

**FOR
AGENDA**

SM/08/229
Supplement 1

July 8, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Gabon—Staff Report for the 2008 Article IV Consultation—
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Gabon (SM/08/229, 7/8/08), which is tentatively scheduled for discussion on **Monday, July 28, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Gabon indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Briançon (ext. 38392), Mr. Srour (ext. 36184), and Mr. Iossifov (ext. 36061) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Wednesday, July 16, 2008; and to the African Development Bank, the European Commission, the Islamic Development Bank, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

GABON

2008 Article IV Consultation—Informational Annex

Prepared by the African Department
(in consultation with other departments)

Approved by David Nellor and Alan MacArthur

July 8, 2008

- **Relations with the Fund.** Gabon has been a member of the International Monetary Fund since 1963. CEMAC member countries accepted the obligations of Article VIII in June/July 1996. The economic program of the government is supported by a three-year precautionary Stand-By Arrangement with the IMF, approved on May 7, 2007. The Executive Board completed the first review under the SBA in December 2007.
- **Relations with the World Bank.** The World Bank has a base-case assistance program for Gabon that includes lending operations in the urban, natural resources, and infrastructure sectors.
- **Exchange rate regime:** Gabon is a member of the Central African Economic and Monetary Community (CEMAC). The common currency, the CFA franc, is pegged at the fixed exchange rate of 655.957 CFA franc per euro. Gabon's exchange system is free of restrictions on payments and transfers for current international transactions.
- **Statistical Issues.** Gabon has subscribed to the General Data Dissemination System (GDDS). While data are adequate for surveillance purposes, staff analysis was affected by the timeliness and coverage of fiscal data, the poor quality of balance of payments data, and the limited information on labor cost and productivity. Publication by the IMF of the statistical appendix for Gabon has been discontinued since, with Fund technical assistance, Gabon has posted most data on the internet (www.stat-gabon.ga/Home/Index1.htm).

	Contents	Page
Annexes		
I. Relations with the Fund.....		3
II. Relations with the World Bank		6
III. Statistical Issues		10

ANNEX I. RELATIONS WITH THE FUND

(as of May 31, 2008)

I. Membership Status: Joined: September 10, 1963; Article VIII

II. General Resources Account:	SDR Million	%Quota
Quota	154.30	100.00
Fund holdings of currency	164.33	106.50
Reserve Position	0.39	0.26

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	14.09	100.00
Holdings	0.35	2.46

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
Stand-by Arrangements	10.42	6.75

V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-By	May 07, 2007	May 06, 2010	77.15	0.00
Stand-By	May 28, 2004	Jul 31, 2005	69.44	41.66
Stand-By	Oct 23, 2000	Apr 22, 2002	92.58	13.22

VI. Projected Payments to Fund

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>2008</u>	<u>2009</u>	<u>Forthcoming</u>		
			<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal	10.42				
Charges/Interest	0.33	0.43	0.42	0.42	0.42
Total	10.74	0.43	0.42	0.42	0.42

VII. Implementation of HIPC Initiative: Not Applicable

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

IX. Safeguards Assessments:

The Bank of the Central African States (BEAC) is the regional bank of Central African States of which Gabon is a member. The most recent safeguards assessment of the BEAC was completed on August 30, 2004. The assessment found that the Bank has implemented a number of measures to strengthen its safeguards framework since the 2001 safeguards assessment in the

areas of external and internal audits, and financial reporting. A summary of the recommendations of the safeguards assessment was reported in EBS/06/165.

The latest monitoring results, obtained in 2007, indicate the existence of certain vulnerabilities in key areas, especially in terms of implementation of an internationally accepted accounting framework and establishment of strong internal control systems. Documentation for a new update safeguards assessment of BEAC has been requested on April 18, 2008.

X. Exchange Rate Arrangement:

Gabon is a member of the Central African Economic and Monetary Community (CEMAC). The common currency, the CFA franc, is pegged to the Euro at a fixed rate of CFAF 655.957= €1. Gabon does not have a separate currency.

Like other members of the Central African Economic and Monetary Community (CEMAC), Gabon has accepted the obligations of Article VIII, Section 2.3 and 2.4 of the IMF Articles of Agreement. Restrictions on making payments and transfers for current international transactions are in place only for security reasons in accordance with UN Security Council Resolution No. 1373.

XI. Article IV Consultations:

- (a) Gabon is on a 24-month Article IV consultation cycle.
- (b) The Executive Board concluded the last Article IV consultation with Gabon on June 5, 2006 (IMF Country Report No. 06/238).

XII. FSAP Participation:

A national module for Gabon of the joint IMF/World Bank Financial Sector Assessment Program (FSAP) was completed in 2002 and discussed by the Executive Board in March 2002 (IMF Country Report No. 02/98). A regional FSAP module for the CEMAC was completed in 2006 and discussed by the Executive Board in 2006 (IMF Country Report No. 06/321).

XIII. Technical Assistance:

A. Central Africa Regional Technical Assistance Center (AFRITAC)

<i>Area</i>	<i>Focus</i>	<i>Time of Delivery</i>
Public financial management	Seminar on Treasury management	Mar. 2008
Economic statistics	National accounts	Mar. 2008
Revenue administration	Strengthening fiscal administration	Feb. 2008
Revenue administration	Assistance in reform implementation	Feb. 2008
Public financial management	Monthly budget reports	Dec. 2007
Bank supervision	Bank supervision	Nov. 2007
Debt management	Review debt management procedures	Nov. 2007
Revenue administration	Review customs reforms and TA needs assessment	Nov. 2007
Economic statistics	National accounts	Oct. 2007
Revenue administration	Strengthening fiscal administration	Oct. 2007
Economic statistics	Price statistics	Sep. 2007
Public financial management	Design and implementation of treasury plan	Jun. 2007
Public financial management	Treasury plan; public financial reporting	Jun. 2007
Revenue administration	Review of fiscal administration reforms	Jun. 2007
Debt management	Institutional support	May 2007

B. Headquarters

<i>Department</i>	<i>Purpose</i>	<i>Time of Delivery</i>
FAD	Seminar on governance and oil and gas contracts	Apr. 2008
MCM	Public debt—handbook elaboration for Gabon	Nov. 2007 / Apr. 2008
LEG	Financial Intelligence Unit development	Jun. 2007
FAD	Poverty and social impact analysis of fuel subsidies reform	Jan. 2007
FAD	Fiscal ROSC	Mar./Apr. 2006
FAD	Budget management	Mar. 2004
FAD	Tax policy and administration	Nov. 2003
LEG	Law against illicit enrichment	Jun., Jul., Oct. 2003
FAD	Budgetary procedures and expenditure control	Nov. 2000
STA	Multisector statistics mission	May 1998
FAD	Value-added tax administration issues	Aug. 1997

XIV. Resident Representative:

The Fund maintains a resident representative office in Libreville. The current resident representative, Mr. Thiam Samba, assumed his post in 2007.

ANNEX II. RELATIONS WITH THE WORLD BANK

(Updated as of May 14, 2008)

1. Gabon is one of Africa's few IBRD countries; GNI per capita was US\$5630 in 2006. The Bank is working closely with the IMF team to support structural measures, particularly for the development of natural resources (forestry, mining, and fisheries) and local private sectors in urban areas; and to support implementation of the Government's Growth and Poverty Reduction Strategy (GPRSP).

The Bank Group Strategy and Lending Operations

2. The Board of Directors approved the Gabon Country Assistance Strategy (CAS) on May 24, 2005, and discussed a CAS progress report on January 17, 2008. The strategy is articulated around two pillars: (1) strengthening the management of public resources (both natural and financial) to improve social outcomes; and (2) improving the investment climate to foster sustainable, private-sector-led non-oil growth. Cross-cutting themes are developing capacity in government and civil society, and improving governance and participation. During the Board review of the CAS progress report, directors expressed broad support for the strategy and noted the country's efforts to improve governance through EITI and emphasized that more attention needed to be paid to improving weak social indicators.

3. The Bank has a base-case assistance program for Gabon that includes lending operations in the urban, natural resources, and infrastructure sectors: a US\$15 million Natural Resources Management Development Policy Loan approved in November 2005; a US\$25 million Public Investment Program for Local Infrastructure Development approved in March 2006; and a US\$75 million Infrastructure Project planned for early FY09. Each operation emphasizes improving transparency and efficiency in the use of public resources, and improving the environment for participation of the private sector. The three conditions for the Natural Resource Management DPL2 have been met.

4. Currently IFC has an exposure of US\$32.5 million in oil, gas, electricity, and telecommunications, and the World Bank Group's Foreign Investment Advisory Services (FIAS) completed a diagnostic study of the investment climate in late 2004. A US\$61 million MIGA guarantee for rehabilitation and modernization of a professional training institute was approved by the Board in May 2005. This project is MIGA's first in the education sector.

IMF—World Bank Collaboration

5. IMF and World Bank staff collaborate closely in supporting reforms to foster economic diversification and in coordinating their policy advice to the Gabonese authorities. In view of the structural measures envisaged by the medium-term program, successful implementation of the reform program hinges on complementary action by the World Bank, especially in the areas of business climate improvements, effective and efficient public resources management (including MTEF), poverty reduction policies, nonrenewable resource management, and identification and development of sources of growth in the non-oil sector. In 2007 Gabon was

selected as one of the pilot countries for the initiative of the World Bank's managing director Daboub and the Fund's First Deputy Managing Director Lipsky to reinforce collaboration between the two institutions on management of natural resources. Bank and Fund teams are discussing with the Gabonese authorities specific projects.

Bank/Fund Collaboration

Area of Structural Reform	Lead Institution
Fiscal area	
Civil service reform	IMF
Expenditure monitoring and control	IMF
Public financial management review	World Bank
Tax administration and fiscal ROSC	IMF
Governance	
Anticorruption law implementation	IMF
Code of ethics for government officials	IMF
Extractive Industries Transparency Initiative (EITI)	World Bank/IMF
Private sector development	
FIAS study of the business climate	World Bank/IFC
Diversification and non-oil sector development	World Bank
Other	
Price controls	IMF
Forestry, environment, fisheries, mining, oil	World Bank/IMF
PRSP	World Bank/IMF
External trade	World Bank / IMF
Transport	World Bank
Urban development	World Bank

IMF–World Bank Collaboration in Specific Areas

Areas where there is no direct IMF involvement

6. The Bank supported completion of the Government's poverty reduction strategy and will continue to provide support for strengthening statistical capacity and assisting the NSO (National Statistical Office). In summer 2005 the Bank provided financial and technical assistance for household surveys using a Core Welfare Indicators Questionnaire (CWIQ) to update social indicators to be monitored annually. The results of the CWIQ household survey were used in finalizing the GPRSP. The Bank also plans to help the NSO put together a system for monitoring the poverty reduction strategy, and it completed a new poverty assessment based on the expenditure module of the CWIQ survey in December 2006. The assessment will provide the basis for regularly monitoring poverty trends in Gabon. Together with the programs and sectoral strategies developed in the GPRSP, it will provide a firmer foundation for directing resources to poverty alleviation over the long term.

Areas where the World Bank leads and its analysis guides IMF activity

7. In November 2005, the Bank Board approved a \$15 million Natural Resources Management Development Policy Loan (DPL) that covers the forest, environment, fisheries, mining, and oil sectors. In the oil sector, it will support implementation of the EITI. In March 2006, the Board also approved a \$10 million grant from the Global Environment Facility for Gabon's national parks. It focuses on improving transparency, law enforcement, and removing policy distortions and on helping the authorities implement reforms and empower civil society organizations and local communities to manage natural resources. The project is expected to broaden the number of beneficiaries and raise social and environmental standards in the forestry, fishing, and mining sectors, and thus help the government to diversify the economy and reduce its dependence on oil. The 2007 CAS progress report found that the high-case triggers to move to a second Natural Resource Management DPL have been met, although it will be sequenced to follow disbursement of the second tranche of the previous loan. However, given delays in implementing the first DPL, it is not expected that the second project will be in place by the end of FY2009.

8. In June 2004 the Bank completed a US\$5 million Pilot Community Infrastructure Development Project (Learning and Innovation Loan) designed to test new methods for building community-based infrastructure and supporting local contractors. The goal was to improve living conditions in certain poor urban neighborhoods in a sustainable way and with substantial community participation. The project also aimed at building local capacity to undertake a larger program of community-based public works. The initiative was successful, and the Bank on March 14, 2006, approved a US\$25 million loan to (1) increase the access of people living in low-income settlements to basic services; and (2) sustain the access of local SMEs to civil works and public construction contracts. The project is likely to increase the access of the poor to infrastructure and services, build up SMEs, and improve the quality of public works through increased transparency and efficient procurement and contract management.

9. A combined Public Expenditure Review/Country Financial Accountability Assessment/Country Procurement and Audit Review was completed late in 2006. Its aim was to improve public expenditure management and control systems, ensuring that funds are used for the purposes for which they were intended and achieve the expected results. As part of the PFM reforms, the Bank is leading multidonor assistance to help authorities draft and implement a medium term expenditure framework (MTEF).

10. FIAS (a joint facility of the World Bank and IFC) is providing advice on improving the investment climate in Gabon; in September 2004 it completed a diagnostic of the investment climate, including identification of priorities for reform with recommendations. The authorities held a validation workshop in February 2005 to discuss the recommendations and establish an action plan. Further studies were envisioned to identify constraints on private investment and draft an action plan to remedy impediments to private sector growth, including detailed reviews of administrative barriers to investment and of the tax and incentive regime (with an

objective of proposing concrete changes). Each study is to be confirmed based on action taken on the previous one.

11. The World Bank has also completed an Infrastructure Framework Report. It covers transport infrastructure (railways and air and maritime transport), telecommunications, water, and power. The report was discussed with the Government Steering Committee during a dissemination workshop in December 2007. The World Bank and PPIAF discussed with the Government follow-up technical assistance in a number of areas, including stronger regulation of telecoms, institutional capacity building for development and management of PPPs, and preparation of a rural electricity program

Areas of shared responsibility

12. While the Bank has taken the lead in structural reforms impacting the environment for the private sector, the IMF also has considerable interest in the same area. The IMF's primary focus is on good governance, particularly fiscal, and promotion of transparency in both the public and private sectors. Additional concerns for the Bank are the efficiency of the resulting market structures and improved enterprise operation. Both Bank and IMF are working closely in the financial sector, for which the two institutions prepared a joint Financial Sector Assessment Program (FSAP) in 2002. While the FSAP indicated that the financial sector in Gabon is generally profitable and stable, it also identified structural weaknesses and risks in Gabon's financial sector, including undiversified bank portfolios and underdevelopment of nonbank financial institutions.

13. Areas where the Fund takes the lead and its analysis guides Bank-supported programs are in the dialogue on fiscal matters, which sets the envelope for public expenditures. The IMF is also providing technical assistance on governance and anticorruption.

14. The IMF leads the dialogue on policies to contain certain public expenditures, such as those regarding the public wage bill and definition of the ceiling for public investment. In these areas, the Bank ensures that its own policy advice is consistent with IMF recommendations.

15. The IMF is also monitoring implementation of the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) and the trade liberalization measures being taken at the CEMAC (regional) level. This supplements a significant program of Bank work to support regional integration among CEMAC countries. These measures should improve the business climate and will complement work by the Bank (in conjunction with the IFC) to facilitate investment.

16. **Areas where there is no direct World Bank involvement** relate to the dialogue on monetary policy, interest rates, the exchange rate, the balance of payments, and related statistical and measurement issues.

ANNEX III. STATISTICAL ISSUES

1. While data provision for surveillance purposes is still adequate overall, staff's analysis was affected by shortcomings in certain areas. There are concerns about both the accuracy and reliability of the data and the adequacy of the periodicity and timeliness. Also, consistency among datasets is problematic. The statistical community does not have sufficient access to source data and lacks an institutional framework in which to share information and coordinate compilation efforts.
2. Gabon is a participant in the General Data Dissemination System (GDDS) but has not updated metadata related to its national statistical systems, including plans for improvement, since 2002. Except for consumer prices, the authorities do not report any real sector or government finance statistics (GFS) to STA for publication in *International Financial Statistics (IFS)* or for electronic dissemination. Detailed economic and financial statistics, including long historical time series, are published in the *Tendances de l'Économie*, issued twice a year by the General Directorate of Statistics and Economic Studies (DGSEE) of the Ministry of Planning. More recent sectoral developments are described in detail in the *Tableau de Bord de l'Économie*, issued quarterly by the General Directorate for the Economy (DGE) of the Ministry of Economy, Finance, Budget, and Privatization.
3. Publication by the IMF of the statistical appendix for Gabon has been discontinued since, with Fund technical assistance, Gabon has posted most data on the internet (www.stat-gabon.ga/Home/Index1.htm).

National accounts

4. AFRITAC central is working with authorities to incorporate the *System of National Accounts 1993* methodological recommendations, particularly in the valuation of sectoral value added at basic prices. Coverage of developments in oil and other key export sectors is based on a range of indicators that may not fully capture the profits these sectors generate. Despite recent improvements in collecting and processing oil sector statistics, there are still significant inconsistencies between national accounts and balance of payments statistics. In addition, more frequent household surveys are required to improve the quality and quantity of data on income distribution and consumption. A March 2008 STA national accounts mission provided technical assistance on the treatment of fiscal statements (SFS), and implementation of Access software for the SFS compilation. Efforts are needed to establish a more consistent database.

Employment and unemployment

5. Data on unemployment and the total labor force are not systematically available.

Prices

6. In 2007 the authorities began publishing an improved CPI index, which covers the same basket of goods and services as the CEMAC Harmonized Consumer Price Index (HCPI) and uses a weighting scheme derived from Gabon's 2005 household expenditure survey. However, it only covers the capital city of Libreville.

Government finance statistics

7. A major shortcoming is limited institutional coverage. For instance, social security operations are not included in the statement of operations of central or general government. Also, audited accounts of oil sector operations are generally available annually and sometimes quarterly, with a significant reporting lag. Because these data are not disseminated within sufficient periodicity or timeliness to be useful, both fiscal and real sector activity indicators cannot be adequately monitored. Other needed improvements relate, inter alia, to the statistical treatment of oil company tax advances, the recording in the budget accounts of government-owned capital formation financed by oil companies, and the recording of government domestic payment arrears.

8. While there is a fairly good database on the operations of public enterprises, information is communicated to the staff only ad hoc, usually during Fund missions. At present, the data cover enterprises in which government equity participation is at least 25 percent.

Monetary statistics

9. Monthly monetary data for Gabon and the other CEMAC member states are reported regularly, but with considerable delay. They are reported in electronic form by the regional central bank (BEAC) and published in *IFS*. Institutional coverage of the monetary statistics is comprehensive, but accuracy is affected by cross-border movements of currency among CEMAC member countries. Gabon, however, imports far fewer notes than the other countries in the region. About 96 percent of notes in Gabon are nationally issued; the rest are from Cameroon, the Republic of Congo, and Equatorial Guinea. Gabon exports about 17 percent of its notes, most of which go to Cameroon (12 percent) and to the Republic of Congo (3 percent).

10. The most recent monetary and financial statistics (MFS) mission to the region (in October 2006) provided guidance in migrating to the new Standardized Report Forms (SRFs) for the submission of monetary statistics to STA. The BEAC has not yet submitted, for any of its member countries, test data using the SRFs. In this regard, the BEAC started in mid-2007 a project to migrate monetary statistics of member countries of the CEMAC to the methodology in the *Monetary and Financial Statistics Manual (MFSM)*. As part of this project, a regional meeting was organized by the BEAC in December 2007 to finalize the mapping of source data from commercial banks to the *MFSM* concepts and framework. A STA staff participated in that meeting to provide guidance and advice.

External public debt

11. There are comprehensive data on the stock of external public debt and their composition, as well as detailed projections on debt service due. Data are provided, usually to Fund missions, by the General Directorate of Public Debt and Accounting (*Direction générale de la comptabilité publique*) of the Ministry of Economy, Finance, Budget, and Privatization.

Balance of payments and trade statistics

12. Balance of payments data are compiled by the national directorate of the BEAC and the estimates are validated by staff from BEAC headquarters. Data are disseminated with considerable delay, and the latest available official statistics are for 2004. Since 1995 compilation of balance of payments statistics has conformed to the *Balance of Payments Manual, 5th edition*. Source data are collected through (i) surveys of enterprises by the central bank (the main source of data); (ii) reports from banks and the postal administration on foreign exchange transactions of other enterprises, retailers, and private individuals; and (iii) BEAC reports on banknote movements between Gabon and other BEAC countries. External trade data are mostly based on estimates, which are not cross-checked with customs data. Data on other items of the current account are not very reliable or accurate due to low response rates to enterprise surveys, despite partial correction through adjustments. Foreign direct investment in the financial account is likely to be underestimated owing to insufficient detail in the oil sector survey. The magnitude and detailed breakdown of private capital flows, particularly short term, suffer because data are not comprehensive.

Gabon: Table of Common Indicators Required for Surveillance
(As of May 14, 2008)

	Date of latest observation	Date received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of publication ⁶
Exchange Rates	May 2008	May 2008	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Jan. 2008	May 2008	M	M	M
Reserve/Base Money	Jan. 2008	May 2008	M	M	M
Broad Money	Jan. 2008	May 2008	M	M	M
Central Bank Balance Sheet	Jan. 2008	May 2008	M	M	M
Consolidated Balance Sheet of the Banking System	Jan. 2008	May 2008	M	M	M
Interest Rates ²	May 2008	May 2008	M	M	M
Consumer Price Index	Jan. 2008	Mar. 2008	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	Mar. 2008	May 2008	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	Mar. 2008	May 2008	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec. 2007	Mar. 2008	Q	Q	I
External Current Account Balance	Dec. 2005	Sep. 2006	A	I	A
Exports and Imports of Goods and Services	Dec. 2005	Sep. 2006	M	M	I
GDP/GNP	2006	Oct. 2007	A	I	A
Gross External Debt	Dec. 2007	Mar. 2008	Q	I	I

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

²Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵Including currency and maturity composition.

⁶Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).