Ministry of Investment Promotion has no experience in implementing World Bank-financed projects; the PCU will be established within the Ministry of Investment Promotion to implement the Project. The experts will include: Project Coordinator, Project Administrator (also in charge of M&E), Procurement Specialist, FM Specialist, and Accountant. Where adequate skills are available within the implementing agency, no new recruitments will be carried out.
3. 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 (including members appointed by the Ministry of Investment Promotion). The PSC and PTC will be established by date of effectiveness. PCU will prepare monthly and quarterly reports, validated by PTC, to the PSC. The scope of the PSC's work will be to provide strategic guidance and policy formulation and to receive and take action on reports from the PCU. The PTC will validate day-to-day Project activities when technical advice is required.
4. Fiduciary aspects of the Project will be managed by the PCU, which will also be responsible for: (a) the development of annual plans for Project activities (to be approved by the PTC then PSC), (b) Project financial management, including Project accounts, payments, disbursements of IBRD funds, project budgeting, and auditing; (c) procurement; (d) monitoring of Project progress and evaluation of results with regular reviews of project M&E data to determine progress and make any needed adjustments to ensure satisfactory achievement of end-of-Project outcomes; and (e) reporting to the PTC and PSC.
5. The Project will institute measures to ensure that Project implementation and reporting are streamlined. These measures will state that:
  - (a) The Project Coordinator will meet on weekly basis with the PTC and on a monthly basis with representatives from the beneficiary agencies to receive the requirements from the agencies, discuss Project implementation progress and challenges, and formulate solutions to any constraints.

(b) ICT-enabled citizen feedback and grievance redress mechanisms will be introduced as a means to obtain feedback on the quality of services provided through this Project and as a preventive measure against corruption. To enhance transparency and accountability, the Project incorporates a complaints-handling mechanism for Components 1 and 2 of the Project, particularly the business registry and the Business Plan Competition. This mechanism will be included in the Project Operational Manual (POM).

### **Project administration mechanisms**

6. A draft Project Operational Manual has been validated during the pre-appraisal mission of November 2013. The Borrower is preparing and finalizing the POM.

### **Financial Management, Disbursements, and Procurement**

#### *Overview of Project and Implementing Entity*

7. The implementing Ministry is the Ministry of Investment Promotion. A dedicated Project Coordination Unit (PCU) will be created to manage daily Project's activities. The PCU will be in charge of the fiduciary management of the project.

#### *Country Issues*

8. Gabon has embarked upon a series of major reforms and initiatives. They include the adoption of a new budget law<sup>7</sup> and a new procurement code in April 2012<sup>8</sup>, the ongoing development of the budget management system (Vectis), the outsourcing of public investments program to a Contract Management Agency (ANGT) run by Betchel, and the creation of Finance and Administrative Directorates (*Directions Centrales des Affaires Financières*, or DCAF,) in line ministries to ease the transition to program-based budgeting approach as well as to devolve budget authority.

9. Against this background, critical challenges in PFM remain as highlighted in the Bank Public Expenditure Review (2012 PER). These challenges relate to (i) the misalignment between public spending and development goals, (ii) the lack of a comprehensive public investment management system to manage the current tripling of the investment budget, (iii) the low capital budget execution on priority sectors, (iv) the poor value-for-money in public spending, and (v) the insufficiencies in the financial report arrangements.<sup>9</sup> The underlying causes include outdated procurement bidding documents; lack of transparency in the procurement process, lack and/or delay in preparing the planning and budget execution tools (procurement/commitment/disbursement plans), lack of manual of procedures to guide the elaboration of the financial reports and more generally weak PFM capacities at sectoral level.

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<sup>7</sup> The 2010 budget law is being revised to comply with the CEMAC PFM Directives adopted on December 2011.

<sup>8</sup> The 2012 procurement law includes the creation of a Procurement Regulatory Agency (ARMP) and the decentralization of the Directorate of Public Procurement in line ministries.

<sup>9</sup> Since 2009, the Court of Account has issued a qualification on the annual financial reports as a result of comprehensiveness in the administrative accounts produced by the Ministry of Budget.

10. To improve its economic performance, Government of Gabon (GoG) has requested from the Bank a technical assistance [in a number of areas, including Public Financial Management (PFM)]. To this end, a first Reimbursement Advisory Services (RAS) amounting to US\$2 million was signed and disbursed on November 2011. The PFM activities under this first RAS [P130564] focusing on the improvement of the budget preparation were duly completed and received both client and Bank recognition. The PFM activities specifically related to (i) the timely elaboration in the 2013 annual budget of procurement, commitment and disbursement plans in key six lines ministries, (ii) the development of a manual of procedures for the elaboration of the administrative accounts, (iii) and the piloting of the performance audit in the health sector with the aim to assess the value-for-money of the underlined spending.

11. By presidential Decree No 0030/PR/MEED/MBCFPRE dated on January 2013, Government of Gabon (GoG) was engaged in the ambitious goal of using country PFM system in managing counterpart funds and external donors' funds for investment lending projects. Nevertheless, current weaknesses in the PFM system recommend a gradual approach to ensure a successful implementation of reform containing in the Decree. World Bank, in collaboration with others donors (EU, AFB, AfDB etc.) is leading a dialogue with GoG to support this sequenced implementation approach. First, the use of country PFM system should be applied to counterpart funds with the involvement of public accountant. Secondly, an increase of transparency and availability of donors funded projects and programs financial information by establishing a systematic mechanism of channeling financial and disbursement information to key actors involved in PFM system (Directorate of Debt, Directorate of Budget, Supreme Audit Institution etc.). Finally, the assessment of the efficacy and effectiveness of the PFM system (PEFA and other analytical works) to agree the best scenario adapted to Gabon context bases on lessons learnt from the experience on counterpart funds, successful experience in the region and PEFA conclusions.

### Risk Assessment and Mitigation

| <b>Risk</b>   | <b>Risk rating</b> | <b>Risk Mitigating Measures Incorporated into Project Design</b>  | <b>Risk after mitigation measures</b> | <b>Remarks</b> |
|---|--------------------|---|---------------------------------------|----------------|
| <b>Country level</b><br>Weak capacity in Public Financial Management                      | H                  | RAS is ongoing with the aim to improve budget execution with World Bank support   | H                                     |                |
| <b>Entity level</b><br>No experience of the line ministry in World Bank-financed projects | S                  | Rely on a PCU with dedicated fiduciary staff, rules and procedures. Ministry level DCAF and Financial Controller will be involved | S                                     |                |
| <b>Project level</b><br>Sub grant mechanism is not clearly defined                        | M                  | Define a clear mechanism of sub grant management,   | M                                     | Preparation    |



| <b>Risk</b>   | <b>Risk rating</b> | <b>Risk Mitigating Measures Incorporated into Project Design</b>   | <b>Risk after mitigation measures</b> | <b>Remarks</b>              |
|---|--------------------|--|---------------------------------------|-----------------------------|
| and may lead to misuse of project funds   |                    | beneficiaries selection and reporting of the sub grant in MOP  |                                       |                             |
| <b>INHERENT RISK</b>  | <b>M</b>           |  | <b>M</b>                              |                             |
| <b>Budgeting</b><br>Delay in the preparation of PTBA  | S                  | Establish a clear timeline for budget preparation and monitoring in the manual of implementation   | S                                     | Preparation                 |
| <b>Accounting</b><br>Accounting transactions are not timely recorded as absence of appropriate accounting arrangement (staff, procedures, and computerized) in the line ministry to ensure accurate and timely record of the transactions | S                  | Recruit one Financial Management Specialist and one Accountant familiar with donors funded projects procedures<br>Install a computerized accounting system and adequate accounting procedures including chart of account and accounting recording processes.   | M                                     | Preparation/ Implementation |
| <b>Internal Controls and Internal Audit</b><br>Noncompliance of transactions with loan agreement and agreed procedures as line<br><br>Ministry PFM system is part of country PFM system which still displays significant weaknesses       | S                  | Establish a clear administrative and financial manual of procedures with a detailed procedures for each transactions<br>Recruit fiduciary staff familiar with donors funded project procedures<br><br>Involve line Ministry Financial Controller and DCAF in projects' transaction review and financial management | S                                     | Preparation/ Implementation |

| <b>Risk</b>   | <b>Risk rating</b> | <b>Risk Mitigating Measures Incorporated into Project Design</b>  | <b>Risk after mitigation measures</b> | <b>Remarks</b>             |
|---|--------------------|---|---------------------------------------|----------------------------|
| <b>Funds Flow</b><br>Delay in the funds release if <i>Caisse de Dépôt et de Consignations</i> (CDC) hosts the Designated Account as the latter doesn't comply with eight criteria of disbursement letter. | S                  | Open a segregated Designated Account in a commercial bank acceptable to the World Bank  | M                                     | Preparation                |
| <b>Financial Reporting</b><br>Delay in producing acceptable IFRs due to absence of systematic reporting arrangements in line Ministry   | S                  | Install a computerized accounting system to produce project's IFRs  | M                                     | Preparation/implementation |
| <b>Auditing</b><br>Risk of non-submission timely of acceptable audit report   | M                  | Recruit an independent external auditor and also involve Gabon's Supreme Audit Institution in the recruitment process and auditor's field mission | L                                     | Implementation             |
| <b>CONTROL RISK</b>   | <b>M</b>           |   | <b>M</b>                              |                            |
| <b>Overall FM risk</b>  | <b>S</b>           |   | <b>S</b>                              |                            |

12. The overall residual risk rating is deemed **Substantial**.

### Strengths

13. The PCU will be created but will benefit support from CN-TIPPEE which has an adequate track record in implementing Bank-financed projects: CN-TIPPEE existing staffs are well conversant with World Bank financed project and perform satisfactorily.

### Weaknesses and Action Plan to Reinforce the Fiduciary Arrangements

| <b>Significant Weaknesses or risks</b>                   | <b>Action</b>  | <b>Responsible body</b> | <b>Completion</b> |
|--|--|-------------------------|-------------------|
| No staff familiar with donors funded projects procedures | Recruit one financial management specialist and one accountant familiar with donors funded projects procedures | PCU                     | Effectiveness     |

| <b>Significant Weaknesses or risks</b> | <b>Action</b>  | <b>Responsible body</b> | <b>Completion</b>                |
|--|--|-------------------------|----------------------------------|
| No manual of procedures                | Establish an administrative and financial manual of procedures                   | PCU                     | Effectiveness                    |
| No computerized accounting system      | Install a computerized accounting system   | PCU                     | Three months after effectiveness |
| No auditing arrangements               | Recruit an independent external auditor according to ToRs acceptable to the Bank | CN-TIPPEE               | Four months after effectiveness  |

14. **Staffing:** The PCU will be in charge of fiduciary management of the Project. To that end, one financial management specialist officer and one accountant familiar with donors funded projects procedures will be recruited competitively. The FM staff will record project's FM transactions, monitor the compliance of transactions with fiduciary requirement, and prepare the Withdrawal Application and financial reports. The financial staff will receive trainings on World Bank financial procedures at project launching. Furthermore, line Ministry DCAF (Director of Financial Affairs) and Financial controller will be involved as an experiment of partial use of country system.

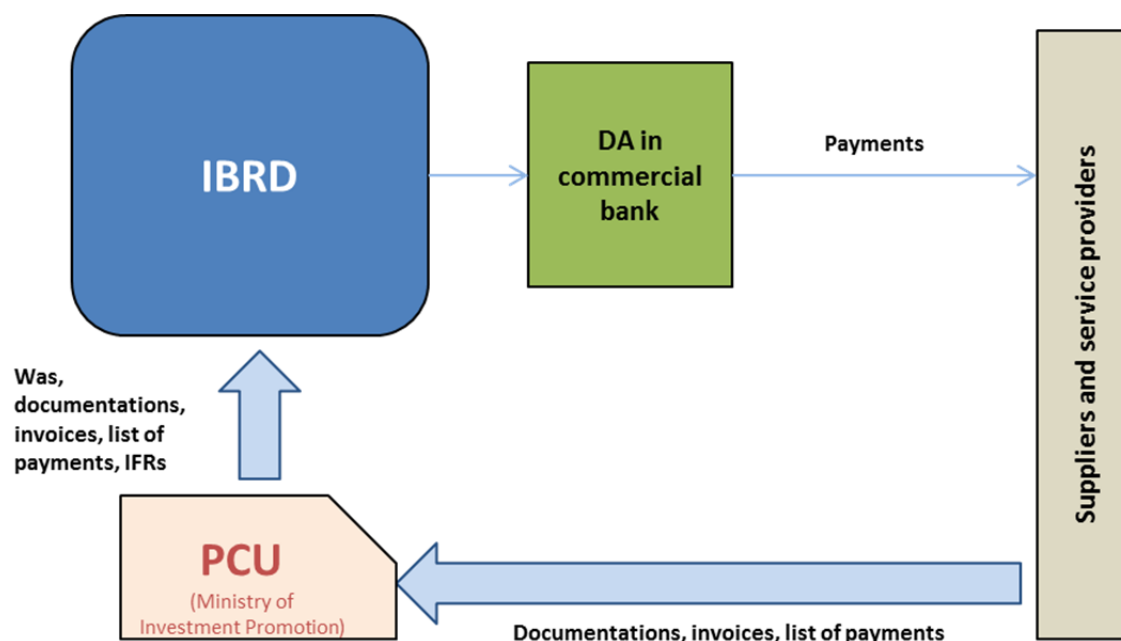
15. **Budgeting:** Annual work plans to be approved by the Steering Committee will clearly detail the activities and will be translated into annual budgets. Budget execution will be monitored via a computerized accounting system and in accordance with the budgeting procedures specified in the manual of procedures. Any variances will be identified in the quarterly Unaudited Interim Financial Reports (IFRs). Only budgeted expenditures will be committed and incurred so as to ensure resources are used within the agreed upon allocations and for the intended purposes. All budgetary procedures and agenda will be detailed in the manual of procedures.

16. **Accounting Policies and Procedures:** A computerized accounting system (accounting software multi project) will be used to maintain the books and accounts of Project activities. This system will ensure that the annual financial statements are produced in a timely manner in accordance with OHADA (*Organisation pour l'Harmonisation du Droit des Affaires en Afrique*) accounting principles, which are in line with the international accounting standards. The software will record project's transactions and generate on-time accurate financial reports.

17. **Internal Control:** Internal control will build on the proposed staffing arrangements and manual of procedures. Duties will be clearly segregated among the different units that are responsible, respectively, for technical implementation, administration and finance, monitoring and evaluation, and information and communication. Furthermore, as an example of partial use of country PFM system, line Ministry DCAF and Financial Controller will be involved in project's transactions management.

18. **Funds Flow and Disbursement Arrangements:** One Designated Account (DA) in XAF (Franc CFA d'Afrique centrale) will be opened in a commercial bank acceptable to the Bank and managed by the joint signature of the Financial Management Specialist and Project Coordinator.

In the medium term, *Caisse de Dépôt et de Consignations* may host the DA when it complies with the eight criteria highlighted by the disbursement letter. The Ceiling of the DA will be to CFAF 600 million. Upon project effectiveness, the DA will receive an initial advance up to the ceiling amount (equivalent to the four-month expenditures forecast) and will be replenished regularly through monthly Withdrawal Applications (WAs). Direct payments, will be made to service providers if needed per disbursement letter. The WAs to replenish the DA will be signed by signatories appointed by GoG.



**19. Disbursements by category:** The table below sets out the expenditure categories to be financed out of the Loan/Credit proceeds. This table takes into recognition the prevailing Country Financing Parameter for Gabon in setting out the financing levels.

| Categories  | Amount of the Financing Allocated (expressed in USD) | Percentage of Expenditures to be Financed (inclusive of Taxes)     |
|---|--|--|
| (1) Goods, works, non-consulting services, Operating Costs, Training, and consultants' services for the Project | 12,600,000   | 100%   |
| (2) Sub-Grants under Part B.2(d) of the Project   | 2,400,000  | 100% of amounts disbursed, payable under the respective Sub-Grants |
| (3) Refund of the Preparation Advance   | 3,000,000  | Amount payable pursuant to Section 2.07 of the General Conditions  |
| <b>TOTAL AMOUNT</b>   | <b>18,000,000</b>                                    |  |

20. **Financial Reporting and Monitoring:** IFRs will be submitted to the Bank within 45 days after the end of each calendar quarter. The format of the IFR will be agreed during negotiation. The IFR will comprise the sources and use of funds and the detailed expenditures by component. At the end of each fiscal year, the project will prepare annual financial statements.

21. **Auditing:** The annual financial statements prepared by the PCU as well as its internal control system will be audited annually. The existing external auditor ToRs will be amended to include this Project. The auditor will provide one single opinion on the annual financial statements in compliance with IFAC (International Federation of Accountants) Standards on Auditing. In addition to the audit reports, the external auditors will be expected to prepare a Management Letter giving observations and, comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Loan Agreement. The project will be required to produce, no later than six months after the fiscal year, the audited annual financial statements. Gabon's Supreme Audit Institution (*Cours des Comptes*) will be involved in external auditor selection process and field mission. These arrangements constitute a starting point of partial use of country PFM system and will provide practical opportunity to Gabon's Supreme Audit Institution to perform his role of external controller of public funds coming from donors financing the project.

#### **FM Conditions and FM Covenants**

- (i) The development of a Project Operation Manual including a section on administrative and financial procedures as an effectiveness condition;
- (ii) The recruitment of one Financial Management Specialist and one Accountant as an effectiveness condition;
- (iii) The recruitment of an independent external auditor four months after effectiveness;
- (iv) The installation of a computerized accounting system three months after effectiveness.

22. **Implementation Support Plan:** The FM implementation support mission will be consistent with a risk-based approach, and will involve a collaborative approach with the entire Task Team (including procurement specialist). A first implementation support mission will be performed six months after Project effectiveness. Afterwards, the missions will be scheduled by using the AFTFM risk-based-approach model. It will include the following diligences: (i) monitor the financial management arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FM Assessment at entry and subsequently during Implementation (ISR); (ii) review the IFRs; (iii) review the audit reports and management letters from the external auditors and follow up on material accountability issues by engaging with the task team leader, Client, and/or Auditors. The quality of the audit also is to be monitored closely to ensure that it covers all relevant aspects and provides enough confidence on the appropriate use of funds by recipients; and (iv) supervise physically on the ground; and (v) assist to build or maintain appropriate financial management capacity.

23. **Conclusions of the FM Assessment:** The overall FM risk is considered Substantial. The proposed financial management arrangements for this Project are considered adequate to meet the Bank's minimum fiduciary requirements under OP/BP10.00. The assessment recommends (i)

the development of a Project Operation Manual including a section on administrative and financial procedures as effectiveness condition, (ii) the recruitment of one Financial Management Specialist and one Accountant, (iii) the installation of a computerized accounting system and (iv) the recruitment of an independent external auditor according to ToRs acceptable to the Bank with Gabon's SAI involvement.

## **Procurement**

### ***Guidelines***

24. **Procurement** for the Project will be carried out in accordance with the World Bank "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January, 2011; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credit and Grants by World Bank Borrowers," dated January, 2011, and the provisions stipulated in the Loan Agreement. Procurement (Works, Goods and Non-Consulting services) or Consultant Selection methods, prequalification, estimated costs, prior review requirements, and time-frame will be agreed in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation. The Bank's Standard Bidding Documents (SBD) or Gabon National Standard Bidding Documents satisfactory to the Association will be used. To the extent practicable the Bank's Standard Bidding Documents for Works, Goods and Standard Requests for Proposals, as well as all standard evaluation forms, will be used throughout Project implementation.

25. **Advertising.** Following Board Approval, a comprehensive General Procurement Notice (GPN) will be prepared by the Borrower and published in the United Nations Development Business online (UNDB online), to announce major consulting assignments and any international competitive bidding (ICB). The GPN shall include all ICB for Works, Goods and non-consulting services contracts and all large consulting contracts (those estimated to cost US\$300,000 or more). In addition, a specific procurement notice is required for all works and goods to be procured under ICB in UNDB online. Requests for Expressions of Interest (EOI) for consulting services expected to cost more than US\$300,000 shall be advertised in UNDB online. An EOI is required in the national gazette, a national newspaper, or an electronic portal of free access for all consulting firm services regardless of the contract amount. In the case of National Competitive Bidding (NCB), a specific procurement notice will be published in the national gazette, a national newspaper, or an electronic portal of free access. Contract awards will also be published in UNDB, in accordance with the Bank's Procurement Guidelines (para. 2.60) and Consultants Guidelines (para. 2.31).

26. **Requirements for National Competitive Bidding.** Works, Goods and Non-Consulting Services contracts will use National Competitive Bidding (NCB) procurement methods in accordance with national procedures using Standard Bidding Documents acceptable to the BIRD and subject to the additional requirements:

(i) In accordance with paragraph 1.16 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the financing shall provide that (a) the

bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the World Bank as Supervising Entity, at its request, to inspect all accounts, records and other documents relating to the submission of bids and contract performance, and to have said accounts and records audited by auditors appointed by the World Bank/Supervising Entity; and (b) the deliberate and material violation of such provision may amount to an obstructive practice as defined in paragraph 1.16 (a)(e) of the Procurement Guidelines.

- (ii) Invitations to bid shall be advertised in national newspapers with wide circulation.
- (iii) The bid evaluation, qualification of bidders and contract award criteria shall be clearly indicated in the bidding documents.
- (iv) Bidders shall be given adequate response time (at least four weeks) to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later.
- (v) Eligible bidders, including foreign bidders, shall be allowed to participate.
- (vi) No domestic or CEMAC's regional preference shall be given to domestic or regional contractors, domestically or regionally manufactured goods; and association with national or regional firm shall not be a condition for participation in a bidding process.
- (vii) Bids are awarded to the substantially responsive and the lowest evaluated bidder provided this bidder is qualified. No scoring system shall be allowed for the evaluation of bids, and no "blanket" limitation to the number of lots that can be awarded to a bidder shall apply.
- (viii) Qualification criteria shall concern only the bidder's capability and resources to perform the contract taking into account objective and measurable factors.

27. **Procurement Environment.** No special exceptions, permits or licenses need to be specified in the Loan Agreement since the procurement code, approved by the President of the Republic on June 19, 2012 allows World Bank procedures to take precedence over any contrary provisions in local regulations. A procurement regulatory body is being set through legal text.

28. **Procurement of Works.** Under this Project no major procurement of Works is foreseen. At the moment, Procurement of Works under this Project consists mainly of the construction of a Chamber of Commerce's building. Civil works costing more than US\$5,000,000 equivalent will be procured through ICB. Other works contracts costing less than US\$5,000,000 equivalent will use NCB procurement methods in accordance with national procedures using Standard Bidding Documents acceptable to the Bank and subject to the additional requirements set forth or referred to above in the paragraph above, the "Requirements for National Competitive Bidding" of the current annex. Small works estimated to cost less than US\$200,000 equivalent per contract may be procured through shopping, based on price quotation obtained from at least three contractors in response to a written invitation to qualified contractors. Direct Contracting shall also be used in accordance with the provisions of paragraphs 3.7 of the Procurement Guidelines, with World Bank's prior agreement.

29. **Procurement of Goods and Non Consulting Services.** Procurement of Goods and Non Consulting Services under this Project will include: (a) vehicles, (b) IT system for OSS, (c) computing equipment for OSS, (d) Computing equipment for IT system distant sites, (e) office stationary, etc. Taking into account the level of value added, and manufacturing/production capacity in the country, procurement of goods will be bulked where feasible (of similar nature and need at same time period) into bid packages of at least US\$1 million equivalent, so that they can be procured through suitable methods to secure competitive prices. Goods estimated to cost US\$1 million equivalent and above per contract will be procured through ICB, which will use the Bank's Standard Bidding Documents. For others goods contracts costing less than US\$1 million equivalent, NCB procurement methods will be used in accordance with national procedures using Standard Bidding Document acceptable to World Bank and subject to the additional requirements set forth or referred to above in paragraph on Requirements for National Competitive Bidding:

- (i) Procurement of goods and Non-Consulting Services, including those of readily available off-the-shelf maintenance of the office electronic equipment and other services such as printing, and editing, which cannot be grouped into bid packages of US\$100,000 or more, may be procured through prudent shopping in conformity with Clause 3.5 of the procurement guidelines.
- (ii) Based on country-specific needs and circumstances, shopping thresholds for the purchase of vehicles and fuel may be increased up to US\$500,000, considering that the major cars dealers and oil providers will be consulted.
- (iii) Direct Contracting shall also be used in accordance with the provisions of paragraphs 3.7 of the Procurement Guidelines, with World Bank's prior agreement.

30. **Selection of Consultants.** Consulting services will be used for the following activities: (a) financial audit, (b) procurement specialist, (c) financial management specialist, (d) legal advisor, (e) business plan, (f) change management, (e) digital strategy, (f) sectoral analysis and business opportunity, (g) expert in investment promotion, (h) communication strategy for investment promotion, (i) investor tracking software, (j) expert in exports, (k) expert in SMEs, (l) mentoring Business Plan Competition, (m) local contents studies, (n) SMEs development study, (o) study of the OSS IT system and assistance during implementation, (p) economist, (q) architectural studies and supervision of the Chamber of Commerce building, IT expert, etc. These consulting services will be procured with the most appropriate method among the following which are allowed by Bank guidelines and included in the approved Procurement Plan: Quality-and Cost-Based Selection (QCBS), Quality-Based Selection (QBS), Selection under a Fixed Budget (SFB), and Least-Cost Selection (LCS):

- (i) Selection based on Consultants' Qualifications (CQS) will be used for assignments that shall not exceed US\$300,000. Single Source selection shall also be used in accordance with the provisions of paragraphs 3.9-3.13 of the Consultant Guidelines, with World Bank's prior agreement. All terms of reference will be subject to World Bank Prior Review.
- (ii) Assignments of Engineering Designs and Contract Supervision in Excess of US\$300,000, and all other technical assistance assignments above US\$100,000, must be procured on the basis of international short-lists and in accordance with the provisions of the paragraph 2.6 of the consultant guidelines.



(iii) Consultants for services meeting the requirements of Section V of the Consultants Guidelines will be selected under the provisions for the Selection of Individual Consultants, through comparison of qualifications among candidates expressing interest in the assignment or approached directly.

31. Operating Costs financed by the Project include, among others, utilities and offices supplies, vehicle operation, maintenance and insurance, building and equipment maintenance costs. They will be procured using the Project's financial and administrative procedures included in the operation manual and based on the annual work plan and budget. For services (car maintenance, computers maintenance, etc.) to be financed through operating costs, the Project will proceed by service contracting for a defined period.

32. Trainings, Workshops, Seminars, Conferences and Study Tours will be carried out on the basis of approved annual work plan and budget that will identify the general framework of training and similar activities for the year, including the nature of training, study tours, workshops, the number of participants, and cost estimates.

***Institutional arrangements for procurement and capacity assessment including risk mitigation measures***

33. ***Procurement Implementation Arrangement of the implementing entity:*** The CN-TIPPEE will provide support for the fiduciary aspects of procurement, until the PCU to implement the project, and to be created within the Ministry of Investment Promotion is fully operational (meaning that it is fully staffed and full transition between CN-TIPPEE has been made).

34. ***Procurement capacity assessment of the Implementation Arrangements:*** An assessment of the Project implementation arrangements, in particular the Ministry of Investment Promotion, was carried out. The capacity assessment found that: (i) the Ministry of Investment Promotion has no experience in the implementation of World Bank-financed projects; (ii) at present there is no qualified procurement specialist within the PCU to be set up within the Ministry to execute the Project; (iii) the Project Operational Manual including a section on procurement must be prepared for the use by the Project, including for sub-grants allocated to selected beneficiaries for subprojects; and (iv) the PCU does not have a comprehensive record-keeping system.

35. **Risks identified and mitigation measures proposed.** The overall procurement risk for the project is rated as **high**. The high risk is due to, among other factors, the country environment risk in procurement, especially in the public contract; and the lack of experience in the implementation of Bank-financed projects for the Ministry of Investment Promotion. A mitigation action plan has been agreed which, if properly implemented and monitored, will bring this risk to Substantial. The action plan in Table below needs to be implemented and appropriately monitored in order to bring the risk to **substantial**.

**Table 1: Procurement Action Plan**

| Action to be undertaken  | Timeframe   | Responsible body  |
|--|---|---|
| Elaboration and submission a Procurement Plan to the World Bank  | First draft at appraisal and final version was discussed during negotiations  | Ministry of Investment Promotion with CN-TIPPEE assistance  |
| Finalize and submit to IBRD for agreement, a satisfactory version of the operations manual comprising a section on procurement for use by the project, including for sub-grants allocated to selected beneficiaries for subprojects. | Adoption upon Project effectiveness   | Ministry of Investment Promotion with CN-TIPPEE assistance  |
| Recruit a Procurement Specialist with qualification and expertise satisfactory to the Bank within the Project Coordination Unit  | By effectiveness  | Ministry of Investment Promotion with CN-TIPPEE assistance  |
| Strengthen the capacity of the key staff of the PCU within the Ministry of Investment Promotion based on the procurement and Consultant Guidelines dated January 2011  | Two months after the project effectiveness and as needed during Project life  | PCU through a consultant or training center, with the assistance of CN-TIPPEE and the participation of the World Bank , if deemed necessary |
| Development of a comprehensive record keeping system for the PCU within the Ministry of Investment Promotion   | By three months after Project effectiveness and as needed during Project life | Ministry of Investment Promotion with CN-TIPPEE assistance  |

36. **Procurement Plan.** The first draft of a Simplified Procurement Plan for Project Implementation has been prepared. It will provide the basis for the procurement methods and, type of reviews, and is available for discussions. This plan, covering the first 18 months of Project implementation, was reviewed at appraisal. The final version of this procurement plan was discussed and agreed by the Recipient and the Project Team at negotiations. It will be available in the Project’s database, and a summary will be disclosed on the Bank’s external website once the Project is approved by the Board. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvement in institutional capacity.

37. **Publication of Results and Debriefing.** Publication of results of the bidding process is required for all ICBs, Limited International Biddings (LIBs), and Direct Contracting. Publication should take place as soon as the no-objection is received, except for Direct Contracting which may be done on a quarterly basis and in a simplified format. Publication of results for NCB and Shopping should follow the requirements of the procurement code of Gabon. The disclosure of results also is required for selection of consultants. All consultants competing for the assignment should be informed of the result of the technical evaluation (number of points that each firm received) before the opening of the financial proposals, and at the end of the selection process the results should be published. The publication of results of the selection of consultants applies to all methods. For CQS and SSS, however, the publication may be done quarterly and in a simplified format. The publication of results may be done through Client Connection. Losing bidders/consultants shall be debriefed on the reasons why they were not awarded the contract if they request explanation.

38. **Fraud and Corruption.** The procuring entity as well as Bidders /Suppliers/Contractors /Services Providers shall observe the highest standard of ethics during the procurement and execution of contracts financed under the program in accordance with paragraphs 1.14 and 1.15 of the Procurement Guidelines and paragraphs 1.22 and 1.23 of the Consultants Guidelines. The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,” dated October 15, 2006, and updated in January, 2011, will apply to this Project.

39. **Frequency of Procurement Supervision.** The capacity assessment of the implementing agency has recommended supervision missions to visit the field at least two times a year and a post review of procurement actions will be conducted on an annual basis.

***Summarized Procurement Plan***

40. The main works, goods and Non-Consulting Services to be procured in the Project are listed in Table 2 below.

**Table 2: List of Works, Goods and Non-Consulting Services Contract Packages to Be Procured**

| <b>Ref. No.</b> | <b>Description</b>                             | <b>Estimated Cost (US\$ million)</b> | <b>Procurement Method</b> | <b>Domestic Preference (yes/no)</b> | <b>Review by World Bank (Prior/Post)</b> | <b>Comments/ Completion date</b> |
|-----------------|--|--------------------------------------|---------------------------|-------------------------------------|--|----------------------------------|
| 1.              | Construction of Chamber of Commerce’s building | 0.880                                | NCB                       | No                                  | Prior                                    | First NCB under works            |
| 2.              | IT system for OSS                              | 1.6                                  | ICB                       | No                                  | Prior                                    |                                  |
| 3               | Computing equipment for OSS                    | 1.2                                  | ICB                       | No                                  | Prior                                    |                                  |

| Ref. No. | Description                                     | Estimated Cost (US\$ million) | Procurement Method | Domestic Preference (yes/no) | Review by World Bank (Prior/Post) | Comments/ Completion date |
|----------|---|-------------------------------|--------------------|------------------------------|-----------------------------------|---------------------------|
| 4        | Computing equipment for IT system distant sites | 0.8                           | ICB                | No                           | Prior                             |                           |
| 5        | Vehicles  | 0.09                          | Shopping           | No                           | Post                              |                           |
| 6        | Offices stationary for the PCU                  | 0.035                         | Shopping           | No                           | Post                              | First year                |
| 7        | Furniture                                       | 0.08                          | Shopping           | No                           | Post                              |                           |
| 8        | Computing equipment for the PCU                 | 0.041                         | Shopping           | No                           | Post                              |                           |
| 9        | Financial Management software configuration     | 0.03                          | Direct Contracting | No                           | Prior                             |                           |
| 10       | Acquisition of a Financial Management software  | 0.03                          | Shopping           | No                           | Post                              |                           |
| 11       | Internet connection for the PCU                 | 0.020                         | Shopping           | No                           | Post                              | First 2 years             |
| 12       | Acquisition of fuel                             | 0.025                         | Direct Contracting | No                           | Post                              |                           |
| 13       | Internet Prepaid connection for PCU staff       | 0.03                          | Shopping           | No                           | Post                              | First 2 years             |
| 14       | Car insurance for PCU vehicles                  | 0.008                         | Shopping           | No                           | Post                              | Fist 2 years              |
| 15       | ADSL internet connection                        | 0.0015                        | Shopping           | No                           | Post                              | First 2 years             |

41. ***Prior review thresholds for Works, Goods and Non-Consultant Services.*** Contracts estimated to cost above US\$5 million for Works and US\$500,000 for Goods per contract, the first NCB contracts for works and goods, eventually others as identified in the Procurement Plan, and all Direct Contracting will be subject to prior review by the World Bank.

42. The main consulting assignments of the Project are listed in the Table 3 below.

**Table 3: List of Consulting Assignments with Selection Methods and Time Schedule**

| Ref. No. | Description of Assignment  | Estimated Cost (US\$million) | Selection Method | Review by World Bank (Prior/Post) | Comments/ Completion date   |
|----------|--|------------------------------|------------------|-----------------------------------|---|
| 1        | Legal adviser  | 0.144                        | IC               | Prior                             | First 2 years   |
| 2        | Change management plan   | 0.100                        | QC               | Prior                             | First selection by QC   |
| 3        | Business plan (OSS)  | 0.200                        | QCBS             | Prior                             |   |
| 4        | Recruitment strategy   | 0.060                        | IC               | Post                              |   |
| 5        | Communication plan (OSS)   | 0.050                        | IC               | Post                              |   |
| 6        | Digital strategy (OSS)   | 0.200                        | QCBS             | Prior                             |   |
| 7        | Operations Manual  | 0.040                        | IC               | Post                              |   |
| 8        | Investment code revision   | 0.100                        | IC               | Prior                             |   |
| 9        | Expert in investment promotion   | 0.267                        | IC               | Prior                             |   |
| 10       | Sectoral analysis and business opportunities                                   | 0.500                        | QCBS             | Prior                             |   |
| 11       | Communication strategy for investment promotion                                | 0.150                        | QCBS             | Post                              |   |
| 12       | Investor tracking software   | 0.200                        | QCBS             | Prior                             |   |
| 13       | Digitization of archives   | 0.250                        | LCS              | Prior                             | Check the combination with the OSS IT system                        |
| 14       | Expert in exports  | 0.267                        | IC               | Prior                             |   |
| 15       | Expert in SMEs   | 0.267                        | IC               | Prior                             |   |
| 16       | Six (6) to twelve (12) expert in charge of mentoring Business Plan Competition | 0.225                        | IC               | Post                              | An expert will work around 30 days over 10 months contract duration |
| 17       | Environmental framework/ impact study for Chamber building                     | 0.05                         | IC               | Post                              |   |
| 18       | Local content studies  | 0.200                        | QCBS             | Prior                             |   |
| 19       | SMEs development study   | 0.200                        | QCBS             | Prior                             |   |
| 20       | Study of the OSS IT system and assistance during implementation                | 0.400                        | QCBS             | Prior                             |   |
| 21       | Elaboration of TORs for the recruitment of the                                 | 0.010                        | IC               | Post                              |   |

| Ref. No. | Description of Assignment   | Estimated Cost (US\$million) | Selection Method | Review by World Bank (Prior/Post) | Comments/ Completion date |
|----------|---|------------------------------|------------------|-----------------------------------|---------------------------|
|          | Chamber of Commerce building consultant                                 |                              |                  |                                   |                           |
| 22       | Architectural study and supervision of the chamber of commerce building | 0.120                        | QCBS             | Prior                             |                           |
| 23       | Financial Management Specialist for the PCU                             | 0.260                        | IC               | Prior                             |                           |
| 24       | Coordinator for the PCU   | 0.480                        | IC               | Prior                             |                           |
| 25       | Administrator for the PCU   | 0.288                        | IC               | Prior                             |                           |
| 26       | Procurement Specialist for the PCU                                      | 0.216                        | IC               | Prior                             |                           |
| 27       | Accountant for the PCU  | 0.160                        | IC               | Prior                             |                           |
| 28       | IT expert for the OSS   | 0.176                        | IC               | Prior                             |                           |
| 29       | Economist   | 0.252                        | IC               | Prior                             |                           |
| 30       | Assistant for the PCU   | 0.096                        | IC               | Post                              |                           |
| 31       | Driver  | 0.048                        | IC               | Post                              |                           |
| 32       | Financial audit   | 0.160                        | LCS              | Prior                             | First three years         |
| 33       | Procedural manual for the newly created agency (OSS)                    | 0.040                        | QC               | Post                              |                           |

43. **Prior review thresholds for consultant services.** Consultant services estimated to cost above US\$200,000 for firms and US\$100,000 for individuals per contract, and Single Source selection of consultants (firms and individuals) will be subject to prior review by the World Bank. Similarly, all audit contracts will be subject to prior review, as will be the first contracts to be awarded in accordance with each selection method of consulting firms and individual consultants, regardless of contract amount. Short Lists of Consultants for Assignments of Engineering Designs and Contract Supervisions estimated to cost less than US\$300,000 and all other Consultancy Assignments whose estimated cost do not exceed US\$100,000 per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

#### **Environmental and Social (including safeguards)**

44. The Project is classified as category B and triggered one Safeguards Policy, OP/BP 4.01 (Environmental Assessment). Consequently, the following Safeguards document has been prepared as part of the Project Preparation phase: “Environmental and Social Management Framework” (ESMF), which provides a uniform approach for addressing potential negative impacts; and specifies the arrangements for screening, reviewing, implementing, and monitoring specific Environmental and Social Management Plans (as required during implementation). The

ESMF is related specifically to the Project's support of Chamber of Commerce through the financing of a building that will host the *Centre de Gestion Agréée*, the *Bourse de la Sous-Traitance*; and the event conference rooms for training, workshops, and consultations). During the first year of Project implementation, a more detailed assessment and consultation study will be carried out for infrastructure rehabilitation, which will include, if required, specific (Environmental Management Plans) EMPs in accordance with the ESMF. As required by the World Bank public disclosure policy, this Safeguards instrument was disclosed both in-country and at the InfoShop prior to Project appraisal.

### **Consultation of key stakeholders**

45. Key stakeholders consulted during the ESMF preparation included staff at the relevant ministries and at the Environmental Affairs Department. Their views have been incorporated in the ESMF resulting in a stronger attention to capacity building on mitigation measures for stakeholders at the Department level.

### **Monitoring and Evaluation**

46. The monitoring and evaluation (M&E) system will be based on the Results Framework and monitoring arrangements described in Annex 1. An M&E specialist within the PCU will have primary responsibility for establishing and managing the M&E system including data collection, compilation and reporting from various agencies and preparation of M&E reports for the Project. The details on the M&E arrangements will be provided in the POM.

47. A comprehensive mid-term review of the Project will be held not later than 30 months from the effectiveness date. During this review, progress of the Project and performance of the implementing agency will be assessed. An assessment of the performance of the Project's institutional arrangements will be undertaken to provide recommendations for improvement.

**Annex 4: Operational Risk Assessment Framework (ORAF)**

**GABON: INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT (P129267)**

| Project Stakeholder Risks  |   |                |               |                                     |                  |                   |
|--|---|----------------|---------------|-------------------------------------|------------------|-------------------|
| Stakeholder Risk   | Rating  | High           |               |                                     |                  |                   |
| <p><b>Risk Description:</b></p> <p>Relationship with Borrower following significant project preparation delays: The Project was approved by the Presidency in January 2013, and the Borrower expressed a strong wish to move quickly with project implementation. A mission to prepare the Project preparation advance took place in March 2013, and the advance was slated to be effective in April. However, the Project experienced substantial delays and the Project preparation activities did not move along until September 2013. Despite the fact that these delays were in part attributable to the Borrower, they have had a palpable negative impact on the Borrower’s perception of Bank efficiency and diligence, which constitutes a risk to Project sustainability, especially in light of the availability of other donor funding.</p> <p>Inherent institutional risks: The Project will contribute to the creation of a new agency (ANPI-Gabon) which is visible and prominent and has a wide range of mandates.</p> | <p><b>Risk Management:</b></p> <p>The Bank from now on will maintain close engagement and high responsiveness throughout Project implementation. The Project Team will attempt to opt for the shortest and simplest steps possible within Bank rules and procedures and diligently act on and follow up all transactions.</p>   |                |               |                                     |                  |                   |
|  | <b>Resp:</b>  | <b>Status:</b> | <b>Stage:</b> | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency:</b> |
|  | Both  | In Progress    | Both          | <input checked="" type="checkbox"/> |                  | CONTINUOUS        |
|  | <p><b>Risk Management:</b></p> <p>The Project will focus on involving all stakeholders in Project-related discussions to increase the sense of ownership and drive the Project’s ultimate positive impact and contribution to the goals and interests of all parties involved. ANPI-Gabon is being created in accordance with Gabonese law. Change management and institutional communication are part of the Project activities to be financed under the Project Preparation Facility.</p> |                |               |                                     |                  |                   |
|  | <b>Resp:</b>  | <b>Status:</b> | <b>Stage:</b> | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency:</b> |
|  | Both  | In Progress    | Both          | <input checked="" type="checkbox"/> |                  | CONTINUOUS        |



### Annex 4: Operational Risk Assessment Framework (ORAF)

| Implementing Agency (IA) Risks (including Fiduciary Risks)   |   |                |                                     |                                     |                    |                    |
|--|---|----------------|-------------------------------------|-------------------------------------|--------------------|--------------------|
| Capacity   | Rating  | High           |                                     |                                     |                    |                    |
| <p>Risk Description:</p> <p>Implementation risk due to implementing agency capacity issues, including non-adequate human resources, and unfamiliarity with Bank Projects.</p> <p>Fiduciary risk beyond the Project preparation phase related to the relative inexperience of the newly created Project Coordination Unit.</p>  | <b>Risk Management:</b>   |                |                                     |                                     |                    |                    |
|  | <p>The Project Team will continue to have a proactive role and be diligently involved with implementation aspects to mitigate this risk after a transition period expected to last six months from Project's effectiveness, and will focus on capacity building activities for ANPI-Gabon staff. The World Bank also is supporting the improvement of public financial management through reimbursable advisory services (RAS). The transition period will be supported by CN-TIPPEE.</p> |                |                                     |                                     |                    |                    |
|  | <b>Resp:</b>  | <b>Status:</b> | <b>Stage:</b>                       | <b>Recurrent:</b>                   | <b>Due Date:</b>   | <b>Frequency :</b> |
|  | Both  | In Progress    | Both                                | <input checked="" type="checkbox"/> |                    | CONTINUOUS         |
| <b>Risk Management:</b>  |   |                |                                     |                                     |                    |                    |
| <p>The PCU will recruit a Project coordinator, an administrator (M&amp;E), a FM specialist, an accountant and procurement specialist amongst other PCU's staff members. These key personnel will be competitively recruited with solid previous experience with World Bank financed projects. The procurement, accountant and FM specialist will monitor the new PCU's undertaking of fiduciary activities. The new PCU will be properly and continuously trained. Staffing of the PCU is a condition for effectiveness.</p> |   |                |                                     |                                     |                    |                    |
| <b>Resp:</b>   | <b>Status:</b>  | <b>Stage:</b>  | <b>Recurrent:</b>                   | <b>Due Date:</b>                    | <b>Frequency :</b> |                    |
| Both   | In Progress   | Both           | <input checked="" type="checkbox"/> |                                     | CONTINUOUS         |                    |

**Annex 4: Operational Risk Assessment Framework (ORAF)**

|  |   |                 |                |                                     |                  |                    |
|--|---|-----------------|----------------|-------------------------------------|------------------|--------------------|
| <b>Governance</b>  | <b>Rating</b>   | <b>Moderate</b> |                |                                     |                  |                    |
| <p><b>Risk Description:</b><br/>The Business Plan Competition may experience governance challenges if the rules of the game are not known, transparent and effectively enforced.</p>   | <b>Risk Management:</b><br>ICT-enabled citizen feedback and grievance redress mechanisms will be introduced to obtain feedback on the quality of services provided through this Project and to prevent corruption. To enhance transparency and accountability, the Project incorporates a complaints handling mechanism for Components 1 and 2, particularly the business registry and the Business Plan Competition. This will be included in the Project Operational Manual.  |                 |                |                                     |                  |                    |
|  | <b>Resp:</b>  | <b>Status:</b>  | <b>Stage:</b>  | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency :</b> |
|  | Client  | In Progress     | Implementation | <input checked="" type="checkbox"/> |                  | CONTINUOUS         |
|  | <b>Risk Management:</b><br>World Bank procurement procedures will be applied to Sub-Grants of the Business Plan Competition.  |                 |                |                                     |                  |                    |
|  | <b>Resp:</b>  | <b>Status:</b>  | <b>Stage:</b>  | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency :</b> |
|  | Both  | In Progress     | Both           | <input checked="" type="checkbox"/> |                  | CONTINUOUS         |
| <b>Project Risks</b>   |   |                 |                |                                     |                  |                    |
| <b>Design</b>  | <b>Rating</b>   | <b>Low</b>      |                |                                     |                  |                    |
| <p><b>Risk Description:</b><br/>Implementation arrangement complexity</p> <p>The Project has facilitated the establishment of ANPI-Gabon, a new agency that will absorb either specific functions of other agencies or other agencies entirely; and that subsequently will be the recipient of Project activities. ANPI-Gabon must be properly staffed, and its capacity</p> | <b>Risk Management:</b><br>The establishment of the agency in accordance with Gabonese law is a strong aspect to mitigate this risk. The Project is being designed in close collaboration with the authorities and private sector. Institutional arrangements will be clarified and agreed with all stakeholders, including mechanisms to legally effect necessary changes. Considering the strong political will behind the Project, this risk should be manageable. In addition, the Project will build on good practice and lessons learned from the implementation of similar reforms across the globe. |                 |                |                                     |                  |                    |

### Annex 4: Operational Risk Assessment Framework (ORAF)

|   |  |                               |                       |   |                  |                       |
|---|--|-------------------------------|-----------------------|---|------------------|-----------------------|
| must be built.  | <b>Resp:</b><br>Both   | <b>Status:</b><br>In Progress | <b>Stage:</b><br>Both | <b>Recurrent:</b><br><input type="checkbox"/> | <b>Due Date:</b> | <b>Frequency</b><br>: |
| <b>Social and Environmental</b>   | <b>Rating</b>  |                               | <b>Low</b>            |   |                  |                       |
| <b>Risk Description:</b><br>In order to prevent possible risks related to socio-environmental impacts of the enterprise support component of the Project, the following Safeguards have been triggered:<br>OP 4.01- Environmental Assessment for the SME support.   | <b>Risk Management:</b><br>Results from the Environmental and Social Management Framework (ESMF) will be mitigation instruments that will guide the design and the implementation of the enterprise support component of the Project.  |                               |                       |   |                  |                       |
|   | <b>Resp:</b><br>Client   | <b>Status:</b><br>In Progress | <b>Stage:</b><br>Both | <b>Recurrent:</b><br><input type="checkbox"/> | <b>Due Date:</b> | <b>Frequency</b><br>: |
| <b>Program and Donor</b>  | <b>Rating</b>  |                               | <b>Low</b>            |   |                  |                       |
| <b>Risk Description:</b><br>No specific program and donor risk  | <b>Risk Management:</b>  |                               |                       |   |                  |                       |
|   | <b>Resp:</b>   | <b>Status:</b>                | <b>Stage:</b>         | <b>Recurrent:</b><br><input type="checkbox"/> | <b>Due Date:</b> | <b>Frequency</b><br>: |
| <b>Delivery Monitoring and Sustainability</b>   | <b>Rating</b>  |                               | <b>Low</b>            |   |                  |                       |
| <b>Risk Description:</b><br>The Business Plan Competition is an ad hoc structure managed by private consultants. While this model is compatible with good practices and is intended to limit operational and governance risks, there is a risk to the sustainability and continuation of Business Plan Competition activities beyond the Project. | <b>Risk Management:</b><br>The capacity of stakeholders (Chamber of Commerce, private sector intermediaries, training firms) will be built continuously throughout the Project lifespan, particularly through knowledge transfer and training by the managing firm. As part of the Project Operational Manual, a section will be on detailed procedures for the business plan competition. |                               |                       |   |                  |                       |
|   | <b>Resp:</b>   | <b>Status:</b>                | <b>Stage:</b>         | <b>Recurrent:</b>                             | <b>Due Date:</b> | <b>Frequency</b><br>: |

**Annex 4: Operational Risk Assessment Framework (ORAF)**

|   |                         |                    |               |                                     |                  |                   |
|---|-------------------------|--------------------|---------------|-------------------------------------|------------------|-------------------|
|   | Both                    | In Progress        | Both          | <input checked="" type="checkbox"/> |                  | CONTINUOUS        |
| <b>Other (Optional)</b>   | <b>Rating</b>           |                    |               |                                     |                  |                   |
| Risk Description:   | <b>Risk Management:</b> |                    |               |                                     |                  |                   |
|   | <b>Resp:</b>            | <b>Status:</b>     | <b>Stage:</b> | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency:</b> |
|   |                         |                    |               | <input type="checkbox"/>            |                  |                   |
| <b>Other (Optional)</b>   | <b>Rating</b>           |                    |               |                                     |                  |                   |
| Risk Description:   | <b>Risk Management:</b> |                    |               |                                     |                  |                   |
|   | <b>Resp:</b>            | <b>Status:</b>     | <b>Stage:</b> | <b>Recurrent:</b>                   | <b>Due Date:</b> | <b>Frequency:</b> |
|   |                         |                    |               | <input type="checkbox"/>            |                  |                   |
| <b>Overall Risk</b>   |                         |                    |               |                                     |                  |                   |
| <b>Overall Implementation Risk:</b>   | <b>Rating</b>           | <b>Substantial</b> |               |                                     |                  |                   |
| Risk Description:<br><br>Project's risks are substantial due to institutional changes of the undertaking:<br>(a) Implementation risk due to low implementing agency capacity, including non-adequate human resources and unfamiliarity with World Bank Projects and procedures<br>(b) Fiduciary risk beyond Project preparation phase related to the inexperience of the newly created PCU<br>(c) Dependency of Project outcomes on a number of actions that must be taken by the Borrower (passing or modifying laws and regulations, taking administrative decisions, designating and involving key actors) |                         |                    |               |                                     |                  |                   |

## Annex 5: Implementation Support Plan

### GABON: INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT

#### Strategy and Approach for Implementation Support

1. The strategy for Implementation Support (IS) has been developed consistently with the nature of the project and its risk profile. The strategy will aim at making implementation support to the client more flexible and efficient, and will focus on implementation of the risk mitigation measures defined in the Operational Risk Assessment Framework (ORAF).

a. **Strong coordination among the World Bank, the project beneficiaries, and partners such as CN-TIPPEE.** The World Bank task team will bring a comprehensive set of instruments and expertise to advice on Project activities. The team will work closely with the Ministry responsible for the Project, Project beneficiaries and the Project Coordination Unit to ensure Project success. The project will take a flexible approach to ensure that it meets client needs as circumstances evolve.

b. **Technical inputs.** The technical team will provide regular inputs to the PCU on technical issues. In particular, it will review Terms of Reference and draft reports from consultants.

c. **Procurement and financial management inputs.** Close supervision of procurement and financial management will be deployed. Procurement supervision will include prior reviews of procurement activities, as well as post reviews. The procurement progress against the detailed Procurement Plan will be closely monitored. Regarding financial management, the Project will be supervised on a risk-based approach. Supervision will focus on the status of the FM system to verify whether it continues to operate well and provide support where needed.

d. **M&E, including Environmental and Social Safeguards inputs.** The World Bank will review the updated result framework submitted quarterly by the PCU during the implementation support mission or as a desk review. The team leader will discuss the progress and deviations with the PSC and PTC to identify any areas in which additional help from the World Bank is needed. The team leader will facilitate the use of the M&E data to promote awareness of the project results.

#### Implementation Support Plan

2. To ensure timely, efficient, and effective implementation support to the client, many of the Bank team members will be based in country offices in the Region (Yaoundé, Douala, Dakar, and Abidjan). Formal implementation support mission and field visits will be carried out semi-annually. Detailed inputs to come from the Bank team follow:

a. **Technical inputs:** The technical supervision of the project requires expertise on legal framework for the institutional arrangements, Public Private Partnerships (PPPs), information technology (software development) for the business registry, investment promotion of priority sectors; and SMEs development for the Business Plan Competition and the Chamber of

Commerce. This expertise will be provided by the World Bank’s Financial and Private Sector Development Unit and the IFC Investment Climate Department.

b. **Fiduciary requirements and inputs.** Both the procurement specialist and the financial management specialist are based in Yaoundé, enabling timely support. During the implementation, there will be at least two on-site supervision visits per year and a review of transactions will be performed during these visits. Procurement supervision will be carried out on a timely basis as required by the client.

c. **Financial Management:** Implementation support mission for FM supervision will be consistent with a risk-based approach, and will involve a collaborative approach with the entire Task Team (including procurement specialist). A first implementation support mission will be performed six months after Project effectiveness. Subsequent missions will be scheduled by using the AFTFM risk based approach model. These missions will include five diligences: (i) monitor the financial management arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FM Assessment at entry and subsequently during Implementation (Implementation Status and Results Report); (ii) review the IFRs; (iii) review the audit reports and management letters from the external auditors and follow-up on material accountability issues by engaging with the task team leader, Client, and/or Auditors. The quality of the audit also will be monitored closely to ensure that it covers all relevant aspects and provide enough confidence on the appropriate use of funds by recipients; and, (iv) carry out physical supervision on the ground especially for the Business Plan Competition; and (v) assistance to build or maintain appropriate financial management capacity.

| <b>Time</b>         | <b>Focus</b>  | <b>Skills Needed</b>   | <b>Resource Estimate</b> | <b>Partner Role</b>   |
|---------------------|---|--|--------------------------|---|
| First twelve months | Identify any potential problems early in the life of the project. Help in operationalizing the new Project Coordination Unit. Provide legal advice and quality review software development activity (largest procurement package of the Project). SME development technical input required for the launch of the Business Plan Competition. | Financial management, Procurement, Legal, and Information Technology (software development), SME Development | 25 weeks                 | CN-TIPPEE provides support to the newly established Project Coordination Unit |

| <b>Time</b>  | <b>Focus</b>   | <b>Skills Needed</b>   | <b>Resource Estimate</b> | <b>Partner Role</b>   |
|--------------|--|--|--------------------------|---|
| 12-48 months | Review continuing adequacy of the fiduciary arrangements, enabling institutional and legal framework of the Project. | Financial Management, Procurement, Information Technology (software development), Investment Climate | 69 weeks                 | CN-TIPPEE provides quality review support and training for Project Coordination Unit case by case |

d. **Safeguards inputs.** Inputs from an environmental specialist will be required for the construction a building at the Chamber of Commerce.

3. The main focus of annual implementation support is summarized below (average mix of skills needed per annum).

| <b>Skills Needed</b>  | <b>Number of Staff Weeks</b> | <b>Number of Trips</b> | <b>Comments</b>  |
|---|------------------------------|------------------------|--|
| Procurement review and training   | 2 weeks                      | 2                      | Based in Region (Yaoundé)  |
| FM training and supervision   | 2 weeks                      | 2                      | Based in Region (Yaoundé)  |
| Legal review; Information technology review                                       | 3 weeks                      | 2                      | Based in Region (Douala, Dakar)  |
| Investment climate support; Investment promotion support; SME development support | 4 weeks                      | 2                      | Based in and outside Region (Yaoundé, Douala, Dakar, Malabo, Abidjan, Washington, D.C., Paris) |
| Other technical support   | 4 weeks                      | 2                      | Based in and outside Region (to be determined)   |
| Team leadership   | 8 weeks                      | 3                      | Based outside Region (Washington, D.C.)  |
| <b>TOTAL</b>  | <b>23 weeks</b>              | <b>13</b>              | <b>Based in and outside of the region</b>  |

4. The main partner for the Implementation Support Plan is the *Commission Nationale des TIPPEE*.

| <b>Name</b> | <b>Institution/Country</b> | <b>Role</b>   |
|-------------|----------------------------|---|
| CN-TIPPEE   | Gabon                      | Support the operationalization of the Project Coordination Unit |

## Annex 6: Financial and Economic Analysis

### GABON: INVESTMENT PROMOTION AND COMPETITIVENESS PROJECT

1. The objective of Component 1 is to help foster domestic and foreign investments in Gabon by contributing to the reorganization of public support services offered to the private sector. These investments will be fostered through the establishment and operationalization of a new agency, ANPI-Gabon. It will (a) promote Gabon as an investment destination, (b) offer a simplified and streamlined business registration process, and (c) facilitate the operationalization of Gabonese companies and their integration into national and international markets (corresponding to three Departments).
2. The relationship between the characteristics of a country's business regulatory environment and the performance of firms within the country has been well documented (Djankov and others 2002, Botero and others 2004, Acemoglu and Johnson 2005, Mastruzzi 2006, Kaufmann and others 2006, and Loayza and Servén, 2010<sup>10</sup>).
3. A 2006 study finds that barriers to starting a business are negatively and significantly correlated with business density and entry rate. Fewer procedures are correlated with a greater number of registered firms and higher entry rates (Klapper 2006). A similar relationship can be found regarding the cost of starting a business. It is estimated that for every 10 percent decrease in entry costs, density and the entry rate increase by approximately 1 percent (Klapper 2006). Simpler entry encourages the creation of new companies. Easier start-up also is correlated with higher productivity among existing firms. A study which analyzes data in 157 countries, finds that a reduction in entry costs raises output per worker by an estimated 29 percent.<sup>11</sup>
4. The 2010 World Bank Group Entrepreneurship Snapshots (WBGES) report includes new data on the impact of modernization of business registries on business creation. The report measures entrepreneurial activity in 115 developing and industrial countries over the six year period 2004-09. The data show that “dynamic business creation occurs in countries that provide entrepreneurs with good governance, a strong legal and regulatory environment, and reduced red tape”<sup>12</sup>. In fact, the report finds a strong positive correlation between a country's business environment, as measured by its Doing Business (2009) ranking, and firm entry density, even after controlling for economic development (GDP per capita). Figure A highlights these findings.

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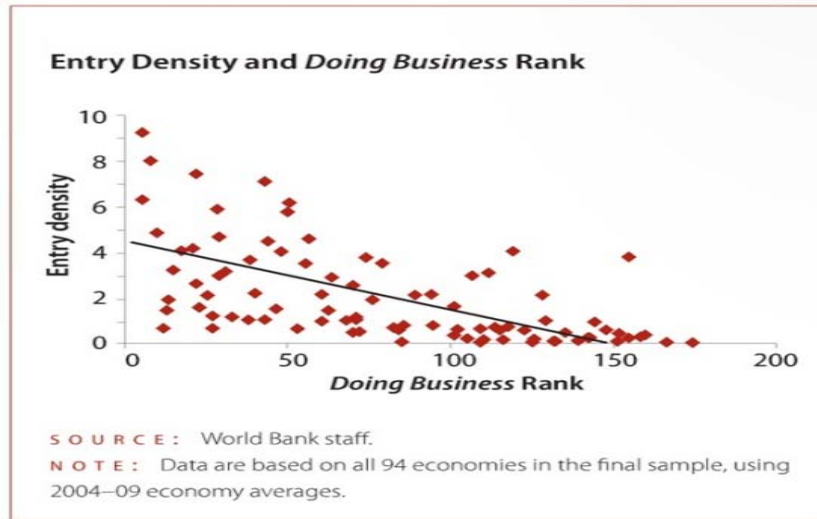
<sup>10</sup> N. V. Loayza and L. Servén, World Bank, January 11, 2010, <http://issuu.com/world.bank.publications/docs/9780821374078?mode=embed&layout=http://skin.issuu.com/v/light/layout.xml&showFlipBtn=true>

<sup>11</sup> L. Barseghyan “Entry Costs and Cross-Country Differences in Productivity and Output,” *Journal of Economic Growth* 13 (2008)

<sup>12</sup> World Bank Group, Entrepreneurship Snapshots 2010: Measuring the Impact of the Financial Crisis on New Business Registration, November 2010, [http://publications.worldbank.org/index.php?main\\_page=product\\_info&products\\_id=23949](http://publications.worldbank.org/index.php?main_page=product_info&products_id=23949)



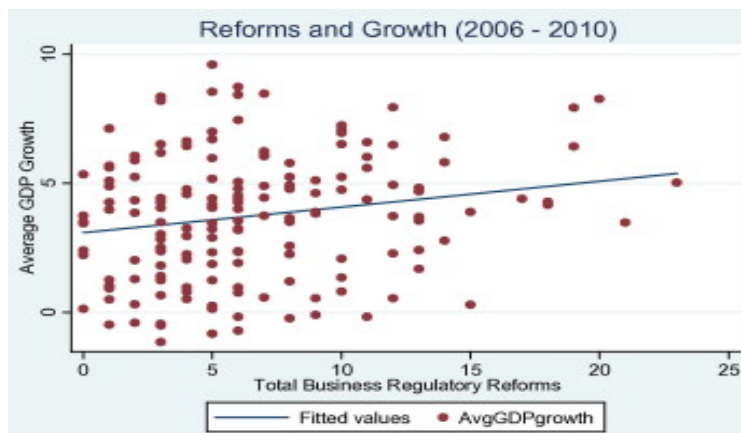
**Figure A - Relationship between a Better Business Environment and Entry Density Rates**



5. Research on business entry reform clearly shows that (a) more firms enter the market when registration procedures and costs are reduced, (b) a large percentage of new firms survive and grow, (c) new firms increase competition, forcing incumbents to become more efficient or to exit the market, thus boosting overall productivity and investment, and (d) entry reforms have greater impacts when coupled with other investment climate reforms<sup>13</sup>.

6. Moreover, empirical evidence demonstrates that business regulatory reforms are good for economic growth. Haidar (2012) used a sample of 172 countries to investigate the link between business regulatory reforms (as measured by *Doing Business* indicators) and the growth rate of GDP. The findings establish that, “on average, each business regulatory reform is associated with a 0.15 percent increase in growth rate of GDP” (Figure B)<sup>14</sup>.

**Figure B - Relationship between Reform (as measured in *Doing Business*) and Growth (growth rate of GDP), 2006-10**

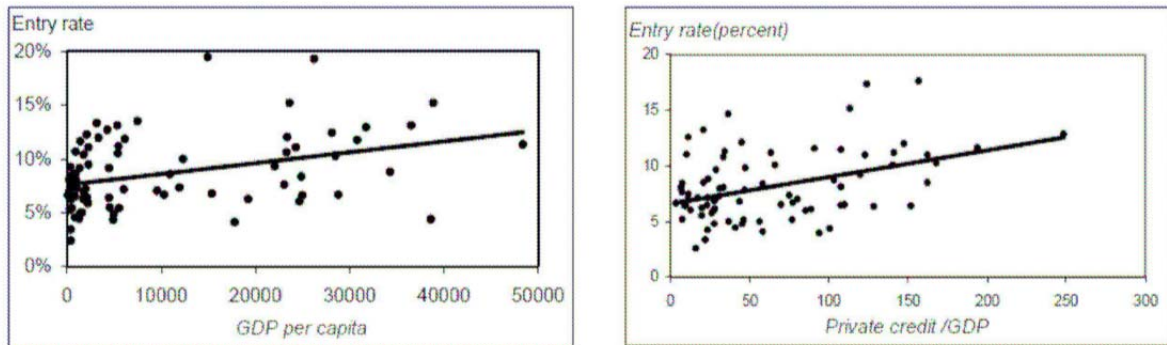


<sup>13</sup> M. Marialisa, “An Open Door for Firms: The Impact of Business Entry Reform”, ViewPoint Note 323, World bank, June 2010, <https://www.wbginvestmentclimate.org/uploads/323-Business-entry-reforms.pdf>

<sup>14</sup> J. I. Haidar, “The Impact of Business Regulatory Reforms on Economic Growth”, *Journal of Japanese and International Economics*, September 2012 <http://www.sciencedirect.com/science/article/pii/S0889158312000226>

7. The data also show a positive and significant relationship between economic and financial development and entrepreneurship. The log of GDP per capita and domestic credit to the private sector (as a percentage of GDP) are both positively and significantly correlated with entry rates (Figure C) and business density. These findings suggest that greater business opportunities and better access to finance are correlated with a more robust private sector (Klapper et al. 2008).

**Figure C: Entry Rates and GDP per Capita and Private Credit to GDP, by country, Average 2003-05**



Source: World Bank Group Entrepreneurship Database (2007) and World Bank (2005).

8. Research shows that investment promotion agencies have an impact on foreign direct investment (FDI) growth in their locations. For example, Harding and Javorcik (2011)<sup>15</sup> used data on 124 countries to examine the effects of investment promotion on inflows of US FDI. The results suggest that investment promotion agencies' actions resulted in higher inflows of FDI, particularly in countries with poor availability of economic information (information asymmetries) and with a significant burden of bureaucratic procedures. By making relevant information available and lessening red tape through servicing and facilitation investment promotion agencies in developing economies significantly contribute to the increase in investment inflows. The study finds that targeted sectors receive more than twice as much FDI as non-targeted sectors in developing countries. Investment promotion is a resource-intensive endeavor but the return on investment justifies the cost. In the cases studied "...a dollar spent on investment promotion leads to 189 dollars of FDI inflows; in other words, bringing a dollar of FDI inflows costs half a cent in investment promotion expenditures".

9. Finally, research has shown that quality FDI exerts a positive effect on a country's private sector<sup>16</sup>. FDI in a given country tends to impact domestic firms through direct

<sup>15</sup> T. Harding and B.S. Javorcik, "Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows", University of Oxford, 2011,

<http://www.freit.org/WorkingPapers/Papers/ForeignInvestment/FREIT221.pdf>

<sup>16</sup> N. Assanie and B. Singleton, *The Quality of Foreign Direct Investment: Does it Matter for Economic Growth?* Asia Pacific Foundation of Canada, 2002, [http://www.asiapacificresearch.ca/caprn/FDI\\_and\\_Economic\\_Growth-CEA-May\\_2002.pdf](http://www.asiapacificresearch.ca/caprn/FDI_and_Economic_Growth-CEA-May_2002.pdf)

partnerships or through spillover and linkage effects<sup>17</sup>. A foreign investing company may help its domestic partner/supplier/distributor set up production facilities, provide technical assistance to raise the quality of the supplied/offered products, assist in accessing raw materials, provide training in production and management<sup>18</sup>, and encourage diversification by finding new customers<sup>19</sup>. Linkage may lead to a clustering of local suppliers and distributors and a "crowding-in" effect of local investment (encouraging new local investment, through either participating in existing companies or creating new ones). Domestic companies also may benefit from healthy competition with international firms, spurring them to seek improvements in quality, efficiency, and productivity. In a country, increased private sector capacity, foreign or domestic, leads to job creation.

10. The conclusion of the analysis is that activities under Components 1 and 3 are expected to improve the business environment, notably in areas involving business registration, investment facilitation and enterprise support. These investment climate improvements are expected to contribute to increased investment and growth.

11. The Enterprises Business Plan Competition subcomponent will provide mentoring and training services as well as seed capital to selected businesses. To maximize the probability of supporting viable and profitable plans, the beneficiaries will be chosen based on the quality of their proposed business plans and applicants' individual characteristics. The services and grants provided are expected to support the creation of new firms and enhance the management abilities of existing and new companies. As such, the sub-component is expected to generate an increase in both employment and profits. The Project is investing a total of US\$3.5 million in this component, disbursed over five years.

12. The economic rate of return (ERR) of this sub-component is 19 percent, and the net present value (NPV) is US\$1.34 million (US\$0.65 million), assuming a discount rate of 5 percent (10 percent). These figures are based on the assumptions detailed in the Table below.

***Assumptions for Economic Analysis of Business Plan Competition***

|   |             |
|---|-------------|
| Time horizon  | 10 years    |
| New firms <sup>a</sup>  | 40          |
| Existing firms <sup>a</sup>   | 10          |
| Median revenues (>5 yr. old firms) <sup>b</sup>                                   | US\$280,000 |
| Median revenues (< 5 yr. old firms) <sup>b</sup>                                  | US\$25,000  |
| Median firm's costs <sup>c</sup>  | 80 %        |
| Change in annual growth rate of profits (existing firms, w/ Project) <sup>c</sup> | 1 %         |

<sup>17</sup> E. Torlak, *Foreign Direct Investment, Technology Transfer, and Productivity Growth in Transition Countries: Empirical Evidence from Panel Data*, Center for Globalization and Europeanization of the Economy, June 2004, [http://www.cege.wiso.uni-goettingen.de/Dokumente/Diskussion/Torlak\\_26.pdf](http://www.cege.wiso.uni-goettingen.de/Dokumente/Diskussion/Torlak_26.pdf)

<sup>18</sup> M. J. Slaughter, *Does Inward Foreign Direct Investment Contribute to Skill Upgrading in Developing Countries?* Center for Economic Policy Analysis, 2002, <http://www.newschool.edu/cepa/papers/archive/cepa200208.pdf>

<sup>19</sup> S. Lall, "Vertical Interfirm Linkages in LDCs: An Empirical Study", *Oxford Bulletin of Economics and Statistics*, Vol. 42, 203-226, 1980

*Note:*

*<sup>a</sup> Through the Business Plan Competition 50 companies will be selected. Of the winners, 80% will be selected from among new firms, and 20% will be selected from among existing companies.*

*<sup>b</sup> Based on data from the World Bank Enterprise Survey conducted in Gabon in 2009. Sales figures have been adjusted downward in order to make more conservative estimates.*

*<sup>c</sup> The efficiency gains from mentoring, training and grant-disbursement are expected to accelerate annual growth by 1% per year.*

13. The Project is expected to improve management practices for 10 existing firms, and support the creation of 40 new firms. The firms are expected to operate for at least 10 years. The main benefits from the Project will come from: (a) extra profits earned by existing firms whose productivity is increased by the mentoring and training received; (b) profits of new firms that are able to open and operate efficiently thanks to the small grants, training, and mentoring received.

14. Depending on the number of firms awarded during each cycle of the Business Plan Competition, the ERR could be as high as 32 percent, with a corresponding NPV of US\$1.97 million or US\$1.92 million with a discount rate of 5 or 10 percent.