

EBS/83/42
Supplement 1

CONFIDENTIAL

May 25, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Gabon - Staff Report for the 1982 Article IV Consultation
and Review of Extended Arrangement

The attached supplement to the staff report for the 1982 Article IV consultation with Gabon and review of extended arrangement has been prepared on the basis of additional information. This subject has been scheduled for discussion on Friday, May 27, 1983.

If Executive Directors have technical or factual questions relating to this subject prior to the Board discussion, they should contact Mr. Acquah, ext. 60851.

Att: (1)

INTERNATIONAL MONETARY FUND

GABON

Staff Report for the 1982 Article IV Consultation
and Review of Extended Arrangement
Supplementary Information

Prepared by the African Department

Approved by J.B. Zulu and S. Kanesa-Thasan

May 24, 1983

Since the Staff Report for Gabon (EBS/83/42) was issued, additional information has become available which provides a more precise picture on financial developments in 1982, and on certain structural adjustments being introduced in 1983.

1. Financial developments

The monetary data for end-December 1982 confirm that the performance criteria established for domestic credit and claims on Government were met with a considerable margin to spare (Table 1). During the year the Government reinforced its net creditor position vis-à-vis the banking system and private sector credit slowed down considerably more than was foreseen. As a result, by year-end domestic credit declined by 4.6 per cent, whereas a slight increase was forecast for the year.

The balance of payments outcome was also more favorable than expected. The overall external payments surplus, as measured by changes in net official reserves, is now estimated at CFAF 48.6 billion (SDR 134 million), equivalent to 4.5 per cent of GDP (Table 2), compared with a previous estimate of CFAF 31.3 billion (SDR 86 million). Thus, over the program period, Gabon registered a cumulative balance of payments surplus of CFAF 102.3 billion, compared with original and revised targets of CFAF 80.8 billion and CFAF 38.5 billion, respectively. In SDR terms the cumulative surplus amounted to SDR 313 million, compared with an original target of SDR 288 million and revised outcome of SDR 134 million. As a result, Gabon's gross official reserves, which were virtually depleted at the beginning of the arrangement, rose to about CFAF 107 billion (SDR 288 million), equivalent to an import cover for five months by the end of the program period. In January and February 1983 gross official reserves rose further to CFAF 113 billion and CFAF 119 billion.

2. Structural measures for 1983

The staff has been informed that the Gabonese authorities are in the process of revising the 1983 budget downward in light of recent sharp declines in oil prices. In this connection, the authorities have recently

announced a series of expenditure-reduction measures, including the scaling-down of certain capital spending for 1984 and 1985, limiting of civil service recruitment to filling vacancies created by the number of retirements, tightening procedures for scholarship awards, reducing the frequency of missions abroad and domestic air charters by civil servants, and increasing rents paid by employees living in government housing. While the amount of expected budgetary savings arising from the implementation of these measures has not yet been ascertained, these policy decisions are generally in line with the recommendations made by the staff in the course of the EFF review.

The authorities have also completed a general review of regulations governing the budgetary procedures, and it is consequently proposed, in the interest of improving expenditure control, to eliminate the automatic carry over of budgetary appropriations into the succeeding fiscal years, and to standardize the procedure for transferring appropriations from one expenditure category to another. Furthermore, the authorities have undertaken a survey of temporary personnel, as recommended by Fund staff, in order to effectively control hiring of this category of staff, and are also reviewing the various bonus arrangements applicable to civil servants, together with schemes to further strengthen the monitoring of public debt and related transactions.

Table 1. Gabon: Performance Criteria and Outcome, 1980-1982

Maximum during the period		Domestic credit		Credit to the government		New external borrowing commitments with a ma- turity of 1 to 10 years	
From	To	Ceiling	Actual	Ceiling	Actual	Ceiling	Actual
(In billions of CFA francs)				(In millions of SDRs)			
<u>First year</u>							
June 27, 1980	June 30, 1980	176.7	175.4	40.5	35.9	150.0	101.4
July 1, 1980	Sept. 30, 1980	187.1	185.8	44.6	39.7	150.0	108.2
Oct. 1, 1980	Dec. 31, 1980	195.9	185.8	44.6	38.4	150.0	127.0
<u>Second year</u>							
Jan. 1, 1981	March 31, 1981	205.0	175.1	45.0	25.4	74.0	4.1
Apr. 1, 1981	June 30, 1981	211.5	161.5	45.0	3.0	74.0	7.5
July 1, 1981	Sept. 30, 1981	203.5	169.2	30.0	-1.1	74.0	22.3
Oct. 1, 1981	Dec. 31, 1981	200.0	183.5	19.0	8.1	74.0	47.0
<u>Third year</u>							
Jan. 1, 1982	March 31, 1982	199.0	145.3	16.5	-32.0	75.0	15.5
Apr. 1, 1982	June 30, 1982	184.7	125.3	-6.4	-43.9	75.0	17.0
July 1, 1982	Sept. 30, 1982	184.0	158.9	-16.0	-32.3	75.0	32.2
Oct. 1, 1982	Dec. 31, 1982	211.2	175.0 <u>1/</u>	1.9	-15.7 <u>1/</u>	75.0	445.7 <u>1/</u>

Sources: Data provided by the BEAC; and EBS/83/42.

1/ Provisional.

Table 2. Gabon: Monetary Survey, 1981-83

(In billions of CFA francs)

	1981	1982			1983		
	Dec.	June	Sept.	Dec. RED Est.	Dec. Prov.	Jan. Prov.	Feb. Prov.
Net foreign assets	32.3	90.2	84.6	63.6	84.3	93.2	93.1
Central bank	54.9	114.2	107.5	86.2	103.5	109.7	115.3
Commercial and develop- ment banks	-22.6	-24.0	-22.9	-22.6	-19.2	-16.5	-22.2
Domestic credit	183.5	125.3	158.9	186.8	175.0	164.7	...
Credit to government	8.1	-43.9	-32.3	-13.2	-15.7	-32.5	...
Credit to public insti- tutions	4.4	4.6	5.4	5.1	5.7	5.9	...
Credit to private sector	171.0	164.6	185.8	194.9	185.0	191.3	...
Money plus quasi-money	176.1	178.7	194.8	201.7	199.6	193.6	...
Deposits of public insti- tutions	14.6	19.8	22.7	22.7	19.6	22.6	...
Counterpart of SDR alloca- tions	4.4	4.8	4.8	4.8	3.9	3.9	...
Other items (net)	20.7	12.1	21.2	21.2	36.2	37.8	...
Memorandum items:							
Gross official reserves	58.5	118.3	111.4	86.4	106.8	113.0	118.6
Percentage increase over 12 months in:							
Domestic credit	-1.2	-9.5	-6.1	1.8	-4.6	11.2	...
Credit to private sector	19.9	7.1	12.5	14.0	8.2	15.2	...
Money plus quasi- money	15.8	14.8	27.8	14.5	13.3	8.1	...

Source: Data provided by the BEAC.