

Document of  
The World Bank

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Report No.: PAD1319

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF €90.9 MILLION

(US\$100 MILLION EQUIVALENT)

TO THE

GABONESE REPUBLIC

FOR AN

INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II

NOVEMBER 17, 2015

Social, Urban, Rural and Resilience Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of October 31, 2015)

Currency Unit = CFA Franc (CFAF)

CFAF 596.1 = US\$1

US\$1.100 = €1

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

|           |  |
|-----------|--|
| AfDB      | African Development Bank   |
| AFD       | <i>Agence Française de Développement</i> (French Development Agency)   |
| ANGTI     | <i>Agence Nationale des Grands Travaux et des Infrastructures</i> (National Agency for Large-Scale Public Works and Infrastructures)   |
| ARAP      | Abbreviated Resettlement Action Plan   |
| CAB       | Central Africa Backbone  |
| CDP       | City Development Plan  |
| CN-TIPPEE | <i>Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entreprenariat et de l'Emploi</i> (National Commission for Public Infrastructure Works and Promotion of Small-Scale Enterprises) |
| CPS       | Country Partnership Strategy   |
| DA        | Designated Account   |
| EOI       | Expression of Interest   |
| ERR       | Economic Rate of Return  |
| ESMF      | Environmental and Social Management Framework  |
| ESIA      | Environmental and Social Impact Assessment   |
| ESMP      | Environmental and Social Management Plan   |
| FM        | Financial Management   |
| GDP       | Gross Domestic Product   |
| GRS       | Grievance Redress Service  |
| IA        | Implementing Agency  |
| ICB       | International Competitive Bidding  |
| IFR       | Interim Financial Report   |
| ILDLP2    | Infrastructure and Local Development Project II  |
| ISP       | Implementation Support Plan  |
| LIDP1     | Local Infrastructure Development Project I   |
| M&E       | Monitoring and Evaluation  |
| MTR       | Midterm Review   |
| NCB       | National Competitive Bidding   |
| NDP       | Neighborhood Development Plan  |
| NGO       | Nongovernmental Organization   |
| O&M       | Operation and Maintenance  |
| OHADA     | <i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires</i> (Organization for Harmonization of Business Law in Africa)   |
| PAP       | Project-affected Person  |

|      |                                      |
|------|--------------------------------------|
| PDO  | Project Development Objective        |
| PIM  | Project Implementation Manual        |
| PIP  | Priority Investment Program          |
| PPA  | Project Preparation Advance          |
| PS   | Permanent Secretariat                |
| QCBS | Quality- and Cost-Based Selection    |
| RAS  | Reimbursement Advisory Services      |
| RAP  | Resettlement Action Plan             |
| REOI | Request for Expressions of Interest  |
| RPF  | Resettlement Policy Framework        |
| SBD  | Standard Bidding Document            |
| SME  | Small and Medium Enterprise          |
| SPP  | Simplified Procurement Plan          |
| TOR  | Terms of Reference                   |
| TTL  | Task Team Leader                     |
| UNDB | United Nations Development Business  |
| UNDP | United Nations Development Programme |

|                                  |                                      |
|----------------------------------|--------------------------------------|
| Regional Vice President:         | Makhtar Diop                         |
| Country Director:                | Elizabeth Huybens                    |
| Senior Global Practice Director: | Ede Jorge Ijjasz-Vasquez             |
| Practice Manager:                | Sameh Naguib Wahba                   |
| Task Team Leaders:               | Mahine Diop and Déo-Marcel Niyungeko |



**GABONESE REPUBLIC**  
**INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II**

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MAP IBRD 41987

**PAD DATA SHEET**  
**GABONESE REPUBLIC**  
*Infrastructure and Local Development Project II (P151077)*  
**PROJECT APPRAISAL DOCUMENT**  
**AFRICA**  
*Urban and DRM*

Report No.: PAD1319

| Basic Information  |   |   |  |
|--|---|---|--|
| Project ID<br>P151077  | EA Category<br>B - Partial Assessment                       | Team Leader(s)<br>Mahine Diop, Deo-Marcel Niyungeko |  |
| Lending Instrument<br>Investment Project Financing   | Fragile and/or Capacity Constraints [   ]                   |   |  |
|  | Financial Intermediaries [   ]                              |   |  |
|  | Series of Projects [   ]                                    |   |  |
| Project Implementation Start Date<br>10-Dec-2015   | Project Implementation End Date<br>31-Jan-2021              |   |  |
| Expected Effectiveness Date<br>31-Jan-2016   | Expected Closing Date<br>31-Jan-2021                        |   |  |
| Joint IFC<br>No  |   |   |  |
| Practice Manager/Manager<br>Sameh Naguib Wahba   | Senior Global Practice Director<br>Ede Jorge Ijjasz-Vasquez | Country Director<br>Elisabeth Huybens               | Regional Vice President<br>Makhtar Diop        |
| Borrower: GABONESE REPUBLIC  |   |   |  |
| Responsible Agency: National Commission for Public Infrastructure Works and Promotion of Small-Scale Enterprises (CN-TIPPEE) |   |   |  |
| Contact:<br>Telephone No.:   | Richard Damas<br>24105190409                                | Title:<br>Email:                                    | Permanent Secretary<br>tippegabon@cntippee.org |
| Project Financing Data(in US\$, millions)  |   |   |  |
| [ X ]    Loan  | [   ]    IDA Grant  | [   ]    Guarantee                                  |  |
| [   ]    Credit  | [   ]    Grant  | [   ]    Other                                      |  |
| Total Project Cost:  | 100.00  | Total Bank Financing:                               | 100.00   |
| Financing Gap:   | 0.00  |   |  |

|   |   |             |                          |                          |               |             |
|---|---|-------------|--------------------------|--------------------------|---------------|-------------|
| <b>Financing Source</b>   |   |             |                          |                          | <b>Amount</b> |             |
| Borrower  |   |             |                          |                          | 0.00          |             |
| International Bank for Reconstruction and Development   |   |             |                          |                          | 100.00        |             |
| Total   |   |             |                          |                          | 100.00        |             |
| <b>Expected Disbursements (in US\$, millions)</b>   |   |             |                          |                          |               |             |
| <b>Fiscal Year</b>  | <b>2016</b>   | <b>2017</b> | <b>2018</b>              | <b>2019</b>              | <b>2020</b>   | <b>2021</b> |
| <b>Annual</b>   | 3.00  | 15.00       | 20.00                    | 20.00                    | 24.00         | 18.00       |
| <b>Cumulative</b>   | 3.00  | 18.00       | 38.00                    | 58.00                    | 82.00         | 100.00      |
| <b>Institutional Data</b>   |   |             |                          |                          |               |             |
| <b>Practice Area (Lead)</b>   |   |             |                          |                          |               |             |
| Social, Urban, Rural and Resilience Global Practice   |   |             |                          |                          |               |             |
| <b>Contributing Practice Areas</b>  |   |             |                          |                          |               |             |
| Water and Sanitation Program  |   |             |                          |                          |               |             |
| <b>Cross Cutting Topics</b>   |   |             |                          |                          |               |             |
| <input type="checkbox"/> Climate Change<br><input type="checkbox"/> Fragile, Conflict & Violence<br><input checked="" type="checkbox"/> Gender<br><input checked="" type="checkbox"/> Jobs<br><input type="checkbox"/> Public Private Partnership |   |             |                          |                          |               |             |
| <b>Sectors / Climate Change</b>   |   |             |                          |                          |               |             |
| Sector (Maximum 5 and total % must equal 100)   |   |             |                          |                          |               |             |
| Major Sector  | Sector  | %           | Adaptation Co-benefits % | Mitigation Co-benefits % |               |             |
| Public Administration, Law, and Justice   | General public administration sector                  | 20          |                          |                          |               |             |
| Water, sanitation and flood protection  | General water, sanitation and flood protection sector | 35          | 65                       |                          |               |             |
| Health and other social services  | Other social services                                 | 6           |                          |                          |               |             |
| Industry and trade  | Other industry  | 5           |                          |                          |               |             |
| Transportation  | Urban Transport                                       | 34          |                          |                          |               |             |
| Total   |   | 100         |                          |                          |               |             |
| <input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.  |   |             |                          |                          |               |             |
| <b>Themes</b>   |   |             |                          |                          |               |             |
| Theme (Maximum 5 and total % must equal 100)  |   |             |                          |                          |               |             |



|  |   |                              |
|--|---|------------------------------|
| Major theme  | Theme   | %                            |
| Urban development  | Urban services and housing for the poor       | 60                           |
| Financial and private sector development   | Micro, Small and Medium Enterprise support    | 10                           |
| Social dev/gender/inclusion  | Participation and civic engagement            | 10                           |
| Urban development  | Municipal governance and institution building | 20                           |
| Total  |   | 100                          |
| <b>Proposed Development Objective(s)</b>   |   |                              |
| The project development objectives are to improve access to urban infrastructure and services in selected underserved neighborhoods and to build basic capacities for municipal management in target cities. |   |                              |
| <b>Components</b>  |   |                              |
| <b>Component Name</b>  |   | <b>Cost (US\$, millions)</b> |
| Component 1: Improving Urban Infrastructure to Increase Access to Services   |   | 85.50                        |
| Component 2: Building Institutional Development to Strengthen the Capacity of the Urban Sector   |   | 10.00                        |
| Component 3: Management, coordination, monitoring and evaluation of the Project  |   | 4.25                         |
| <b>Systematic Operations Risk-Rating Tool (SORT)</b>   |   |                              |
| <b>Risk Category</b>   |   | <b>Rating</b>                |
| 1. Political and Governance  |   | Moderate                     |
| 2. Macroeconomic   |   | Moderate                     |
| 3. Sector Strategies and Policies  |   | Substantial                  |
| 4. Technical Design of Project or Program  |   | Substantial                  |
| 5. Institutional Capacity for Implementation and Sustainability  |   | Substantial                  |
| 6. Fiduciary   |   | Moderate                     |
| 7. Environment and Social  |   | Substantial                  |
| 8. Stakeholders  |   | Moderate                     |
| <b>OVERALL</b>   |   | Substantial                  |
| <b>Compliance</b>  |   |                              |
| 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              | <input type="checkbox"/>            | No               | <input type="checkbox"/>            |
| Is approval for any policy waiver sought from the Board?  | Yes              | <input type="checkbox"/>            | No               | <input checked="" type="checkbox"/> |
| Does the project meet the Regional criteria for readiness for implementation?   | Yes              | <input checked="" type="checkbox"/> | No               | <input type="checkbox"/>            |
| <b>Safeguard Policies Triggered by the Project</b>  |                  |                                     |                  |                                     |
|   | <b>Yes</b>       | <b>No</b>                           |                  |                                     |
| Environmental Assessment OP/BP 4.01   | <b>X</b>         |                                     |                  |                                     |
| Natural Habitats OP/BP 4.04   |                  | <b>X</b>                            |                  |                                     |
| Forests OP/BP 4.36  |                  | <b>X</b>                            |                  |                                     |
| Pest Management OP 4.09   |                  | <b>X</b>                            |                  |                                     |
| Physical Cultural Resources OP/BP 4.11  | <b>X</b>         |                                     |                  |                                     |
| Indigenous Peoples OP/BP 4.10   |                  | <b>X</b>                            |                  |                                     |
| Involuntary Resettlement OP/BP 4.12   | <b>X</b>         |                                     |                  |                                     |
| Safety of Dams OP/BP 4.37   |                  | <b>X</b>                            |                  |                                     |
| Projects on International Waterways OP/BP 7.50  |                  | <b>X</b>                            |                  |                                     |
| Projects in Disputed Areas OP/BP 7.60   |                  | <b>X</b>                            |                  |                                     |
| <b>Legal Covenants</b>  |                  |                                     |                  |                                     |
| <b>Name</b>   | <b>Recurrent</b> | <b>Due Date</b>                     | <b>Frequency</b> |                                     |
| External Auditor  |                  | 01-May-2016                         |                  |                                     |
| <b>Description of Covenant</b>  |                  |                                     |                  |                                     |
| The Borrower shall employ, not later than three (3) 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 (TOR) satisfactory to the Bank. |                  |                                     |                  |                                     |
| <b>Name</b>   | <b>Recurrent</b> | <b>Due Date</b>                     | <b>Frequency</b> |                                     |
| Accounting Software and Training  |                  | 01-May-2016                         |                  |                                     |
| <b>Description of Covenant</b>  |                  |                                     |                  |                                     |
| Not later than three (3) months from the Effective Date, the Borrower shall update the existing Central Africa Backbone (CAB) Project accounting software to incorporate the ILDP2 funds and train the fiduciary staff on the use of that software.   |                  |                                     |                  |                                     |
| <b>Name</b>   | <b>Recurrent</b> | <b>Due Date</b>                     | <b>Frequency</b> |                                     |
| CN-TIPPEE staffing  |                  | 01-May-2016                         |                  |                                     |
| <b>Description of Covenant</b>  |                  |                                     |                  |                                     |
| Not later than three (3) months from the Effective Date, the Borrower shall recruit an assistant  |                  |                                     |                  |                                     |

permanent secretary to the CN-TIPPEE, an accountant, a safeguards specialist, and a procurement specialist, all with qualifications, experience, and TOR acceptable to the Bank.

| Name          | Recurrent | Due Date      | Frequency |
|---------------|-----------|---------------|-----------|
| City Contract |           | 01-March-2016 |           |

#### Description of Covenant

The Borrower shall, not later than one (1) month after the Effective Date, enter into a contract with each of the target cities, setting forth an action plan to be implemented and financial targets to be met by each of the target cities, and on the basis of which funds are to be allocated by the Borrower to the target city for such action plan ('City Contract') in accordance with the provisions of Section I.A.3(b) of Schedule 2 of the Loan Agreement.

| Source Of Fund | Name                          | Type          |
|----------------|-------------------------------|---------------|
| IBRD           | Project Implementation Manual | Effectiveness |

#### Description of Condition

The Borrower shall prepare, in accordance with TOR acceptable to the Bank, and furnish to the Bank a proposed Project Implementation Manual containing detailed procedures for (a) implementation; (b) administration; (c) procurement; (d) financial management and accounting, including any required accounting software updates; (e) social and environmental; (f) monitoring and evaluation procedures and arrangements; and (g) a grievance mechanism for the project.

| Source Of Fund | Name                           | Type         |
|----------------|--------------------------------|--------------|
| IBRD           | Delegated Management Agreement | Disbursement |

#### Description of Condition

No withdrawal shall be made from the Loan Account under Category (2) until and unless the Delegated Management Agreements have been executed on behalf of the CN-TIPPEE and each of the target cities in accordance with the provisions of Section I.A.3(a) of Schedule 2 of the Loan Agreement.

### Team Composition

#### Bank Staff

| Name                     | Role                          | Title                                | Specialization           | Unit  |
|--------------------------|-------------------------------|--------------------------------------|--------------------------|-------|
| Mahine Diop              | Team Leader (ADM Responsible) | Senior Municipal Engineer            | Municipal Infrastructure | GSURR |
| Deo-Marcel Niyungeko     | Team Leader                   | Senior Water & Sanitation Specialist | Water and Sanitation     | GWASA |
| Gyongshim An             | Team Member                   | Senior Urban Specialist              | Urban Development        | GSURR |
| Kouami Hounsinnou Messan | Procurement Specialist        | Senior Procurement Specialist        | Procurement              | GGODR |
| Enagnon Ernest Eric      | Financial                     | Senior Financial                     | Financial                | GGODR |

|                          |                       |                                      |   |       |
|--------------------------|-----------------------|--------------------------------------|---|-------|
| Adda                     | Management Specialist | Management Specialist                | Management                                |       |
| Aissatou Diallo          | Team Member           | Senior Finance Officer               | Finance/Disbursement                      | WFALA |
| Antoine V. Lema          | Safeguards Specialist | Senior Social Development Specialist | Social Development, Safeguards            | GSURR |
| Christian Vang Eghoff    | Team Member           | Consultant                           | Urban Development, M&E, Economic Analysis | GSU13 |
| Dina Nirina Ranarifidy   | Team Member           | Urban Specialist                     | Urban Development                         | GSURR |
| Emmanuel Ngollo          | Safeguards Specialist | Consultant                           | Environment, Safeguards                   | GEN05 |
| Maya Abi Karam           | Counsel               | Senior Counsel                       | Legal                                     | LEGAM |
| Rick Emery Tsouck Iboude | Team Member           | Senior Economist                     | Economic Development                      | GMFDR |
| Sonia Vanecia Boga       | Team Member           | Team Assistant                       | Team Assistant                            | AFMGA |
| Sung Heng C. Kok Shun    | Team Member           | Senior Program Assistant             | Sr. Program Assistant                     | GSURR |

#### Locations

| Country | First Administrative Division | Location    | Planned | Actual | Comments |
|---------|-------------------------------|-------------|---------|--------|----------|
| Gabon   | Nyanga                        | Tchibanga   | X       |        |          |
| Gabon   | Woleu-Ntem                    | Oyem        | X       |        |          |
| Gabon   | Ogooue-Maritime               | Port-Gentil | X       |        |          |
| Gabon   | Ngounie                       | Mouila      | X       |        |          |
| Gabon   | Ogooue-Ivindo                 | Makokou     | X       |        |          |
| Gabon   | Estuaire                      | Libreville  | X       |        |          |
| Gabon   | Moyen-Ogooue                  | Lambarene   | X       |        |          |
| Gabon   | Ogooue-Lolo                   | Koulamoutou | X       |        |          |
| Gabon   | Haut-Ogooue                   | Franceville | X       |        |          |

#### Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required? Consulting services to be determined

## I. STRATEGIC CONTEXT

### A. Country Context

1. Gabon is a country with relatively high gross domestic product (GDP) per capita driven by extractive industries. The population of Gabon stands at about 1.8 million, with a GDP per capita estimated at US\$10,660. Oil production over the past 40 years has transformed Gabon into one of Africa's few middle-income countries. Despite declining oil production and attempts at economic diversification, Gabon remains largely dependent on natural resources.

2. With a Human Development Index of 0.69 in 2014, Gabon's human development falls short of countries with similar income levels and inequality and unemployment is high. The richest quintile of the population receives half of the national income; yet one-third lives in poverty. The latest national household survey, dated 2005, revealed an increase in the proportion of Gabon's population living below the poverty line from 25 percent in 1997 to 33 percent in 2005. A new survey on poverty is planned for 2016. The country's unemployment rate is high at 27 percent (2010) and youth and women are the most affected.

3. In spite of its wealth, Gabon has not met a number of the Millennium Development Goals (according to the 4th National Report on Millennium Development Goals). Progress falls short of targets related to poverty reduction, infant and maternal mortality, and the prevalence of HIV/AIDS. Moreover, the significant share of precarious housing is one of the indicators of increased poverty in Gabon. In 2005, eight percent of homes were located in precarious habitats and by 2011 this had risen to 12 percent.

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

5. Over the past five years, the oil sector has accounted for, on average, 80 percent of exports, 45 percent of GDP, and 60 percent of budget revenue. However, Gabon is facing a decline in its oil reserves. The recent drop in oil prices has caused a slowdown in GDP growth, from 5.6 percent to 4.3 percent between 2013 and 2014 and to an expected 4.1 percent in 2015. This was mainly driven by negative growth in construction and public works, stemming from the fiscal impact of lower oil prices: in response, the government reduced the level of public investment from 10.9 percent to 6.7 percent of GDP between 2013 and 2014. In 2015, however, in spite of further decline in oil prices, the government decided to maintain public investments at their 2014 level, focusing on priority infrastructure to preserve and increase the growth potential. To address the resulting financing gap, the government successfully issued a 10 year Eurobond of US\$500 million (about 3 percent of GDP) in June 2015 and created in May 2015 an oil and mining stabilization fund that aims at helping the government maintain necessary public spending even in times of low oil prices.

6. Economic development of Gabon's cities is hampered by lack of investments. Despite the key role played by cities in Gabon's economic growth, the urban sector has not benefited from sufficient financing (less than 10 percent of public investment) during the past two decades. Most investments that were financed involved resources generated by the oil industry and did not follow a proper budget planning and procedures. The Gabonese construction sector is characterized by a few large enterprises and limited competition. Further, small and medium enterprises (SMEs) have limited access to contracts in the construction sector. The main reasons behind this are the SMEs' unfamiliarity with procurement and management procedures and limited access to credit, coupled with limited access to information.

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

7. Gabon is one of the most highly urbanized countries in Africa, with an unevenly distributed urban network and urban poverty close to rural poverty levels. An estimated 87 percent of the total population of 1.8 million is urban. The incidence of urban poverty, at 30 percent (2005), is quite close to the national average. The urban population has a large proportion of people below 19 years of age, which make up 50 percent of the population. The high rate of urbanization is driven essentially by a concentration of economic and forestry activities around the main urban centers of Libreville and Port-Gentil. These two cities account for more than 50 percent of the population and 60 percent of the country's jobs. In spite of this, unemployment is around 15 to 20 percent in the two cities. A recent trend in Gabon's urbanization is that the greater part of urban population growth is taking place outside of Libreville, in smaller and badly interconnected urban centers. The national urban population increased by 2.7 percent to 4.1 percent over the past 20 years, compared with 2.4 percent in Libreville. In consequence, secondary urban centers are gaining importance and Libreville has seen its share of the urban population decline steadily from just over 60 percent in the 1970s to about 48 percent in 2014. The population of the capital city now stands at about 730,000.

8. Urbanization has taken place without proper planning policies to support the process, resulting in inefficient cities. The larger urban agglomerations of Libreville and Port-Gentil are made up of mono-functional and badly interconnected urban areas. Updating of the Urban Master Plan of Libreville was initiated in 1995 and was only recently finalized but is not yet approved. A National Land Use and Development Plan was approved only as recently as 2014. Other cities lack any reference in approved planning documents to guide their development. The Urban Development and Transport Policy, developed between 1996 and 2001 with the support of the World Bank to correct the anarchic urbanization process of the 1970s and 1980s, only saw limited implementation but contains proposals that remain relevant today to guide urban development. An urban observatory, established by the government, disposes of very limited data to monitor the sector.

9. Rapid and uncontrolled urbanization has led to the development of unplanned settlements on underserved land and an increase in the number of poor urban households without access to basic urban services. Due to the lack of planning and underinvestment in infrastructure, development has often taken place in flood-prone areas that are not suitable for habitation, making subsequent delivery of services expensive. This situation is aggravated by lack of storm water drainage, increasing the risk of natural disasters. These so-called 'underserved' settlements, in which more than three-quarters of the urban population and 60 percent of

economically disadvantaged households live, are characterized by poor access to basic services, houses built of makeshift materials, lack of land titles, high population density, poor urban mobility, and lack of wastewater/drainage systems. Although the official numbers for the percentage of the urban population with access to an improved water source stand at 97 percent and for electricity at 98 percent, these numbers include unofficial connections and are subject to substantial uncertainty while also hiding intra-urban disparities. The number of individuals with access to an all-season road is estimated at 43 percent. Public health and hygiene is at risk, with only 43 percent of the urban population having access to improved sanitation. Inadequate solid waste management adds strain to the degrading urban environment. The percentage of households with access to an effective solid waste system is relatively low (37.2 percent in 2010) and has actually declined since 2005 (45.4 percent). Housing shortage is estimated at between 50,000 and 170,000 units for the two major cities, with an annual additional deficit of about 6,000 units. As a consequence, about 80 percent of housing in Libreville is self-constructed.

10. A partial and incomplete decentralization process leaves cities with limited means and capacity to discharge their functional mandate and a new decentralization law was recently enacted (Law 001/2014 of June 15, 2015). Almost 20 years after its enactment, the previous framework decentralization law of 1996 has not been implemented owing, in particular, to (a) the government's delay in effectively transferring powers and the resources needed for their effective implementation by local governments; (b) low institutional capacity of local governments in general; and (c) the lack of defined urban policies and the failure by cities to enforce regulations in terms of land use and management of public investments. In the absence of substantial decentralization, the central and deconcentrated sector ministries continue to exercise functions transferred to local governments. Centralized arrangements for approval of local government budgets often delay local government budget implementation by more than six months. The new framework law for decentralization was promulgated by the president on June 15, 2015, and shows renewed interest in advancing the decentralization agenda. However, the law requires an additional annex law (on transfer of competencies) and application decrees to be implemented in practice.

11. Although local governments have quite substantial revenues, own-source revenues accorded to cities by law are largely undeveloped, the operating budgets are high, and debt-financed investments remain purely theoretical. Studies carried out as part of project preparation showed that annual revenue per capita in the nine provincial capitals varies from about US\$12 in Oyem to US\$172 in Port-Gentil, and own-source revenues represent between 22 percent and 45 percent of total revenues in these cities. However, investment budgets are typically in the range of 10 to 30 percent of total resources and a large part of city budgets are consumed by payroll expenditure (54 to 87 percent). Most cities are overstaffed (compared to their financial means) with unqualified personnel and for some of the smaller provincial capitals the salaries of elected officials make up a large share of the payroll. In consequence, even major cities have limited financial resources available to provide adequate services and invest in infrastructure. The only service actually provided by cities to some extent is solid waste collection, and even this is paid for by dedicated transferred funds from the central government.

12. This proposed project is a follow-up operation to the Local Infrastructure Development Project I (LIDP1, US\$25 million),<sup>1</sup> which closed in 2011. During preparation of the 2012–2016 Country Partnership Strategy (CPS) between the government and the Bank, there were strong requests for continued support in urban infrastructure, particularly in areas covered by LIDP1, with demands from all mayors and beneficiaries. LIDP1 intervened in six Gabonese provincial capitals: Libreville, Lambaréné, Oyem, Mouila, Port-Gentil, and Franceville. While LIDP1 succeeded in establishing some minimal technical capacity in those provincial capitals, from a starting point of hardly any capacity, this has largely declined due to lack of activity on the part of city administrations since the closure of LIDP1. Further, the provision of urban infrastructure and services was too limited in scope to substantially meet the huge demands. Therefore, the need for a follow-up operation has been discussed between the government and the Bank since 2011.

13. In continuation of LIDP1, the proposed project will support urban services delivery but with a greater focus on building municipal management capacities in target cities. While the project will not be able to, and does not claim to, substantially address all issues outlined above related to urbanization, service delivery, and decentralization (including the overstaffing of city administrations and centralized budget approval), it aims to address the issue of access to basic services in specific underserved neighborhoods in the target cities and strengthen the capacity of the city administrations to execute their mandate related to decentralized service delivery. This dual approach builds on synergies between investing in infrastructure, establishing consultative budget and planning processes, and supporting increase in the cities' own-source revenues and maintaining at least some urban infrastructure (against none presently). Against the backdrop of historic inertia in advancing the decentralization agenda, the project will start laying the foundations for a future shift from a highly centralized political and administrative system toward a more decentralized system of service delivery, with cities better able to execute their mandate, including assuring at least some investments.

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

14. The project directly contributes to the Bank's twin goals of ending extreme poverty and promoting shared prosperity and to the sustainable development goal on cities. The project will help address the high level of inequality in Gabon by focusing project investments in the poorest areas of the project cities and creating temporary employment opportunities in labor-intensive public works as well as supporting local economic development in these areas contributing to a reduction in urban poverty. Regarding the recently adopted sustainable development goals, the proposed project will contribute directly to achieving goal 11 (sustainable cities and communities), in particular, the targets on access to services and slum upgrading and the targets related to inclusive urbanization and participatory planning while addressing environmental issues related to municipal waste.

15. The project is aligned with the 2012–2016 CPS (Report No. 67343-GA, discussed by the Executive Directors on April 10, 2012). The CPS will support Gabon's 2012 Strategic

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<sup>1</sup> It should be noted that LIDP1 was closed in 2011 and the Infrastructure and Local Development Project II (ILDLP2) builds on LIDP1 but places much more emphasis on institutional development. Hence, the projects are numbered as 1 and 2 in a series, forming parts of an overall program, but the order of the words in the project name was changed in ILDP2 to reflect changes from LIDP1.



Development Plan (*Plan Stratégique Gabon Emergent*) to (a) increase Gabon's competitiveness and employment and (b) address vulnerability and resilience. The CPS further incorporates assistance to SMEs. The newer (2014) Human Investment Strategy (*Stratégie d'Investissement Humain du Gabon*) aims to reduce inequalities in access to social and public services to reduce marginalization and improve economic and social integration of rural and urban pockets of poverty. This proposed project supports these goals by (a) improving access to urban services in underserved and under-integrated urban neighborhoods and (b) promoting the capacity of cities and other stakeholders (for example, SMEs) to improve access to infrastructure and services.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. Project Development Objective (PDO)**

16. The PDOs are to improve access to urban infrastructure and services in selected underserved neighborhoods and to build basic capacities for municipal management in target cities.

### **B. Project Beneficiaries**

17. The main beneficiaries will be the residents of poor neighborhoods selected by the project in the nine provincial capitals (Subcomponent 1.2) as well as those benefiting from connectivity and primary infrastructure under Subcomponent 1.1. The main benefits will stem from improved access to services and living conditions and from job opportunities from labor-intensive construction activities. The participating cities' administrations will benefit from support to gradually improve their management capacity and provide services to the city inhabitants. Central government entities involved in municipal management will also benefit from capacity building to better fulfill their role. Finally, the local construction sector, especially SMEs, will benefit from training and contract opportunities.

### **C. PDO Level Results Indicators**

18. The following indicators are included in the results framework to measure achievement of the PDO:

- People in urban areas provided with access to all-season roads within a 500 m range under the project (Number) (Core).
- Additional population provided with access to other infrastructure and services (Number).
- Cities that implement the asset management plan as specified in the City Contracts (Number).
- Subprojects with post-project community engagement or operation and maintenance (O&M) arrangements (Percentage) (Core).
- Direct project beneficiaries (Number), of which female (Percentage) (Core).

### III. PROJECT DESCRIPTION

19. The proposed project has three components: (a) Improving urban infrastructure to increase access to services; (b) Building institutional development to strengthen the capacity of the urban sector; and (c) Management, coordination, monitoring and evaluation of the project.

20. This is a follow-up operation to LIDP1; it builds on and improves the predecessor project's concept. The participatory approach initiated under LIDP1, which helped improve transparency of urban investments and promote better lines of accountability between city administrations and local populations, will be maintained and reinforced in the proposed project. This participatory approach was based on the community involvement in project identification, preparation, and monitoring of works.

21. The project will be implemented in nine cities—the six cities targeted by LIDP1 (Libreville, Port-Gentil, Franceville, Oyem, Lambaréné, and Mouila) and the three other provincial capitals (Makokou, Koulamoutou, and Tchibanga). This corresponds to the nine provincial capitals of Gabon, assuring equitable repartition of investments throughout the country. The criteria for the selection of neighborhoods within the cities are similar to those used in LIDP1, namely the degree of isolation, access to basic urban services, housing density and typology, and insalubrity.

22. The project will be implemented on the basis of City Contracts. This is a contractual arrangement between the government and cities that defines the reciprocal engagements in terms of infrastructure investments and the improvements that the cities commit to undertake in return in terms of municipal management. The modalities and content of these contracts have been developed with the objective of using them as an entry point to future deepening of the decentralization process and decentralized service delivery. The City Contracts will be used to clarify the roles and responsibilities not only regarding implementation of works under the project but also regarding improved municipal management. This, together with the project's institutional support to strengthen capacities for municipal management, will help lay the groundwork for more substantial political and fiscal decentralization in the future.

#### A. Project Components

**Component 1: Improving Urban Infrastructure to Increase Access to Services (US\$85.5 million equivalent, of which US\$1.5 million is for the Project Preparation Advance [PPA])**

23. The objective of this component is to increase access to infrastructure and services in underserved neighborhoods and assure better integration of these neighborhoods into the urban fabric. The component has two subcomponents (US\$84.0 million) and the PPA is imputed to this component (for an amount of US\$1.5 million) since it principally financed engineering designs:

**1.1 Priority Investment Program (PIP).** Investments in improving connectivity and primary infrastructure in target cities through, *inter alia*, (a) upgrading of selected urban roads; (b) financing of other urban priorities as determined on the basis of the City

Development Plan (CDP) for each target city, including drainage, water and sewerage, and other municipal infrastructure; and (c) road rehabilitation works in Oyem.

- 1.2 Neighborhood Investments.** Constructing and/or rehabilitating basic service investments and infrastructure as determined on the basis of the Neighborhood Development Plan (NDP) for each selected neighborhood within target cities, including, *inter alia*: (a) access roads; (b) water and sanitation works; (c) secondary drainage systems; (d) health centers and schools; (e) local markets; (f) public spaces; and (g) street lighting.

24. The PIP subcomponent focuses on improving connectivity and primary infrastructure, with benefits at a citywide level, while the Neighborhood Investments subcomponent targets infrastructure of a much more reduced scope, with benefits at the neighborhood level. All investment activities will be coordinated with the relevant sector ministries and the Bank Global Practices (for example, education, health, transport, water, and so on). To assure reasonable equity in repartition of Component 1 funds, a formula was established whereby each target city will receive an equal base allocation of US\$4 million for investments and the balance is distributed according to population size. This formula was determined to ensure that each city receives sufficient funds to cater to some of the needs for structuring investments while recognizing that larger cities have more substantial needs. The component will fund all technical, social, and environmental studies and works supervision.

25. The PIP includes one investment to ensure completion of an unfinished LIDP1 rehabilitation work in Oyem (earth roads rehabilitated in Oyem, where the LIDP1 funds were not sufficient to assure paving) as well as additional investments in connectivity and primary infrastructure for ILDP2 neighborhoods and cities. An initial program of 8.8 km of road rehabilitation developed during project preparation for three cities will be ready for implementation around the time of effectiveness. Selection of further investments screened during project preparation will be finalized according to the selection criteria (presented in annex 2) once the CDPs are available.<sup>2</sup> When possible, road upgrading will rely on labor-intensive construction techniques, in continuation of LIDP1.

26. The Neighborhood Investments subcomponent will finance rehabilitation or construction of smaller infrastructure in a few selected neighborhoods per target city. A light ranking exercise will be carried out to ensure the project is targeting the most-needy areas, according to the selection criteria presented in annex 2 and to be detailed in the Project Implementation Manual (PIM). The exact investments will be determined on the basis of the NDPs<sup>3</sup> in consultation with the beneficiary populations. To guide the selection of investments, these will need to reasonably respond to the criteria of (a) cost-effectiveness; (b) equity of costs and benefits to the stakeholders; (c) sustainability (O&M arrangements); (d) potential employment impact; and (e) considerations of vulnerable groups.

27. The sequencing of activities has been determined to follow a logical flow and link with activities under Component 2. Thus, the initial program of works (8.8 km of road upgrading prepared during appraisal) will constitute the first ‘phase’ of investments to be launched upon

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<sup>2</sup> The CDPs (see Subcomponent 2.1) are being prepared under the PPA and they are expected to be ready around the time of effectiveness.

<sup>3</sup> The NDPs (see Subcomponent 2.1) will be prepared at the early stage of project implementation.

effectiveness. The remainder of Subcomponent 1.1 (PIP Investments) will be determined on a rolling basis as CDPs (Subcomponent 2.1) become available. In parallel, the process to elaborate NDPs (Subcomponent 2.1) will be carried out, and the Neighborhood Investments of Subcomponent 1.2 will be launched as and when NDPs are finalized in consultation with the residents of beneficiary neighborhoods.

## **Component 2: Building Institutional Development to Strengthen the Capacity of the Urban Sector (US\$10 million equivalent)**

28. This component aims to strengthen the capacity of target cities and other stakeholders in municipal management. The component has four subcomponents targeting specific groups of stakeholders (details are presented in annex 2). The program of activities is developed based on the organizational and financial diagnostics of target cities carried out during project preparation.

**2.1 Local government strengthening.** Providing technical assistance to target cities for, *inter alia*, (a) elaboration of CDPs, to determine investment priorities and needs in target cities; (b) elaboration of NDPs, to determine investment priorities in selected neighborhoods; (c) elaboration of Urban Master Plans, to guide long-term urban development objectives in target cities; (d) enhancement of revenue collection and financial management (FM) through the improvement of systems for revenue and tax collection; (e) establishment of municipal technical services, including municipal asset management system; (f) support to municipal organization; and (g) handling of specific demands from municipalities, including asset management, FM, and urban planning.

**2.2 Government strengthening.** Carrying out a program of activities to build the capacity of the government and deconcentrated ministerial departments through, *inter alia*, (a) training, technical assistance and provision of equipment and goods for assistance in municipal management; (b) development of a training cycle in municipal management; (c) elaboration and operationalization of rules and procedures governing decentralization and local government finance and conducting public consultations; (d) organization of training and workshops on these rules and procedures; (e) preparation of an FM manual for local governments; (f) carrying out of a feasibility study on transfer mechanism to local governments; (g) assistance in development of an national urban sector strategy and review of sector legislation; and (h) development of a national solid waste management strategy.

**2.3 Strengthening the Borrower's SME sector** through, *inter alia*, (a) carrying out of a study on the SME sector dynamics and financing environment and (b) provision of training to SMEs in technical areas such as bid preparation, general company finances, site management, labor-intensive construction techniques, environmental and social safeguard management, and social awareness and responsibilities.

**2.4 Strengthening civil society** through, *inter alia*, (a) recruitment of community facilitators to support local communities' involvement in the urban sector development process and elaboration of NDPs; (b) training in urban development issues, management of neighborhood infrastructure and equipment; and (c) support for the establishment of collaboration mechanisms between community-based organizations and target cities.

29. In recognition of the importance of all stakeholders' engagement and commitment, the project will provide capacity-building support at four different levels—city, central, private sector, and civil society. Each subcomponent was designed to target different groups with a view of improving their basic competencies to perform their respective roles in municipal management and urban development. Implementation of capacity-building activities under this component is closely aligned with, and gives the base for, Component 1. Component 2 will contribute to the government's ongoing efforts for decentralization by funding public popularization of the newly enacted decentralization law and strengthening the institutional, planning, technical, financial, and management capacity of the target cities to execute their mandate related to decentralized service delivery. This component will also, in coordination with the Bank-financed Investment Promotion and Competitiveness Project, conduct a sectoral and market study for SMEs to identify and strategize the emerging SME sectors in Gabon and provide capacity-building trainings to the SMEs in the construction sector. These efforts will contribute to stimulating competition in the market that is currently dominated by a few large enterprises and generating job opportunities to local residents. Building on the lessons of LIDP1, this component will continue to support community participation, citizen engagement, and capacity building of civil society.

**Component 3: Management, coordination, monitoring and evaluation of the Project (US\$4.25 million equivalent)**

30. This component will ensure smooth implementation of all project activities in accordance with the Bank's policies and guidelines. It will support the Borrower in the areas of project coordination, supervision, FM, procurement, monitoring and evaluation (M&E), communication, audits, and preparation and supervision of implementation of the safeguards instruments, preparation of related surveys, including through the provision of training, operating costs, goods, and services for the required purpose. The fixed cost will be shared with three other Bank-funded projects implemented by the National Commission for Public Infrastructure Works and Promotion of Small-Scale Enterprises (*Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entreprenariat et de l'Emploi*, CN-TIPPEE) while ILDP2 will pay for specific costs related to project implementation.

**B. Project Financing**

31. The project will be fully funded by an IBRD loan.

**Project Cost and Financing**

32. The project will be implemented over five years and will be financed through Investment Project Financing in the amount of US\$100 million equivalent on IBRD terms. The Borrower has chosen a Fixed Spread Loan with level repayment linked to commitments and repayment frequency of six months. The loan has a maturity of 20 years including a grace period of five years. The front-end fee of 0.25 percent of the loan will be financed out of the proceeds of the loan. The loan is denominated in Euro.

| <b>Project Components</b>  | <b>Project Cost<br/>(US\$, million)</b> | <b>IBRD Financing<br/>(US\$, million)</b> | <b>% of IBRD<br/>Financing</b> |
|--|---|---|--------------------------------|
| 1. Improving Urban Infrastructure to Increase Access to Services (including PPA)     | 85.50                                   | 85.50                                     | 85.5                           |
| 2. Building Institutional Development to Strengthen the Capacity of the Urban Sector | 10.00                                   | 10.00                                     | 10.0                           |
| 3. Management, coordination, monitoring and evaluation of the Project                | 4.25                                    | 4.25                                      | 4.25                           |
| Total Costs  | 99.75                                   | 99.75                                     | 99.75                          |
| Total Project Costs  | 99.75                                   | 99.75                                     | 99.75                          |
| Front-end Fees   | 0.25                                    | 0.25                                      | 0.25                           |
| Total Financing Required   | 100.00                                  | 100.00                                    | 100                            |

### **C. Lessons Learned and Reflected in the Project Design**

33. The project builds on the positive lessons learned from LIDP1 while proposing measures to address some of the shortcomings of the predecessor project, which were mostly related to support to SMEs and sustainability of investments. Lessons learned from other urban projects are also reflected in project design, especially those related to improved local government administration by linking technical assistance with learning-by-doing and introducing elements of performance measurement, as well as infrastructure maintenance.

34. LIDP1 was successful in implementing community planning but less successful in assuring continued functioning of collaborative arrangements and maintenance of infrastructure by communities and cities. The NDP process, supported by community facilitators, efficiently supported improvements in service delivery and urban management and also led to increased social cohesion. However, the institutional arrangements for O&M were not clear, bringing about uncertainty in long-term sustainability of invested infrastructure. Taking these lessons into account, for ILDP2, the NDP process will be implemented with stronger focus on incorporating sustainability considerations through including criteria on O&M in the screening process and agreeing on institutional arrangement up front (including clear contractual arrangements for delegating O&M responsibility to neighborhood management committees). The target cities will receive support to improve maintenance arrangements, reinforce the technical units, and maintain dialogue with local populations beyond the project. In addition, investment and physical planning will be extended under ILDP2 to cover the entire area of project target cities. Planning will be linked with institutional and capacity aspects to provide a stronger link with the emerging decentralization.

35. The emergence of SMEs in the construction sector was supported by LIDP1 through capacity building, hands-on support, and speedy payment of contractors but the results were not as good as expected. Given that LIDP1 offered the first procurement experience for most SMEs, some delays were experienced in implementation of works and it was evident that the SMEs contracting with the government for the first time needed further support for elaboration of business plans and implementation of public works. Also, the policy and overall framework for SMEs still needs to be strengthened further. Additional capacity-building activities are included in ILDP2 to reinforce the results obtained by LIDP1 in this area.

36. ILDP2 also incorporates lessons of global experience, which has demonstrated that creating incentives and improving accountability are important to support improvements in local government performance, especially in core administrative areas. Historically, the results of supply-side capacity-building measures aimed at local governments have been disappointing in the absence of demand-side incentives. While the City Contracts implemented under LIDP1 contained elements of performance measurement, the incentives are strengthened under ILDP2 by allowing those cities that are able to establish adequate capacity to carry out some activities under ILDP2 to do so (but no management of project funds). The City Contracts will be monitored yearly to ensure that cities live up to the agreed targets for improved administration. To involve the city administrations from the outset and make the technical assistance elements less theoretical, they have been involved in elaboration of planning documents (CDPs) during project preparation and will remain involved in project activities during implementation, for example, through elaboration of NDPs and Urban Master Plans and participation in bid evaluation and works supervision. Part of the capacity support program under the City Contracts will be reserved for demand-driven capacity support.

37. Infrastructure maintenance is a perennial problem in African countries with a history of centralized administrative systems, although some positive experiences have been learned. The City Contract approach can be a useful tool to support allocation of budget resources for local government asset maintenance and establish the basics of an asset management system, even in a centralized system (as demonstrated in, for example, Benin, Niger, Senegal, and Rwanda), but this requires that the budget nomenclature is clear, that funds are available and dedicated to maintenance, that planning and implementation capacity is present, and that performance of city authorities is monitored regularly. ILDP2 builds on these good experiences to set in place a basic asset management system but with targets set quite low to take into account that the starting point is no asset maintenance at all by local governments.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

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

39. The CN-TIPPEE implemented LIDP1 and will also implement the proposed ILDP2. The Implementing Agency (IA) is currently implementing three other projects funded by the Bank and its capacity has been reassessed to ensure that the CN-TIPPEE has the required technical and fiduciary capacity for the additional workload. For this reason, it was concluded that the PS will be strengthened by the addition of an assistant permanent secretary, additional technical specialists, a junior procurement specialist, an environmental safeguards specialist, and an accountant. The coordination aspect is strengthened through reinforced oversight mechanisms and the addition of a communication specialist to the CN-TIPPEE.

40. A steering committee will be established for project monitoring. It will include representatives of the following institutions and entities: the Ministry of Economy, the Ministry

responsible for Decentralization, the Ministry responsible for Budget, the Ministry responsible for Poverty Reduction, the Ministry responsible of Environment, the Ministry responsible for Land Management, the Ministry responsible for SMEs, the Ministry responsible for Cities, the Ministry responsible for Urban Planning, and the Mayors' Association of Gabon.

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

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

## **B. Results Monitoring and Evaluation**

43. Regular M&E will be an integral part of the project. This function will be under the responsibility of the CN-TIPPEE. The project will benefit from the M&E tools, skills, and processes developed under LIDP1. A baseline survey will be conducted in project areas before the launch of project activities, to determine the conditions of access to various basic services. Local Development Committees will be involved in M&E using the tools of data collection included in the guide for data collection. Project monitoring will be based on quarterly progress reports, including updates to the results framework included in the project appraisal document. At midterm review (MTR), a beneficiary satisfaction survey, and an impact assessment will be carried out and repeated at project closing.

## **C. Sustainability**

44. All infrastructure funded by the project will be screened up front for sustainability of O&M arrangements. Investments need to be accompanied by an O&M plan that demonstrates adequate human resources and technical and financial means (for example, through user fees, city budget, or the government), to ensure continued flow of benefits from the investments (by the city and/or the communities, depending on the nature of the investment). The project will further build capacity in city technical units. A maintenance manual was prepared under LIDP1 and will be updated with standard management contracts for the cases where O&M is transferred



to the local community. Finally, the project will provide support to establish basic asset maintenance programs in target cities.

45. The project supports a national program that involves the streamlining of preparation of the PIP and the implementation of procurement and contract management methods to make the public sector demand for civil works more sustainable and accessible to local SMEs (the TIPPEE Program). At the end of the project, the management of public sector demand for such works should be more transparent and conducive to the sustainable development of SMEs. A significant share of public works included in the PIP should be contracted out to local SMEs, supporting their development.

## **V. KEY RISKS**

### **A. Overall Risk Rating and Explanation of Key Risks**

46. The overall risk rating is Substantial, mainly due to the limited capacity of the city administrations and central agencies that will play a key role in implementing, coordinating, and overseeing project activities. That risk will be mitigated through targeted capacity-building activities, recruitment of additional staff to the CN-TIPPEE dedicated to ILDP2, the establishment of City Contracts between the cities and the government, and involvement of community-based organizations and local populations to monitor project implementation. The choice of beneficiary neighborhoods can also be a contentious issue, and the risk of undue interference in the process will be mitigated by carrying out a ranking exercise of neighborhoods according to the agreed selection criteria. In LIDP1, the government failed to appoint the required staff for the PS of the TIPPEE program on time. The adequate staffing of the CN-TIPPEE will be a dated covenant. Confining all fiduciary responsibility to the CN-TIPPEE will help minimize any fiduciary risks. There is some risk related to timely payment of compensation to project-affected persons (PAPs) by the government and for contentious issues related to land ownership, which will be mitigated by screening all investments for these issues and ensuring that the government has budgeted the related amounts before launching technical studies. The project was screened for impacts of climate change and geophysical hazards and the result is an overall low risk driven by extreme precipitation and flooding. Finally, to ensure the successful start-up of project activities, all partners involved in the project have been fully involved in its preparation.

## **VI. APPRAISAL SUMMARY**

### **A. Economic Analysis**

#### *Development Impact - Expected Benefits and Costs*

47. An economic analysis was conducted during project preparation on the initial investments identified in the Priority Investments Program. The Roads Economic Decision model was used to estimate Net Present Value and Economic Rate of Return (ERR) of known investments, quantifying time savings and reduced vehicle maintenance cost from road upgrading, based on traffic counts and expected evolution in traffic patterns. The results show that for the 8.8 km of investments already determined (in Libreville, Port-Gentil, and Oyem), with an expected investment cost of US\$13.3 million, the Net Present Value is US\$3.1 million,

and the average ERR is 15.2 percent. This is an acceptable rate of return and above the opportunity cost of capital at 12 percent.

48. Economic analysis of other road investments under Component 1, to be determined during project implementation, will be based on the Roads Economic Decision Model (for structuring roads). While economic analysis of subprojects has generally been difficult to implement in practice in the Africa Region, the project will develop an economic screening methodology (cost-effectiveness) to support decision-making and carry out financial analysis of any revenue-generating activities (such as markets). The average ERR was 28 percent for investments under LIDP1. It is expected that the economic screening tool to be used by ILDP2 (see details in the description of Component 1 in annex 2) will contribute to comparable ERR for other ILDP2 investments.

49. The project will contribute to the development of economic activities and improved access to services in the selected neighborhoods by rehabilitating/constructing roads and storm drainage systems and other socioeconomic infrastructure. It is also expected that the project will contribute to the following quantifiable and non-quantifiable benefits: (a) saved time and money; (b) improved service levels; (c) revitalizing the construction sector; (d) job creation, particularly for young people; (e) creation of microeconomic activities and increased revenues; (f) better knowledge of the tax base in neighborhoods, which will allow the target cities to increase their revenues; (g) increased urban mobility; (h) protection against natural disasters; (i) increased social cohesion in project neighborhoods stemming from the process to prepare and implement NDPs; and (j) increased investments in housing improvements by residents of beneficiary neighborhoods. These benefits will, to the extent possible, be captured through impact assessments to be carried out at the MTR and at the end of the project, which will also be used to evaluate the project's efficiency.

#### *Rationale for Public Sector Provision*

50. Interventions in low-income neighborhoods require the involvement of both the central government and the city administrations. Due to weak revenue mobilization, the necessary resources to finance such interventions are not available at city level and therefore central government support is required to provide full or partial financing support for critical investments to meet the gap or accelerate the pace of reforms.

#### *Value Added of Bank's Support*

51. The Bank has extensive experience with financing and implementing urban projects in Africa, in contexts similar to that in Gabon. The proposed project deals with the rehabilitation of infrastructure in underserved settlements, urban development, and, to some extent, support to development of the private sector, issues which started to be addressed in LIDP1. The proposed project builds on key achievements and lessons learned from LIDP1 and is further coordinated with other ongoing and planned Bank-supported activities. These, in particular, include a planned technical assistance for rationalization of the civil service, a small project to support the Supreme Audit Institution (which is the responsible entity for auditing local government budgets), and the Investment Promotion and Competitiveness Project, which provides cross-

cutting support to the SME sector but not specific operational support to SMEs in the construction sector.

52. The Bank's support also complements activities financed by the main national stakeholders and other donors involved in the sector, the French Development Agency (*Agence Française de Développement*, AFD), United Nations Development Programme (UNDP), and the African Development Bank (AfDB). The AFD is currently funding an urban sanitation program, mainly in Port-Gentil and Libreville and is preparing a sanitation master plan of Libreville in collaboration with the National Agency for Large-Scale Public Works and Infrastructures (*Agence Nationale des Grands Travaux et des Infrastructures*, ANGTI). AfDB's commitment in the urban sector in Gabon covers the road sector, for which it is preparing a five-year strategy, and sanitation (mainly in Libreville). The UNDP has funded elaboration of the CDPs for several cities and is implementing some training activities, which are coordinated with ILDP2. The ANGTI intervenes mainly in Libreville. The agency is finalizing a rehousing scheme for persons affected by works in the city. At the national level, the ANGTI is updating the infrastructure master plan, which dates back to 2010. While these activities address a part of the financing gap, the Bank has the required experience to link financing for provision of basic services with institutional strengthening for enhanced development outcome and higher overall efficiency.

## **B. Technical**

53. Operations will be implemented following the methodology used under LIDP1 and do not entail foreseeable technical difficulties. All investments will be of simple design corresponding to local conditions and when possible will make use of labor-intensive methods accessible to local SMEs. By using labor-intensive road construction techniques (interlocking pavement blocks on sand-covered base), the roads to be rehabilitated will require minimal repair during the first years, provided that regular maintenance is carried out.

## **C. Financial Management**

54. The CN-TIPPEE will be in charge of all FM. In line with the FM policies of OP/BP 10.00 on Investment Project Financing, the CN-TIPPEE's FM arrangements have been assessed to determine whether they are acceptable to the Bank. The objective of the assessment was to determine whether (a) the CN-TIPPEE has adequate FM arrangements to ensure that the project funds will be used for the intended purposes in an efficient and economical way; (b) the financial reports will be prepared in an accurate, reliable, and timely manner; and (c) the project's assets will be safeguarded.

55. The assessment concludes that the FM system of the CN-TIPPEE is adequate and the existing arrangements comply with the Bank's FM requirements under OP/BP10.00: (a) qualified staff who are well-versed with the Bank procedures are in place (one FM specialist and one accountant); (b) acceptable financial manual of procedures is in use; (c) an appropriate accounting system combined with an acceptable internal control are in place; and (d) the CN-TIPPEE has handled LIDP1 satisfactorily and its performance in managing the Central Africa Backbone (CAB) Project is satisfactory—both Bank-financed projects.

56. Considering the risk of excessive workload, the overall FM risk is assessed as Moderate. To enhance the FM system, the assessment leads to the following FM conditions and covenants: (a) recruitment of an external auditor using the existing external audit arrangements; (b) upgrade the existing CN-TIPPEE information system (Tompro) to integrate the proposed project, no later than three months after effectiveness; and (c) the recruitment of one additional accountant, no later than three months after effectiveness. The detailed FM arrangements are described in the FM annex.

#### **D. Procurement**

57. Procurement will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers', published by the Bank in January 2011, revised July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011, revised July 2014; and the provisions stipulated in the Loan Agreement. '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 January 2011, shall apply to the project.

58. A procurement risk assessment and management of the project was conducted during the pre-appraisal mission in July 2014. The assessment of the CN-TIPPEE's capacity for the purposes of the project found that (a) the procurement specialist currently on board is qualified and needs to be retained to work on this new project or replaced by any other procurement specialist with qualifications and expertise satisfactory to the Bank; (b) a junior procurement specialist will be recruited, and (c) the PIM needs to be updated. Mitigation action plans have been developed for the CN-TIPPEE. (See details in annex 3.)

59. The overall project procurement risk at the time of assessment is Substantial. The satisfactory implementation of the mitigation action plans will reasonably bring this overall risk to Moderate.

#### *Procurement Plan and Implementation Readiness*

60. Engineering designs and tender documents for an initial package of investments are at an advanced stage of preparation and safeguards documents are available. A first Simplified Procurement Plan (SPP) covering the first 18 months of project implementation was prepared and agreed during negotiations. It will be available in the project database, and a summary will be disclosed on the Bank website once the Board approves the project. The Procurement Plan will be updated in agreement with the project team annually, or as required, to reflect actual project progress and implementation needs. Advanced drafts are available for the City Contracts, PIM, and Delegated Management Agreement, assuring that the effectiveness and disbursement conditions can be met on time.

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

61. **Social and Poverty.** The proposed project is expected to deliver significant social benefits by improving the living conditions of low-income communities. The design of the proposed project has benefited from the knowledge gained from LIDP1. The project will

contribute to reducing urban poverty by (a) reallocating public funds to more direct and targeted interventions for the poor; (b) prioritizing urban infrastructure and services that are key to improving living and health conditions of the poor; and (c) improving the involvement of community-based organizations and the private sector in the execution of targeted operations. This will also reduce the gap in service delivery between wealthy and low-income neighborhoods. The project will help generate temporary employment opportunities in labor-intensive public works and support local economic development in these areas, which will benefit the local residents in the selected poor neighborhoods.

62. **Gender.** The project is classified as gender informed; gender-specific actions are to be undertaken during project implementation and are reflected in the results framework. Women are mostly affected by poor mobility and lack of access to basic services and generally burdened with household services such as buying food, fetching water, disposing of domestic wastewater and solid waste, paying utility bills, and caring for the sick and elderly. Improving access to basic services such as water supply, sewerage, and drainage and better mobility through improvements in urban roads connectivity will benefit women by enhancing sanitary conditions and improving productivity, with its associated time and cost savings. Women's participation in the Neighborhood Development Committees and other community development processes is a key factor in establishing organizations that truly represent all people in the community. It is also important for providing services that respond not only to the community at large but also to specific needs that women may have. Actions to be taken under the project include (a) ensuring women's participation in all aspects of the program and dissemination of information to women, using appropriate media and language; (b) use of gender-sensitive approaches and methods corresponding to local conditions (place, timing, facilitation techniques, and so on); (c) recruiting at least 40 percent of female community facilitators (a target that was also reached in LIDP1); (d) training on gender awareness; and (e) collection and monitoring of gender-disaggregated data on project beneficiaries.

63. **Participation.** The project drew the following lessons from LIDP1: strong community participation ensures buy-in and demand and local government engagement ensures institutionalization of the process so that investments can be made for most-needed infrastructure and services with good quality of works. The preparation of the project, including feasibility studies and preparation of safeguards instruments were carried out in consultations with the national government, provincial administrations, city administrations, and representatives of civil society. All mayors of the target cities participated in the preparation of the project. Project implementation will be demand driven and the communities will remain engaged for the O&M of the completed infrastructure under the project. The project will operate in close collaboration with the communities and community-based organizations identified in LIDP1, in particular women's groups and youth organized along common economic/employment interests. Community facilitators will be employed to support the consultative processes in each project neighborhood in the nine project cities. Citizen engagement and beneficiary feedback will be monitored through agreed indicators detailed in annex 1.

64. **Social safeguards.** Overall impacts of the project are expected to be positive. The project will not finance civil works with major social impacts. A Resettlement Policy Framework (RPF) has been prepared, consulted upon in-country, and published in Gabon on July 23, 2015 and in the Bank's InfoShop on August 11, 2015, to address potential environmental and social issues.

An Abbreviated Resettlement Action Plan (ARAP) for investments with known sites was prepared and disclosed before appraisal. No physical displacement of PAPs is identified. Economic displacement is limited to 16 households or 76 PAPs. Most impacts are related to walls and fences being affected. For investments sites yet to be identified, Resettlement Action Plans (RAPs) or ARAPs will be prepared before the start of civil works, as required. A complaints mechanism will be established by the project, whereby beneficiaries and stakeholders can express their concerns regarding the project. Before the start of the civil works, RAPs will be prepared, as required. The project includes a budget for (a) training and awareness raising for local authorities, consulting firms, SMEs, community-based organizations, and relevant ministry staff, with a focus on the implementation of the RPF, the ARAP, and the mitigation of environmental impacts; (b) training in the management, monitoring, and maintenance of infrastructure subprojects for city staff and neighborhood organizations; (c) training for the safeguards specialist within the CN-TIPPEE, with a focus on environmental audit and appraisal; (d) environmental and impact assessments for future subprojects, as well as periodic environmental and social audits of subprojects under implementation; and (e) environmental and social monitoring in the field to ensure that the provisions of the RPF have been implemented appropriately. To further enhance the environmental and social sustainability of future infrastructure investments, this component will finance the planting of indigenous trees, where appropriate, on subproject sites and areas prone to erosion.

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

65. The investment program will be implemented at city and local neighborhood levels. Citywide investments include a program of improving connectivity and primary investments that will cause adverse but temporary and site-specific impacts. At the local neighborhood level, most of the investments will be of simple design and technology, some using labor-intensive methods accessible to local contractors and SMEs.

66. The environmental team of the CN-TIPPEE will be in charge of all safeguards aspects of the project, including preparing the TOR for environmental safeguards studies and monitoring the preparation and implementation of the instruments. Refresher training in safeguards implementation will be provided during the implementation of ILDP2. The project will also support the General Directorate of the Environment to strengthen its safeguards management capacity, through hands-on training and formal training. Regular supervision by the Bank's safeguards specialists will be used to contribute to strengthen the Borrower's safeguards compliance and capacity.

67. During project preparation, an Environmental and Social Management Framework (ESMF) has been prepared, specifying how to identify and mitigate any adverse environmental impacts from project activities. The document was consulted upon in-country and published in Gabon on July 23, 2015 and in the Bank's InfoShop on August 11, 2015. Environmental and Social Impact Statements (EISSs) and Environmental and Social Management Plans (ESMPs) were prepared and disclosed before appraisal for known investments.

## **G. Other Safeguards Policies Triggered**

68. The project also triggers OP/BP 4.11 - Physical Cultural Resources. The works will take place in inhabited areas and will involve excavations and demolitions. There is a possibility of chance finds of physical cultural resources. To mitigate potential adverse impacts, the ESMF, the Environmental and Social Impact Assessments (ESIAs), and the ESMPs include guidance and procedures for physical cultural resources management. No separate safeguards instrument is needed.

## **H. Grievance Redress**

69. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaints to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Gabonese Republic**

**Project Name: Infrastructure and Local Development Project II (P151077)**

### Results Framework

#### Project Development Objectives

PDO Statement

The PDOs are to improve access to urban infrastructure and services in selected underserved neighborhoods and to build basic capacities for municipal management in target cities.

**These results are at** Project Level

#### Project Development Objective Indicators

| Indicator Name  | Baseline | Target Values |        |        |        |        |            |
|---|----------|---------------|--------|--------|--------|--------|------------|
|   |          | YR1           | YR2    | YR3    | YR4    | YR5    | End Target |
| Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project (Number) - (Core) | 0        | 4,500         | 21,000 | 21,000 | 21,000 | 21,000 | 21,000     |
| Additional population provided with access to other infrastructure and services (Number)  | 0        | 0             | 0      | 2,500  | 7,500  | 23,000 | 23,000     |
| Cities that implement asset management plan as specified in the City Contracts (Number)   | 0        | 0             | 0      | 2      | 5      | 8      | 8          |
| Subprojects with post-project community engagement or O&M arrangements (Percentage) - (Core)  | 0        | 0             | 0      | 85     | 85     | 85     | 85         |
| Subprojects that are expected to have a mechanism for post-completion operation (Number - Subtype: Supplemental) - (Core)             | 0        | 0             | 0      | 4      | 12     | 36     | 36         |



|  |    |       |        |        |        |        |        |
|--|----|-------|--------|--------|--------|--------|--------|
| Direct project beneficiaries (Number) - (Core)                     | 0  | 4,500 | 21,000 | 23,500 | 28,500 | 44,000 | 44,000 |
| Female beneficiaries (Percentage - Subtype: Supplemental) - (Core) | 48 | 48    | 48     | 48     | 48     | 48     | 48     |

### Intermediate Results Indicators

| Indicator Name   | Baseline | Target Values |         |         |         |         |            |
|--|----------|---------------|---------|---------|---------|---------|------------|
|  |          | YR1           | YR2     | YR3     | YR4     | YR5     | End Target |
| Roads rehabilitated, Non-rural (Kilometers) - (Core)   | 0.0      | 2.0           | 8.8     | 8.8     | 8.8     | 8.8     | 8.8        |
| Person-days of employment created (Number)   | 0        | 36,000        | 252,000 | 433,000 | 632,000 | 902,000 | 902,000    |
| NDPs for which activities adopted for funding by ILDP2 are implemented at least 80 percent (Number)  | 0        | 0             | 0       | 2       | 6       | 18      | 18         |
| Cities developing and implementing capacity-building plans for staff (Number)  | 0        | 0             | 2       | 6       | 8       | 8       | 8          |
| New national urban sector strategy developed (Number)  | 0        | 0             | 0       | 0       | 1       | 1       | 1          |
| Cities that increase own source revenue as specified in the City Contracts (Number)  | 0        | 0             | 2       | 6       | 8       | 8       | 8          |
| Recruiting at least 40 percent of community facilitators from female members of community (Percentage)   | 0        | 40            | 40      | 40      | 40      | 40      | 40         |
| Grievances registered related to delivery of project benefits that are effectively addressed in accordance with grievance mechanism (Percentage) | 0        | 90            | 90      | 90      | 90      | 90      | 90         |

### Indicator Description

| <b>Project Development Objective Indicators</b>   |  |                  |  |   |
|---|--|------------------|--|---|
| <b>Indicator Name</b>   | <b>Description (indicator definition and so on)</b>  | <b>Frequency</b> | <b>Data Source / Methodology</b>   | <b>Responsibility for Data Collection</b> |
| Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project (Number) - (Core) | All-season road is defined as a road that is motorable all year by the prevailing means of transport. Predictable interruptions of short duration during inclement weather (for example, heavy rainfall) are acceptable. Data on the number of people provided with access will be measured by multiplying the length of roads upgraded with the estimated population density along the road, with any double counting excluded. | Annual           | M&E reports. The target value is cumulative and based on the known initial program of road rehabilitation. It should be updated if needed, as investments become known.  | CN-TIPPEE                                 |
| Additional population provided with access to other infrastructure and services (Number)  | The indicator measures the number of beneficiaries of urban services, other than roads, provided by the project.   | Annual           | M&E reports. The target value is cumulative, based on 18 neighborhoods and 2,000 inhabitants per neighborhood.   | CN-TIPPEE                                 |
| Cities that implement asset management plan as specified in the City Contracts (Number)   | The City Contracts will include maintenance targets that each city commits to respecting. These targets are not the same for all cities, and the indicator measures the respect of individual targets in City Contracts.   | Annual           | M&E reports. The target value is annual. The aim of the project is to bring all cities to implement asset management plans. The target value is fixed to cater to the eventuality that one city does not perform in this area. | CN-TIPPEE                                 |
| Subprojects with post-project community engagement or O&M arrangements (Percentage) - (Core)  | This indicator measures the existence of specific arrangements developed under the project to ensure ownership by project beneficiaries for all investments that are to be managed by community representatives or community-based organizations.  | Annual           | M&E reports. The target value is percent of cumulative number of subprojects (subtype). It is the value of the indicator (rather than the number of subprojects) that matters.   | CN-TIPPEE                                 |
| Subprojects that are expected to have a mechanism for post-   | Subtype for the above indicator. Measures the total number of subprojects that are expected to have a  | Annual           | M&E reports. The target value is cumulative. The value of this   | CN-TIPPEE                                 |

|  |  |        |  |           |
|--|--|--------|--|-----------|
| completion operation (Number - Subtype: Supplemental) - (Core)     | mechanism for post-completion operation by community representatives or community-based organizations as input to calculating the percentage with such arrangement in place.                 |        | indicator is indicative and serves to calculate the indicator on percentage of subprojects for which a mechanism is established.     |           |
| Direct project beneficiaries (Number) - (Core)                     | Direct beneficiaries are people benefiting from project interventions under Component 1. It regroups the two indicators on beneficiaries of roads and other investments.                     | Annual | M&E reports. The target value is cumulative. It should be updated when the infrastructures and number of beneficiaries become known. | CN-TIPPEE |
| Female beneficiaries (Percentage - Subtype: Supplemental) - (Core) | The percentage of female beneficiaries is estimated based on the composition of the population of Gabon. More detailed estimates will be made in connection with project impact assessments. | Annual | M&E reports. The target value is percent of cumulative direct beneficiaries.   | CN-TIPPEE |

#### Intermediate Results Indicators

| Indicator Name                                       | Description (indicator definition and so on)   | Frequency | Data Source / Methodology   | Responsibility for Data Collection |
|--|--|-----------|---|------------------------------------|
| Roads rehabilitated, Non-rural (Kilometers) - (Core) | Kilometers of all non-rural roads reopened to motorized traffic, rehabilitated, or upgraded under the project.                 | Annual    | M&E reports. The target value is cumulative and should be updated, as investments become known.   | CN-TIPPEE                          |
| Person-days of employment created (Number)           | The works supervisors will be required to keep track of and report on the number of people employed at the construction sites. | Annual    | M&E reports. The target value is cumulative and based on estimated labor cost of Component 1 (labor accounting for 12% of works, works accounting for 88% of total cost of US\$85.5 million, and daily salary of US\$10). | CN-TIPPEE                          |

|  |   |        |   |           |
|--|---|--------|---|-----------|
| NDPs for which activities adopted for funding by ILDP2 are implemented at least 80 percent (Number)  | The NDPs will be prepared under ILDP2. The indicator measures the number of NDPs for which the investments to be funded by ILDP2 are implemented at least 80 percent in financial terms (as the investment program is approved following feasibility studies) (but does <u>not</u> evaluate the implementation of program of activities of entire NDPs, which can include investments that are not foreseen to be funded by ILDP2). | Annual | M&E reports. The target value is cumulative and is based on 2 NDPs per city.  | CN-TIPPEE |
| Cities developing and implementing capacity-building plans for staff (Number)  | Cities are required by the Decentralization law of 2015 to develop capacity-building plans for their staff. The project will support this process and fund their implementation to the extent this is aligned with project objectives.  | Annual | M&E reports. The target value is annual. The aim of the project is to bring all cities to develop capacity-building plans. The target value is fixed to cater to the eventuality that one city does not perform in this area.             | CN-TIPPEE |
| Cities that increase own-source revenue as specified in the City Contracts (Number)  | The City Contracts will include targets for increase in own source revenue. These targets are not the same for all cities, and the indicator measures the respect of individual targets in City Contracts.  | Annual | M&E reports. The target value is annual. The aim of the project is that cities increase own source revenues as per the City Contracts. The target value is fixed to cater to the eventuality that one city does not perform in this area. | CN-TIPPEE |
| New national urban sector strategy developed (Number)  | The project is expected to support development of a strategy for the development of the urban sector. The indicator measures the availability of such strategy.   | Annual | M&E reports. The target value is cumulative.  | CN-TIPPEE |
| Recruiting at least 40 percent of community facilitators from female members of community (Percentage)   | The indicator measures the percentage of female community facilitators compared to the total number of community facilitators.  | Annual | M&E reports, small surveys. The target value is annual.   | CN-TIPPEE |
| Grievances registered related to delivery of project benefits that are effectively addressed in accordance with grievance mechanism (Percentage) | This indicator measures the effectiveness of the grievance mechanism, to be established by the project, in terms of the percentage of grievances received from intended beneficiaries that are effectively addressed.   | Annual | M&E reports. The target value is annual.  | CN-TIPPEE |

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

### **GABONESE REPUBLIC: INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II**

1. This is a follow-up operation to LIDP1 but with a much stronger focus on building capacity in target cities. The participatory approach initiated under LIDP1, which helped improve transparency of urban investments and promote better lines of accountability between local governments and local populations, will be maintained and reinforced in the proposed project. This participatory approach was based on the community involvement in project identification, preparation, and monitoring of works.
2. The project will be implemented in the six cities targeted by LIDP1 (Libreville, Port-Gentil, Franceville, Oyem, Lambaréné, and Mouila) and three other provincial capitals (Makokou, Koulamoutou, and Tchibanga). The total number of cities will be limited to nine to avoid spreading the resources too thinly. This corresponds to the nine regional capitals of Gabon, assuring equitable repartition of investments throughout the country. The government sanctioned this selection during project preparation (letter to the Bank dated December 8, 2014).
3. Efforts undertaken under LIDP1 in the area of capacity building for SMEs will be strengthened to ensure the utilization of labor-intensive techniques. The publication of information on city management will be a basic principle of the project and civil society organizations will be involved in monitoring performance in relation to governance of the city. Lastly, the project will also build on the available results of former operations conducted by the AFD, AfDB, and the Bank in these cities.
4. The project will be implemented on the basis of City Contracts. This is a contractual arrangement between the government and cities defining the reciprocal engagements in terms of investments in infrastructure and the improvements that the cities commit to undertake in return (in areas such as resource mobilization, asset maintenance, city reorganization, use of delegated contract management arrangements for public works, and so on). The modalities and content of these contracts have been developed with the objective of using them as an entry point to future deepening of the decentralization process.

#### **Component 1: Improving Urban Infrastructure to Increase Access to Services (US\$85.5 million equivalent, of which US\$1.5 million for PPA)**

5. The objective of this component is to increase access to infrastructure and services in underserved neighborhoods and assure better integration of these neighborhoods into the urban fabric. The investment needs are substantial in all targeted project cities, and the available project funds will not be sufficient to cover all needs. The two subcomponents (total US\$84 million) are developed to focus respectively on improving connectivity and primary infrastructure (the PIP) and infrastructure of a much more reduced scope, with benefits at the neighborhood level (the Neighborhood Infrastructure subcomponent). The PPA is imputed to this component (for an amount of US\$1.5 million) since it principally financed engineering designs.

6. To assure reasonable equity in repartition of Component 1 funds, a formula was established whereby each city will receive an equal base allocation of US\$4 million for investments, and with the balance distributed according to population size. This formula was determined to assure that each city receives sufficient funds to cater to some of the need for structuring investments while recognizing that larger cities have more substantial needs, although populations of smaller cities are increasing at a faster pace (and hence they receive more funds per capita according to the formula). It should be noted that the split between subcomponent amounts below is indicative (40 percent for 1.1, 60 percent for 1.2) and meant to guide investment selections in project cities and neighborhoods, but that the final choice is left to the mayors in consultation with the population, on the basis of CDPs and NDPs. The component will fund all technical, social, and environmental studies, and works supervision (estimated at 12 percent of total component cost).

**Table 2.1. Component 1 Allocation for ILDP 2 Cities**

| City         | Population       | Share of Project city population (%) | Allocation (in US\$) | Allocation per capita (in US\$) |
|--------------|------------------|--------------------------------------|----------------------|---------------------------------|
| Libreville   | 728,926          | 64                                   | 34,683,816           | 47.58                           |
| Port-Gentil  | 154,125          | 14                                   | 10,487,823           | 68.05                           |
| Franceville  | 60,575           | 5                                    | 6,549,878            | 108.13                          |
| Oyem         | 55,090           | 5                                    | 6,318,989            | 114.70                          |
| Lambaréné    | 41,481           | 4                                    | 5,746,124            | 138.52                          |
| Mouila       | 27,169           | 2                                    | 5,143,667            | 189.32                          |
| Tchibanga    | 25,782           | 2                                    | 5,085,282            | 197.24                          |
| Makokou      | 25,095           | 2                                    | 5,056,363            | 201.49                          |
| Koulamoutou  | 22,047           | 2                                    | 4,928,059            | 223.53                          |
| <b>Total</b> | <b>1,140,290</b> | <b>100</b>                           | <b>84,000,000</b>    | <b>73.67</b>                    |

Source: *Schéma National d'Aménagement et Développement du Territoire* (2014), projection for 2015. There is a high level of uncertainty regarding population numbers, as the projections are based on the latest census, from 2003.

7. Investments need to be accompanied by an O&M plan demonstrating adequate human resources, technical and financial means (for example, through user fees, city budget or the government), to assure continued flow of benefits from the investments (by the cities and/or the communities, depending on the nature of the investment). The project will further build capacities in city technical units. A maintenance manual was prepared under LIDP1 and will be updated with standard management contracts for the cases where O&M is transferred to the local community. Finally, the project will provide support to establish basic asset maintenance programs in project cities.

#### Subcomponent 1.1: Priority Investment Program (indicative 40 percent of component amount)

8. This subcomponent is developed to support works in the target cities in the form of investments in connectivity and primary infrastructure (PIP). This includes, *inter alia*, upgrading of select urban roads and financing of other urban priorities as determined on the basis of the CDP for each target city, including, but not limited to, drainage, water and sewerage, and other municipal infrastructure. The project will also fund completion of one unfinished LIDP1

subproject (earth roads rehabilitated in Oyem, where LIDP1 funds were not sufficient to assure paving). An initial program of 8.8 km of road rehabilitation has been developed during project preparation for three cities,<sup>4</sup> including engineering designs and safeguards studies. This program of works was selected because (a) the need was already demonstrated in LIDP1; (b) the technical designs were already available, and thus only required an update; and (c) there is a need for relatively quick and visible results on the ground, to assure the Mayors' and citizens' engagement after the long period of discussions with no investments between LIDP1 and ILDP2.

9. Selection of further investments will be finalized once the CDPs are available (the CDPs will determine the needs for investment in PIP, see Subcomponent 2.1). The criteria to guide selection of further investments are (a) inclusion in CDPs (to be funded under Component 2); (b) focus on connectivity to ILDP2 neighborhoods or on better functioning of the city; (c) integration with existing infrastructure investments to amplify the impacts and to improve their functionality; and (d) economic viability of investments (that is, economic rates of return above the opportunity cost of capital at 12 percent). The criteria will be further detailed in the PIM. Any investments in water and electricity will be coordinated with the national water and electricity utility company (SEEG).

10. When possible, road upgrading will rely on labor-intensive construction techniques, in continuation of the labor-intensive road construction technique used by LIDP1 (road construction with interlocking paving stones) by which unskilled labor, young people in particular, benefit from temporary employment opportunities. The experience of LIDP1 showed that road construction companies did not master the production of paving stones, and hence separate tendering will be done for the production of paving stones and for the actual road paving. The project will seek to bundle production of paving stones in a way that supports the emergence of a local paving stone industry.

#### Subcomponent 1.2: Neighborhood infrastructure (indicative 60 percent of component amount)

11. This subcomponent will finance investments to rehabilitate or construct smaller infrastructure in about two selected neighborhoods per target city. The exact investments will be determined with the beneficiary populations during the consultative processes leading to the elaboration of NDPs describing the investment needs at the neighborhood level (as described under Subcomponent 2.1). Criteria for the selection of new beneficiary neighborhoods within the cities are the same as in LIDP1, namely (a) the degree of isolation; (b) access to basic urban services; (c) population density and housing typology; and (d) insalubrity. A light ranking exercise will be carried out to assure the project is targeting the most needy areas. Investments will be selected to meet inhabitants' expressed needs in such areas as (a) access roads; (b) water and sanitation works; (c) secondary drainage systems; (d) health centers and schools; (e) local markets; (f) public spaces, and (g) street lighting. The selection process will take longer than for the PIP, and the investments of Subcomponent 1.2 will start after Subcomponent 1.1 investments

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<sup>4</sup> For Libreville: Rehabilitation of 3.85 km of structuring cross-roads, which will contribute to improving access to a larger four-lane road being rehabilitated by the ANGTI from an area that will benefit from an NDP under ILDP2. For Port-Gentil: Paving of 1.35 km of roads that were dropped from LIDP1 due to lack of funds, and which will contribute to improving access to the Balise neighborhood, which was part of LIDP1. For Oyem: Paving of 3.6 km of road in the Nkomayat neighborhood, which were rehabilitated, but not paved, by LIDP1. The funds for these works will be counted against the allocations presented in Table 2.1.

are well on the way. The number of neighborhoods will be limited, according to criteria to be set out in the PIM, to avoid spreading the resources too thin.

12. To guide the selection of investments, these will need to reasonably respond to criteria of (a) cost-effectiveness; (b) equity of costs and benefits to the stakeholders; (c) sustainability (O&M); (d) potential employment impact; and (e) considerations of vulnerable groups. Questions of land availability and ownership were difficult to manage under LIDP1, and any land issues and investments entailing resettlement would need to be clarified and reviewed in detail by the World Bank before investments are approved. The details of the screening criteria will be developed in the PIM. The project will coordinate with city administrations and relevant sector ministries to harmonize activities and assure full O&M after the works are completed. The sector coordination will also be assured on the Bank's side during implementation.

### **Investment Sequencing**

13. The sequencing of activities has been determined to follow a logical flow and link with activities under Component 2. Thus, the initial program of works (8.8 km of road upgrading prepared during appraisal) will constitute the first "phase" of investments to be launched upon effectiveness. The remainder of Subcomponent 1.1 PIP investments will be determined on a rolling basis as CDPs (Subcomponent 2.1) become available, and technical designs and safeguards studies carried out prior to commencing works. In parallel, the process to elaborate NDPs (Subcomponent 2.1) will be carried out, and the technical and safeguards studies for Neighborhood Investments (Subcomponent 1.2) will be launched as and when NDPs are finalized in consultation with residents of beneficiary neighborhoods.

### **Component 2: Building Institutional Development to Strengthen the Capacity of the Urban Sector (US\$10 million equivalent)**

14. This component aims to strengthen the capacity of cities and other stakeholders in municipal management. The component is split into four subcomponents, each targeting specific groups of stakeholders. The program of activities is developed based on organizational and financial audits of project cities carried out during project preparation.

#### **Subcomponent 2.1: Local government strengthening (US\$6.5 million)**

15. This subcomponent provides capacity building and technical assistance to project cities. The diagnostics have served to identify the areas of capacity building needed in the participating cities as well as the City Contracts to be agreed between the participating cities and the Ministry.

- a) **Elaboration of CDPs for all project cities.** CDPs exist for some project cities (Franceville, Port-Gentil, Oyem, and Lambaréné) and elaboration CDPs for other project cities (except Libreville) was launched during project preparation. The CDPs will set priorities for investments with benefits at a citywide level and will guide ILDP2 investments under Subcomponent 1.1. The CDPs will also serve to focus capacity development activities to help cities assume their role as service providers. They will finally provide initial material to feed into the elaboration of more detailed Urban Master Plans. During implementation, the CDP for Libreville will be elaborated (US\$400,000).



- b) **Elaboration of NDPs.** These NDPs will help stimulate local development and respond to the most pressing needs identified by the populations of the beneficiary neighborhoods. While the CDPs focus on improving connectivity and primary infrastructure, the NDPs will focus on access to basic services at the neighborhood level. The NDPs will be elaborated for ILDP2 neighborhoods (or updated in case of continuation of LIDP1 neighborhoods). A consultative process will be carried out in collaboration with the neighborhood residents, supported by community facilitators recruited by the project (Subcomponent 2.4), and in collaboration with the city administrations. The NDPs will inform the investments under Subcomponent 1.2 and will result in plans for development of capacity in locally based civil society organizations (to be selectively supported under Subcomponent 2.4). The development of key priority infrastructure plans will include extensive consultation with local authorities, civil society organizations, and beneficiary communities. The consultative and participatory mechanisms inherited from the previous project will help ensure that financed activities are phased in and are of benefit to the entire community. The concerns of youth, women, and vulnerable/marginalized groups will be fully integrated by involving these groups in both the planning process and in key decision-making processes. Social and gender equity issues will also be addressed in the provision of basic social and economic infrastructure. The project will continue to encourage equal benefits to women, in particular through their participation in public investment programs (US\$1.5 million).
- c) **Elaboration of Urban Master Plans.** The CDPs will be a first step in diagnosing the investments needs in the cities and will inform the elaboration of actual Urban Master Plans. Given the long period of anarchic development of the cities of Gabon, without reference in any approved planning documents, the Urban Master Plans are needed to guide the development of the urban space, specify land use and future extension zones of the city, designate areas to benefit from urban upgrading, provide for functional elements of the city (transport, public facilities, housing). ILDP2 will fund Master Plans for all regional capitals except Libreville, for which a Master Plan has recently been elaborated (but which does not dispose of a CDP) (US\$2 million).
- d) **Revenue identification and collection, FM.** Decentralized service delivery necessitates generation of revenue dedicated to delivering these services and basic capacity to manage finances and budgets, as a basis for programming investments and infrastructure maintenance. The organizational and financial diagnostics revealed uneven capacities in the project cities in this area, with Libreville and Port-Gentil (group A) having some capacities (that is, staff and procedures, but with need of strengthening, and Libreville in the process of implementing an IT-based FM system – SIMBA), Franceville, Oyem, Lambaréné and Mouila (group B) having the prerequisites for building further capacities (including some staff and very basic accounting in place) and Makokou, Koulamoutou and Tchibanga (group C) in a situation where all aspects are in need of strengthening. The diagnostics also recommended that local government budgets should be approved following less centralized procedures, but the project will not specifically address this issue. The project will fund (a) a full complement of IT equipment for the financial department in group C (which will be required to recruit a financial manager and an accountant), some IT equipment for two other groups and phased implementation of FM software (SIMBA, which is provided free by the International Association of

Francophone Mayors, or other depending on feasibility) in Port-Gentil and group B; (b) a system of simplified street addressing in groups B and C; (c) assistance to all groups in delegated management of markets to improve revenues (guide and standard documents, training); (d) development of taxpayer identification through implementation of a unified tax roll; and (e) training in FM; and (f) technical assistance for setting in place internal control (US\$1 million).

- e) **Technical services.** Based on the organizational diagnostics carried out during project preparation, all target cities are in need of capacity strengthening in this area to varying degree, to allow them to deliver some basic services to the population and not least to establish the basic tenants of an asset maintenance system to safeguard existing infrastructure against precipitated degradation. The project will fund support to (a) establish basic technical services, asset management system, and maintenance manual. For cities in Group A, a GIS-based system will be established (Port-Gentil is already well advanced on such a system, while Libreville will be helped to establish a system); for the other cities a simplified asset management system will be established; (b) carry out a basic inventory of infrastructure and definition of a maintenance program; (c) training in urban planning, works supervision, procurement, environmental and social management, solid waste management, public communication, and so on; and (d) acquisition of office equipment to allow the technical service to become operational (US\$1 million)
- f) **Local government organization.** The new decentralization law contains an article on establishment of standard local government organograms. While local government budgets are heavily burdened by expenditure related to emoluments for elected officials and staff salaries, the project will not directly address staffing issues but will assist the cities to analyze their staffing needs and the resource implications in connection with these organograms (US\$200 000).
- g) Additional capacity-building support and technical assistance to target cities and existing local government associations. The new decentralization law requires local governments to develop capacity-building plans for their staff. The project will fund training in relation with these plans, based on approved demand in relation with the achievement of the PDO, including, but not limited to, asset management, FM, and urban planning, as well as for the Association of Local Governments of Gabon. This will help city administrations enhance their ability to take on project implementation responsibility and improve specific areas of municipal management (US\$400,000).

#### Subcomponent 2.2: Government strengthening (US\$1.6 million)

16. This subcomponent provides capacity building and technical assistance to central government and deconcentrated ministerial departments. While decentralization is still at a very early stage, the project will support decentralized delivery of services, with focus on building management capacities in target cities. The question of fiscal transfers and political decentralization will not be addressed in this project, although several of the activities below will provide better knowledge of the sector and a more solid foundation on which to build such process in the future. The list of activities is provided below.

- a) Capacity building support for central government entities involved in local government management in terms of training, technical assistance and limited contribution to equipment and goods, and so on. While the project primarily supports decentralized service delivery by local governments, the central and deconcentrated departments of line ministries will continue to play a role in supporting the city administrations in implementing their mandate. This activity will contribute to strengthening support provided to local governments (US\$200,000).
- b) Development of a training cycle in local government management in existing training institutions (Public Administration Preparation School (EPCA), National School of Management (ENA) or other). There is currently no training program on local government management that elected local government officials and agents can follow. The project will finance a feasibility study and the training materials for establishing a core curriculum in one of the existing higher-level training institutions in Gabon (US\$200,000).
- c) Support to elaboration and public consultation on regulation related to the new decentralization law. The project will fund technical assistance and consultation workshops for the elaboration of the required annex law (on transfer of competences) and application decrees foreseen to operationalize the new law (US\$250,000).
- d) Training and workshops on the regulation related to the new decentralization law (US\$50,000).
- e) Elaboration of an FM manual for local governments. This manual will present the basic requirements of local government FM and a clear budget nomenclature making it possible to benchmark local government performance and derive key ratios (for example, of operating vs. investment expenditure, generation of own source revenues by type) and lay the foundations for local government accounts of sufficient quality to allow them to be audited (US\$100,000).
- f) Feasibility study on a transfer mechanism for local governments. The new framework law foresees an equalization fund and the project will finance a feasibility study on the financing sources and organization of the fund (US\$200,000).
- g) Support to elaboration of a national urban sector strategy and review of sector legislation. The project will fund an update of the Urban Development and Transport Policy from 2001. The study will focus on the urban sector in general but will also treat the question of restructuring of underserved neighborhoods (funding and approach), review the urban sector legislation and present proposals for updating, and present proposals for a strengthened urban observatory to improve sector monitoring (US\$300,000).
- h) Solid waste management strategy. The project will support the Ministry of Environment to develop a national municipal solid waste management strategy. Funding for municipal solid waste management plays an important role in fiscal transfers to local governments, but there is no clear framework for this arrangement. The strategy will address questions

of sector financing and organization, as well as environmental and social questions related to municipal solid waste management (US\$300,000).

Subcomponent 2.3: Private sector strengthening (US\$0.3 million)

17. This subcomponent provides capacity building to works contractors to develop the SME sector and facilitate their access to public tenders. This is in continuation of activities supported by LIDP1. Due to the time elapsed since the closing of LIDP1, and hence shortage of contracting opportunities for SMEs in the construction sector in the interim, the capacity of the SME segment of the construction sector has been on a downward spiral and ILDP2 seeks to reverse this tendency. The list of activities is provided below.

- a) Study on sector dynamics and financing environment for SMEs in the construction sector. The Gabonese construction sector is characterized by a few large enterprises and limited competition, and the study will provide proposals for a strategy for the emergence of a viable SME sector and for stimulating competition. This will be done in coordination with the Bank-funded Investment Promotion and Competitiveness Project (US\$150,000).
- b) Training to SMEs. In connection with project implementation the project will fund training in such topics as bid elaboration, company finances, site management, labor-intensive construction techniques, environmental and social management, and social responsibility. Additional training will be provided based on the study on SME sector (US\$150,000).

Subcomponent 2.4: Civil society strengthening (US\$1.6 million)

18. This subcomponent provides capacity building to local civil society organizations with a view to supporting their engagement in urban management at the national and local levels. The list of activities is provided below.

- a) Community facilitation. Recruitment and training of community facilitators to support the local communities' involvement in the process of development and implementation of NDPs. The community facilitators will include at least 40 percent female facilitators and the participation of women and youth in the NDCs and other community development processes will be a part of the TOR of the facilitators. The process to determine investment priorities for Subcomponent 1.2 will be carried out using gender sensitive approaches and methods corresponding to local conditions and the community facilitators will play a central role in collection and monitoring of gender-disaggregated data on project beneficiaries (US\$1.1 million).
- b) Capacity building. Training in such areas as urban development, management of neighborhood infrastructure, environmental and social management, and organization of community-based organizations, as well as provision of some limited office and IT equipment to help the organizations continue to play a role in the local community after the project (US\$300,000).
- c) Support to establishment of collaboration mechanisms between community-based organizations and target cities (US\$200,000).

**Component 3: Management, coordination, monitoring and evaluation of the Project (US\$4.25 million equivalent)**

19. This component will assure correct implementation of all project activities. It will finance project management costs, audits, M&E of project activities, training and the costs of oversight of environmental protection activities. The fixed cost will be shared with three other Bank-funded project implemented by the CN-TIPPEE while ILDP2 will pay for specific cost related to project implementation.

- a) Training for the CN-TIPPEE (social and environmental procedures, M&E, FM, procurement, and so on) (US\$100,000).
- b) Environmental and social monitoring in the field to ensure that the provisions of the ESMF and RPF are implemented appropriately (US\$150,000).
- c) M&E, including baseline survey, impact assessments and beneficiary satisfaction surveys at MTR and the end of the project (US\$250,000).
- d) Equipment and operating expenditure of the CN-TIPPEE. Salaries, workshops, missions, software, and office equipment (US\$3.0 million).
- e) Communications strategy (elaboration and implementation). The communication strategy will be directed toward all project stakeholders and provide information on sector regulation, project objectives and activities (including respect of engagements in City Contracts), and support changed attitudes toward maintenance of infrastructure (US\$250,000).
- f) Project financial audits (five), technical audits (three), and safeguards audits (two) (US\$500,000).

### **Annex 3: Implementation Arrangements**

#### **GABONESE REPUBLIC: INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II**

##### **Project Institutional and Implementation Arrangements**

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

##### *Project Coordination Unit*

2. The PS of the CN-TIPPEE implemented LIDP1 and will also implement the proposed ILDP2. The IA is currently implementing three other projects funded by the World Bank and its capacity has been reassessed to ensure that the CN-TIPPEE has the required technical and fiduciary capacity for the additional workload. For this reason it was concluded that the PS will be strengthened by recruiting additional staff such, including an Assistant Permanent Secretary, additional technical specialists, junior procurement specialist, an environmental safeguards specialist, and an accountant. An institutional specialist was recruited during project preparation; the recruitment of other staff is a dated covenant. In addition the coordination aspect is strengthened through reinforced oversight mechanisms and the addition of a communication specialist to the CN-TIPPEE.

##### *Project Steering Committee*

3. A steering committee will be established for project implementation. It has been agreed that it will include representatives of the following institutions and entities: the Ministry of Economy, the Ministry responsible for Decentralization, the Ministry responsible for Budget, the Ministry responsible for Poverty reduction, the Ministry responsible for Environment, the Ministry responsible for Land Management, the Ministry responsible for SMEs, the Ministry responsible for Cities, the Ministry responsible for Urban Planning, and the Mayors' Association of Gabon.

##### *City-level Implementation Arrangements*

4. In each participating city, a coordination committee chaired by the mayor will be established, including the arrondissement mayors, representatives of the deconcentrated services, local government technical services, the private sector, and representatives of local communities. These committees will ensure planning and monitoring of implementation of the project activities. Each city will enter into City Contracts with the Ministry of Internal Affairs and Decentralization (oversight ministry for local governments) for their respective programs. As the city administrations do not have the minimum capacity to implement investments, each city will sign a Delegated Management Agreement with the CN-TIPPEE to transfer implementation of all investments, which are formally under the responsibility of the city, to the CN-TIPPEE.

Neighborhood Development Committees will be established in each selected neighborhood, following the good experience of LIDP1 and will serve to facilitate participation of beneficiaries to project implementation and to relay project-related communication. The project will assure involvement of vulnerable groups in these Neighborhood Development Committees. Women and youth, who are commonly marginalized from local decision-making, will be included in local consultative forums through local women's and youth organizations.

5. The cities do not, in the outset, have the basic capacity to implement project activities. Although some technical capacity was built in the city administrations under LIDP1, this capacity has largely withered due to lack of investment activity in the city administrations after the closure of LIDP1. Therefore, basic capacity will have to be built in the city administrations, from a starting point of hardly any capacity, no history of implementing investment projects, and extremely low city budgets before cities potentially take on implementation responsibility. Several elements of the project are designed to help the cities achieve the basic required capacity and include (a) involvement in elaboration of planning documents during preparation (CDPs) and implementation (NDPs and Urban Master Plans), support to city administrations participating in bid evaluation (for example, through temporary secondment of staff to the PS) and to works supervision (secondment of staff to the works supervisors, in continuation of the approach applied during project preparation). Subject to the cities developing sufficient capacity during project implementation, they will be given responsibility for procurement and/or supervision of smaller works of Subcomponent 1.2 (Neighborhood Infrastructure) after an initial startup phase and potentially with a differentiated approach to take into account variations in capacity among cities (but no project funds will be managed by the cities). This return of responsibility to the cities will be foreseen in the Delegated Management Agreements.

6. The project will be implemented on the basis of City Contracts. This is a contractual arrangement between the government and cities defining the reciprocal engagements in terms of infrastructure investments and the improvements that the cities engage to undertake in return in the area of municipal management. ILDP2 is really to be considered as a first generation project for decentralized service delivery, in a context where political support for decentralization has not been strong until now. In this context, the City Contract will be used to clarify the roles and responsibilities in the context of the project, not only regarding implementation of works, but also regarding improved municipal management (including limited improvements to infrastructure maintenance), which the city administration engages to undertake in return for investment.

7. The urban sector in Gabon is characterized by a multitude of players involved in the planning, programming and implementation of investments, including several ministries, the cities, and community-based organizations, among others. This configuration inevitably creates coordination problems, which will be addressed in the context of the project through the validation of PIPs and in the formulation of the CDPs and NDPs. The project will involve nongovernmental organizations (NGOs) or community facilitators active in the urban sector to mobilize the population and raise awareness on the project. In addition, the project will, in each relevant case, introduce more formalized management arrangements for neighborhood infrastructure, describing the conditions of retrocession of management responsibilities to local communities or neighborhood management committees as relevant.

## Financial Management, Disbursements, and Procurement

### *Financial Management*

#### Country Issues

8. Gabon has embarked upon a series of major reforms and initiatives including the adoption of a new organic budget law in 2015<sup>5</sup> and a new procurement code in April 2015<sup>6</sup>, the ongoing development of budget management system (Vectis), the outsourcing of public investments program to a National Agency for Large-Scale Works and Infrastructures (ANGTI), and the creation of Finance and Administrative Directorates (*Directions Centrales des Affaires Financières*) in line ministries with the view to ease the transition to program-based budgeting approach as well as devolution of 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 (a) the misalignment between public spending and development goals; (b) the lack of a comprehensive public investment management system to manage the current tripling of the investment budget; (c) the low capital budget execution on priority sectors; (d) the poor value-for-money in public spending; and (e) the insufficiencies in the financial report arrangements<sup>7</sup>. The underlying causes include amongst others, outdated procurement bidding documents; lack of transparency in the procurement process, lack and/or delay in preparing the planning and budget execution tools (for example, procurement/commitment/disbursement plans), lack of manual of procedures guiding the elaboration of the financial reports and more generally weak PFM capacities at sector level.

10. To improve its economic performance, the government has requested technical assistance from the Bank in a number areas, including Public Financial Management. 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. They specifically related to (a) the timely elaboration for 2013 annual budget, of procurement, commitment and disbursement plans in key six lines ministries; (b) the development of a manual of procedures for the elaboration of the administrative accounts; (c) and the piloting of the performance audit in the health sector with the aim to assess the value-for-money of the underlined spending.

#### Risk Assessment and Mitigation

Table 3.1. Risk Assessment and Mitigation

| Risk          | Risk Rating | Risk Mitigating Measures Incorporated into Project Design | Risk after Mitigation Measures | Remarks |
|---------------|-------------|---|--------------------------------|---------|
| Country level | H           | RAS is ongoing with the aim                               | H                              |         |

<sup>5</sup> This is being readapted to comply with CEMAC PFM Directives adopted on December 2011.

<sup>6</sup> This includes, among others, the creation of a Procurement Regulatory Agency (ARMP) and decentralization of the Directorate of Public Procurement in line ministries.

<sup>7</sup> Since 2009, the Court of Account is issuing a qualification on the annual financial reports as a result of comprehensiveness in the administrative accounts produced by the Ministry of Budget.



| <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>  |
|---|--------------------|--|---------------------------------------|---|
| Weak capacity in public financial management  |                    | to improve budget execution with World Bank support  |                                       |   |
| Entity level<br>No experience of the line ministry in World Bank financed projects  | M                  | Rely on CN-TIPPEE  | M                                     |   |
| Project level<br>Capacity to process transactions   | M                  | Recruit one additional accountant to the CN-TIPPEE   | M                                     | 3 months after effectiveness                                  |
| <b>INHERENT RISK</b>  | M                  |  | M                                     |   |
| Budgeting<br>Delay in the preparation of Annual Work Program and Budget   | M                  | Establish a clear timeline for budget preparation and monitoring   | M                                     | Completed during negotiations and reflected in Loan Agreement |
| Accounting<br>Non timely release of counterpart funds may impact the effective functioning of the CN-TIPPEE<br>Excessive work load of the CN-TIPPEE due to this additional project  | S                  | Yearly and timely release of counterpart funds to finance CN-TIPPEE's operating costs<br><br>Recruit one additional accountant   | M                                     | Implementation<br><br>3 months after effectiveness            |
| Internal Controls and Internal Audit<br>Non timely release of counterpart funds may impact the effective functioning of CN-TIPPEE   | S                  | Yearly and timely release of counterpart funds to finance CN-TIPPEE's operating costs  | M                                     | Implementation  |
| Funds Flow<br>Delay in the funds release if <i>Caisse de Dépôt et de Consignations</i> (CDC) hosts the Designated Account (DA) as the latter does not comply with 8 criteria of disbursement letter.<br>Risk of funds being diverted for ineligible expenditures. | S                  | Open a segregated DA in a commercial bank acceptable to the World Bank<br><br>Perform ex ante and ex post control proposed as part of the Financial Management Assessment Review | M                                     | Completed before negotiations<br><br>Implementation           |
| Financial Reporting<br>Delay in producing acceptable Interim Financial Reports (IFRs)   | S                  | Rely on existing CN-TIPPEE financial reporting arrangements.<br>Upgrade existing Tompro to produce the project's IFRs.   | M                                     | Implementation<br><br>3 months after effectiveness            |
| Auditing<br>No major risk has been identified in existing external auditing arrangements  | M                  | Recruit an external auditor using the existing external audit arrangements   | L                                     | 3 months after effectiveness                                  |
| <b>CONTROL RISK</b>   | M                  |  | M                                     |   |
| <b>Overall FM risk</b>  | M                  |  | M                                     |   |

11. The overall residual risk rating is deemed Moderate.

## Strengths

12. The CN-TIPPEE has an adequate track record in implementing Bank-financed projects: the existing staff are well-versed with Bank-financed projects and perform satisfactorily.

## Weaknesses and action plan to reinforce the fiduciary arrangements

Table 3.2. Action Plan for Fiduciary Arrangements

| Significant Weaknesses or risks  | Action   | Responsible body | Completion                   |
|--|--|------------------|------------------------------|
| Excessive work load at CN-TIPPEE due to this new project                                   | Recruit one additional accountant  | CN-TIPPEE        | 3 months after effectiveness |
| The scope of the current external audit arrangements does not include the proposed project | Recruit an external auditor using the existing external audit arrangements | CN-TIPPEE        | 3 months after effectiveness |
| Existing Tompro does not include this project  | Upgrade Tompro   | CN-TIPPEE        | 3 months after effectiveness |

13. **Staffing.** The CN-TIPPEE is staffed with one finance management specialist and one accountant with track record in Bank-financed projects. The FM staff will record transactions, monitor the compliance of transactions with fiduciary requirement, and prepare the Withdrawal Application and financial reports. One additional accountant will be recruited to reinforce the FM unit, which comprises one finance management specialist and one accountant.

14. **Budgeting.** Reliance will be placed on the CN-TIPPEE budgeting arrangements. 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 existing Tompro and in accordance with the budgeting procedures specified in the PIM. Any variances will be identified in the quarterly Unaudited 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.

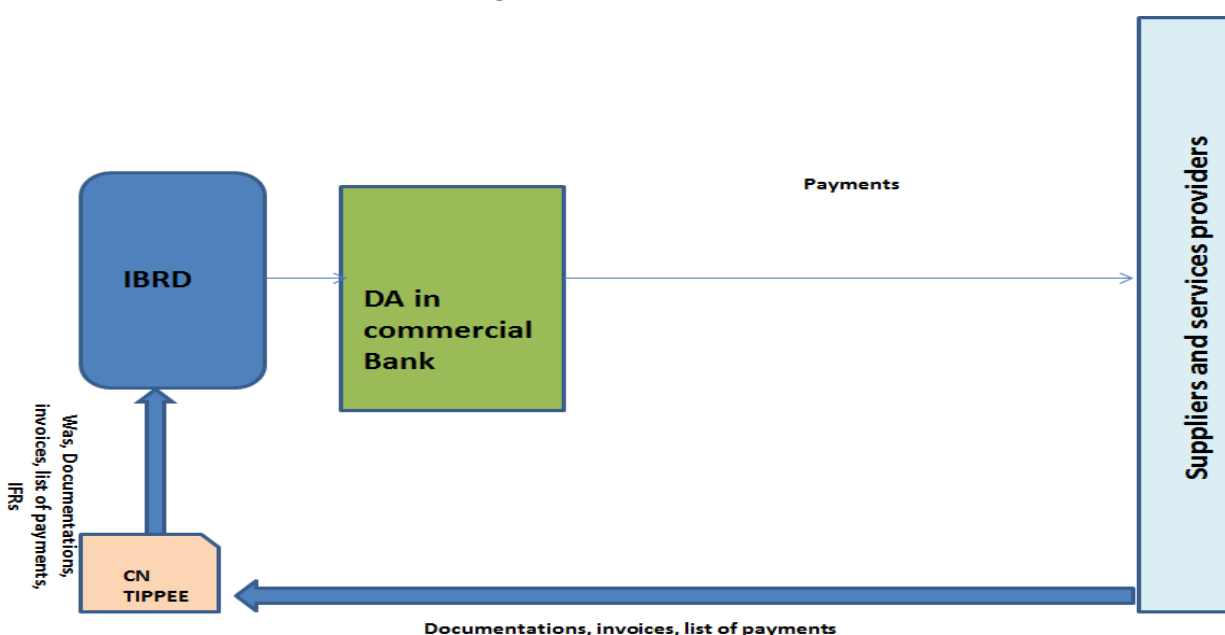
15. **Accounting policies and procedures.** CN-TIPPEE existing accounting system will be used (accounting software multi-project and multi-site) to maintain the books and accounts of the project activities and ensure that the annual financial statements are produced in a timely manner in accordance with Organization for Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation du Droit des Affaires en Afrique*, OHADA) accounting principles, which are in line with the international accounting standards. The existing software will be upgraded to record the project's transactions and generate accurate financial reports on time. The PIM will be amended to take into account the project specifics.

16. **Internal control and internal auditing.** Internal control will build on the existing CN-TIPPEE arrangement which comprises segregation of duties through four different units respectively responsible for technical implementation, administration and finance, and M&E, as well as information and communication and the M&E unit will be in charge of following up internal control recommendations made by external auditor. In addition, a PIM specific to the project will be adopted and one accountant will be recruited to handle workload generated by this project.

17. **Funds flow and disbursement arrangements.** One DA in XAF will be opened in a commercial bank acceptable to the Bank and managed by the joint signature of the FMS and CN-TIPPEE Secretary Permanent or Project Coordinator. In the medium term, *Caisse de Dépôt et de Consignations* may host the DA when it complies with 8 criteria highlighted by the disbursement letter. The DA will receive an initial deposit equivalent to six month expenditures forecast and will be replenished regularly through quarterly Withdrawal Applications. Direct payments, will be made to service providers if needed as per disbursement letter. The Withdrawal Applications to replenish the DA will be signed by signatories appointed by the government.

18. IFR-based disbursement will be used as the CN-TIPPEE has demonstrated a satisfactory FM performance to date.

**Figure 3.1. Flow of funds**



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

**Table 3.3. Disbursement Categories**

| <b>Components</b>   | <b>Amount of the Financing Allocated (expressed in US\$)</b> | <b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>   |
|---|--|---|
| (1) Goods, non-consulting services, consultants' services, Training and Operating Costs for the project | 24,330,000   | 100%  |
| (2) Works under Part (A) of the project   | 73,920,000   | 100%  |
| (3) Refund PPA  | 1,500,000  | Amount payable pursuant to Section 2.07(a) of the General Conditions of the Loan Agreement                                  |
| (4) Front-end fee   | 250,000  | Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (5) Interest Rate Cap or Interest Rate Collar premium   |  | Amount due pursuant to Section 2.08(c) of the Loan Agreement  |
| <b>TOTAL AMOUNT</b>   | <b>100,000,000</b>   |   |

20. **Financial reporting and monitoring.** CN-TIPPEE existing reporting arrangements will be maintained and IFRs will be submitted to IBRD within 45 days after the end of each calendar quarter. The current content and format of the IFR will continue to be used. 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 CN-TIPPEE as well as its internal control system applied will be audited annually. To this end, 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 the International Federation of Accountants (IFAC) Standards on Auditing. In addition to the audit reports, the external auditors will be expected to prepare a Management Letter giving observations, 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 month after the fiscal year, the audited annual financial statements.

#### **FM Conditions and FM covenants**

22. Recruitment of an external auditor using the existing external audit arrangements, no later than 3 months after effectiveness.

23. Upgrade of the existing TOMPRO software to handle the new project, no later than 3 months after effectiveness.

24. Recruitment of one additional accountant, no later than 3 months after effectiveness.

25. **Implementation Support Plan.** FM implementation support 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 carried out shortly after project effectiveness. Afterwards, the missions will be scheduled by using the AFTFM risk based approach model and will include the following diligences: (a) monitoring of the FM 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); (b) review the IFRs; (c) 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 (TTL), 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; (d) physical supervision on the ground; and (e) assistance to build or maintain appropriate FM capacity.

26. **Conclusions of the FM assessment.** The overall FM risk is considered Moderate since the IA is an existing and adequately-performing PIU. The proposed FM arrangements for this project are considered adequate to meet the Bank's minimum fiduciary requirements under OP/BP10.00. The assessment recommended among other measures (a) the adoption of the PIM (including financial procedures); (b) the recruitment of one additional accountant, (c) the upgrading of the Tompro to include this new project, and (d) the recruitment of an external auditor using the existing external audit arrangements.

#### *Procurement*

27. **Applicable guidelines.** Procurement for ILDP2 will be carried out in accordance with the World Bank 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011, revised July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credit & Grants by World Bank Borrowers', dated January 2011, revised July 2014; 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 are 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 (SBDs) or Gabon's National SBD satisfactory to the Association will be used. To the extent practicable, the Bank's SBD for works, goods, and non-consulting services and Standard Request for Proposals, as well as all standard evaluation forms, will be used throughout project implementation.

28. **Advertising.** The Borrower is required to prepare and submit to the Bank a General Procurement Notice (GPN). The Bank will arrange for its publication in United Nations Development Business online (UNDB online) and on the Bank's external website. The General Procurement Notice shall contain information concerning the Borrower, amount and purpose of the credit, scope of procurement reflecting the Procurement Plan, and the name, telephone (or fax) number, and address(es) of the Borrower's agency(ies) responsible for procurement, and the address of a widely used electronic portal with free national and international access or website where the subsequent Specific Procurement Notices will be posted. If known, the scheduled date for availability of prequalification or bidding documents should be indicated. The related

prequalification or bidding documents, as the case may be, shall not be released to the public earlier than the date of publication of the General Procurement Notice.

29. In the case of international competitive bidding (ICB) or limited international bidding, invitations to prequalify or to bid, as the case may be, shall be advertised as Specific Procurement Notices in at least one newspaper of national circulation in the Borrower's country, or in the official gazette, or on a widely used website or electronic portal with free national and international access, in English or French, or at the option of the Borrower, in a national language. Such invitations shall also be published in UNDB online. Notification shall be given with sufficient time to enable prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. The Bank will arrange the simultaneous publication of all Specific Procurement Notices prepared and submitted by the Borrowers on the Bank's external website.

30. In the case of National Competitive Bidding (NCB), the complete text of advertisement shall be published in a national newspaper of wide circulation in the National Language, or in the official gazette, provided that it is of wide circulation, or on a widely used website or electronic portal with free national and international access. The Borrower may publish a shorter version of the advertisement text, including the minimum relevant information, in the national press provided that the full text is simultaneously published in the official gazette or on a widely used website or electronic portal with free national and international access. Notification shall be given to prospective bidders in sufficient time to enable them to obtain relevant documents.

31. To obtain expressions of interest (EOIs), the Borrower shall include a list of expected consulting assignments in the General Procurement Notice, and shall advertise a request for expressions of interest (REOI) for each contract for consulting firms in the national gazette, provided that it is of wide circulation, or in at least one newspaper, or technical or financial magazine, of national circulation in the Borrower's country, or in a widely used electronic portal with free national and international access in English or French. In addition, assignments expected to cost more than US\$300,000 shall be advertised in UNDB online. Borrowers may also in such cases advertise REOIs in an international newspaper or a technical or financial magazine. The information requested shall be the minimum required to make a judgment on the firm's suitability and not be so complex as to discourage consultants from expressing interest. REOIs shall at a minimum include the following information applicable to the assignment: required qualifications and experience of the firm, but not individual experts' bio data; short-listing criteria; and conflict of interest provisions. No less than 14 (fourteen) days from date of posting on UNDB online shall be provided for responses, before preparation of the short list. The late submission of a response to an REOI shall not be a cause for its rejection unless the Borrower has already prepared a short list, based on received EOIs, that meets the relevant qualifications. The Bank will arrange the simultaneous publication of all REOIs prepared and submitted by the Borrower on the Bank's external website. 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).

32. **Requirements for NCB.** Works, goods, and non-consulting service contracts will use NCB procurement methods in accordance with national procedures using SBDs acceptable to the IBRD and subject to the additional requirements:

- In accordance with paragraph 1.16 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the financing will provide that (a) the bidders, suppliers, contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers will permit the World Bank as the Supervising Entity, at its request, to inspect all accounts, records and other documents relating to the submission of bids and contract performance, and will 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)(v) of the Procurement Guidelines.
- Invitations to bid will be advertised in national newspapers with wide circulation.
- The bid evaluation, qualification of bidders, and contract award criteria will be clearly indicated in the bidding documents.
- Bidders will 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.
- Eligible bidders, including foreign bidders, will be allowed to participate. No domestic or Economic and Monetary Community of Central Africa (*Communauté Economique et Monétaire des Etats de l'Afrique Centrale*) regional preference may be given to domestic or regional contractors or to domestically or regionally manufactured goods. Association with a national or regional firm will not be a condition for participation in a bidding process.
- Bids are awarded to the substantially responsive and the lowest evaluated bidder, proven that the bidder is qualified. No scoring system will be allowed for the evaluation of bids, and no “blanket” limitation to the number of lots that may be awarded to a bidder will apply.
- Qualification criteria will only concern the bidder’s capability and resources to perform the contract, taking into account objective and measurable factors.

33. **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 of Gabon on June 19, 2012, allows World Bank procedures to take precedence over any contrary provisions in local regulations. A decree creating a procurement regulatory body was already issued. However, this institution is not yet currently operational. It is not yet completely staffed. Only their General Director and the president of the Regulatory Board were so far nominated. The Bank provided support to the first phase of a PFM Reimbursable TA which focused on improvement of budget preparation, including support to (a) the timely preparation, of procurement, commitment and disbursement plans in 6 key line ministries, (b) the development of a procedures manual for the elaboration of the administrative accounts, (c) and the piloting of the performance audit in the health sector with the aim of assessing whether value-for-money was realized in relation to spending. Through the ongoing second PFM RAS, the World Bank has been assisting the government on (a) the setting up of budget management

tools in line with the new program budgeting approach, (b) the strategy of the newly created Public Procurement Regulatory Body, (c) the elaboration of the bidding documents, and (d) the training of trainers.

34. **Procurement of works.** Under this project, there will be infrastructures to be financed by demand, such as the construction or rehabilitation of urban roads markets, water supply, sanitation subprojects, municipal halls, schools, health and social centers, erosion control and environmental works, and small bridges. 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 SBDs acceptable to IDA and subject to the additional requirements set forth or referred to in the above paragraph on “Requirements for National Competitive Bidding” in the current annex. Small works estimated to cost less than US\$200,000 equivalent per contract may be procured through shopping, based on price quotations obtained from at least three contractors in response to a written invitation to qualified contractors.

35. **Procurement of goods and non-consulting services.** Goods procured under this project would include vehicles, furniture and office equipment. Taking into account (level of value added) manufacturing/producers capacity in the country, procurement of goods will be bulked where feasible (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 SBDs. For other goods contracts costing less than US\$1 million equivalent, NCB procurement methods will be used in accordance with national procedures using an SBD acceptable to the Bank and subject to the additional requirements set forth or referred to above in paragraph on Requirements for National Competitive Bidding.

36. 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.

37. 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 the major car dealers and oil providers are consulted.

38. At the beginning of the project, vehicles procurement packages estimated to cost US\$200,000 or less can be procured through UNOPS or other United Nations agencies.

39. **Selection of consultants.** Consulting services will be needed for the following activities: (a) technical assistance; (b) feasibility and detailed studies as well as any other critical studies; (c) financial and technical audits; (d) capacity development plans; and (e) institutional development plans. 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 (FBS), Least-Cost Selection (LCS). 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 to 3.13 of the Consultant Guidelines, with World Bank's prior agreement. All TOR will be subject to World Bank Prior Review.

40. Assignments of Engineering Designs & 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 consultants' guidelines.

41. Consultants for services meeting the requirements of Section V of the consultant 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.

42. **Operating costs** financed by the project include, *inter alia*, utilities, offices supplies, vehicle operation, vehicle maintenance, and insurance, as well as building and office equipment maintenance costs. These goods and services will be procured using the project's financial and administrative procedures included in the PIM and based on the annual work plan and budget. For services (car maintenance, computer maintenance, and so on) to be financed through operating costs, the project will proceed with service contracting for a defined period.

43. **Training, workshops, seminars, conferences, and study tours** will be carried out on the basis of an 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, and workshops; the number of participants; and cost estimates.

- Institutional Arrangements for Procurement and Capacity Assessment, including Risk Mitigation Measures

44. **Procurement implementation arrangement.** The CN-TIPPEE will be in charge of the implementation of the fiduciary aspects of the project activities.

45. **Procurement capacity assessment of the implementation arrangement of CN-TIPPEE.** A procurement risk and management assessment of the capacity of the CN-TIPPEE for the purposes of the project was carried out. The assessment indicated that the procurement risk for the implementation of the project is rated as substantial. There is a procurement specialist currently on board. The latter needs to be maintained to work on this new project, or replaced by any other procurement specialist with qualifications and expertise satisfactory to the Bank. Given the fact that the CN-TIPPEE is currently managing other Bank-financed projects, there is a need to reinforce the procurement unit with a junior procurement specialist due to the heavy workload foreseen for the procurement unit. The PIM also needs to be updated.

46. The procurement risk rating is Substantial. To mitigate the above-mentioned procurement risks, an action plan has been agreed upon. Implementation and monitoring of the mitigation action plan outlined in the table 3.4 will reduce the procurement residual risk to Moderate.

**Table 3.4. Procurement Action Plan**

| <b>Action to Be Undertaken</b>   | <b>Time Frame</b>                                      | <b>Responsible Body</b> |
|--|--|-------------------------|
| Prepare and submit a procurement plan to the World Bank  | Simplified procurement plan agreed during negotiations | CN-TIPPEE               |
| Finalize and submit to the World Bank for agreement, a satisfactory version of the PIM comprising a section on procurement for use by the project  | Adoption before effectiveness                          | CN-TIPPEE               |
| Hire a junior procurement specialist   | Three months after effectiveness                       | CN-TIPPEE               |
| Maintain during the project's life an acceptable procurement arrangement to the Bank, comprising a procurement specialist and a junior procurement specialist, if justified by the workload. | During the project's life                              | CN-TIPPEE               |

47. **Procurement Plan.** A first SPP for project implementation was prepared. The SPP provides the basis for the procurement methods and the type of reviews. Covering the first 18 months of project implementation, the SPP was agreed at negotiations. It will be available in the project's database, and a summary will be disclosed on the Bank's external web site once the Board approves the project. The SPP 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.

48. **Publication of results and debriefing.** The Borrower shall publish information on UNDB online for all contracts under ICB and Limited International Bidding, and all direct contracts, and in the national press for all contracts under NCB. Such publication shall be within two weeks of receiving the Bank's no objection to the award recommendation for contracts subject to the Bank's prior review, and within two weeks of the Borrower's award decision for contracts subject to the Bank's post review. The disclosure of results is also required for selection of consultants. The Borrower shall publish information on UNDB online for all contracts when the short list included any foreign firm and all single-source selection contracts awarded to foreign firms, and in the national press all contracts where the short list comprises only national firms and all single-source selection contracts awarded to national firms. Such publication shall be within two weeks after receiving the Bank's no objection for award of the contract subject to the Bank's prior review and within two weeks of successful negotiations with the selected firm for contracts subject to the Bank's post review.

49. **Fraud and corruption.** The procuring entity as well as bidders, suppliers, contractors, and service providers must observe the highest standard of ethics during the procurement and execution of contracts financed under the program, in accordance with paragraphs 1.16 and 1.17 of the Procurement Guidelines and paragraphs 1.23 and 1.24 of the Consultant 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 revised in January 2011, will apply to this project.

50. **Frequency of procurement supervision.** The capacity assessment of the IA has recommended supervision missions to visit the field at least twice a year, and a post-review of procurement actions will be conducted annually.

## Summarized Procurement Plan

51. The main works, goods, and non-consulting services to be procured in the project are listed in table 3.5.

**Table 3.5. Works, Goods, and Non-consulting Service Contracts to Be Procured**

| Ref. No.   | Description  | Estimated Cost (US\$, millions) | Procurement Method | Domestic Preference (yes/no) | Review by World Bank (Prior/Post) | Comments/ Completion date |
|--|--|---------------------------------|--------------------|------------------------------|-----------------------------------|---------------------------|
| <b>To be procured the first 18 months of the project</b> |  |                                 |                    |                              |                                   |                           |
| 1.   | Production of prefabricated interlocking paving stones for Libreville, Oyem, and Port-Gentil in 3 lots (PIP investment)              | 2.5                             | NCB                | No                           | Prior                             | June 30, 2016             |
| 2.   | Rehabilitation and drainage of interlocking paving stones urban road in Libreville, Oyem, and Port-Gentil in 3 lots (PIP investment) | 10.7                            | ICB                | No                           | Prior                             | July 30, 2016             |
| 3.   | Production of prefabricated interlocking paving stones for Lambarene, Mouila, and Tchibanga in 3 lots                                | 1.9                             | NCB                | No                           | Post                              | October 15, 2016          |
| 4.   | Rehabilitation and drainage of interlocking paving stones urban road in Lambarene, Mouila, and Tchibanga in 3 lots                   | 5.0                             | ICB                | No                           | Post                              | November 30, 2016         |
| 5.   | Production of prefabricated interlocking paving stones for Makokou, Franceville, and Koulamoutou in 3 lots                           | 1.2                             | NCB                | No                           | Post                              | March 15, 2017            |
| 6.   | Rehabilitation and drainage of interlocking paving stones urban road Makokou, Franceville, and Koulamoutou in 3 lots                 | 6.7                             | ICB                | No                           | Post                              | April 30, 2017            |

52. **Prior review thresholds for works, goods, and non-consultant services.** Contracts estimated to cost more than US\$10 million for works and US\$1,000,000 for goods per contract, the first ICB and NCB contracts for works and goods, eventually others as identified in the procurement plan, and direct contracting above US\$100,000 will be subject to prior review by the Bank.

53. The main consulting assignments of the project are listed in table 3.6.

**Table 3.6. Consulting Assignments with Selection Methods and Time Schedules**

| Ref. No.  | Description of Assignment  | Estimated Cost (US\$, million) | Selection Method | Review by World Bank (Prior/Post) | Comments/ Completion Date |
|---|--|--------------------------------|------------------|-----------------------------------|---------------------------|
| <b>To be procured during the first 18 months of the project</b> |  |                                |                  |                                   |                           |
| 1.  | Elaboration of CDP for Libreville  | 0.4                            | QCBS             | Prior                             | July 30, 2016             |
| 2.  | Elaboration of NDP for the southern regions  | 0.75                           | QCBS             | Prior                             | August 30, 2016           |
| 3.  | Elaboration of NDP for the northern regions  | 0.75                           | QCBS             | Prior                             | September 30, 2016        |
| 4.  | Elaboration of Urban Master Plan for the northern regions  | 1.0                            | QCBS             | Prior                             | August 30, 2016           |
| 5.  | Elaboration of Urban Master Plan for the southern regions  | 1.0                            | QCBS             | Prior                             | October 30, 2016          |
| 6   | Technical assistance in municipal management (organogram, FM manual, development of a training program, identification and collect of revenue, transfer mechanism) | 0.7                            | QCBS             | Prior                             | June 30, 2017             |
| 7.  | Elaboration of decentralization law and application text   | 0.3                            | QCBS             | Prior                             | September 30, 2016        |
| 8.  | Elaboration of a national urban sector strategy  | 0.3                            | QCBS             | Prior                             | October 15, 2016          |
| 9.  | Recruitment of a safeguards specialist   | 0.15                           | IC               | Prior                             | March 30, 2016            |
| 10.   | Recruitment of the external auditor  | 0.05                           | LCS              | Prior                             | May 1, 2016               |
| 11.   | Recruitment of an accountant   | 0.06                           | IC               | Prior                             | May 30, 2016              |
| 12.   | Recruitment of a junior procurement specialist   | 0.1                            | IC               | Prior                             | May 30, 2016              |
| 13.   | Recruitment of an assistant permanent secretary  | 0.15                           | IC               | Prior                             | May 30, 2016              |
| 14.   | Study on baseline situation  | 0.4                            | QCBS             | Prior                             | June 30, 2016             |

54. **Prior review thresholds for consultant services.** Contracts estimated to cost above US\$500,000 for firms and US\$200,000 for individuals per contract, and single source selection of consultants (firms and individuals) to cost above US\$100,000 will be subject to prior review by the Bank. Similarly, all audit contracts will be subject to prior review as will be any other contract identified in the procurement plan.

*Environmental and Social (including safeguards)*

55. The proposed project is expected to deliver significant social benefits by improving the living conditions of low-income communities in the form of increased access to urban services, mobility, reduced flooding, better sanitation and health, and an overall improved environment. The design of the proposed project has benefited from the knowledge gained from LIDP1. Poverty reduction in the project areas requires (a) reallocating public funds to more direct and targeted interventions for the poor; (b) prioritizing urban infrastructure and services that are key

to improving living and health conditions of the poor; and (c) improving the involvement of the nongovernmental sectors, including the private sector, in the execution of targeted operations.

56. Implementation of the previous project demonstrated involvement of both the cities in the management of infrastructure works, and the communities who benefited from the assistance of local NGOs and advocacy groups. The project will attempt to meet the objectives of both CPS and PRGS to meet the social concerns of the population, especially people living in underserved neighborhoods, and to make communities responsible through their involvement in project design for improved living conditions. The project will collaborate closely with the communities and NGOs identified in LIDP1, in particular women groups and youths organized along common economic/employment interests. Community facilitators will be employed by the PS to support the consultative processes in each project neighborhood in the nine project cities. They will continuously be involved in the course of project implementation to facilitate continuous involvement on the part of the population.

57. The infrastructure works such as paving of existing community earth roads and construction of new road works will be carried out on existing rights of way to minimize resettlement. During project preparation, RAPs were prepared for all investments for which the sites are known and the population will be negatively affected, and an RPF has been prepared, consulted upon in-country and published in Gabon on July 23, 2015 and in the Bank's InfoShop on August 11, 2015, and to guide compensation of any persons affected by the project during implementation.

58. The investment program will be implemented at city and neighborhood levels. Citywide investments include a program of structuring investments, drainage network, or central markets that will cause adverse but temporary and site-specific impacts. At the neighborhood level, most of the investments will be of simple design and technology, some using labor-intensive methods accessible to local contractors and SMEs.

59. This project will require contractors familiar with the use of labor-intensive techniques with appropriate managerial capabilities to undertake construction and rehabilitation. The project also requires civil engineering consulting firms to design and supervise works. The project will provide support through technical and managerial training for contractors and consulting firm's personnel to enhance their capacity.

60. The environmental unit of the CN-TIPPEE will be in charge of all safeguards aspects of the project, including preparing TORs for environmental safeguards studies and monitoring the preparation and implementation of the instruments. Refresher training in safeguards implementation will be provided during the implementation of ILDP2. The project will also support the General Directorate of the Environment to strengthen its safeguards management capacity, through hands-on training and formal training. An additional environmental safeguards specialist will be recruited to the CN-TIPPEE no later than three months after effectiveness. Regular supervision by the Bank's safeguards specialists will be used to contribute to strengthen the Borrower's safeguards compliance and capacity.

61. During project preparation, an ESMF has been prepared, consulted upon in-country, and published in Gabon on July 23, 2015 and in the Bank's InfoShop on August 11, 2015. The

document specifies how to identify and mitigate any adverse environmental impacts from project activities. ESIAs and ESMPs have been prepared and disclosed before appraisal for investments that are known before Board presentation.

62. The project also triggers OP/BP 4.11 - Physical Cultural Resources. The works will take place in inhabited areas and will involve excavations and demolitions. There is a possibility of chance finds of physical cultural resources. To mitigate potential adverse impacts, the ESMF, the ESIAs, and the ESMPs will include guidance and procedures for physical cultural resources management. No separate safeguards instrument is needed.

### **Complaints Mechanism**

63. To facilitate expression of complaints by beneficiaries, the leaders of project neighborhoods will maintain a public file on complaints. Public information on the relevance of complaints and their treatment will be made available by NGOs and other organizations specialized in this area.

64. **Stakeholder consultation.** In accordance with the applicable Bank policies, public consultations at local level will be carried out for all investments. The consultation process for the project includes a range of formal and informal on-site discussions, interviews, and meetings with participation of stakeholders such as the Neighborhood Development Committees and local residents, cities, other local civil society organizations, and selected government line departments. To discuss the draft ESMF and RPF, workshops were held at the national level. The objective was to obtain inputs on the draft ESMF and RPF and to seek views on the approach toward minimization and mitigation of potential negative impacts on people and environmental resources.

65. **Loan Agreement.** The Loan Agreement requires the government to prepare and submit safeguard documents to the Bank for approval – ESIAs (and any required ESMPs) in accordance with the ESMF and RAPs, if required pursuant to the RPF, for the activities proposed to be carried out under the agreed annual work plan – prior to implementation of such activities. In addition, prior to commencing any works under the annual work plan, the government will take all actions required under the safeguard documents, including, providing funds for resettlement compensation when required under the RAP of associated works. Finally, the government, through the CN-TIPPEE, will report quarterly to the Bank on the safeguard measures taken. Implementation measures specified in the safeguard instruments and reporting requirements are incorporated in the Loan Agreement for the project.

### **Policy Exceptions and Readiness**

66. The proposed project does not require any exceptions to Bank policies. ILDP2 complies with the regional criteria for readiness for implementation. A procurement plan for the first 18 months of project implementation was prepared during appraisal and approved during negotiations. Core staff are in place at the CN-TIPPEE. Environmental and Social Safeguard documents have already been disclosed prior to appraisal.

## *Monitoring & Evaluation*

67. The project's M&E system is built on the CN-TIPPEE's existing system and is designed to measure and analyze results data on implementation progress toward achievement of the project's intermediary results and development objectives.<sup>8</sup> In addition, a study will be designed and carried out at project closing to evaluate project impacts with respect to achievement of the Twin Goals, among others. The information and knowledge generated will support the CN-TIPPEE to (a) develop and submit progress reports on a quarterly basis to the Project Steering Committee and the Bank as per the structure defined in the PIM; (b) take timely corrective actions; and (c) to disseminate information about project achievements to stakeholders and the general public in a timely manner. The project will also support community-based M&E as a means of strengthening community skills and ownership of project interventions.

68. The M&E system will be managed by the person in CN-TIPPEE responsible for M&E and will be linked to the FM system to allow the monitoring of activities against disbursement. Building on the existing data collection process developed under LIDP1, the PIM will provide detailed step-by-step guidelines on M&E methodology, including baseline development and indicator calculation. Training and technical assistance will be provided to build capacity for relevant stakeholders such as city administrations, ministries, and NGOs. It is expected that the project activities will help build good practices regarding data collection to improve project and sector M&E.

## *Role of Partners (if applicable)*

69. In addition to the partners involved in project implementation and monitoring (ministries, cities, local populations and civil society organizations and the private sector), the project has benefited from strong coordination between the Bank, AFD, AfDB, and UNDP during preparation. The main areas of intervention of these partners are described in the main text. This coordination will continue during implementation.

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<sup>8</sup> Annex 1 provides the list of PDO indicators, as well as the detailed list of result indicators for each of the project components. Most of the indicators selected can be directly monitored, and those that cannot be directly monitored can be collected via simple surveys.

## **Annex 4: Implementation Support Plan**

### **GABONESE REPUBLIC: INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II**

#### **Strategy and Approach for Implementation Support**

1. The project will be implemented by the CN-TIPPEE, which will also play a coordinating role to assure full association of project cities and beneficiaries to project implementation. The Implementation Support Plan (ISP) takes into account the experience of the CN-TIPPEE in project management from LIDP1, which closed in 2011, the current capacity to implement the CN-TIPPEE portfolio, and the added tasks and workload from ILDP2. The CN-TIPPEE will be reinforced with additional specialists and use engineering consultants to supervise construction activities.
2. The ISP aims to focus implementation support in the areas where the IA is less experienced (that is, institutional aspects and performance of local governments) and where it needs to be strengthened further (that is, overall program coordination and safeguards, especially due to the number different geographic sites involved). As well as technical support, the Bank will play an active role during implementation to support the full association of project cities and implication of beneficiaries in subproject selection, implementation, and O&M, as well as in capacity-building activities. Finally, the slow pace of sector reforms historically means that dialogue around institutional aspects of project activities should be based on good coordination and involvement of Bank sector experts and the Country Management Unit.
3. The CN-TIPPEE will assure overall quality assurance and quality control, and M&E. Focused operations training (in project management, safeguards, procurement, FM, operations and maintenance, technical, and so on) is included in the project for the IA and contractors.

#### **Implementation Support Plan**

4. The ISP is built around semiannual missions, regular video conference calls between the Task Team and CN-TIPPEE, regular visits to all project cities, including site visits, and fiduciary compliance reviews. An MTR will be held after approximately 30 months of implementation to review performance in depth, based on progress and studies commissioned for the MTR, and make any necessary adjustments to project substance and schedule.
5. The use of an existing and tested structure for implementation minimizes risks, and the ISP lays out the necessary activities for the Bank to meet its fiduciary obligations in this context. The Bank will devote some 40 staff weeks per year and a total of about 233 staff weeks through FY21 to help the government implement the project and supervise progress. The risk categories rated substantial relate to sector strategies and policies as well as institutional capacity for implementation and sustainability. The ISP highlights the Bank's support to implement adequate risk mitigation and to facilitate achieving the PDO.



6. Specific elements of the ISP are described:

- Monitoring respect of safeguards instruments through including safeguards specialists in semiannual missions. These specialists will also assure knowledge transfer and development of adequate training program for additional CN-TIPPEE staff to be recruited to monitor safeguards aspects. Additionally, local consultative forums in project cities will play a key role in supervising project activities. Civil society organizations representing the local populations will receive support to monitor project implementation, in particular respect of safeguards instruments, and will be able to draw attention to any problematic areas.
- Strong implementation support will be provided in sector reform and overall sector strategy. The Senior Economist on the Task Team is well positioned to assist in this coordination process.
- Support will be provided to developing and implementing a sound subproject screening approach to assure operations and maintenance of all infrastructures is built into subproject design.
- Support to developing and regular monitoring of a communication strategy and implementing responsive feedback mechanisms (spot checks, dedicated safeguards compliance support, EMP training for contractors, and so on) for quality assurance, and M&E.
- The project cities will receive technical assistance as needed, but the Bank will need to play a role in supporting the establishment of working relationships between the IA, government ministries, and agencies on one side and city administrations on the other side, and to support the cities in beginning to take on their role as service providers.
- Fiduciary missions will focus on the IA's performance in managing contracts, procurement, and financial matters, as well as on completing the agreed implementation plans.
- The Bank's fiduciary responsibility in relation to the involvement of city administrations, to the extent they will be involved in project implementation, will be assured through regular implementation support missions to project cities, if need be by the Bank hiring additional consultant support in procurement.

7. The following skills mix and resources needs are estimated:

**Table 4.1. Main Focus in Terms of Support to Implementation**

| <b>Time</b>             | <b>Focus</b>   | <b>Skills Needed</b>  | <b>Resource Estimate (US\$)</b> | <b>Partner Role</b> |
|-------------------------|--|---|---------------------------------|---------------------|
| First twelve months     | Start-up phase, preparation of implementation of PIP, elaboration of PDLs, preparation of subprojects, including procurement | Infrastructure, institutional development, procurement, FM, safeguards, M&E, communication                            | 150,000                         |                     |
| Until MTR (yr. 2–3)     | Technical design studies and start of subproject construction, capacity building, studies                                    | Infrastructure, institutional development, procurement, FM  | 100,000/yr<br>200,000 total     |                     |
| MTR (yr. 3)             | MTR  | Infrastructure, institutional development, procurement, FM, social development, M&E, communication, economic analysis | 150,000                         |                     |
| Following MTR (yr. 4–5) | Continued subproject implementation, implementation of study recommendations, capacity building                              | Infrastructure, institutional development, procurement, FM, social development, M&E, economic analysis                | 100,000/yr<br>200,000 total     |                     |
| Total (5 years)         |  |   | 770,000                         |                     |

**Table 4.2. Skills Mix Required**

| <b>Skills Needed</b>   | <b>Number of Staff Weeks (for duration of Project)</b> | <b>Number of Trips</b> | <b>Comments</b>   |
|--|--|------------------------|---|
| Co-TTL (municipal infrastructure)<br>Co-TTL (Water and Sanitation) | 100  | 15                     | Ongoing implementation support to the client, twice yearly implementation support missions, TTLs to split mission travel somewhat |
| Procurement  | 20   | 10                     | Twice-yearly missions   |
| Financial management   | 15   | 8                      | Twice-yearly missions for start-up phase, then yearly   |
| Institutional aspects  | 15   | 5                      | Start-up (3), MTR, closing  |
| M&E  | 15   | 5                      | Start-up (3), MTR, closing  |
| Social development   | 12   | 5                      | Annual mission and team support   |
| Communication specialist   | 6  | Country office based   | To participate to mission planning and communication strategy   |
| Program Assistant  | 18   | Country office based   | Ongoing team support  |
| Language Program Assistant   | 6  | HQ based               | Ongoing team support  |
| Environmental safeguards   | 12   | 10                     | Participate to yearly implementation support missions and MTR   |
| Social safeguards  | 12   | 10                     | Participate to yearly implementation support missions and MTR   |
| Legal  | 1  | 0                      | Staff weeks for any restructuring   |
| Disbursement   | 1  | 0                      |   |
| Total  | 233  |                        |   |

# GABON INFRASTRUCTURE AND LOCAL DEVELOPMENT PROJECT II

- |  |   |
|--|---|
| <span style="color: red;">●</span> TARGET CITIES           | <span style="color: red;">—</span> MAIN ROADS                 |
| <span style="color: black;">○</span> MAIN CITIES AND TOWNS | <span style="color: black;">- - -</span> RAILROADS            |
| <span style="color: black;">●</span> PROVINCE CAPITALS     | <span style="color: green;">—</span> PROVINCE BOUNDARIES      |
| <span style="color: black;">★</span> NATIONAL CAPITAL      | <span style="color: black;">—</span> INTERNATIONAL BOUNDARIES |

