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January 29, 1993

To: Members of the Executive Board  
From: The Secretary  
Subject: Gabon - Staff Report for the 1992 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1992 Article IV consultation with Gabon, which will be brought to the agenda for discussion on a date to be announced.

Mr. Rothman (ext. 38652) or Mr. Youm (ext. 38735) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

GABON

Staff Report for the 1992 Article IV Consultation

Prepared by the Staff Representatives for the  
1992 Consultation with Gabon

Approved by Evangelos A. Calamitsis and Michael Edo

January 28, 1993

I. Introduction

The 1992 Article IV consultation discussions with Gabon were held in Libreville during the period November 26-December 8, 1992. <sup>1/</sup> Gabon is on the standard 12-month Article IV consultation cycle. It continues to avail itself of the transitional arrangements under Article XIV, Section 2, but, as a member of the Central African monetary area, maintains an exchange system that is free of restrictions on payments and transfers for current international transactions. Gabon has consented to, and fully paid for, the increase in its quota under the Ninth General Review of Quotas.

In completing the last Article IV consultation on September 30, 1991, the Executive Board also approved an 18-month stand-by arrangement for Gabon in an amount equivalent to SDR 28 million, representing 38.3 percent of the then existing quota (EBS/91/160). The first purchase, in an amount equivalent to SDR 4 million, was made upon approval of the arrangement. However, owing to significant slippages in program implementation, the first review under the arrangement could not be completed, and the arrangement will expire on March 29, 1993.

Summaries of Gabon's relations with the Fund and with the World Bank Group are provided in Appendices I and II, respectively; tables on economic and financial developments and prospects are presented in Appendix III; and basic data are contained in Appendix IV.

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<sup>1/</sup> The Gabonese representatives included Mr. Toungui, Minister of Finance, Budget, and Participations; Mr. Leyimangoye, National Director of the Bank of Central African States (BEAC) for Gabon; and other senior officials in charge of economic and financial matters. The staff representatives (all AFR) were Mr. Rothman (head), Mr. Youm, Mr. Thiam, Mr. Mira d'Ercole, and Ms. Casaromani (administrative assistant). Mr. Obame, Advisor to the Executive Director for Gabon, participated in the policy discussions. While in Libreville, the staff representatives met with Mr. Mamalépot, Governor of the BEAC.

## II. Background and Recent Economic Developments

At the conclusion of the 1991 Article IV consultation with Gabon, Executive Directors expressed concern about Gabon's disappointing performance under previous Fund-supported programs. Given the country's exchange arrangements, they underscored the need for strengthening fiscal policy as the cornerstone of the adjustment effort. In particular, they called for restraint on current government spending, especially on salaries and consumption of services, and for renewed efforts to mobilize non-oil revenue. Importance was also attached to completion of the diagnostic study of the petroleum sector. Furthermore, the authorities were encouraged to accelerate public enterprise reform, rapidly lower Gabon's high cost structure in order to foster diversification of the economy, and reduce external payments arrears so as to re-establish normal relations with creditors.

### 1. Performance in 1991

Buoyed by a sharp increase in oil sector output (11.5 percent), in 1991 real GDP increased by 6.3 percent; the growth in non-oil GDP, at 3.5 percent, was on target (Table 1). However, similar to the experience under earlier programs supported by Fund arrangements, there were significant slippages in Gabon's fiscal performance. Most notably, there was a large shortfall in government oil revenue (although oil export receipts were above target), coupled with overruns in budgetary expenditure and sizable extra-budgetary outlays. Thus, the Government's fiscal outturn (on a payment order basis) showed a deficit of 0.1 percent of GDP, compared with the programmed surplus of 1.9 percent of GDP. Moreover, the less-than-intended restraint in fiscal policy had adverse consequences for the external current account, which recorded a surplus of 2.0 percent of GDP, as against a target of 4.1 percent; imports were well above the projected level, and there was also a shortfall in non-oil exports (notably manganese and wood). At the same time, there was a marked narrowing of the capital account deficit, owing to a sharper-than-anticipated turnaround in short-term capital movements, reflecting in part the maintenance of high real interest rates in Gabon. Nevertheless, the overall balance of payments deficit (CFAF 60 billion, or SDR 156 million) was substantially larger than programmed (CFAF 49 billion, or SDR 120 million), involving a further accumulation of external payments arrears. At year-end, the level of net domestic assets of the banking system was about as expected; but as the growth in the demand for money balances in 1991 was significantly higher than envisaged in the program (7.1 percent versus 3.5 percent), the increase in the net foreign assets of the banking system was also larger than foreseen.

On the structural front, the Government did not conclude any of the envisaged new program contracts with public enterprises, although several enterprises took measures that led to reductions in their operating losses. Thus, personnel levels were reduced in the electricity and water utility, the national airline (Air Gabon), and the timber processing company; Air Gabon trimmed its route network; and the timber export company reclassified some of its personnel, reduced inventories, and better adapted production to

market demand. By contrast, no discernible corrective actions were taken by the port authority, the post and telephone company, and the railroad. Considerable progress was made on the diagnostic study of the petroleum sector, which would include analyses of the legal framework, contractual agreements, and production costs, as well as recommendations for reforms. Also, studies on production costs in certain non-oil sector activities (cement, palm oil, and fishing) were completed.

Table 1. Gabon: Summary of Macroeconomic Developments, 1989-92

	1989	1990	1991		1992	
			Prog.	Est.	Prog.	Est.
<u>(Annual change in percent)</u>						
GDP at constant prices	7.0	4.0	3.8	6.3	1.7	0.5
Of which: non-oil GDP	(-0.9)	(-4.3)	(3.4)	(3.5)	(2.5)	(0.4)
GDP deflator	10.1	6.9	-2.1	-3.5	2.0	1.6
Broad money	1.6	5.9	3.5	7.1	4.0	-11.6 <u>1/</u>
<u>(In percent of GDP)</u>						
Central government finances						
Revenue and grants	19.2	24.9	33.2	27.6	29.4	23.3
Expenditure and net lending	26.8	28.6	31.3	27.6	27.9	25.7
Overall balance						
(payment order basis)	-7.5	-3.6	1.9	-0.1	1.5	-2.4
Change in arrears (in billions of CFAF)						
External	33.8	53.9	-87.7	85.0	--	80.6
Domestic	7.7	18.9	-10.6	-6.5	-5.0	21.1
External current account	-4.5	3.9	4.1	2.0	3.0	1.8
External debt	58.0 <u>2/</u>	53.6 <u>2/</u>	72.9	54.8 <u>2/</u>	73.9	54.6 <u>2/</u>
External debt service ratio (in percent)	23.1	19.9	21.4	22.5	20.7	23.7
Overall balance of payments						
(in millions of SDRs)	-291.8	-180.6	-120.2	-155.5	-129.3	-332.0

Sources: Appendix III, Tables 1 and 2.

1/ Through September 1992.

2/ Based on revised data for the stock of debt.

## 2. Developments in 1992

A review mission that visited Libreville in February found that the authorities' fiscal policy stance for 1992 was clearly expansionary, thereby compounding rather than rectifying the slippages recorded in 1991, and that a large, unfinanceable gap was in prospect. In these circumstances, and with no indications that appropriate adjustment measures would be implemented, it became evident that the principal domestic and external objectives of the program for 1992 supported by the stand-by arrangement could not be achieved.

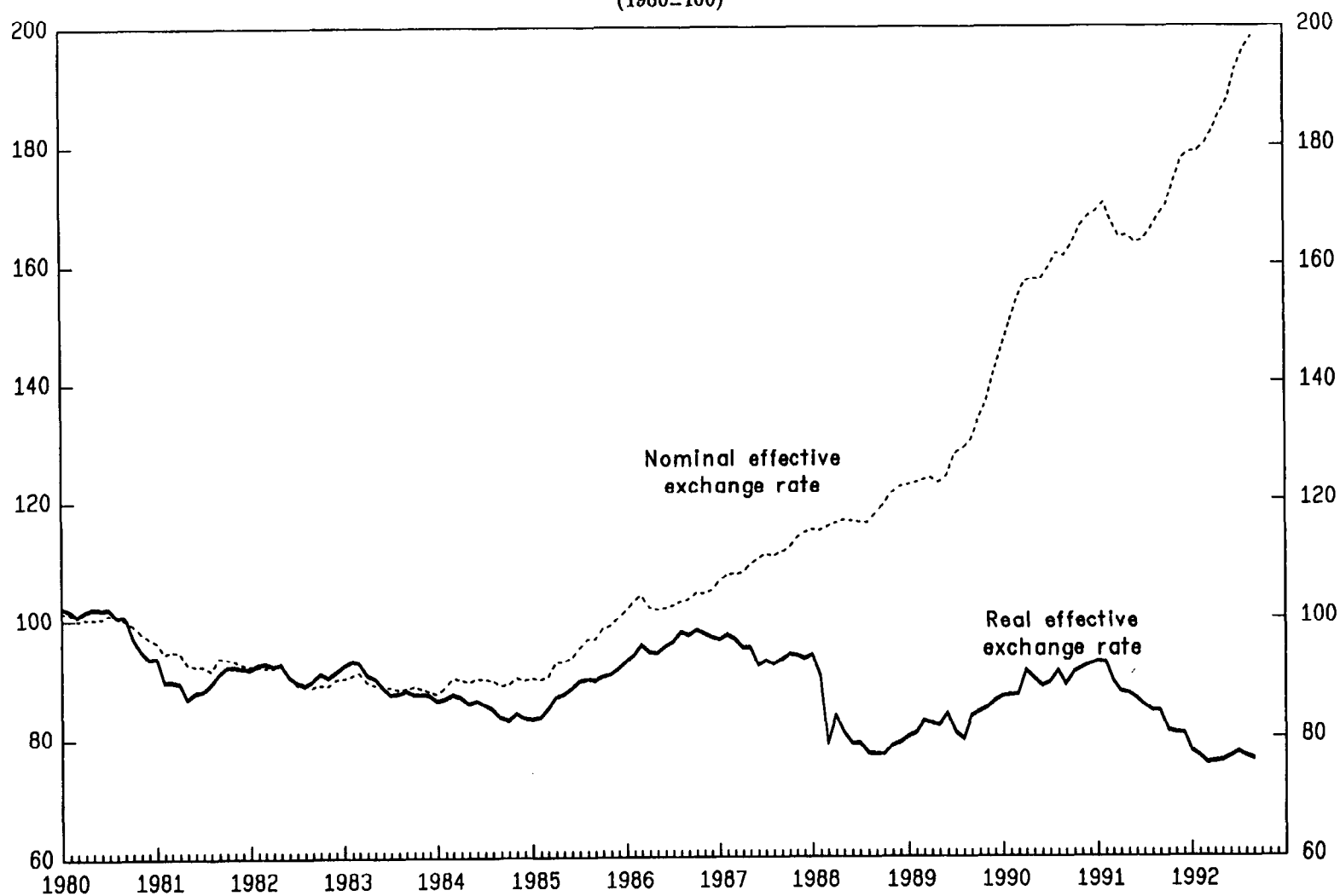
The latest official estimates indicate that the rate of growth in real GDP amounted to only 0.5 percent in 1992, with both oil and non-oil GDP recording minimal gains; the program target for the increase in non-oil GDP had been 2.5 percent. In addition, Gabon's fiscal position came under mounting pressure during the year. Importantly, no exceptional resources were received, non-oil revenue declined (owing mainly to reduced customs receipts, which were only partially explained by lower imports), and the government wage bill rose further. It is thus estimated that the fiscal deficit widened to 2.4 percent of GDP. As a result of its very tight resource position, Gabon was unable to effect the settlement of arrears to its Paris Club creditors required under the October 1991 rescheduling agreement (SM/91/226). Consequently, in September 1992 Paris Club creditors declared the agreement null and void, the first time that creditors have invoked a pullback clause. Therefore, as indicated in the government finance and balance of payments data in this report, effectively Gabon did not receive any debt relief from the Paris Club in 1991-92. Furthermore, the envisaged debt restructuring agreement with London Club creditors did not enter into force.

In the nine-month period through September 1992 there was a marked decline in the money supply (by about 12 percent) as well as a significant deterioration in the net foreign assets position of the banking system that reflected, especially in July-September, capital flight associated with rumors of an impending change in the parity of the CFA franc in terms of the French franc. Although bank credit to the economy declined in the wake of the slackened domestic activity, the reduction was more than offset by the Government's borrowing needs. Mainly as a result of the capital flight, which coincided with a marginal narrowing of the external current account surplus to 1.8 percent of GDP, the overall balance of payments in 1992 is estimated to have recorded a particularly large deficit (CFAF 124 billion, or SDR 332 million).

Regarding structural measures, especially with respect to the banking system, in March 1992 Gabon ratified the BEAC-wide supranational banking commission (COBAC). On the other hand, little progress was made in the effective liquidation of three commercial banks in difficulty, two of which are insolvent. In October the petroleum sector study was completed, but, as in 1991, no new program contracts with public enterprises were concluded.

Gabon's currency, the CFA franc, is pegged to the French franc at the fixed rate of CFAF 50 = F 1. In the 12-month period since the last Article IV consultation, the real effective exchange rate as measured by relative consumer prices continued to decline, depreciating by a further 10 percent (Chart 1). It should be noted, however, that there are deficiencies in Gabon's consumer price index. In particular, the weighting pattern (based on a family expenditure survey undertaken in 1968-69) is outdated, and the staff has recommended that this weakness be redressed. Moreover, other indicators, including a very high wage structure, point to a continuing lack of competitiveness in many non-oil sector activities in Gabon.

CHART 1  
GABON  
REAL AND NOMINAL EFFECTIVE EXCHANGE RATE INDICES  
JANUARY 1980-SEPTEMBER 1992  
(1980=100)



Source: IMF Information Notice System.





### III. Report on the Discussions

The consultation discussions took place at a critical juncture, as Gabon is confronted with an unsustainable financial situation. Apart from a high level of external payments arrears, which are estimated to have reached at end-1992 CFAF 255 billion, or 16 percent of GDP, Gabon has heavy external debt service obligations, which will average almost CFAF 190 billion annually in 1993-97. In addition, the Government has domestic payments arrears of almost CFAF 50 billion (the bulk of which is to suppliers), as well as a high level of debt to the domestic banking system that must be reduced. Yet, the authorities' draft budget for 1993 that was under consideration at the time of the discussions (and was subsequently approved by Parliament) showed no adjustment, entailing a financing gap equivalent to 10 percent of GDP.

Against this background, the discussions focused on the policies that need to be adopted to re-establish a path of credible adjustment, taking into account the reiteration by the CFA franc countries in July 1992 of their determination to maintain the existing exchange rate parity and to rely on a reinforced internal adjustment strategy.

#### 1. Medium-term fiscal and balance of payments outlook

The basis for the discussions with the authorities was an illustrative medium-term scenario for 1993-97 (Table 2), prepared by the staff, which assumes a constant volume of oil exports and highlights the magnitude of the adjustment required for Gabon to achieve financial viability, i.e., a position involving no further recourse to external debt rescheduling. It is to be noted that, compared with an estimated primary fiscal surplus equivalent to 2 percent of GDP in 1992, the scenario suggests that a surplus on the order of 9 percent of GDP would be required in 1993 and the subsequent four years.

Gabon's external prospects are heavily dependent on oil exports, which are estimated to have accounted for some 80 percent of total exports in 1992. In line with the present world price and exchange rate assumptions, Gabon's oil exports are projected to rise by only 3 percent per annum (in CFA franc terms) over the 1993-97 period. On the other hand, given strengthened structural measures, other exports (particularly of forestry products) could be expected to regain momentum. At the same time, the restoration of financial discipline would help contain the growth in imports at about 3 percent annually in volume terms, and hence the external current account could remain in surplus. Also, it is presumed that a sustained adjustment effort would foster the private capital inflows needed to improve the overall external position.

Table 2. Gabon: Illustrative Medium-Term Scenario, 1993-97

	1992 Est.	1993 Budget	1993	1994	1995	1996	1997
			Scenario				
<u>National accounts</u>			(Percentage change)				
Real GDP	3	...	1	2	3	3	3
GDP deflator	-1	...	2	3	4	4	4
<u>Central government financial operations</u>			(In percent of GDP)				
Revenue and grants	23	21	27	26	26	26	25
Expenditure and net lending	26	25	22	23	21	20	19
Primary balance (excluding grants)	2	--	9	8	9	9	9
Overall balance (excluding grants)	-3	-5	4	3	5	5	6
Debt rescheduling	--	--	17	3	2	1	--
<u>Balance of payments</u>			(In percent)				
Current account/GDP	2	...	--	--	1	2	2
External debt/GDP	55	...	52	49	43	37	30
Debt service/Exports of goods and services	24	...	25	29	29	27	26
<u>Key assumptions:</u>							
Oil exports							
Volume (millions of tons)	15	15	15	15	15	15	15
Price (US\$ per barrel)	18	18	18	18	19	19	20
Import unit value (change in percent)	4	...	4	4	4	4	4

Sources: Appendix III, Tables 2 and 3.

## 2. Financial policies

As a strong up-front adjustment effort is needed, and assuming the elimination of all external payments arrears as well as progress in reducing domestic arrears, the staff representatives urged the authorities to alter their fiscal policy stance for 1993 and gear it toward achieving a primary surplus on the order of CFAF 145 billion, compared with the surplus of CFAF 32 billion estimated for 1992; a deficit of CFAF 7 billion is currently envisaged in the 1993 budget.

Consistent with this ambitious but feasible objective, the staff representatives stressed that it was important for the authorities to take decisive steps to: (a) implement the recommendations of the recently completed study of the petroleum sector aimed at increasing the Government's share of revenue from oil exports, including centralizing petroleum receipts at the Treasury and conducting regular audits of the petroleum companies. Audits for the period 1987-91 could generate recoveries of CFAF 25-50 billion and spur a subsequent increase in annual payments of CFAF 5-10 billion; (b) strengthen customs collections by intensifying efforts to sharply reduce import tariff exemptions and to improve supervision and surveillance of

imports, with a possible gain of up to CFAF 10 billion; (c) curtail substantially the government wage bill by retiring all employees who have reached the mandatory age limit, dropping from the employment rolls workers with unknown assignments (some 2,000, or 7 percent of the civil service payroll), curbing the number of temporary workers (including those in the military) by at least one half, reducing wage and salary levels by some 5 percent, and scaling down nonwage benefits. It is estimated that, on an annual basis, total savings of about CFAF 20 billion could be realized with these measures; (d) apply strict controls on government consumption of public utilities and transportation, with a view to realizing savings of CFAF 10 billion; (e) define clearly the nature of, and seek to eliminate, extrabudgetary outlays; and (f) defer low-priority capital spending, which could involve a cutback of CFAF 12 billion. If implemented effectively, the revenue gains and expenditure savings to be derived from these measures alone could total about CFAF 100 billion, or just over 6 percent of GDP.

The authorities were also encouraged to proceed, in conjunction with Gabon's partner countries, to implement in 1993 the tax reforms envisaged in the context of the Central African Customs and Economic Union (UDEAC). These would include (a) the replacement of the multiple external levies with a single UDEAC-wide customs tariff consisting of four rates; (b) the introduction of a preferential tariff for intra-union trade; (c) the replacement of the present complicated domestic turnover tax with a broad-based single rate sales tax, to be superseded eventually by a value-added tax; (d) the introduction of excise duties on a regionally determined list of products; and (e) the elimination of most categories of customs duty exemptions. The authorities were cautioned, however, to ensure that any revenue loss stemming from the unification of Gabon's external tariffs with those of other UDEAC members be at least offset by the changes to be made in domestic taxes, including the imposition of a sales tax.

Moreover, in view of the relatively high level of domestic arrears, there was a clear need for effective budgetary monitoring and control procedures, including the implementation of accounting and reporting systems for government ministries and public enterprises.

To buttress fiscal policy and help improve the balance of payments, the staff representatives recommended the continuation of a prudent monetary and credit policy stance. In this regard, and given the behavior of money demand and capital movements in 1992, the authorities would need to limit credit accommodation to the economy in 1993 to the amount of net repayments of the Government to the banking system. At the same time, Gabon's interest rates would have to be kept significantly positive in real terms. Also, and in conjunction with Gabon's ratification of the COBAC, the authorities were urged to apply, as they intended, the new prudential ratios as soon as the convention harmonizing banking regulations has been adopted. Given the limited progress made in banking system restructuring, the staff representatives also recommended strengthening the loan recovery efforts of the banks concerned, as well as the efforts to realize the value of other--notably real estate--assets.

### 3. Structural measures

As the Government had not yet concluded any new public enterprise program contracts, the staff representatives stressed the importance of signing the pertinent documents without further delay, and giving the enterprises concerned the necessary authority to implement remedial actions, including relevant staffing and possibly wage reductions. Moreover, the authorities were advised to avail themselves, as needed, of World Bank and other donor support in order to accelerate public enterprise reform. With respect to the studies carried out on production costs in certain non-oil sector activities, and in view of the importance of improving Gabon's external competitiveness, the authorities had to act promptly on the key policy recommendations, especially on the need to reform the wage system by eliminating various indemnities and fringe benefits; curtail excessive employment, particularly at the supervisory level in public enterprises; lower Gabon's very high public utility charges (especially for electricity); and reduce the unduly high costs of certain imported inputs by rationalizing the external tariff structure within the context of the UDEAC reforms.

The authorities concurred with the mission's assessment of Gabon's current situation, and indicated that the adjustment scenario and supporting policies outlined above were, in principle, adequately responsive to the needs of the country. However, they cited technical and political constraints to implementing the key recommendations, especially those relating to augmenting government oil revenue and paring the wage bill. In particular, they stated that auditing oil companies could take as long as a year, and renegotiating existing contracts could also be a protracted process. Moreover, as presidential elections were scheduled to be held in December 1993, the domestic environment was not considered conducive to strong adjustment efforts, notably a scaling down of civil service employment and salaries. Nevertheless, given the existing exchange arrangements, they recognized that a start should be made as soon as possible in implementing remedial internal adjustment measures.

With respect to exchange rate policy, the authorities maintained the view that the Gabonese economy was continuing to benefit from the existing exchange system. They pointed in particular to the benefits accruing from domestic price stability, the convertibility of the CFA franc, and the freedom from restrictions on payments and transfers for current international transactions. In this context, they noted that it was largely because of low inflation that the real effective exchange rate had depreciated over the past two years by about 15 percent. As to the required improvement in Gabon's consumer price index, the authorities stated that a new weighting pattern would be introduced in the near future, based on an expenditure survey that had been conducted recently in the major cities of Libreville and Port Gentil. The staff representatives stressed that, for the exchange rate anchor to play its role effectively, internal adjustment would have to be reinforced, and they reiterated the need to significantly reduce domestic costs if the Gabonese economy were to achieve the diversification required to support sustained economic growth.

#### IV. Staff Appraisal

In 1991-92 Gabon's economic and financial performance was marked by domestic policy slippages and a deterioration of the external position. Fiscal shortcomings stemmed from both insufficient efforts to generate government revenue and the absence of adequate restraint on expenditure. Gabon's external position was further aggravated by lagging non-oil exports and, most recently, by capital flight and the annulment of the 1991 Paris Club rescheduling agreement. As a result of all of these adverse factors, the Government now has a large overhang of external payments arrears, as well as sizable domestic arrears.

In view of Gabon's serious financial situation, it is urgent that the authorities quickly adopt credible adjustment policies aimed at achieving internal and external viability over the medium term. Given the reiteration by the CFA franc countries of their determination to maintain the existing exchange rate parity and reinforce the structural adjustment process, Gabon's policy response thus far has been disappointing. It is to be hoped that fundamental changes in policy will be introduced without further delay, notably decisive actions in the fiscal area. As a strong up-front effort is required, the authorities should: (a) implement the recommendations of the recently completed study of the petroleum sector aimed at increasing the Government's share of revenue from oil exports, including centralizing petroleum receipts at the Treasury and conducting regular audits of the petroleum companies; (b) strengthen customs collections by intensifying efforts to sharply reduce import tariff exemptions and to improve supervision and surveillance of imports; (c) curtail substantially the government wage bill by retiring all employees who have reached the mandatory age limit, dropping from the employment rolls workers with unknown assignments, curbing the number of temporary workers, and cutting wage and salary levels, as well as scaling down nonwage benefits; (d) apply strict controls on government consumption of public utilities and transportation; (e) define clearly the nature of, and seek to eliminate, extrabudgetary outlays; and (f) defer low-priority capital spending. Effective budgetary monitoring and control procedures should also be introduced soon. Moreover, the authorities should cooperate with their partners to ensure the timely implementation of the UDEAC-wide reforms, which are important for strengthening the tax systems of all UDEAC member countries.

To complement such a fiscal policy stance, the authorities will need to continue to pursue prudent monetary and credit policies. In view of the behavior of money demand and capital movements in 1992, this would be particularly important for the near term and should include keeping Gabon's interest rates significantly positive in real terms.

As to structural measures, the long-awaited new program contracts with the public enterprises should be concluded, and the enterprises should be given the authority needed to implement remedial actions, including relevant staffing and possibly wage reductions. Moreover, the authorities are advised to avail themselves of World Bank and other donor support in order to accelerate public enterprise reform.

As Gabon's oil exports are projected to rise only slowly over the medium term, it is particularly important that other exports regain momentum. In this context, and given the intended reliance on internal adjustment to improve Gabon's external competitiveness in non-oil sector activities, the authorities should act promptly to reform the wage system; curtail excessive employment, particularly at the supervisory level; and lower Gabon's very high public utility charges. Although a restoration of financial discipline would help support the external current account position, the authorities should be aware that a sustained adjustment effort would also be required to encourage adequate private capital inflows.

It is proposed that the next Article IV consultation with Gabon be held on the standard 12-month cycle.

Gabon - Relations with the Fund

(As of December 31, 1992)

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

A. Financial Relations

II.	<u>General Resources Account:</u>	<u>SDR million</u>	<u>% Quota</u>
	Quota	110.3	100.0
	Fund holdings of currency	168.8	153.0
	Reserve position in Fund	0.05	--
III.	<u>SDR Department:</u>	<u>SDR million</u>	<u>% Allocation</u>
	Net cumulative allocation	14.09	100.0
	Holdings	0.08	0.5
IV.	<u>Outstanding Purchases and Loans:</u>		
	Stand-by arrangements	58.55	53.1
V.	<u>Financial Arrangements:</u>		

	<u>Overdue</u>	<u>Forthcoming</u>				
		<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Principal	--	25.7	15.6	13.0	3.8	0.5
Charges/interest	--	<u>4.5</u>	<u>3.1</u>	<u>2.0</u>	<u>1.2</u>	<u>0.8</u>
Total	--	30.2	18.7	15.0	4.9	1.3

Gabon - Relations with the Fund (concluded)

B. Nonfinancial Relations

VII. Exchange Rate Arrangement:

Gabon's currency is the CFA franc, which is pegged to the French franc at the fixed rate of CFAF 50 = F 1.

VIII. Article IV Consultations:

- a) Consultations with Gabon are on the standard 12-month cycle.
- b) Consultation discussions were held during October 16-27, 1990 in Libreville and April 28-May 1, 1991 in Washington (EBS/91/160), and the consultation was concluded by the Executive Board on September 30, 1991 (EBM/91/136).

IX. Technical Assistance:

<u>Subject</u>	<u>Department</u>	<u>Staff member</u>	<u>Date</u>
1) Money and banking (BEAC headquarters)	STA	Mr. G. Raymond	April 1991
2) Money and banking (BEAC headquarters)	STA	Mr. G. Raymond	March 1988
3) Money and banking (BEAC headquarters)	STA	Mr. T. Luu	March 1987

X. Resident Representative:

None.



Gabon - Relations with the World Bank Group

In the wake of the 1985-86 oil price collapse, the World Bank began discussions with the Government on a policy reform program. In light of the severity of Gabon's economic and financial crisis and the sizable decline in per capita income, the World Bank decided that Gabon had again become eligible for borrowing. Subsequently, in 1987 SAL I was appraised and became effective in April 1988, totaling US\$50 million. Its purpose was to support the Government's reform program which was designed to: reinforce public sector resource management; rationalize the performance of public enterprises; liberalize the incentive regime in favor of private, non-oil activities; and reformulate sectoral policies. The implementation of the structural adjustment program proceeded satisfactorily and the conditions for releasing the second tranche were fully met by December 1989. During the same year, the Bank approved a US\$30 million loan for road maintenance and a US\$5 million loan for a technical assistance project, with a focus on economic training. In June 1992, the Bank approved a Forestry/Environment loan for US\$20 million.

The IFC is currently engaged in Gabon with three projects, totaling US\$200 million, all of which show above average performance. By far the biggest project (US\$170 million) involves the development of the on-shore Rabi oil field in a joint venture with Shell Gabon and Elf Gabon. The two other projects concern the construction of a mineral port and improved handling facilities for manganese exports, and the installation of a medium-sized veneer plant.

No loans are expected to be presented to the Board during FY-93.

Table 1. Gabon: Selected Economic and Financial Indicators, 1989-92

	1989	1990	1991		1992	
			Prog.	Est.	Prog.	Est.
(Annual change in percent)						
Production and prices						
GDP at constant prices	7.0	4.0	3.8	6.3	1.7	0.5
Of which: non-oil GDP	(-0.9)	(-4.3)	(3.4)	(3.5)	(2.5)	(0.4)
GDP deflator	10.1	6.9	-2.1	-3.5	2.0	1.6
GDP at current prices	17.8	11.2	1.6	2.6	3.5	2.1
Of which: non-oil GDP	(2.4)	(1.3)	(5.8)	(5.5)	(5.5)	(2.2)
Consumer prices (low income)	6.6	6.0	3.0	1.9	2.0	-12.6 1/
External sector						
Exports, f.o.b.	33.3	30.2	-3.5	-6.2	1.7	-3.2
Of which: oil	(46.6)	(44.5)	(-6.2)	(-4.8)	(-2.2)	(-3.5)
Imports, f.o.b.	1.6	-12.3	5.2	12.4	3.0	-2.6
Export volume	25.0	18.5	5.1	5.4	0.9	0.5
Import volume	-4.4	-6.3	-5.6	6.1	-0.6	4.0
Terms of trade						
(deterioration -)	2.3	20.3	-16.9	-16.7	-3.4	2.2
Nominal effective						
exchange rate	9.3	24.6	...	6.1	...	11.1 1/
Real effective						
exchange rate	1.6	8.3	...	-3.8	...	-11.2 1/
Central government finances						
Total revenue	4.9	44.0	16.5	13.4	-8.3	-13.9
Oil revenue	-8.7	114.3	33.8	22.6	2.6	0.8
Non-oil revenue	10.5	-6.7	5.9	11.2	5.5	-6.6
Total expenditure	-3.8	18.6	-4.3	-0.8	-2.1	-5.2
(Annual change in percent of beginning-of-period money stock)						
Money and credit						
Net domestic assets	-6.8	-16.0	2.4	2.2	2.5	3.1 1/
Domestic credit	-7.2	-21.0	5.3	4.0	3.3	4.2 1/
Net claims on the						
Government	-8.7	-21.0	0.7	-0.6	-1.1	9.2 1/
Credit to the economy	1.6	--	4.6	4.6	4.3	-5.0 1/
Money and quasi-money	1.6	5.9	3.5	7.1	4.0	-11.6 1/
Money velocity	3.8	3.6	3.0	3.6	3.1	4.1 1/
Deposit rate (passbook savings;						
percent p.a.)	8.8	8.8	...	8.8	...	8.8
(In percent of GDP)						
Consumption	62.0	57.6	64.4	60.1	64.8	62.0
Gross fixed investment	32.5	24.7	19.0	26.5	19.4	25.3
Domestic savings	38.0	42.4	35.6	39.8	35.2	38.0
Central government finances						
Overall balance						
Payment order basis	-7.5	-3.6	1.9	-0.1	1.5	-2.4
Cash basis	-4.5	1.2	-5.6	5.0	1.1	4.1
Domestic bank						
financing	-0.6	-3.7	-1.3	-1.8	-0.6	-1.2
Net external financing						
(including debt relief)	5.0	2.5	...	-3.3	...	-4.2
External current account						
balance	-4.5	3.9	4.1	2.0	3.0	1.8
External debt						
(including the Fund)	58.0 2/	53.6 2/	72.9	54.8 2/	73.9	54.6 2/
Gross official reserves						
(in months of imports)	0.4	3.0	2.9	3.5	3.2	1.8
(In percent of exports of goods and services)						
External debt service						
Before debt relief	23.1	19.9	21.4	22.5	20.7	23.6
After debt relief	8.5	9.7	...	22.5	...	23.6
(In millions of SDRs)						
Overall balance of payments	-291.8	-180.6	-120.2	-155.5	-129.3	-332.0
Gross official reserves	30.1	198.3	195.8	255.2	217.8	123.7

Sources: EBS/91/160; data provided by the Gabonese authorities; and staff estimates.

<sup>1/</sup> Through September 1992.<sup>2/</sup> Based on revised data for the stock of debt.

Table 2. Gabon: Selected Aggregates for Government Finances, Money and Credit, and the Balance of Payments, 1989-93

	1989	1990	1991		1992		1993
			Prog.	Est.	Prog.	Est.	Budget
<u>Central government financial operations</u> (In billions of CFA francs)							
Total revenue and grants	258.6	372.5	434.0	422.5	398.0	364.0	350.2
Of which: oil revenue	(68.0)	(145.7)	(195.0)	(178.6)	(200.0)	(180.0)	(162.0)
non-oil revenue	(184.6)	(172.3)	(182.4)	(191.6)	(192.5)	(179.0)	(178.2)
Total expenditure and net lending	360.1	427.0	408.6	423.7	377.5	401.6	419.6
Of which: wages and salaries	(104.3)	(120.6)	(127.0)	(127.1)	(129.0)	(138.4)	(140.0)
other goods and services	(80.9)	(96.6)	(78.0)	(85.4)	(74.0)	(77.9)	(78.5)
external interest	(56.8)	(68.4)	(65.8)	(65.4)	(67.8)	(75.6)	(67.1)
capital expenditure	(68.6)	(67.3)	(77.0)	(79.8)	(74.0)	(72.0)	(85.0)
extrabudgetary	(12.9)	(36.8)	(26.1)	(28.6)	(3.0)	(5.5)	(21.0)
Overall balance (payment order basis)	-101.5	-54.5	25.4	-1.3	20.5	-37.6	-69.4
External arrears	33.8	53.9	-87.7	85.0	--	80.6	--
Domestic arrears	7.7	18.9	-10.6	-6.5	-5.0	21.1	--
Overall balance (cash basis)	-60.0	18.3	-72.9	77.3	15.5	64.1	-69.4
External financing (net)	67.5	37.6	-59.7	-50.2	-59.2	-66.0	-63.1
Of which: amortization	(-78.2)	(-79.1)	(-84.7)	(-93.4)	(-84.8)	(-84.0)	(-90.1)
rescheduling	(89.8)	(81.5)	(...)	(--)	(...)	(--)	(--)
Domestic financing (net)	-7.5	-55.8	-7.0	-27.0	-19.2	1.9	-29.4
Of which: banking system	(-6.3)	(-51.7)	(-17.5)	(-8.9)	(-20.7)	(20.3)	(-11.4)
Financing gap	--	--	139.6	--	62.9	--	161.9
<u>Memorandum items:</u> (In percent)							
Total revenue/GDP	19.2	24.9	33.2	27.6	29.4	23.3	21.3
Total expenditure/GDP	26.8	28.6	31.3	27.6	27.9	25.7	25.5
Balance/GDP (payment order basis)	-7.5	-3.6	1.9	-0.1	1.5	-2.4	-4.2
<u>Money and credit</u> (In billions of CFA francs; end of period)							
Net foreign assets	-9.8	45.5	48.6	58.6	52.6	16.6	1/ ...
Net domestic assets	262.3	222.0	228.3	227.9	235.3	236.8	1/ ...
Of which: credit to Central Government	(139.5)	(87.8)	(87.8)	(79.0)	(84.8)	(99.3)	1/ (...)
credit to the economy	(287.5)	(287.5)	(299.3)	(299.9)	(311.3)	(285.6)	1/ (...)
Broad money	252.5	267.5	276.9	286.6	287.9	253.4	1/ ...
<u>Memorandum item:</u>							
Velocity 2/	3.8	3.6	3.0	3.6	3.1	4.1	1/ ...

Table 2 (concluded). Gabon: Selected Aggregates for Government Finances, Money and Credit, and the Balance of Payments, 1989-93

	1989	1990	1991		1992	
			Prog.	Est.	Prog.	Est.
<u>Balance of payments</u>						
	(In billions of CFA francs)					
Current account	-61.0	58.3	53.0	30.3	40.8	27.9
Of which: exports, f.o.b.	519.0	675.7	651.0	634.0	662.1	613.5
Of which: oil	(375.6)	(542.9)	(509.9)	(517.0)	(499.0)	(499.0)
imports, f.o.b.	-239.8	-210.2	-220.0	-236.2	-226.6	-230.0
services (net)	-300.1	-370.6	-332.0	-333.7	-347.0	-323.1
Of which: interest on the public debt	(-65.8)	(-68.4)	(-72.9)	(-65.4)	(-73.9)	(-75.6)
Capital account	-66.0	-119.7	-101.7	-90.2	-93.4	-152.0
Of which: amortization	(-76.7)	(-79.1)	(-84.7)	(-93.4)	(-80.7)	(-84.0)
short-term	(-62.9)	(-56.0)	(9.3)	(19.8)	(-2.8)	(-40.1)
Overall balance	-119.3	-66.7	-48.8	-60.0	-52.6	-124.1
Debt relief	89.8	76.3	...	--	...	--
Arrears	33.8	53.9	-87.7	85.0	--	80.6
Financing gap	--	--	139.6	--	62.9	--
<u>Memorandum items:</u>						
Average petroleum export price (US\$ per barrel)	16.3	21.0	18.3	17.8	18.1	17.5
Exchange rate CFAF/US\$ (average)	319.0	272.3	280.0	282.0	280.0	264.1
	(In percent)					
Current account/GDP	-4.5	3.9	4.1	2.0	3.0	1.8
Debt service ratio:						
Before debt relief	23.1	19.9	21.4	22.5	20.7	23.6
After debt relief	8.5	9.7	...	22.5	...	23.6

Sources: EBS/91/160; data provided by the Gabonese authorities; and staff estimates.

1/ Through September 1992.

2/ Nominal non-oil GDP/broad money at end of period.

Table 3. Gabon: Illustrative Medium-Term Scenario, 1993-97

	1992 Est.	1993	1994	1995 Scenario	1996	1997
<u>National accounts</u>						
	(Percentage change)					
Real GDP	3 1/2	1	2	3	3	3
Oil	6 1/2	--	--	--	--	--
Non-oil	2 1/2	1	3	4	4	4
GDP deflator	-1 1/2	2	3	4	4	4
Nominal GDP (billions of CFAF)	1,565 1/2	1,603	1,686	1,795	1,912	2,038
<u>Central government financial operations</u>						
	(In billions of CFA francs)					
Revenue and grants	364	428	436	466	494	516
Of which: oil revenue	(180)	(216)	(216)	(228)	(243)	(251)
Expenditure and net lending	402	360	382	378	386	391
Of which: wages and salaries	(138)	(118)	(124)	(128)	(134)	(138)
other goods and services	(78)	(68)	(70)	(71)	(73)	(75)
external interest	(76)	(79)	(80)	(71)	(64)	(59)
capital	(72)	(60)	(78)	(82)	(90)	(96)
extrabudgetary	(6)	(3)	(--)	(--)	(--)	(--)
Primary balance (excluding grants)	32	143	129	154	167	179
Overall balance (excluding grants)	-43	64	49	83	103	120
Change in arrears	102	-269	-16	-16	--	--
Overall balance excluding grants (cash)	59	-206	33	67	103	120
Financing	-59	206	-33	-67	-103	-120
Grants	5	5	5	5	5	5
Project loans	18	15	25	25	25	25
Program loans	--	35	35	35	35	35
Amortization	-84	-90	-99	-122	-132	-141
Rescheduling	--	270	55	44	13	--
Domestic	2	-29	-29	-29	-29	-29
Repayment of deferrals	--	--	-25	-25	-20	-15
	(In percent of GDP)					
Revenue and grants	23	27	26	26	26	25
Of which: oil revenue	(12)	(13)	(13)	(13)	(13)	(12)
Expenditure and net lending	26	22	23	21	20	19
Of which: wages and salaries	(9)	(7)	(7)	(7)	(7)	(7)
other goods and services	(5)	(4)	(4)	(4)	(4)	(4)
external interest	(5)	(5)	(5)	(4)	(3)	(3)
capital	(5)	(4)	(5)	(5)	(5)	(5)
extrabudgetary	--	--	--	--	--	--
Primary balance (excluding grants)	2	9	8	9	9	9
Overall balance (excluding grants)	-3	4	3	5	5	6
Change in arrears	6	-17	-1	-1	--	--
Overall balance excluding grants (cash)	4	-13	2	4	5	6
External financing	-4	15	1	-1	-3	-4
<u>Balance of payments</u>						
	(In billions of CFA francs)					
Current account	28	-2	-4	19	37	48
Exports	613	613	638	673	713	755
Imports	-230	-246	-264	-282	-302	-323
Services (net)	-323	-334	-344	-339	-340	-349
Transfers	-32	-34	-34	-34	-34	-35
Capital account	-152	-14	-49	-59	-46	-40
Public sector	-66	-40	-64	-87	-92	-96
Private sector and short-term	-86	26	15	27	45	56

Table 3 (concluded). Gabon: Illustrative Medium-Term Scenario, 1993-97

	1992 Est.	1993	1994	1995	1996	1997
		Scenario				
		(In percent)				
Current account/GDP	2	--	--	1	2	2
External debt/GDP	55	52	49	43	37	30
Debt service/Exports of goods and services	24	25	29	29	27	26
Gross official reserves (billions of CFAF)	46	38	35	33	35	43
Outstanding external debt (billions of CFAF)	854	831	822	779	700	604
<u>Key assumptions:</u>						
CFAF/US\$ (average)	264	253	259	265	271	277
Oil exports (billions of CFAF)	499	482	497	521	547	574
Volume (millions of tons)	15	15	15	15	15	15
Price (US\$ per barrel)	18	18	18	19	19	20
Export unit value (change in percent)	-3	--	4	4	5	5
Import unit value (change in percent)	4	4	4	4	4	4

Sources: Data provided by the Gabonese authorities; and staff estimates and projections.

1/ Estimates available at the time of the discussion of the scenario with the authorities.

GABON - Basic Data

Area and population

Area	267,700 square kilometers
Agricultural land	19.2 percent of total
Population	
Total (1990 estimate)	1.14 million
Growth rate	2.8 percent
Density	4.0 per square kilometers

Population characteristics (1990)

Life expectancy at birth	53.4 years
Infant mortality rate (per 1,000)	97
Child death rate (under 5 years; per 1,000)	158
Urban population (percent of total)	45.7

Labor force (1990)

Total	0.54 million
Participation rate	42.1 percent
Of which: female	(30.9 percent)

Nutrition (1990)

Daily calorie supply (calories per person)	2,383
Daily protein supply (grams per person)	59
Prevalence of malnutrition (under 5 years; percent of age group)	25

Energy consumption (1990)

Per capita (kilograms of oil equivalent)	1,158
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GABON - Basic Data (continued)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u> Est.	<u>1992</u> Est.
<u>National accounts</u>					
	(In billions of CFA francs)				
GDP at constant (1988) prices	1,140.9	1,220.8	1,269.6	1,349.6	1,356.3
GDP at current prices	1,140.9	1,344.4	1,494.5	1,533.1	1,565.2
	(In percent of GDP)				
Consumption	72.2	62.0	57.6	60.1	62.0
Gross investment <u>1/</u>	37.5	32.3	25.6	28.4	26.6
Resource balance (gap -)	-9.7	5.7	16.8	11.4	11.4
<u>Prices</u>					
	(Percentage change from previous year)				
Index of consumer prices <u>2/</u>	-7.2	6.6	6.0	1.9	-12.6 <u>3/</u>
Export unit values	-12.5	8.7	12.5	-11.0	-3.5
Import unit values	2.2	6.3	-6.5	5.6	-6.4
Terms of trade	-16.3	2.3	20.3	-16.7	2.2
<u>Central government finance</u>					
	(In billions of CFA francs)				
Total revenue and grants	246.6	258.6	372.5	422.5	364.0
Total expenditure and net lending	374.5	360.1	427.0	423.7	401.6
Current	308.3	291.5	359.7	343.9	329.6
Capital	66.2	68.6	67.3	79.8	72.0
Overall balance (payment order basis)	-127.9	-101.5	-54.5	-1.3	-37.6
Change in arrears (reduction -)	3.6	41.5	72.8	78.5	101.7
Overall balance (cash basis)	-121.5	-60.0	18.3	77.3	64.1
Domestic financing	35.8	-7.5	-55.8	-27.0	1.9
External financing	85.7	67.5	37.6	-50.2	-66.0
Of which: debt relief	(102.0)	(89.8)	(81.5)	(--)	(--)
<u>Money and credit</u>					
Net foreign assets	-30.6	-9.8	45.5	58.6	16.6
Net domestic assets	279.3	262.3	222.0	227.9	236.8
Credit to the Government	136.6	114.9	62.0	60.4	86.7
Credit to the private sector	283.6	287.5	287.5	299.9	285.6
Other items (net)	105.1	-140.1	-127.5	-132.4	-135.5
Broad money	248.6	252.5	267.5	286.6	253.4

1/ Including change in stocks.

2/ Low-income basket in Libreville.

3/ September 1992.



GABON - Basic Data (concluded)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u> Est.	<u>1992</u> Est.
<u>(In millions of SDRs, unless otherwise indicated)</u>					
<u>Balance of payments</u>					
Trade balance	300.0	682.8	1,260.2	1,031.0	1,025.4
Exports, f.o.b.	889.0	1,269.3	1,829.2	1,643.4	1,640.4
Imports, f.o.b.	-590.0	-586.5	-569.0	-612.4	-615.0
Services (net)	-652.0	-733.9	-1,003.2	-865.0	-864.0
Of which: interest payments and IMF charges	(-142.0)	(-160.9)	(-185.2)	(-169.5)	(-202.2)
Unrequited transfers (net)	-107.0	-98.1	-99.1	-87.5	-86.8
Current account balance	-460.0	-149.2	157.8	78.4	74.6
Official capital	-42.0	-35.2	-118.8	-130.1	-176.5
Disbursements	160.0	152.4	95.3	112.0	48.1
Amortization	-202.0	-187.6	-214.1	-242.1	-224.6
Private capital (net)	257.0	27.6	-53.6	-155.2	-123.0
Overall balance	-257.0	-291.8	-180.6	-155.5	-332.0
Arrears (reduction -)	--	82.7	145.9	220.3	215.5
Fund credit (net)	60.0	-3.4	-7.0	-13.7	-6.2
Debt relief	255.0	219.6	206.6	--	--
Other net reserves	-57.0	-7.1	-164.9	-51.1	122.5
<u>Official external reserves (end-year)</u>					
Total (gross)	52.7	30.1	198.3	255.2	123.7
In months of imports, c.i.f.	1.1	0.4	3.0	3.5	1.8
<u>External debt</u>					
Public external debt outstanding <sup>1/</sup>	1,780.7	2,051.2	2,195.0	2,266.1	2,284.1
Of which: Fund credit	(98.7)	(102.7)	(98.5)	(84.3)	(78.1)
Debt service as percent of exports of goods and services (before debt relief)	32.5	23.1	19.9	22.5	23.6
<u>Exchange rate</u>					
CFAF per SDR (end of period)	407.7	380.3	364.8	370.5	374.0
CFAF per US\$ (end of period)	303.0	289.4	256.5	259.0	264.1

<sup>1/</sup> Revised data beginning 1989.

