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Borrower(s)	MIN. OF FORESTRY & ENVIRONMENT OF GABON
Implementing Agency	Address PLAN. & MONIT. UNIT; MIN. OF FOR. & ENV. Contact Person: Mr Jean Boniface Memvie, Secretary General, Ministry of Forestry and Environment Tel: 241 76 61 83 Fax: 241 76 55 48 Email: jbmemvie@inet.ga
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1. Country and Sector Background

2.1 Main issuesIssue 1: the contribution of the forestry and environment sector to the national economy must increase. So far, Gabon's revenues are chiefly derived from the oil sector which, according to 1996 estimates, accounts for 79% of exports, 58% of Government revenues and 42.5% of gross investment (CAS, 1998). However, Gabon's oil resources are now projected to decrease dramatically in the forthcoming years: according to some projections, the tax yield from the oil sector will fall from $US 950 million in 2000 to $US 160 million in 2005. Consequently, there is an urgent need to diversify Gabon's economy. Gabon must shift to an economy based on the exploitation of renewable natural resources and the production of environmental goods and services, which seems to be the only credible alternative to balance declining oil sector contribution to Gabon's economy. At the same time, the equity of tax collection must be sought. While full compensation for the loss of oil-sector fiscal revenue cannot be expected, the forestry and environment sector presents two key advantages compared to the oil sector:if properly managed, the exploitation of renewable natural resources and the production of environmental goods and services can be sustained indefinitely;the forestry and environment sector can potentially create a great number of jobs (for example, in a country like Gabon, 1,7 jobs/year are required to exploit 1,000 m3 of timber, and an additional 2 jobs/year are necessary to transform them). The sole forestry sector, with more than 6,000 employees and 10,000 indirect jobs, is already the second employer after the administration.Issue 2: the increasing pressure on natural resources is at risk of (i) leading to their unsustainable use, (ii) causing loss of biodiversity and (iii) yielding poor benefits to the Gabonese population.

First, Gabon’s valuable natural resource base (22 million ha of rain forest representing 85% of the territory, abundant potential halieutic resources, unique biodiversity of global significance) remains mainly preserved to date. It is necessary to avoid that the development of the exploitation of natural resources leads to their unsustainable use and to the loss of biodiversity (i.e. overexploitation of forests and halieutic resources, poaching, degradation of ecosystems, coastal and urban pollution, etc). Secondly, as it is often the case in economies in which oil is the prominent sector, Gabon’s standard of living is much worse than in other countries with a comparable level of income (high rate of illiteracy and infant mortality, rural exodus, unemployment, poverty, etc.). Only if adequate measures are implemented, will the development of the forestry and environment sector yield benefits to local populations. Therefore, to hedge against these two risks, Gabon must design and implement measures during the initial stages of the development of the forestry and environment sector to avoid degradation of its biodiversity and natural resource base, and to ensure that benefits do improve the population’s standard of living.Issue 3: a lack of private investments. The development of the forestry and environment sector is hampered by the lack of private investment, especially Gabonese. The lack of a favorable investment climate (ill-adapted institutional and regulatory frameworks, deficient communication and information management, research and training insufficient and ill-adapted to the sector needs, etc.) and the weakness of the banking system contribute to this situation.. Public investments should be made to create a more favorable climate for private investments. Nevertheless, considering the expected fall of revenues from the oil sector, the Gabon’s already high level of debt, and the decreasing supply of public development aid, the Government financial capacity and Gabon’s capacity to go further into debt are limited. Issue 4: an ill-adapted institutional and regulatory framework. Further sustainable development of the forestry and environment sector is also hampered by an ill-adapted institutional and regulatory framework. First, although the central administration structure has recently been improved (e.g. the reunification of the forestry and environment sectors under the same Ministry, creation of a Central Planning and Monitoring Unit, design of a Planning, Monitoring and Evaluation System for the Ministry, decentralization), and although the personnel is generally competent, the forestry and environment public institutions remain mostly inefficient. Some functions, such as environmental and forestry law enforcement, are weak and need to be strengthened. In addition, regional offices lack human and material resources. There is a clear discrepancy between the overarching objectives of the forestry and environment administration as defined in the newly adopted policies and laws, and its actual capacity to implement and enforce them. The respective attributions, roles and functions of the stakeholders need to be reviewed and clarified, with a special concern to build up a more active role for the private sector. Secondly, the new Forestry Code the Environmental Law and the decree on environmental impact studies have been adopted (only by the National Assembly so far for the Forestry Code), but most of the implementing regulations are lacking. The proposed fiscal reform has been endorsed by the stakeholders, but the law of Finance has not been modified so far accordingly. Therefore, the sector lacks a clear and consistent regulatory framework in which public institutions both exert their prerogatives transparently and play an incentive role for private investors.2.2 Government strategiesGovernment’s strategic and planning exercises. The

Gabonese authorities are aware of the necessity to foster sustainable growth of the forestry and environment sector led by the private sector, to satisfactorily address the social concerns of its population. With this aim, the Government recently undertook strategic and planning processes related to the forestry and environment sector. The following initiatives constitute the framework for the development of the sector (see also annex 4 for more details): The National Environmental Action Plan (PNAE, adopted March 22, 2000). The National Forestry Action Plan (PAFN, adopted November 1999). The Letter of General Policy (Lettre de Politique Générale, under way). The National Strategy and Action Plan for Biological Biodiversity (SNPA-DB, adopted July 27, 2000).The Program for the Adjustment and Planning of Urban and Transport Sectors (PAPSUT).The 2001-2003 action plan for Libreville (ratified March 2000).The National Policy for Tourism (adopted April 27, 2000). The National Strategy on Climate Change (under way). The Intervention Policy in the Urban Sector in Gabon (under way).The Administrative Reform (under way).A continuous effort to clarify and develop the regulatory framework applicable to the forestry and environment sector. A willingness of all stakeholders to work together. At the same time, the Government has taken steps towards improved dialogue with the private sector, NGOs and the civil society. Partnerships between Government, environmental NGOs and private forestry companies has increased and has produced some concrete and important outcomes in Gabon in the past year, for instance: an agreement has been reached between ECOFAC, WWF, WCS and Rougier and Leroy-Gabon forestry companies on redefining the limits of the Lopé Reserve; the main conclusions of an international workshop to address the bushmeat crisis within the logging concessions have been adopted by representatives of environmental NGOs and by logging companies trade-unions (IFIA, SYNFOGA); CEB-Thanry Group has adopted several harvesting methodologies to enhance biodiversity conservation; etc. In sum, there is widespread agreement on the necessity to build-up a participatory and flexible dialogue framework. The PSFE is the operational result of this willingness to work together. The PSFE preparation process has already created an open and transparent coordination plate-form, with leadership ensured by the Government.PSFE will translate the strategic and planning exercises into action. Strategic planning exercises have come to the definition of a set of objectives and priorities, but they have not been implemented so far. PFSE aims at translating the PNAE, PAFN and SNPA-BD into action. The table in annex 5 illustrates the consistency between the program and those exercises. Regarding the urban sector, the PSFE will complement the PAPSUT and conduct activities to improve the urban environment that are not already covered by the PAPSUT.

2. Objectives

The PSFE: a national program proposed by the Government of Gabon. The PSFE is a national program proposed by the Government of Gabon to the donor community. The program adopts a broad sectoral approach including forestry, fisheries, environment and biodiversity preservation and promotion, as well as a cross-disciplinary component to support the development of the sector. This strategic choice may introduce complexity, but is justified by the lessons learned from the past (weakness of environmental institutions; lack of collaboration, synergy and consistency in the forestry and environment sector; etc.). The World Bank, which benefits from several comparative advantages has been asked to play an important role in this broad multi-investor program. Indeed, the Bank

plays two different important roles: one is to provide advice on the program as a whole, the other is to provide loans on a specific set of activities.Development objective of the program. With a view to helping the Government of Gabon in implementing its Development Agenda, the overall PSFE objective is to sustainably increase the contribution of the forestry and environment sector to the national economy, while (i) ensuring the sustainable management of natural resources and the conservation of biodiversity, and (ii) improving the standard of living. The forestry and environment sector includes both the exploitation of renewable resources (forestry, fisheries, agriculture, etc.) and the production of environmental goods and services by the ecosystems (biodiversity or landscape preservation, carbon sequestration, ecotourism, watershed protection, etc.).Long term perspective. The program fits into a long-term development perspective characterized by (i) the shift from an oil-rent economy to a diversified economy based on dynamic, free enterprises; (ii) the preservation of natural resources and biodiversity; (iii) a stable social and economic context (political stability, low unemployment, safety, etc.); and (iv) the coordination between partners and the consistency of their intervention with national strategies and action plans. The PSFE is the first step necessary to achieve this goal. After the five years of PSFE implementation, the existing environmental strategies will be revised in order to adapt to the evolving context.Specific objectives. More precisely, the PSFE has the following development objectives:economic objectives: sustainably increase the contribution of the forestry and environment sector to GDP by (i) favoring the introduction of forest management plans, (ii) supporting the development of the timber processing industry, (iii) supporting the traditional and industrial fisheries sector, (iv) developing suburban agriculture, and (v) preparing Gabon for the emerging markets of environmental goods and services (biodiversity conservation, carbon sequestration, ecotourism, etc.);environmental objectives: (i) maintain Gabon's unique forest and biodiversity patrimony, (ii) preserve Gabon's coastal and marine ecosystems, and (iii) improve urban environment;social objectives: (i) reduce poverty and improve the Gabonese population's standard of living, and (ii) favor employment by involving local population in natural resources management and by supporting the emergence of the private sector.

3. Rationale for Bank's Involvement

Value added of Bank support. The Bank would bring value added by funding specific activities and bringing advice on the program as a whole. More specifically, the Bank support to the program would bring value added through:mainstreaming environmental issues into the macroeconomic framework (in collaboration with IMF);raising trust funds during the preparation phase (including private funding from IFC) and co-financing the program with grant funds for environmental activities (GEF);helping the country take advantage of the opportunities created by global initiatives (carbon sinks, biodiversity conservation in forest ecosystems);its multidonor experience and capacity to bring stakeholders together;building links with initiatives at national (Sectoral Program on Forestry and Environment in Cameroon), regional (REIMP) and international levels (WWF/WB Alliance);building up on previous experience gained by the PFE (SIGEF, Forestry Code and Fiscal Reform, etc.) and the REIMP;its advanced knowledge in information management systems;its experience in monitoring and evaluation activities.

4. Description

Sustainable forest management and forestry sector development
Integrated management of coastal zones
biodiversity and environment preservation and promotion
Support to the development of the forestry and environment sector

5. Financing
Total (US$m)
Total Project Cost 63

6. Implementation
Transitional arrangements for the preparation. The CPSE, which is an existing agency within the Ministry of Forestry and Environment, will lead the preparation phase and ensure the program institutional set up. A task force, the "working group", was created to support the CPSE towards this goal during all the preparation phase. Its attributions are the following: (i) to coordinate the institutional, regulatory and technical studies of the preparation phase; (ii) to ensure the program institutional and operational set up (PSFE structures and procedures); and (iii) to coordinate national expertise. The working group is made up of seven permanent or part time members (including members from the Ministry of Finance and the Ministry of Planning that are very much involved in the program activities), plus the members of the "components" (which regroup technical experts - in charge of guiding the technical activities - from various origins: administration in charge of the subsectors, NGOs, private sector, etc).Entities involved in the program's implementation. The administration services in charge of the subsectors included in the program will be responsible for the technical management and coordination of the program implementation. They will submit, in collaboration with the investors, the investment proposals (terms of reference, specifications, etc.) and supervise the activities implemented by the executing agencies. Beside, the involvement the following entities will ensure (i) the effective participation of all stakeholders, (ii) the consistency and synergy of the overall program's activities, and (iii) an efficient monitoring of the program:the CPSE (existing) will be responsible for the program planning, monitoring and evaluation;the PSFE Council, made up with representatives of the beneficiaries, will take the program's decisions (its members will be nominated and monitored through an Interdepartmental Committee of Orientation).During the preparation phase, (i) the arrangements described in this paragraph will be discussed in detail and validated by all stakeholders, (ii) the relevant administrative services and executing agencies for each of the program's activity will be specified, and (iii) the PSFE Council and Interdepartmental Committee of Orientation will be set up and associated to the program preparation.The role of each entity is presented in the following scheme and table. Scheme of the institutional set up:Project cycle. Each activity to be undertaken within the framework of the PSFE will follow the cycle -- which will be refined during preparation -- described below:contact between the administration (CPSE and the relevant Administration's Service) and the investor;the CPSE examines the opportunity of the investment proposal (including terms of reference and specifications) in collaboration with all the stakeholders;the project proposal is submitted to the Council (with CPSE's opinion), which examines it;in accordance with the decision

of the Council, the activity is included or not by the CPSE in the annual work plan;the Executing Agency is selected through bidding, in accordance with the investor's procedures;the activity is conducted by the Executing Agency under the supervision of the relevant administrative service (technical supervision), the investor and the CPSE (monitoring and evaluation);the Council validates the CPSE's reports.Funds for micro-projects. In addition, an environmental and social fund (with various windows depending on the issues involved, three are identified at this stage: urban environment, forestry, and information, see components) will be created to finance micro-projects (less than 10.000.000 Fcfa - 15,000 US$) presented by the civil society. Eligible projects may have short duration (meetings, seminars, emergency actions, etc.) or longer time horizons (training for NGO members, neighborhood actions, etc.). This fund will be managed by the CPSE. A manual describing how this fund can be used (eligible projects, priority beneficiaries, selection criteria, fund objectives, performance and impact indicators, disbursement and procurement procedures, financial monitoring, etc.) will be written during the preparation phase. The Council will define the amount available for the funds and priority topics on an annual basis and it will approve the micro-projects proposals.

7. Sustainability

The critical factors for the sustainability of the program's benefits are as follows:adequate and efficient management and operational capacities of the forestry and environmental institutions;a comprehensive set of regulations which have been adopted;an efficient forestry taxation system accepted by all the parties and successfully implemented;public expenditures and private investments available to consolidate the program's results in the long term;success in the establishment of efficient partnerships between the Government, the private sector, the civil society and donors;a sustainable management of natural resources;the stability of trained staff in their functions.

8. Lessons learned from past operations in the country/sector

Consistency with the Bank's forestry strategy review. The main conclusions and recommendations of the review (completed last year) of World Bank's 1991 forest strategy have been taken into account in the project design, including:The World Bank needs to use its global reach to address both mechanisms and finances for additional international resources mobilization on concessional terms outside its normal lending activity (to compensate conservation and environmental services): donors other than the World Bank will finance the program, including the GEF. Moreover, during the preparation phase, studies will seek to identify new financial mechanisms adapted to the Gabonese context (carbon sequestration funds, debt conversion mechanisms, user fees, environmental funds, etc.).The World Bank needs to be proactive in establishing partnerships with all relevant stakeholders, Governments, the private sector and civil society to fulfill both its national and global roles: the program will be designed and conducted so as to allow for the participation of all relevant stakeholders in both the decision making process and the execution of the activities of the program.The synergy between development/poverty alleviation and conservation objectives needs to be recognized and promoted: the program's economic, social and environmental objectives are consistent with one another and mutually reinforcing. Moreover, the participation of the GEF and of NGOs will ensure an

effective integration of social and environmental concerns. For instance, the identification gathered one hundred people (donors, NGOs, governmental agencies, private sector, etc.).Illegal logging needs to be reduced through the active promotion of improved governance and enforcement (improvement and implementation of existing laws and regulation; mobilization of national stakeholders to demand, implement and monitor improved governance): the forth component of the program aims at strengthening the institutional framework and at ensuring the availability of all necessary information (especially through information management systems like the SIGEF).The livelihood and employment needs of all the poor people (including women) need to be addressed: the program aims at making poor people benefit from the sector development, by providing them with employment, potential financial resources (especially through the creation of a 10 million ha rural domain) and services.Lessons learned from PFE. The project aimed at improving the management and protection of Gabon's forest resources and its environment. It served as an important instrument for implementing government policies dealing with forestry and environment, and also strengthened the scope of these policies. Finally, it strengthened the planning and operational capacity of Government institutions and local environmental NGOs through the implementation of training programs, studies, and the provision of equipment and infrastructure support. The PSFE is built on the experience from the PFE. In the design of the PSFE the following lessons have been taken into account:the project's scope was too narrow (see D1);lack of social component. The PFE only very late focused on the final beneficiaries and this proved to limit its impact in the field. That is why, within the PSFE: (i) a holistic social assessment of the program will be conducted during preparation in order to re-orient if necessary the activities envisioned, (ii) beneficiaries will actively take part within the PSFE council, (iii) a "social fund" will be set up to reply in a flexible way to their priority needs, and (iv) models of community forestry adapted to Gabon's context will be defined.need to work at the decentralized level. The PFE supported the decentralization of the forestry and environment administration and this proved to be successful despite the lack of computerization of the decentralized levels: higher control of private activities, higher taxation revenues, clearer monitoring of the resource, etc. The PSFE will thus keep on going towards this direction.the implication of non-governmental stakeholders and of the private sector was too limited. In order to create as sense of ownership, it appeared that it was not sufficient to involve the various levels of the administration. The PSFE will thus make sure that all stakeholders are actively involved in the decision making process of the program and the setting up of the PSFE Council, along with a sound communication policy, will fill this objective. Also, the PSFE will make sure that individuals with non-forestry profiles will be involved in the program team and that scholarships will also be destined to build managerial skills.monitoring and evaluation is essential. The PFE was initiated without a proper logframe and agreed performance indicators. This was corrected during the restructuring of 1998, since when regular advancement reports (including technical and financial data) are diffused by the PFE Coordination Unit. The PSFE will build on this experience and will also benefit from the skills of the staff trained in Monitoring and Evaluation during PFE. As a side-component of M&E, it appeared that the implementation of sub-sectoral information systems (like for forestry) provided a technical platform for transparent discussions, for the sake of performance and governance, and

the PSFE will extend PFE-initiated activities to other sub sectors like biodiversity and fishery. Moreover, the availability of highly trained and dynamic staff is essential to ensure a sound administrative and technical management of the program.The reforms need to be completed and complemented to transform the forest sector into an engine for sound economic development. Under the PFE, Gabon was able to adopt the Environmental Law, the new Forestry Code, to propose a fiscal reform and to draft implementing regulations. It also strengthened the Ministry of forestry and environment (reunification of the forestry and environment sectors under the same Ministry, creation of a Central Planning and Monitoring Unit, design of a Planning, Monitoring and Evaluation System for the Ministry, decentralization, strengthening of research and training institutions). The PSFE will need to complete and complement and implement this reform process.Lessons learned with the REIMP. In the design of the present proposal, the following lessons from REIMP have been taken into account:in a complex multidonor program, coordination between different partners is critical for success. Coordination must start from the very beginning of the program and must take place frequently and regularly. The program must ensure and promote in-depth exchanges between partners;good management of information is essential for the sustainability and the success of the program. To this regard, PSFE will take profit of the tools developed by the REIMP (information management systems, systems of planning, evaluation and monitoring, etc.);PSFE will take profit of the networks of experts on environmental issues that were created by the REIMP program;to ensure successful management of a complex multidonor program, it is necessary to implement an efficient monitoring and evaluation system, which takes into account the needs of all partners. To this regard, PSFE will take profit of the experience gained through the REIMP;the REIMP, through its demand driven component, has brought lessons on how to meet the needs of local organizations and populations. PSFE will be built on this experience.

9. Program of Targeted Intervention (PTI) N

10. Environment Aspects (including any public consultation)

Issues : PSFE strategy. The program has no major negative issues identified at this stage. Indeed, as mentioned above, it is necessary to develop the forestry and environment sector, which seems to be the only credible alternative to balance declining oil sector contribution to Gabon’s economy. Such a development, without a sectoral and integrated program like PSFE, is at risk of leading to unsustainable use of natural resources (overexploitation of forests and halieutic resources, degradation of ecosystems) and of yielding poor benefits to the Gabonese population. To hedge against these risks, the PSFE strategy is to benefit from the sector’s early stage of development to implement frameworks and measures so that the forest and environment sector grows sustainably and improves the population’s standard of living. This is why the program combines measures aimed at fostering the economic development of the forestry and environment sector with concerns for redistribution of the benefits and sustainable natural resources management. Therefore, as it is described in the following paragraphs, the program has positive impacts compare to a scenario without such an initiative.Environmental impacts of the first component. The first component aims at raising the forestry sector’s contribution to the national economy while ensuring that the development of forest exploitation is conducted in a sustainable way

and that biodiversity is preserved. Increased contribution of the forest sector to the national economy will be reached through the increase of local timber processing. The sustainability of forest management will be ensured through land zoning, definition of best practices for sustainable management, implementation of sustainable management plans and standards, certification, and fauna monitoring and management. Management plans and standards are expected to lead to: (i) an increase of the time lag between two harvests, (ii) an increase of the volume harvested at each exploitation, while ensuring that the level harvested is sustainable (especially through restricting first quality okoumé), and (iii) the installation of timber processing industries close to the exploitation sites to process lower value timber. Alltogether, timber harvesting is not expected to increase. The following issues require special attention:in spite of their limited financial and technical resources, small permit holders should also implement management plans: the program recognizes small permit holders will experience difficulties and thus provides for specific activities aimed at ensuring that they can meet the new sustainable management requirements (definition of simplified management plans, etc.); the administration should have the tools to assess whether management plans are satisfactory and to control that they are respected: to this aim, the program provides for the elaboration of specific standards and procedures and institutional strengthening (subcomponent 4.1).Environmental impacts of the second component. Component 2, aims at developing the contribution of the fishery sector to Gabon's economy while ensuring this development is conducted in a sustainable way. This component will yield environmental benefits: increased monitoring of halieutic resources; control of halieutic resources exploitation and limitation of poaching; limitation of erosion and pollution. Special attention should be given to the risk of overexploitation of halieutic resources. The program provides for actions aimed at designing and promoting sound exploitation of halieutic resources (design of an integrated management action plan, control and monitoring of the public maritime domain, stock evaluation campaigns, strengthening of statistical units).Environmental impacts of the third component. Component 3 will generate environmental benefits: protection of habitats and sites included in Protected Areas, carbon sequestration, improvement in the knowledge of Gabon's biodiversity, conservation of migratory and endangered species, control of the bushmeat sector, reduction of unauthorized garbage dump, reduction of coastal pollution. Special attention is required to ensure that suburban agriculture techniques respect the environment and in particular that it does not have a negative influence on the surrounding watersheds supplying water to urban areas (the program provides for training and vulgarization campaigns promoting environment-friendly high productivity agricultural techniques).Environmental impacts of the forth component. The forth component of the program will provide a consistent institutional and regulatory framework as well as tools (research, training, etc.) necessary to ensure the sustainable management of Gabon's environment and biodiversity conservation. The following points require special attention:the regulations should be adequately advertised and explained to all stakeholders: this requirement will be addressed by the regulatory study planned within subcomponent 4.1 (in which the diffusion of the regulations is included), and through the communication activities planned within subcomponent 4.2;the administration should have the capacity to monitor economic activities and to enforce regulations: this requirement will be addressed through the institutional audit and reform

planned in subcomponent 4.1, through the implementation of information management systems in subcomponent 4.2, and through the reinforcement of training activities in subcomponent 4.3.Other environmental impacts of less importance. More and more mechanized wood industries could generate adverse environmental impacts (though they are not highly polluting industries). The generalization of the realization of EIA, sought by the program (subcomponent 4.1) should avoid such problems. In addition, poaching often takes place around logging sites (the problem already exists in Gabon). The program provides for activities specifically aimed at limiting this side-effect and at ensuring regulations are enforced (component 1.2).

11. Contact Point:

Task Manager
Francois Rantrua
The World Bank
1818 H Street, NW
Washington D.C. 20433

12. For information on other project related documents contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-5454
Fax: (202) 522-1500
Web: http:// www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.