

PD-AAZ-730

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

EN 62359

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NOTICE OF MEETING

TO: See Distribution

FROM: AFR/PD, Timothy J. Bork *TJB*

MEETING: Issues and ECPR Meetings for Review of Project
Implementation Document

ISSUES
DATE: August 16, 1989
TIME: 2:00 p.m.
PLACE: 5951 NS
CHAIRPERSON: Linda Brown
AFR/PD/CCWAP

ECPR
DATE: August 18, 1989
TIME: 2:00 p.m.
PLACE: 5951 NS
CHAIRPERSON: Tim Bork, AFR/PD

AGENDA

Gabon Shelter and Urban Development Program

Attachments:

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GABON PID

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PROJECT IDENTIFICATION DOCUMENT
GABON SHELTER AND URBAN DEVELOPMENT PROGRAM

I. PROGRAM FACTORS

A. Conformity with Recipient Country Strategy

From 1965 to 1985 Gabon enjoyed continuous economic growth fueled by high prices for its primary export commodities (petroleum, manganese, uranium and wood). Oil price increases in the 1970's resulted in the particularly rapid growth of the petroleum sector. The benefits of the economic growth were, however, very unevenly and inefficiently distributed. Basic infrastructure (water supply, electricity, streets etc.) were greatly expanded, but primarily for the benefit of urban elites, with relatively little assigned to the development of agriculture, rural development and industry. The government supplied public and parastatal enterprises with transfers and subsidies, financed scholarships and subsidized urban consumers. Wages rose significantly, above all for the civil service, with per capita income for Gabon's estimated one million inhabitants reaching as high as \$4,000 in 1980. The strong Gabonese economy, high wages and the relatively small population lead to an influx of workers from Africa and Europe. Within Gabon itself, the rural population increasingly abandoned the countryside, attracted by the modernizing cities, particularly the capital city of Libreville and the port city of Port Gentil, which were, however, unprepared to accommodate such rapid growth.

The boom lasted until the mid-1980s when the country began to experience a severe reversal of fortunes due to the falling world market prices for its major export commodities. Faced with a rapid decline in budgetary resources, the Government of Gabon (GOG) was eventually forced to rethink its economic policies and to adopt a Structural Adjustment Program (SAP) under the auspices of the World Bank. The focus of the SAP is on (a) improving public sector resource management, (b) reforming and rationalizing public enterprises by means of liquidation, privatization and rehabilitation (c) promoting the private sector through trade liberalization, removal or price controls, restructuring fiscal and investment incentives and encouraging export expansion (d) reformulation of sectoral policies to promote agriculture and forestry.

In keeping with the thrust of its SAP, and in view of continued public sector austerity, the GOG has also begun to reconsider its urban sector policies. Previous practices such as the production of high-cost, high-standard, and

highly-subsidized housing, primarily for the middle class, can not be sustained in the current economic climate. The GOG has recognized that a new approach must be developed if the country is to address adequately its shelter and urban development problems and has taken initial steps to do so. It has also realized that external financial and technical assistance will be required to implement its new policy orientations.

In 1987, after a decade of little or no contact with USAID, the Regional Housing and Urban Development Office -RHUDO/WCA- agreed to provide limited technical assistance to the GOG in the shelter and urban development sector. Shortly thereafter, the GOG financed, entirely with its own funds, the preparation by a French consulting firm of a proposal to upgrade five low-income neighborhoods in Libreville. The project proposal is illustrative of the evolution in GOG thinking in that it represents a major policy shift. The proposal encompasses such concepts as cost-recovery, affordability, private sector participation and a reorientation towards meeting the shelter needs of low-income families. By emphasizing upgrading of existing areas, lowered development standards and cost recovery, the project is indicative of the GOG's interest in initiating an approach better suited to the needs and resources of the country.

Lacking both the resources and technical knowledge needed to implement its proposed new shelter and urban development policies, the GOG has appealed to USAID and other donors for assistance. The program being proposed herein is in response to the GOG request. It will also support the GOG efforts to reorient its shelter and urban development policies by providing financing and technical assistance for much needed improvements in the living standards of the urban poor.

B. Relationship to CDSS

As Gabon does not have a bilateral foreign assistance program with the United States Government, there does not exist a Country Development Strategy Statement (CDSS). The only relevant internal document is an urban program strategy statement prepared for Gabon in 1988 by RHUDO and approved by the Office of Housing and Urban Programs -PRE/H- in Washington in January 1989. This strategy (Annex D) stresses the importance of reinforcing, through project financing and on-going policy dialogue, the new shelter sector and urban development policy changes desired by the GOG.

The objective of the program proposed herein is to ensure that the initial policy changes proposed by the GOG are, put into place, solidified and expanded. Through collaboration with other donors, technical assistance, training and financing

of critically needed improvements in shelter conditions and urban infrastructure, AID will encourage the GOG to : (1) reduce the role of the public sector in the housing and urban development process while encouraging the participation of the private sector; (2) eliminate most subsidies for housing and urban services, particularly for middle income groups, and target public funds for those who are most in need of assistance; (3) reduce its norms for infrastructure and construction in the direction of affordability for low-income beneficiaries; (4) create mechanisms whereby low-income families can obtain title to land and have access to credit for home construction and improvements.

II. PROGRAM DESCRIPTION

A. Perceived Problem

The economic boom experienced by Gabon in the nineteen-sixties and seventies helped to spawn a rapid increase in the country's level of urbanization. Currently over half the estimated population of one million now lives in the two major cities: Libreville, the capital (300,000) and Port Gentil, the oil port city (250,000). An estimated 70 percent of the population lives in towns of more than 10,000 residents.

The GOG's incapacity to deal with the rapid influx of both the rural population and immigrants from neighboring countries into the cities has resulted in the creation of huge, squatter areas, particularly in Libreville. Typically, these squatter areas are located along low lying, swampy stream basins subject to frequent floodings and are woefully deficient in basic services such as waste disposal, water supply and garbage collection. As a consequence, the overall living environment is currently extremely unhealthy. Community facilities, such as primary schools and health clinic are also generally lacking.

For the past two decades, the GOG policy in the shelter sector focused upon building highly subsidized, high-quality housing projects for middle income families and civil servants. This approach, being costly and difficult to implement on a scale sufficient to meet burgeoning urban housing demands, aggravated the problem by creating an artificial scarcity of affordable housing and of building lots. The Government's neglecting to provide low standard sites and services projects has further contributed to the artificial shortage of building sites. As a consequence, most of the new immigrant urban population was forced to build illegal units on unoccupied public lands. In Libreville, approximately 70 percent of the population now lives in squatter settlements.

Although the rate of urban migration has begun to taper off somewhat, high natural population increases, particularly in the low-income areas make it imperative that the GOG begin to address seriously the deplorable living conditions in these informal squatter slum areas.

B. Program Goal and Purpose

The overall goal of this program is to improve the shelter and related living conditions of low-income families in the urban areas of Gabon.

The purposes of this program are:

- 1) To help the GOG establish a national policy framework which addresses the critical need to accommodate the burgeoning low-income urban populations in a secure and sanitary living environment;
- 2) To assist the GOG to create or improve those regulatory, institutional and financial mechanisms which are a prerequisite to the implementation of its new policy initiatives; and
- 3) To improve the institutional capacity of the GOG to design, implement and manage shelter sector and urban improvement programs that meet the needs of low-income families.

The means which RHUDO will employ to achieve the above goal and purposes will be the provision of assistance (financial, technical, training etc.) for those activities (policies, legislation, programs, projects) which demonstrably contribute to the attainment of the stated goal and purposes.

C. Expected Achievements / Accomplishments

The proposed Program is expected to result in the following achievements:

- 1) The GOG will have developed and adopted a new coherent set of national shelter and urban development sector policies emphasizing cost-recovery, lowered development standards, upgrading of existing neighborhoods and private sector participation and will have promulgated the required legislation/regulations to implement these policies;

- 2) The GOG will have developed and implemented model shelter and urban upgrading programs and projects which will implement the new policies and which can be replicated.
- 3) Through the implementation of its new shelter sector policies:
 - a. there will be a substantial measurable improvement of the living environment of low-income beneficiary groups;
 - b. the GOG will reduce its use of subsidies in the shelter sector and will begin to recover its investment costs;
 - c. lower-income households will have access to credit programs for home improvements and house construction;
 - d. lower income families will enjoy more reliable and legally recognizable security of tenure; and,
 - e. key individuals within the GOG and the private sector will have received appropriate training which will allow them to manage shelter sector and urban development activities in an efficient, cost-effective and self-sustaining manner.

D. Outline of the Program and How It Will Work

The proposed Gabon Urban Development Program involves a commitment of \$15 million in Housing Guarantee (HG) Program financing to be loaned in two tranches of \$7.5 million each. GOG contributions will bring the total level of financing for the program to \$22.5 million. An amount in local currency (FCFA), equivalent to the U.S. Dollars loaned, will be deposited into a local escrow account in Gabon to be established at the Caisse Autonome d'Amortissement (CAA), the National Sinking Fund. Control over the account will be exercised by the CAA with the formal concurrence of USAID required prior to the release of funds. The actual borrowings of the HG resources will be subject to the execution of an Implementation Agreement (IA) and to Loan Agreements with eligible U.S. Investors, the first of which is expected to be negotiated in FY'90.

Disbursements of the resources from the local escrow account to the implementing agencies will be accomplished upon the achievement of performance benchmarks to be established jointly by the GOG and RHUDO. These benchmarks, which will be further defined in the Project Paper, will reflect realistic targets on the path towards the realization of the policy agenda in each of the particular policy areas being addressed through the program.

Disbursements will only be authorized for the financing of eligible expenditures as further described in Section E. The GOG will be expected to report periodically to USAID on the achievement of performance benchmarks and to present USAID with a detailed list of the expenditures to be financed with each disbursement. Overall performance will be monitored continuously by a long term resident advisor to RHUDO.

In order to add structure to the implementation of the program and to provide specific criteria for disbursement of funds, the GOG will be required to prepare a series of Program Implementation Plans (PIPs) for approval by USAID. The PIP is expected to be a yearly exercise but could cover a shorter time period if implementation proceeds faster than anticipated. The PIP's would present in detail:

1. the policy measures expected to be addressed during the planning period;
2. objectives to be attained;
3. specific performance benchmarks;
4. a timetable for expected achievements;
5. means by which objectives are to be accomplished;
6. a list of implementing institutions and their envisioned roles;
7. actual activities to be financed through the resources in the local account;
8. GOG counterpart contribution to be made available for the eligible activities.

At the end of the planning period, a formal review of the PIP will be undertaken by the GOG and USAID. The review will focus upon assessing the achievement of policy and program objectives and verifying that funds have been directed towards eligible investments.

Disbursement of the first \$7.5 million HG loan will be conditioned upon the negotiation of a policy agenda and the elaboration of the specific steps required to put the agenda in place. Elements of the policy agenda shall include minimally, but not be restricted to, the following:

- a. a targetting of resources available through the National Housing Fund toward lower income families;

- b. the adoption of a strategy stressing upgrading of existing lower income neighborhoods, instead of clearance, at standards affordable to the current residents;
- c. the reduction of subsidies in the shelter and urban sector;
- d. a diminution of the role of the public sector in the provision of housing and urban services and a corresponding increase in the role of the private sector;
- e. legalization and regularization of land titling for lower income families occupying public lands.

An initial advance will be made available to the government from the local escrow account to allow for specific preliminary activities to take place. A further advance will be made available after USAID approval of the first PIP. Subsequent disbursements will be made only upon the achievement of agreed-upon benchmarks.

E. Eligible Expenditures

The goal of the program is to improve the shelter and related living conditions of low-income families in urban areas of Gabon. Any expenditure which therefore contributes towards the achievement of this goal will be considered eligible for financing through the use of funds generated by the HG loan. Although at this stage it is not possible to foresee the full gamut of eligible expenditures, the following are expected to be representative of the kinds of activities which will qualify:

1. Financing selective physical upgrading actions, including drainage, utilities, streets and community facilities, which improve the shelter and related living conditions of low-income urban households;
2. Financing the development of minimally serviced housing plots for sale to low-income families, with priority given to those displaced by upgrading activities;
3. Providing training and technical assistance to improve the capacities of GOG agencies and selected private sector enterprises to design, implement and manage low-cost shelter sector and urban development projects;

4. Establishing home improvement and mortgage loan programs for low-income households;
5. Instituting procedures and/or creating organizations to assist low-income households to obtain land tenure;
6. Creating community-level organizations and programs which can improve local living conditions, reinforce sector policies (i.e. cost recovery) and promote neighborhood development.

III. FACTORS AFFECTING PROGRAM SELECTION AND FURTHER DEVELOPMENT

A. Social Considerations

The proposed Program is targeted to benefit residents of low-income neighborhoods in Gabon. Program activities should improve shelter and related living conditions of the beneficiary populations by undertaking the eligible expenditures listed above. Specific benefits which can accrue to the target population include: 1) improved surface water drainage and sanitary waste disposal; 2) water and electrical services; 3) permanent surface roads; 4) community facilities such as primary schools and health clinics; 5) access to land tenure rights; 6) credits for home improvements and construction; 7) neighborhood-based community development organizations.

Since almost all activities undertaken under the Program are designed to result in an immediate improvement in shelter conditions of low-income households, few negative social impacts are expected to emanate from Program activities. On the other hand specific negative impacts are possible in certain circumstances. These include:

1. the displacement of families from areas which undergo urban upgrading owing to the demolition of houses located in the path of planned construction;
2. the unverified assumption that user charges for new infrastructure and community facilities, which will result in an increased financial burden, will be accepted by and affordable to target populations which have not been accustomed to paying for municipal services;
3. the provision of some services and facilities which may not be perceived by some beneficiaries as the highest priority or which do not correspond to the value system of some beneficiaries;
4. physical changes which inadvertently disrupt various aspects of social structure.

Activities proposed under this Program will have to be thoroughly vetted to ensure that the above negative impacts are minimized. Proper planning and monitoring by concerned implementing organizations are the recommended means of preventing negative outcomes.

B. Economic Considerations

The proposed Program will use HG loan funds to support major policy reforms affecting the shelter and urban development sector. These new GOG policy initiatives call for the elimination of subsidies, lower standards and materials, emphasis on upgrading rather than clearing of squatter neighborhoods and recovery of investment costs. The objective of these policy initiatives is to decrease the burden of shelter and urban development projects in the national budget while increasing the availability of affordable shelter solutions for the general population and low-income groups in particular. Through this Program, the public sector will begin to limit its role in shelter and urban development to that of facilitator while encouraging and permitting the private sector to expand its field of action.

The Program as envisioned is fully congruent with the Structural Adjustment Program being carried out by the GOG today in that it calls upon the government to change its mode of intervention in the economy. No longer will the state exert economic dominance through the weight of its subsidies and transfers. Instead, economic development is to be propelled by market forces and the private sector.

Given that the shelter and urban development policies outlined above contain a number of concepts that are new for the GOG, the proposed Program emphasizes an evolutionary approach. The focus will be upon carefully delineated undertakings spelled out in the detailed Program Implementation Plans (PIPS). Within each PIP, the expected achievements will be of limited scope and the outcomes will be fairly clear.

An evolutionary approach is particularly necessary in the area of cost recovery, where a total policy revolution is required. Insistence on full cost recovery after years of government subsidies would risk generating serious public resistance and political problems that could ultimately result in the defeat of reform measures. Moreover, it is debatable whether or not low-income beneficiary families should be required to assume those Program costs (training, technical assistance, government administration) associated with the start-up of this new approach.

C. Country Risk Analysis

The proposed program of \$15 million in HG loans is seen as being both beneficial to the GOG and within range of acceptable risk that would permit the USG to extend its guaranty for such borrowings. A full analysis of the risk associated with the granting of HG loans to the GOG is contained in Annex C of this document.

D. Relevant Experience with Similar Programs

The design of the proposed Program reflects the lessons learned by RHUDO/WCA after more than a decade of implementing urban upgrading projects in the Cote d'Ivoire. Whereas RHUDO/WCA's original focus in upgrading operations in the Cote d'Ivoire was on improving physical shelter conditions of the concerned low-income neighborhoods, experience showed that such actions were of limited impact unless accompanied by policy reform at the national level. Hence in the Cote d'Ivoire, the focus of the upgrading program shifted to policy dialogue on issues of cost recovery, lower development standards and improved management techniques.

In Gabon, the proposed Program, rather than concentrating merely on the physical improvement of low-income urban neighborhoods, will focus on the basic policy reforms needed to bring about an effective and affordable solution to the shelter sector and urban development problems of the country. Specific objectives will be identified for policy reform and disbursements of HG funds will be tied to achievement of agreed-upon program benchmarks. The actual activities to be financed will be used as means to initiate implementation of the new policies.

Under the proposed Program, eligible expenditures are composed of a number of activities which have proved successful in previous upgrading operations funded through HG loans in Africa. Among the expected outcomes are the provision of shelter-related infrastructure and community facilities, cost-recovery mechanisms, access to land tenure and credit for home improvements and construction, beneficiary participation in upgrading through community development actions, and, training and technical assistance for the officials of program implementing agencies.

This Program differs from previous RHUDO/WCA HG projects essentially in that it reflects a new thrust towards a programmatic approach which places priority upon policy reform as a prerequisite to physical investments. This new thrust, however, will require considerable technical assistance as well as additional administrative and monitoring responsibilities for the RHUDO/WCA staff.

E. Proposed Borrower and Implementing Agency.

RHUDO anticipates working with the following Gabonese agencies:

Borrower: HG funds will be borrowed on behalf of the GOG by the Caisse Autonome d'Amortissement (CAA- National Sinking Fund) of the Ministry of Economy and Finance. The CAA will be responsible for management of the HG loans, including the disbursement of funds (subject to RHUDO approval) to the implementing agencies. In addition, the CAA will be responsible for repaying the HG loans on behalf of the GOG. As the CAA already fulfills this role for the GOG with respect to other loans from foreign donors and banks, it should have no trouble performing this function for the HG loans.

Implementing Agencies: Policy reform will be the responsibility of the Ministry of Housing and Urbanism (MHU). Currently the Ministry does not have a policy program development staff with the capacity to implement a Program of this magnitude. Thus, in order to define and carry out the policy changes desired within this Program, a strengthened policy unit, reporting directly to the Minister, will be absolutely essential. The MHU will be responsible for assuring the preparation of the Program Implementation Plans (PIPs) in close collaboration with other key implementing institutions. The MHU policy unit will also be responsible for formalizing the new shelter and urban development policies, for securing their adoption by the GOG, and for designing the various means to put the policies into effect. It will also assure the coordination of the different project components amongst the participating implementing agencies.

The lead role in identifying, designing and carrying out physical improvements undertaken through the Program will be taken by the Societe National Immobiliere (SNI), a parastatal agency under the overall supervision of the Ministry of Housing and Urbanism. The SNI has extensive experience in designing and implementing shelter sector projects, although it has not previously engaged in urban upgrading activities. A recent audit of the SNI by Helios, a subsidiary of Arthur Anderson, Inc., concluded that the SNI was a well-managed institution with good internal financial controls.

Administration of any home improvement and construction loan programs created under the Programm are to be confided to the Banque Gabonaise de Developpement (BGD). The BDG already makes mortgage loans and home improvement loans, secured by first mortgages, to households with salaried workers and/or substantial garantors. Of the various Gabonese

financial institutions active in the shelter sector, the BGD is the only one, other than the SNI, which is well-managed and which consistently has a positive balance sheet.

In addition to the above agencies, it is possible that the U.S. Peace Corps could play an important role in supporting any community development programs to be established in low-income neighborhoods designated for upgrading. If this proves feasible, the Peace Corps would collaborate with the SNI in designing and implementing community development actions.

F. AID Support Requirements and Capability

As there is no bilateral AID assistance program in Gabon, management of a HG program in Gabon will place a considerable burden upon RHUDO/WCA. Further complicating the management task is the fact that the GOC has no experience with some of the possible Program activities, such as upgrading and the structuring of cost recovery programs. Finally, Program emphasis on the achievement of policy objectives rather than mere implementation of physical investments will require significant inputs from RHUDO staff and short-term advisors. This means that a full-time RHUDO presence will be required in Gabon.

To deal with the management issue, RHUDO intends to allocate \$50,000 of grant funds each year for the funding of a expatriate Personal Services Contractor (PSC) to act as a Resident Program Advisor in Gabon. The support costs (i.e. housing, office space and equipment, etc.) for this individual will be assumed by the SNI. Such an arrangement is not anomalous for the Gabonese who have similar arrangements with other donor agencies. The PSC will be responsible for handling routine administrative matters and for program monitoring. In fulfilling this task, the PSC will receive support from the RHUDO staff in Abidjan. During the initial start-up period of the Program, it is anticipated the RHUDO staff will be required to make regular frequent visits to Gabon to set up the program and to acclimatize the PSC.

In addition to the PSC Resident Advisor, it is anticipated that a considerable amount of short-term technical assistance and training will be required to design and implement the program. Gabon has no real experience in establishing lower building standards, cost recovery mechanisms, housing credit programs, simplified land tenure systems, community participation programs etc. to name just a few of the areas where specialized technical assistance and training are necessary. A more detailed study and costing of these additional technical assistance requirements will be done

at the project paper stage, but preliminary estimates are that as much as \$250,000 over and above the \$750,000 needed to support a long term Resident Advisor will be required over the five year life of the program.

G. Financial Plan

It is estimated that a total of \$22.5 million in resources will become available for shelter finance, and urban infrastructure improvements, technical assistance, training, and community development activities through the Gabon Shelter and Urban Development Program. Fifteen million dollars in HG loans will be authorized upon approval of the Project Paper. However, two loans of \$7.5 million each will be contracted, the second after the initial loan has been fully disbursed. RHUDO will contribute a total of \$250,000 (\$50,000 per annum) in grant funds to partially support a Personal Services Contractor for the five year estimated life of the program. The GOG will contribute from the National Housing Fund (Fonds National de l'Habitat- FNH) \$6.75 million. The costs for long and short term technical assistance over and above the \$250,000 funded by RHUDO will be borne by a combination of HG loan funds and GOG budgetary allocations.

Additional funds which can be used to expand eligible activities beyond the original areas to receive assistance can be generated through user fees for urban services (water, electricity, refuse collection, etc.) and through beneficiary contributions toward home improvement loans and down payments for serviced plots or new house construction. They are not quantifiable at this juncture however. The following table summarizes the financial plan:

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

	<u>A.I.D.</u>	<u>GOG</u>	<u>Total</u>
HG Loan(s)	\$15.0		
DG	\$ 0.25		
FNH		\$6.75m	
GOG Contribution		\$0.50m	
	<u>\$15.25</u>	<u>\$7.25</u>	<u>\$22.5</u>

H. Design Strategy

Preparation of the Project Paper (PP) will a collaborative effort of RHUDO and the concerned GOG institutions. Work will commence in November and be completed by mid-December. A five person technical team will be required to prepare the PP. The specializations of the team members will have to include: 1) an expert in housing finance and economics; 2) a civil engineer or physical urban planner; 3) a shelter and urban development policy analyst; 4) a community development specialist capable of doing social analyses; and 5) a training/public administration specialist. In preparing the detailed Program design, the team will have to analyze in greater depth a number of outstanding issues, including:

- 1) identification of the policy benchmarks (both formal adoption and implementation) to be used for disbursement of HG funds;
- 2) socio-economic studies of potential beneficiary populations to determine: (a) attitudes impinging on the ability of the government to implement shelter and urban development policy reform, and (b) necessary inputs for the formulation of an effective community development program for low-income urban neighborhoods;
- 3) analysis of the effectiveness of the existing land tenure attribution process;
- 4) design of possible a mortgage and home improvement loan program(s) for target population;
- 5) assessment of the management capacities of the concerned implementing institutions and the development of a training program to respond to identified needs.

It is expected that the PP will be submitted for review and authorization by REDSO/WA in early January 1990.

Following project authorization, a Program Implementation Agreement will be prepared which will define how and under what conditions the HG funds may be used. This Agreement is expected to be signed by AID and by the GOG sometime in the Spring of 1990. After the Agreement is signed, it will be responsibility of the GOG to negotiate the financial terms of the first HG loan with U.S. lenders. It is not anticipated that actual disbursements would occur before the third quarter of FY 1990.

I. Recommended Environmental Threshold Decision

A detailed Initial Environmental Examination (IEE) has been conducted in areas typical of those that would be affected by construction activities undertaken under the Program. The IEE can be found in Annex B to this document. As the proposed Program would result in an improvement of the physical living environment of low-income neighborhoods through the provision of such items as storm water drainage, erosion control, potable water, electricity and formal sanitary waste disposal, the IEE concludes that the Program will not have significant adverse effects on the environment. Those negative impacts that could occur (i.e. dust, exhaust fumes, etc.) are temporary in nature and limited in effect, being associated with the construction phase of some activities. IEE does, however, note that in selecting and designing Program activities, it will be important to keep in mind potential environmental impacts during the technical design phases for components such as: on-site sanitary waste disposal systems; storm water drainage systems; and, solid waste collection and disposal systems. It also stresses the need to consider appropriate land use planning systems as well as the increased demand for water resources as a result of urbanization.

J. AID Policy Issues

There are several policy issues concerning the proposed Program. They involve: 1) the issue of AID involvement in Gabon; 2) the feasibility of creating a non-subsidized credit program(s) in a CFA franc zone country where interest rates are strictly controlled; and, 3) the degree to some of the desired policy changes (i.e. cost recovery) can and should be pursued. Each of these issues will have to be studied in further depth at the PP stage as they could have important effects upon the success of the Program.

To date, AID has never been active in Gabon. As an oil exporting, middle-income country, Gabon does not qualify for grant or concessionary loan assistance. Its current high per capita income level (\$3,200), however, does make the country a good candidate for a HG loan.

Given the agency's concern about being over-extended, the issue is whether or not AID is willing to approve the establishment of a HG Program in Gabon. At the same time, since virtually all the proposed Gabon program costs are to be funded through the HG loan, the initiation of the program is not expected to generate an additional demand on AID grant funds.

An important policy implementing activity that could be undertaken under the Program is the creation of a shelter credit system(s) for low-income beneficiaries. Within the Central African Franc Zone, the lending rates for housing are artificially fixed by the Central Bank. There is, therefore, a question as to whether HG funds (which reflect prevailing market interest rates) could be used to finance a shelter credit system without requiring the use of a government subsidy to keep the interest rates within the legally prescribed limits. The importance of the creation of a shelter credit system as a policy initiative militates that the issue be closely investigated during the PP preparation.

Although cost-recovery is one of the major policy reforms being stressed, the concept is a new one for Gabon and some public resistance is likely. The cost recovery effort, therefore, will need to take a pragmatic approach that recognizes the possibility that its objectives may not be completely achievable.

PROJECT TITLE: GABON: 678-HG-001

Life of Project : From FY89 - FY95
 Total U.S. Funding: \$15 million
 Date Prepared : May 25, 1989

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Program Goal:</u></p> <p>To improve the shelter and living conditions of low-income urban households throughout Gabon.</p>	<p><u>Measures of Goal Achievement:</u></p> <p>!1. Increase in number of low-income households living in permanent housing and/or with access to basic services.</p> <p>!2. Increased allocation of GOG resources for shelter programs aimed at improving living conditions of low-income families.</p>	<p>!1. AID and GOG reports</p> <p>!2. Site visits.</p> <p>!3. GOG annual budgets.</p>	<p><u>Concerning long-term value of program/project</u></p> <p>!1. GOG remains committed to policy reform.</p>

ANNEX A - PRELIMINARY LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Project Purpose:</u></p> <ol style="list-style-type: none"> To help the GOG establish and implement a national shelter and urban policy framework. To assist the GOG create or improve regulatory, institutional and financial mechanisms needed to implement new policy initiatives. To improve the institutional capacity of the GOG to design, implement and manage a shelter sector and urban improvement program for low-income families. 	<p><u>Conditions that will indicate purpose has been achieved:</u> <u>End of project status:</u></p> <ol style="list-style-type: none"> GOG has formally adopted and implemented new policies. GOG has established and/or improved needed regulatory, institutional and financial mechanisms. Beneficiaries of shelter projects pay for improvements. Program trained officials exist in the GOG. 	<ol style="list-style-type: none"> GOG reports. AID monitoring and evaluation reports. On site inspections. GOG personnel records. 	<p><u>Affecting purpose-to-goal link:</u></p> <ol style="list-style-type: none"> GOG accepts program. Shelter projects receive only minimal subsidies. Beneficiaries willing to pay for shelter improvements. Trained officials remain in government

ANNEX A - PRELIMINARY LOGICAL FRAMEWORK

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Potential Outputs:</u> (Eligible Expenditures)</p> <p>1. Improved national policies.</p> <p>2. Upgraded neighborhoods with access to basic services.</p> <p>3. Minimally serviced owner-occupied lots.</p> <p>4. Housing credit program for low-income households.</p> <p>5. Trained GOG officials.</p> <p>6. Increased involvement of local residents in shelter and urban development activities.</p>	<p><u>Outputs necessary and sufficient to achieve purpose:</u></p> <p>1. Low-income persons in squatter areas benefit from improved shelter conditions.</p> <p>2. Serviced plots provided for households displaced by upgrading activities.</p> <p>3. Home improvement loans and mortgages granted to low-income families.</p> <p>4. A cadre of GOG officials trained.</p> <p>5. Neighborhood associations in upgraded areas participate in community development activities.</p> <p>* Magnitude of outputs cannot be determined prior to creation of Program Implementation Documents.</p>	<p>1. Site-visits.</p> <p>2. Project monitoring and evaluation reports.</p> <p>3. BGD loan records.</p> <p>4. Evaluation of training seminars.</p>	<p><u>Affecting output-to-purpose link:</u></p> <p>1. Beneficiaries willing to pay for shelter improvements.</p> <p>2. BDG willing to administer loan program</p> <p>3. GOG makes available personnel for training.</p> <p>4. Project area population willing to participate in community development activities.</p>

RHDDO:4745Q:MJE/dl

ANNEX A - PRELIMINARY LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Inputs: Activities and Types of Resources</u> 1. Housing Guaranty Loan. 2. Direct Assistance. 3. GOG.	<u>Level of Effort/Expenditure for each activities:</u> 1. \$15,000,000 2. \$ 250,000 3. \$ 7,750,000	1. Lender and Borrower reports and records. 2. GOG annual budgets. 3. Disbursement records. 4. AID and GOG evaluation reports.	<u>Affecting input-to-output link:</u> 1. HG loan authorized. 2. U.S. investors available. 3. GOG borrows under the HG Program.

INITIAL ENVIRONMENTAL EXAMINATION FACESHEET

Project Country: Gabon, West Africa

Project Title: Gabon Shelter and Urban Development Program

Funding: FY(s) 1990/91/92 US \$ 15,000,000

IEE Prepared By: Scott Johnson, Engineering Advisor, Regional
Housing and Urban Development Office, West and
Central Africa

Environmental Action Recommended:

Positive Determination _____
Negative Determination XXXXXXXXXXXX
Categorical Exclusion _____
Deferral _____

Summary of Findings:

There will be minor significant adverse environmental impacts during the construction phases of the Program and will be of limited duration.

The proposed program is expected to be primarily beneficial and focused on improving the water, land and human aspects of the natural environment. Significant impacts on the broader natural systems are not anticipated.

The benefits to the natural and human environments far exceed any detrimental effects to the overall environment and therefore a negative determination is recommended.

Clearance:

Mission Director: _____ Date: _____

Concurrence:

Bureau Environmental Officer: APPROVED: _____

DISAPPROVED: _____

DATE: _____

Clearance:

GC/Africa: _____ Date: _____

GABON SHELTER AND URBAN DEVELOPMENT PROGRAM

The Government of Gabon has recognized the need for a new approach to address its shelter and urban development problems. New policies of upgrading existing occupied settlements have emerged and the USAID sponsored Gabon Urban Development Program is intended to assist the GOG to make these new policies a reality. Although the USAID Program is general in context and focuses upon policy reform, it is anticipated that various types of upgrading activities will be considered eligible for program financing.

To enable a review of the physical output aspects of the above mentioned Program the present Initial Environmental Examination will focus on illustrative program activities similar to those that could be implemented according to the new urban development initiatives.

I. PROGRAM OBJECTIVES AND PURPOSE:

The goal of the program is to improve shelter and related living conditions among the low income families in urban areas of Gabon. Among expected achievements is increased access to urban services and infrastructure by low-income families. It is also expected that there will be an improvement in the management and delivery skills of government and implementing agency officials.

An objective of the Program is to expand or improve the level of basic urban services through selective investments which will reinforce the economic and social linkages in specific communities and result in establishing stable, healthy and permanent settlements.

In the case of upgrading activities the results will be multi-fold: (1) it will result in the development of shelter related urban infrastructure such as surface water drainage networks, extension of electrical and potable water reticulation, (3) the provision of all-weather vehicular and pedestrian access ways, (4) the provision of safe on-site sanitation disposal systems, (5) basic land plot development solutions including building credits that are affordable to low income families, (6) social and economical infrastructure, and most importantly, (7) through policy dialog, will encourage the Government of Gabon (GOG) to build the institutional capacity to replicate similar urban development activities.

An underlying objective of the Program is to create and build up an institutional capacity within the Government of Gabon to assess the urban development needs of the low income majority of the urban populations and to generate projects similar to those defined in the first phase of the Program. The Program will sponsor technical assistance during the initial phases in an effort to create an inter-related institutional project implementation facility which will combine the various GOG ministries and agencies responsible for urban development

II. EXAMINATION OF BASELINE ENVIRONMENTAL CONDITIONS:

Gabon, the smallest of the countries of former French Equatorial Africa, occupies 267,000 square kilometers astride the equator along 800 kilometers of West African coast line. Three quarters of the country is covered with equatorial rain forest. Constant high temperatures, excessive humidity, torrential rains, unchanging masses of dense foliage, and disease bearing insects and rodents have discouraged the spread of population in large parts of the central core of Gabon.

With a total population estimated to be close to one million, Gabon is one of the more sparsely populated countries of Africa. More than two thirds of the country is thinly populated, and about 15 per cent is uninhabited. In the heavy forested regions much of the population is located in isolated communities. The dense forest growth has limited or prevented intensive human occupancy, but it has provided a refuge for small ethnic groups and certain species of wild animals that are scarce in more heavily populated areas.

The most heavily populated areas are Libreville, the economic and political capital (300,000), and those areas nearest the mining (southern), timber (central and east), and petroleum industries (extreme west). At present more than half of the population is living in urban areas, and urban growth has continued for some time at a rate twice as high as that of the total population. The rate of exodus from the rural areas is 1.3 percent p.a. or 60 percent of the natural increment each year. People moving to the city are of an average age of 32 and while usually single men migrate first, the pattern has increasingly become one in which whole families with relatively small children want to make the move to take advantage of the better education, health and social services available in the cities.

Compounding the rural exodus problem in Gabon is the fact that the rate of growth among the lower income population is distinctly higher than that of middle and upper income levels. Upon arrival in an urban environment a rural family, which is acutely low income by nature, seeks lodging in the least expensive areas of the city. Typical program activities will occur in areas of the city sheltering recently emigrating families to the urban environment.

III. SITES OF ILLUSTRATIVE PROGRAM ACTIVITIES:

Typical sites of program activities that have been identified by the GOG are located in densely inhabited areas such as those found in the capital city of Libreville. Neighborhoods in these sites are comprised of tenuous shelter units and built on illegally occupied land. These settlements lack even the most basic urban infrastructure and social services. They are geographically located near the center of the city and are in relative proximity to employment and commercial activity.

Typical densities in low income neighborhoods range from 250 to 330 persons per hectare. The resident populations are for the most part relatively new to the city, and they are substantially mobile in nature. Newer residents are forced to occupy the least attractive housing units, located in the lowest lying areas of the neighborhoods, but eventually move to an adjacent unit when it is freed up by a departing dweller.

IV. PHYSICAL ASPECTS OF THE BUILT ENVIRONMENT:

Typical neighborhoods are located in the upper most portions of localized drainage basins. The topography of the sites is radical with slopes ranging from 3 percent near the perimeter to more than 17 per cent near the stream bed. Soils in typical neighborhoods are largely sedimentary clay based with slight amounts of small grain sands. There has been a very high rate of erosion in the communities which has been caused by two distinct factors: (1) high levels of rainfall combined with unsta-bleized earthen walkways, and, (2) use by the residents of on-site earth as a building and protection material.

In general, shelter is constructed using temporary materials such as wood and tin sheeting. Seasonal flooding is the most acute problem facing the residents. There is a total lack of surface water drainage networks and the occupation patterns are such that many units in the lowest lying areas are built during the dryer season and are located directly in the stream beds. During intensive rainfall seasons approximately 30 percent of the shelter units are subject to dramatic flooding. Many residents use bricks or other solid materials on the inside of the dwelling to raise their beds and more expensive belongings to a level above potential flooding water. Small perimeter walls are built in an unsuccessful attempt to divert the flow of flooding water.

Respiratory ailments such as tuberculosis and chronic bronchitis are the most prevalent health problems for the adult population in project areas. Dysentery and intestinal infections are the most dangerous afflictions for the adolescent portions of the site population.

There is a lack of adequate excreta and grey water formal sanitation in both project areas. Residents in the lower lying areas build small enclosures directly over stream beds for use as latrines. The effluent mingle with the water and there is constant contamination. There is also a universal practice of disposing of gray water in stream beds which acts to increase contamination levels. Residents in the higher areas use either pit latrines or septic tanks to respond to their sanitation needs. However, combined with periodic flooding, the disposal of excreta and grey water in the natural stream beds presents an extreme danger to the health of the resident population.

Indiscriminate disposal of solid wastes is a serious problem in low income neighborhoods. Solid wastes are either disposed of next to dwellings, in stream beds, or carried off site to adjacent collection points. During intensive rainfall, the solid wastes impede the flow of streams and often act to retain the water on site. This contributes to the acute drainage and sanitation problems of the communities.

Three important physical aspects of the built-up environment have surface during the present IEE review and must be considered during the detailed design of each subproject; those are,

1. Appropriate on-site solutions for sanitary treatment and disposal of human excreta,
2. Adequate surface water drainage systems for the protection against flooding in the neighborhoods, and,
3. Installment and management of solid waste collection and disposal systems.

V. SOCIO-CULTURAL ASPECTS OF THE BUILT ENVIRONMENT:

Family structure is a strong influence on Gabonese society, as is village and ethnic associations. Typical program sites have a surprising mix of people from different ethnic backgrounds and neighboring countries. This is primarily due to the relative affluence of the level of services and better potential for employment in Gabon vs. other West African countries. Family structure is similar throughout the country and, in fact, throughout West Africa; thus, there is relatively little difficulty in physical accommodation of this mixture of people in the two communities.

Understanding the family structure is somewhat simplified by analyzing the house forms and how people live within the dwelling. Houses tend to be organized internally around a communal courtyard which is generally enclosed in the denser areas. Cooking, washing and most other household work takes place in the courtyard as does most communal social interaction.

Rooms surrounding the courtyard are generally organized in a manner of descending family order. The largest going to the head of the household, next to which is generally a room for the first wife and then on to lesser wives and children. Additional rooms may be occupied by elder members of the same family who may maintain a separate household within the compound. Each compound generally has a latrine facility.

Low income neighborhoods have developed so that they correspond to existing urban cultural patterns. Urban dwellers accept smaller living quarters and more dense land occupation. Neighborhoods generally include public areas to accommodate cultural events and public meetings.

No adverse impact on cultural parameters is anticipated.

VI. LAND USE PATTERNS AND OCCUPATION:

Land in typical program sites has been occupied through the phenomenon of squatting. The earliest squatters occupy the most attractive areas on the higher ground. More recently arrived residents have occupy areas up to and including the actual stream bed. Currently there exists crowded, unorganized occupation of the land. There is not vehicular access into most low income neighborhoods. Pedestrian access is provided through the small spaces between dwellings which is subject to the natural effects of erosion.

During visits to typical neighborhoods that could be eligible for program financing, the following observations were made: erosion has acted to pose a danger to the structural stability of many of the dwellings located on the more radical slopes; housing units are often abandoned due to the collapse of exterior walls; many foundations have come completely out of the ground and are now in danger of structural damage; and, dwellings had been dismantled and rebuilt on the same site after slight excavation of the surrounding earth.

Appropriate land use planning and reorganization of the existing occupation patterns is an objective of the program. To the best extent possible technical design criteria in any upgrading carried out under the program should insure that existing dwellings will be left in place and minimal displacement will occur. Existing residents will be offered the option of securing land title.

VII. WATER QUALITY:

Potential effects on the hydrologic environment are considered based on three inter-related characteristics, i.e. 1) physical attributes, 2) chemical and biological attributes, and 3) their influence on the ecological balance. In the context of physical attributes a network of safe potable water will be provided to or extended in each subproject area. The use of existing water resources and their future uses is discussed in the following section dealing with natural resources. However, the Program will need to carefully review the compatibility of each subproject with the GOG plans to increase potable water distribution capacities.

Safe, potable water with its positive, chemical and biological attributes is certainly beneficial to the human environment. However, the treatment and disposal of municipal waste waters will have to be considered in the technical design phase as well as in the context of a special study as part of the engineering.

Of particular concern will be the relationship between drinking water supply and the disposal sewerage waste. If on-site methods of disposal are intended for use, soil

The removal and disposal of solid wastes will also need to be studied carefully during technical project design. Improvement in local management of this important environmental/health service may be needed in Libreville.

AID and the Government of Gabon are aware of potential negative impacts of these systems as described above and will provide for project design such that the physical and chemical and biological attributes of water quality will have no significant environmental influence on the overall ecological balance.

VIII. ATMOSPHERIC:

There will be some disruption from dust, exhaust fumes and noise during the construction phase but this will be of short duration and temporary in nature.

IX. NATURAL RESOURCES AND THE CAPACITY OF NATURAL SYSTEMS:

Water is the only natural resources that will be consumed during the life of the project. Due to the geographic location of Libreville in proximity to the Atlantic ocean, safe underground water is abundant and consequently there will be little depletion of the water table.

The extension of piped potable water into the project sites will have a positive effect on the human aspects of the natural environment. The primary object here is to provide the community with an adequate supply of safe, potable water for drinking, cooking, personal hygiene, and sanitary purposes.

X. SOCIO ECONOMIC ASPECTS OF THE HUMAN ENVIRONMENT:

The Program will have beneficial socio-economic impacts to the extent that employment patterns of program beneficiaries will be reinforced as a result of the improved housing, improved access to public transportation links, and the advantageous location of the sites in relation to existing sources of employment. Additional employment opportunities in the private sector are expected to be generated by the Program throughout the construction phases and in conjunction with recurrent public works services reaching into the communities.

XI. HEALTH ASPECTS OF THE HUMAN ENVIRONMENT:

Substantial improvements in public health is one of the principal objectives of the Program. While provision of health facilities is one aspect of the project which addresses this concern, the primary contribution of the Program will be an indirect one, achieved by eliminating environmental conditions which adversely affect health and the human environment. Many debilitating illnesses commonly found in urban areas can be defined as the result of overcrowded housing, inadequate ventilation, poor sanitation and the lack of a sufficient supply of potable water. To the extent that each subproject can successfully eliminate these conditions, the general health of the resident populations will improve. Improvements to the health of the adolescent portions of the residing populations will be effected in large degree through the provision of safe drinking water.

XII. IMPROVED SAFETY AND CONVENIENCE:

Public safety within subproject areas will be improved through the provision of street lighting and by eliminating the damage to house foundations caused by erosion. Steep-sloped areas will require particular consideration during detail design of the drainage system so as to avoid aggravating flooding through improper sized drains.

An additional positive effect on the human environment will be improved access to housing units by emergency vehicles and public transport links.

ENVIRONMENTAL ACTION RECOMMENDED

From the above description it can be stated that the program will have a positive impact on the health, cultural and socio-economic conditions of program participants. The immediate natural environment in the effected neighborhoods will be vastly enhanced through the provision of erosion control, all weather access roads and the extension of the potable water network into the program sites. Surface water drainage systems designed to control erosion and sedimentation will provide positive attributes to the human and water aspects of the natural urban environment. Through dynamic urban land development permanent settlements will be established and will provide short and long term employment opportunities for the resident population.

With the inclusion of health clinics, safe drinking water and a generally dryer environment, substantial benefits to public health will be realized through the program. Combined with the build up of institutional capacity to replicate the program activities on other low income communities, this initial programmatic effort will provide the tools necessary to the Government of Gabon improve environmental conditions throughout the country.

Minor negative impacts to the human and natural environments are expected during the construction phases of the program. The effects of inconvenience, dust, and exhaust fumes are the only negative impacts anticipated but will be of a limited duration and will not create any permanent conditions. On the other hand, employment opportunities will be created and the local economies will benefit from the presence of construction activity.

It is expected that the benefits to the human and water aspects of the natural environment far exceed the any reasonably foreseeable significant adverse impacts on the environment. It is therefore recommended that the Gabon Urban Development Program be allocated a "negative determination".

However, several program elements will require consideration and follow-up during the technical and engineering phases of program preparation. The following five elements must be the focus of review during technical subproject design:

1. On-site sanitation treatment and disposal,
2. Storm water drainage systems,
3. Solid waste collection and disposal systems,
4. Appropriate land use reorganization and planning, and,
5. Increased demand for natural water resources.

GABON URBAN PROGRAM STRATEGY

I. BACKGROUND

Gabon, a central African nation which borders Cameroon, Equatorial Guinea and the Congo, became independent in 1960. The country covers an area of some 267,667 square kilometers (103,346 square miles), most of which is tropical forest. Total population is estimated at around 1 million inhabitants.

A. Economic Situation

Gabon is second only to Libya in terms of capita income for countries on the African continent. Even South Africa has a lower per capita income. The high per capita income is due to Gabon's huge petroleum and mineral reserves, only a small portion of which is presently being exploited. This natural wealth, when combined with an extremely small population (estimates vary between 1-1.4 million inhabitants, of whom about 20-30 percent are foreigners) results in a favorable economic situation rarely found in SubSaharan Africa.

Despite the generally favorable outlook for the country, falling prices for petroleum during the 1980s created serious budgetary problems for the Government of Gabon (GOG). The decline in petroleum prices severely reduced the GOG's ability to reimburse its foreign loans and the country was forced to seek the assistance of the IMF. A structural adjustment program is now being implemented which calls for the liquidation of most parastatal enterprises, the elimination of numerous subsidy programs and the reduction of the civil service staff. Forced to rethink its policies in the shelter shelter, the GOG is now ready to accept RHUDO proposals concerning lower project standards and cost-recovery.

B. Housing and Urban Development Situation

As no accurate population figures more recent than 1960 are available for Gabon (the results of a 1980 census were repudiated by the GOG when they showed far less population than was expected), it is difficult to make any precise statements concerning urban growth. Given the extremely low density of rural settlement and the quasi-absence of agricultural activity, it seems likely that the overwhelming majority of the national population is urbanized. Of the urban population, it is estimated that close to 75 percent are concentrated in the two cities of Libreville and Port-Gentil.

Libreville, the capital, is the largest city, having a population estimated to be 300,000 in 1988. Its present growth rate is estimated at five percent per annum. While extremely high, this represents nonetheless an improvement over past periods when the annual rate reached as high as 14 percent. As might be expected, this rapid growth rate has led to the creation of huge squatter neighborhoods. More than 80 percent of Libreville's neighborhoods are of this type.

Much of the problem of squatter settlements can be traced to the GOG's policy of constructing high standard residential areas. Unable to keep pace with the demand, the GOG housing construction program essentially benefited a small segment of the upper middle class and was unable to reach most of the urban households. The majority of the urban households, unable to acquire sites on which to build their homes, were forced to construct illegal houses on the unoccupied hillsides and in the stream valleys. These areas are subject to constant problems of flooding, erosion and inadequate sanitary waste disposal.

As the median monthly household income level in Libreville is high by African standards (235,000 FCFA or \$775), most families in squatter neighborhoods could and would improve their housing if given secure title to their land. Up until very recently, however, the GOG has refused to consider this alternative, preferring demolition. Only now with its economic crisis, has the GOG accepted the fact that it must abandon its traditional high-standard, high-subsidy approach to shelter problems and adopt a more realistic policy towards squatter neighborhoods.

II. PAST RHUDO ACTIVITIES

In 1973, the President of Gabon requested USAID to examine the possibility of a Housing Guaranty Program for his country. As a prelude to any such program, a shelter sector assessment for Gabon was prepared by RHUDO. Based upon the results of that study, RHUDO agreed, in May 1974, to undertake a \$5 million HG Program. The proposed program was designed to: 1) assist the GOG in developing a national housing policy and implementation plan; 2) assist the Ministry of Housing and Urbanism as well as the National Housing Office (forerunner to the SNI, Societe Nationale d'Immobilier) to develop and implement a housing program; and, 3) to cooperate with the GOG and the French Caisse Central de la Cooperation Economique (CCCE) in the development of the new port city of Owende, adjacent to Libreville.

Negotiations with the GOG broke down over the issue of standards and beneficiary population. The GOG wanted to use the HG financing to build highly subsidized middle-income housing, whereas RHUDO wanted at least half the funding to go for low-income sites and services subdivisions. As a consequence, the loan was never authorized. Discussions continued intermittently over the next decade, but the issues of standards, subsidies, cost-recovery and target group remained the same.

The first breakthrough in the deadlock occurred in 1986, when, after a visit by RHUDO, the then Minister of Housing wrote to the US Embassy in Libreville, indicating the GOG's interest in the upgrading of squatter settlements as well as in secondary city development. Subsequent visits by RHUDO staff to Gabon centered on discussions over possible slum upgrading activities in five neighborhoods (Likoula, Venez-Voir, Derriere la Prison, Petit Paris and Cocotiers) in Libreville as well as an associated low-income sites and services subdivision*to rehouse displaced residents of these areas. RHUDO offered to fund some short term technical assistance to assist the GOG in developing specific projects for these areas.

With the announcement of the private sector housing guarantee program in late 1986, RHUDO decided to explore the possibilities of using this program in Gabon. During 1987, consultants were sent to Gabon at three different periods to develop information of possible use for such a program. The first consultancy involved a household income study to determine median household revenues in Libreville. The second focused on examining the level of interest among potential Gabonese borrowers for a private sector HG loan. The third concentrated on reviewing the feasibility of the proposed GOG upgrading projects in Libreville and proposing realistic alternatives. At the same time, the GOG sent a three person delegation to the Cote d'Ivoire to meet with RHUDO and to examine Ivorian housing projects.

In September 1987, PRE/H informed RHUDO that Gabon was no longer being considered as a candidate for the private sector HG program. A few months later, during the annual program review, RHUDO was advised to discontinue its efforts to develop a HG Program in Gabon due to other more pressing demands on its limited staff and grant budget resources.

III. PRESENT RHUDO ACTIVITIES

During 1988, as a result of discussions between PRE/H and the US Ambassador to Gabon, it was decided that RHUDO should provide a limited program of technical assistance and training for Gabon. In November 1988, the GOG presented a detailed project proposal to PRE/H for the financing of an urban upgrading project for the five identified neighborhoods of Libreville. The proposal, which was developed by Group Huit, incorporated previous RHUDO concerns and recommendations concerning cost-recovery, lower standards, target groups and land titling. On the basis of this impressive presentation (the first time in the history of the RHUDO that a government has prefinanced the preparation of a formal project proposal), it was decided to reopen the possibility of HG financing for Gabon.

In December 1988, RHUDO visited Gabon to discuss the possibilities of a HG Program and to determine what would be needed in the way of technical assistance and program funds to implement such a program. The GOG indicated its desire to obtain a \$15 million HG loan to finance the upgrading project in Libreville. After visits to the sites, RHUDO decided that the project was generally well-conceived, although a number of modifications and additional measures would be needed. Given the absence of a bi-lateral accord, it was determined that work would have to begin in early 1989 on the preparation of both a bi-lateral accord and a PID, if RHUDO hoped to obtain authorization for a HG loan in Gabon during FY 1989. The decision to begin work was left dependent on approvals and commitments from PRE/H.

IV. OTHER DONOR ACTIVITIES IN THE URBAN AREAS OF GABON

The main donors active in the urban areas of Gabon at present are the World Bank and the PNUD. The Bank has financed a number of urban infrastructure investments. PNUD has provided occasional short-term technical assistance in the fields of housing and urban development to the Ministry of Housing and Urbanism. Although not recently active in the urban areas, the CCCE has announced that it will fund a pilot project in Likoula, one of the five neighborhoods to be upgraded. The CCCE will also fund technical assistance to the SNI to enable the organization to manage effectively the upgrading operation. It is the hope of the CCCE that AID and other donors will assume responsibility for financing the upgrading operations in the other four neighborhoods. The Economic Development Fund (FED) of the European Community has indicated that it may be interested in participating in the project, but no formal commitment has been made.

V. RHUDO GOALS AND OBJECTIVES FOR GABON

As Gabon is one of the few countries in the RHUDO region with an economy strong enough to qualify for the HG Program, it should be a high priority for the office. It is quite likely that a HG Program in Gabon could eventually rival that of the Cote d'Ivoire in importance. The goal of RHUDO should be to ensure that the initial policy changes being undertaken by the GOG in the shelter and urban development sectors are solidified and expanded. The Minister of Housing and Urbanism has sold policy reform on the basis that it will attract the HG Program. Having for years encouraged precisely such reforms, RHUDO now has a moral obligation to support their implementation.

Within the larger goal of supporting and expanding policy reforms in the shelter and urban development areas, RHUDO should collaborate with other donors to attain the following objectives:

- 1) Reform of the administration and utilization of the National Housing Fund to redirect resources to lower income households and to the provision of housing plots, basic infrastructure and services.
- 2) Reorganization of the public institutional structure for urban development and housing, with special emphasis on removing the central government from housing construction activities.
- 3) Elimination of most subsidy programs for housing and urban services.
- 4) Decentralization of responsibilities and financial resources for urban development to the local governments.
- 5) Reform of the property tax code and administrative procedures.
- 6) Creation of a mechanism for financing home improvements by low income families.

- 7) Establishment of a training program for both central government and local government officials involved in the urban development process.

Given the absence of an AID Program in Gabon, RHUDO will have to assume the full costs and responsibilities for placing a representative in Gabon to monitor the HG Program. Moreover, given the GOG's lack of experience in implementing upgrading projects, RHUDO will be required to provide the GOG with a considerable amount of technical assistance. This will require an increase in the RHUDO grant budget, part of which could be covered by the HG loan service fees paid by the GOG to PRE/H. It is estimated that management of a HG Program in Gabon will cost RHUDO in excess of \$100,000 annually.