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February 12, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Gabon - Staff Report for the 1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with Gabon. A draft decision appears on page 13.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Sidibé (ext. 8730) or Mr. Rajcoomar (ext. 8736).

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INTERNATIONAL MONETARY FUND

GABON

Staff Report for the 1984 Article IV Consultation

Prepared by the Staff Representatives for the
1984 Consultation with Gabon

Approved by G.E. Gondwe and W.A. Beveridge

February 11, 1985

I. Introduction

The 1984 Article IV consultation discussions with Gabon were held in Libreville during the period November 22-December 8, 1984. The Gabonese representatives included Mr. Jean-Pierre Lemboumba-Lepandou, Minister of Economy and Finance, Mr. Emmanuel Ondo-Méthogo, Advisor to the Minister of Economy and Finance, Mr. Eugène Capito, Treasurer-Paymaster General, Mr. Félix Mohessou, Financial Advisor at the Presidency, Mr. Casimir Oye Mba, Governor of the Bank of Central African States (BEAC), Mr. Jean-Edouard Sathoud, Vice Governor of the BEAC, Mr. Jean-Paul Leyimangoye, National Director of the BEAC, and other senior officials concerned with economic and financial matters. The staff representatives were Messrs. Sidibé (head), Cronquist, Dairi, and Rajcoomar, and Miss Casaromani (secretary), all from the African Department. Mr. Obame, Advisor to the Executive Director for Gabon, attended most of the meetings.

Gabon continues to avail itself of the transitional arrangements of Article XIV. A summary of Gabon's relations with the Fund is provided in Appendix I, and with the World Bank Group in Appendix II.

II. Recent Economic Developments

Gabon is a small oil-producing country with a population officially estimated at 1.2 million and a per capita income of about SDR 2,700 in 1984. Over the last five years crude oil output has fluctuated at around 8 to 9 million metric tons annually. The oil sector accounts for about 40 percent of GDP, more than 80 percent of export proceeds, and close to two thirds of budgetary revenue. As in other oil-producing countries, the major stimulus on demand comes from government spending.

The cautious fiscal policies implemented by the Government under the 1980-82 program, which was supported by an extended arrangement with the Fund, combined with favorable developments in the oil sector, helped strengthen Gabon's overall financial position (EBS/83/42, 2/24/1983). During this period budgetary surpluses were consistently registered and

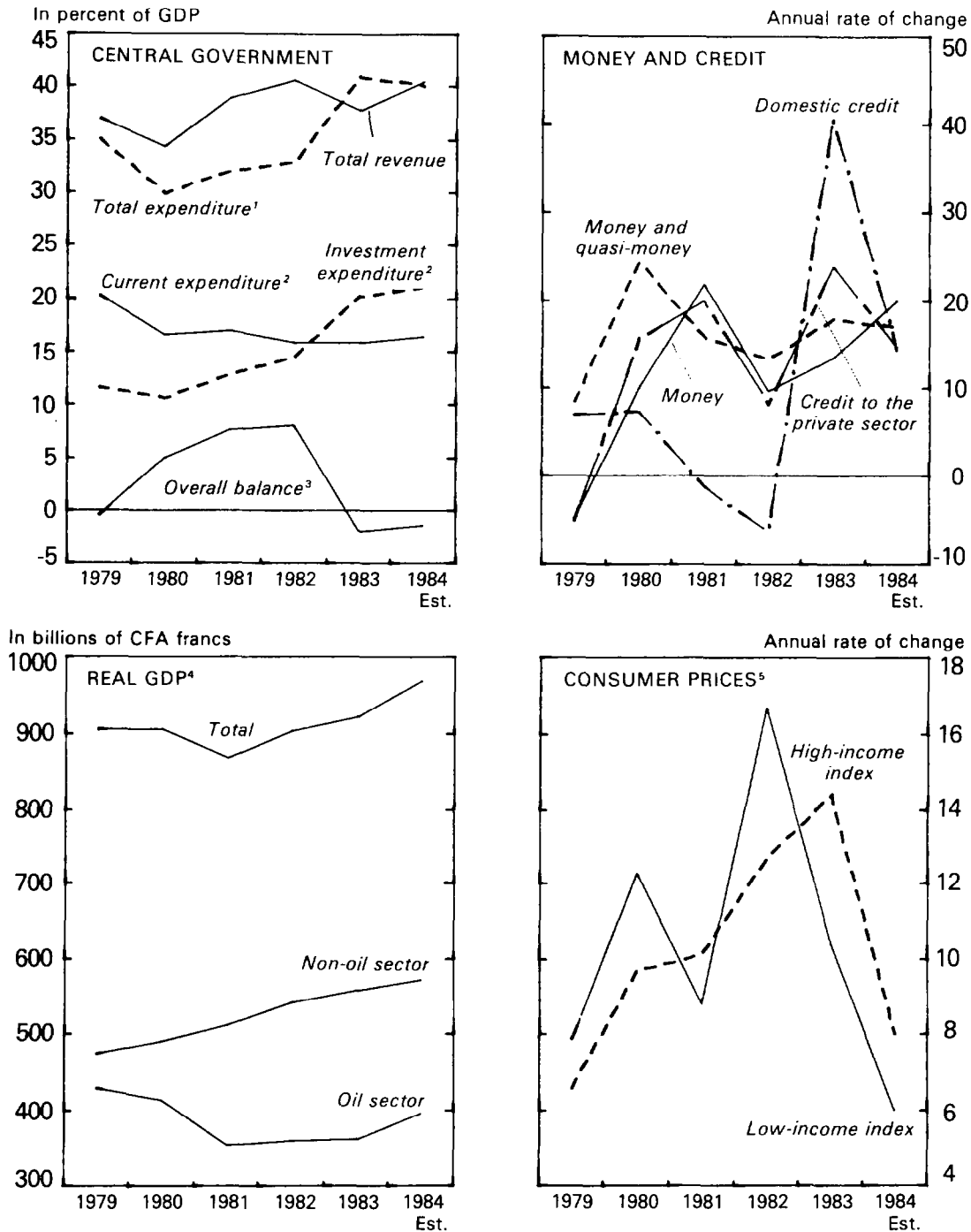
gross official reserves, which were depleted at the beginning of the program, reached a level equivalent to nearly four months of imports at the end of 1982. Moreover, the outstanding public and publicly guaranteed debt was reduced from about 50 percent of GDP in 1979 to 25 percent in 1982 (Charts 1 and 2, and Table 1). However, economic growth fell short of expectations, and, with investment outlays largely concentrated on infrastructure (notably the Trans-Gabon railway), progress in the structural diversification of the economy away from oil was slow.

In 1983 Gabon's overall economic and financial situation weakened considerably, reflecting unfavorable developments in the oil sector and the relaxation of fiscal policy. Crude oil production rose by less than 1 percent and, therefore, in spite of the relatively rapid expansion in construction and public works, and services and trade, which were stimulated by the sharp increase in public sector spending, the growth of real GDP was halved to 2 percent in 1983. As the impact on budgetary revenues of the significant softening of world oil prices was cushioned by the depreciation of the CFA franc, the level of petroleum revenue was maintained. The growth rate of non-oil revenue slowed down considerably, reflecting the reduced level of economic activity and discretionary tax changes, including a reduction in employers' payroll tax and the elimination of the timber export tax. As a result, total budgetary revenue rose by only 3 percent in 1983, compared with more than 18 percent in 1982. Meanwhile, budgetary expenditure expanded by 32 percent, or more than twice the previous year's rate of growth, owing largely to a doubling in the rate of expansion of capital outlays (Appendix III, Table I). Although a number of infrastructure projects were postponed, investment budget expenditure increased by more than 55 percent. This rapid expansion was attributable to substantially larger outlays for administrative and defense equipment, and to the decision to accelerate the construction of the Trans-Gabon railway with a view to meeting the completion target date of July 1987. Current outlays grew by 11 percent while extrabudgetary outlays more than doubled. Taking into account the significantly larger net accumulation of arrears, the Treasury operations registered an overall deficit of CFAF 26.9 billion (2 percent of GDP), compared with a surplus of CFAF 95.6 billion (8 percent of GDP) in 1982. The Treasury met its financing requirements through a twofold increase in foreign borrowing, a drawdown in Treasury deposits with the central bank (BEAC), and substantial borrowing from commercial banks. Reflecting this and a rapid increase in credit to the private sector, domestic credit, which had declined in 1982, expanded by about 41 percent in 1983, and broad money supply rose by about 18 percent (Appendix III, Table II). As measured by the high-income consumer price index in the capital city, the inflation rate increased moderately to 14 percent.

The softening of world oil prices in 1983 resulted in a decline in the value of total exports of about 4.4 percent in terms of SDRs; in terms of domestic currency, however, exports rose by 7.4 percent (Appendix III, Table III). As payments for imports and net services in domestic currency rose rapidly, due largely to the continued increase

CHART 1
GABON

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 1979-84



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

¹Includes extrabudgetary expenditure.

²Excludes extrabudgetary expenditure.

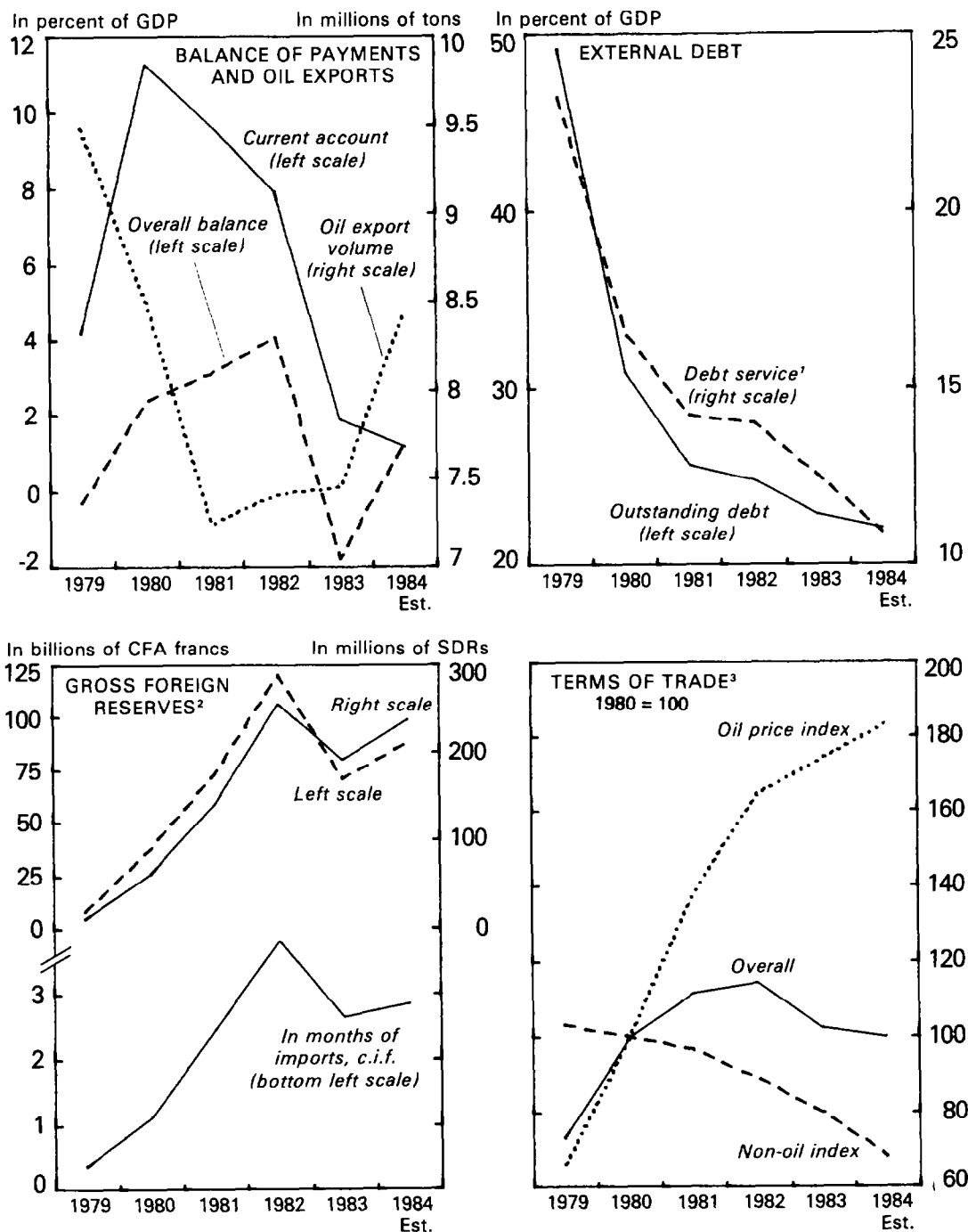
³On a cash basis.

⁴Estimated; at 1980 prices.

⁵Period averages.



CHART 2
GABON
SELECTED EXTERNAL SECTOR INDICATORS, 1979-84



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

¹As a ratio of exports of goods and nonfactor services.

²End of period.

³In terms of domestic currency.

Table 1. Gabon: Selected Economic Indicators, 1979-84

	1979	1980	1981	1982	1983	1984 Est.
Gross domestic product (at constant 1980 prices)						
Total (in billions of CFA francs)	904.0	904.5	868.3	903.6	921.7	968.7
Oil sector (in percent of total)	47.5	45.6	40.9	40.0	39.4	40.9
Non-oil sector (in percent of total)	52.5	54.4	59.1	60.0	60.6	59.1
Annual real rate of growth (in percent)	-0.7	--	-4.0	4.1	2.0	5.1
GDP at current market prices (in billions of CFA francs)	644.6	904.5	1,049.6	1,188.9	1,320.0	1,455.6
Investment as percent of GDP (at current market prices)	31.5	26.7	33.1	32.3	34.8	34.8
Consumer prices in Libreville (Percent change; period averages)						
Low-income households	7.9	12.3	8.8	16.7	10.4	6.0
High-income households	6.6	9.7	10.1	12.7	14.4	8.0
Government finance (In billions of CFA francs)						
Total revenue	237.9	310.2	408.5	482.7	497.0	589.2
Oil receipts (in percent of total)	54.6	60.4	66.5	64.3	62.7	65.3
Other (in percent of total)	45.4	39.6	33.5	35.7	37.3	34.7
Total expenditure	225.0	270.2	335.7	389.5	539.9	584.1
Current budgetary expenditure (in percent of total)	57.9	55.5	53.0	48.6	39.0	40.9
Capital budgetary expenditure (in percent of total)	33.3	35.6	40.1	44.1	49.4	52.2
Other expenditure (in percent of total)	8.8	8.9	6.9	7.3	11.6	6.9
Overall surplus or deficit (-) (commitment basis)	12.9	40.0	72.8	93.2	-42.9	5.1
As percent of GDP	2.0	4.4	6.9	7.8	-3.3	0.4
Domestic financing (as a percentage of overall surplus or deficit)	415.4	-25.3	-48.9	-57.0	136.4	2.4
Foreign financing (as a percentage of overall surplus or deficit)	-315.4	-74.7	-51.1	-43.0	-36.4	97.6
Money and credit (end of period) (Percent change)						
Domestic credit	7.0	7.4	-1.2	-6.3	40.7	14.3
Of which: credit to the private sector	(-5.1)	(15.7)	(19.9)	(8.2)	(23.8)	(14.7)
Change in net credit to the Government as percent of broad money stock at beginning of period	28.2	-5.1	-19.9	-15.2	13.0	-1.5
Money and quasi-money	8.5	24.3	15.8	13.3	17.9	16.9
Balance of payments (In millions of SDRs)						
Exports, f.o.b.	1,391	1,945	1,866	1,957	1,871	1,963
Of which: oil	(933)	(1,503)	(1,514)	(1,632)	(1,545)	(1,679)
Imports, f.o.b.	-473	-636	-713	-655	-679	-735
Trade balance	918	1,309	1,153	1,302	1,192	1,228
Services (net)	-696	-817	-755	-968	-1,041	-1,107
Unrequited transfers (net)	-89	-95	-55	-54	-84	-76
Current account balance (including official transfers)	133	396	342	280	67	46
Capital account (net) 1/	-139	-318	-242	-147	-126	-4
Overall balance (deficit -)	-6	78	100	133	-59	42
(Percentage of GDP)						
Current account balance (excluding official transfers)	4.2	11.3	9.7	7.9	1.9	1.2
Current account balance (including official transfers)	5.7	12.0	10.4	8.5	2.1	1.4
Overall balance (deficit -)	-0.3	2.4	3.1	4.1	-1.8	1.3
Gross official foreign reserves (In millions of SDRs)						
Total	20.7	90.1	174.8	287.6	169.0	211.0
In months of imports, c.i.f.	0.37	1.13	2.46	3.83	2.65	2.85
Public external debt (end of period)						
External public debt	1,123	894	731	667	569	579
Government-guaranteed debt	74	73	73	128	118	103
Total	1,197	967	804	795	687	682
As percent of GDP	49.2	30.8	25.6	24.8	22.8	22.0
Debt service (as percent of exports of goods and nonfactor services)	23.2	16.6	14.2	14.0	12.5	10.9

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

1/ Including errors and omissions.

in operating and exploration expenditures in the petroleum sector, the external current account surplus (excluding official transfers) declined to the equivalent of 1.9 percent of GDP, compared with 7.9 percent in 1982 and an annual average of 10 percent during 1980-82. Moreover, the capital account deteriorated significantly, owing mainly to the combined effects of a lower amount of public long-term borrowing and larger amortization payments. Therefore, for the first time since 1979, the balance of payments registered an overall deficit of CFAF 24 billion (SDR 59 million) in 1983, compared with a surplus of CFAF 48 billion in 1982.

The significant increase in oil output and the return to a less expansionary fiscal policy helped improve Gabon's economic and financial performance in 1984. Following the coming on stream of a new oil field, crude oil production rose by 12.6 percent to 8.8 million metric tons. As a result, real GDP growth is estimated to have accelerated to about 5 percent in 1984. Reflecting the continued depreciation of the CFA franc, oil prices in domestic currency remained favorable and petroleum revenue rose by 23 percent, leading to an estimated 19 percent increase in budgetary revenue. At the same time, the growth of budgetary expenditure was reduced by more than half to 14 percent, due to the marked slowdown in investment budget outlays. This was attributable to the significant reduction in spending for administrative and defense equipment, and for road infrastructure. Outlays for the railway continued to expand and accounted for 43 percent of total investment spending in 1984, compared with 32 percent in 1983. Consequently, notwithstanding the continued rapid increase in current outlays, government operations resulted in a Treasury deficit of CFAF 21 billion, about 22 percent below that of 1983. The Treasury's financing requirements were met almost entirely through net foreign borrowing.

In 1984 net claims of the banking system on the Government declined, as the recourse to commercial bank borrowing was more than offset by the improvement in the Treasury's creditor position with the central bank. The growth of credit to the private sector also decelerated and domestic credit expansion fell to 14 percent from about 41 percent in 1983. With the considerable improvement in the external position, broad money is estimated to grow by 17 percent, a rate marginally lower than that of 1983. The inflation rate dropped to 8 percent in 1984. As a price freeze has been in effect since February 1, 1984, however, the underlying inflation rate was probably significantly higher.

Gabon's overall external position improved significantly in 1984. The volume of crude oil exports, which stagnated in 1983, rose by more than 13 percent in 1984. Reflecting the continued depreciation of the CFA franc, the realized oil export price increased by 5 percent in terms of CFA francs. Therefore, oil export receipts grew by 19 percent, resulting in a 15 percent increase in total exports. In 1984 oil exports, at CFAF 751.6 billion, represented close to 86 percent of total export receipts. Imports and net services rose by about 18 percent, compared with 19 percent in 1983, owing largely to the sustained rapid pace of

execution of the railway project, which is highly import-intensive, and the higher level of service payments associated with the oil companies' operations. Therefore, the external current account surplus declined by about one third to CFAF 17.1 billion (SDR 38.1 million); in terms of GDP, it declined from 1.9 percent in 1983 to 1.2 percent in 1984. However, the capital account improved substantially, reflecting primarily a turnaround in the public sector capital account which, for the first time since 1978, became significantly positive. This was attributable to a more than doubling in long-term borrowing by the public sector to CFAF 90 billion. As a result, the balance of payments registered an overall surplus of CFAF 19 billion (SDR 42.4 million), as against a deficit of CFAF 24 billion in 1983. As of end-1984 gross official reserves were equivalent to 2.8 months of projected 1985 imports, c.i.f., compared with 3.8 months as of end-1982.

Reflecting the cautious external borrowing policy followed in 1980-83, Gabon's outstanding public and publicly guaranteed debt declined from CFAF 317 billion at end-1979 to CFAF 300 billion at end-1983, or from the equivalent of 49.2 percent of GDP to 22.8 percent. In terms of SDRs it declined from SDR 1.2 billion at end-1979 to SDR 688 million at end-1983. In 1984 although outstanding debt increased to CFAF 321 billion, in terms of SDRs it declined further to SDR 682 million. The debt service ratio fell from 23.2 percent of exports of goods and nonfactor services in 1979 to 12.5 percent in 1983 and 10.9 percent in 1984. Private sector external debt service, largely on account of oil sector borrowing, which had declined from 5.0 percent in 1979 to 3.6 percent in 1981, rose steadily to 6.8 percent in 1984.

Gabon continues to maintain an exchange system that is free of restrictions on payments and transfers for current international transactions. Gabon's currency, the CFA franc, is pegged to the French franc, the intervention currency, at the rate of CFAF 1 = F 0.02. The trade-weighted nominal effective exchange rate depreciated by 6.4 percent (on a cumulative basis) between 1980 and 1982, and by a further 2.4 percent during 1983-84; in real terms, the trade-weighted effective exchange rate depreciated by 5.9 percent between 1980 and 1982, and by 2.3 percent during 1983-84. Over the period 1980-84, the CFA franc depreciated by about 52 percent against the U.S. dollar, and by 39 percent against the SDR (Chart 3).

III. Economic Prospects and Policies

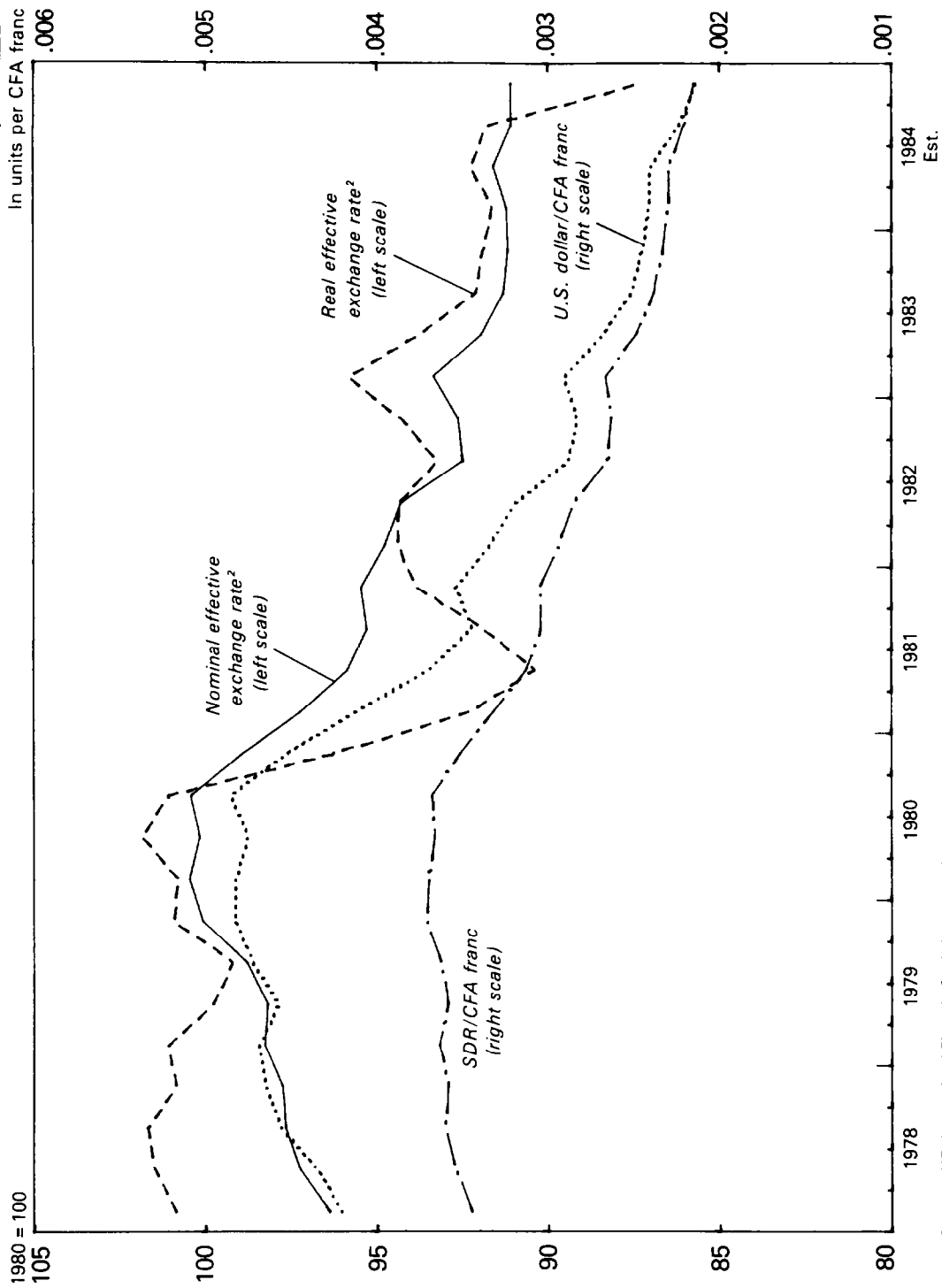
The medium-term economic and financial policies of the Gabonese authorities are embodied in the Five-Year Development Plan (1984-88) which has been approved recently. The development policy continues to emphasize a liberal and open economy, and the promotion of regional cooperation. Resources from the oil sector are to be used in such a way as to ensure a relatively rapid and sustained economic growth. To that end, the development strategy remains essentially geared toward the diversification of the economic base and improved social welfare. The plan

also aims at the continued improvement of the government financial situation, viz. by covering current budgetary spending with non-oil receipts, building up Treasury reserves, and further reducing foreign indebtedness. The sectoral allocation of investment will accord priority to agriculture, forestry, fishing, and manufacturing, especially agro-industries. Regarding the latter sector, great emphasis will be placed on improving the competitiveness of Gabonese enterprises with a view to increasing their share of the domestic market and facilitating exports. Efforts will also be made to promote small- and medium-sized enterprises. The educational system will be reformed so as to improve the domestic supply of skilled manpower. Investments in infrastructure are to be allocated primarily to the completion of the second leg of the Trans-Gabon railway (Booué-Franceville), the rehabilitation and maintenance of the existing road network, and the improvement of the main North-South road artery.

The plan provides for total public investments of CFAF 1,238 billion (at 1983 prices), or an average annual amount of CFAF 248 billion, compared with CFAF 267 billion in 1983. Of the total volume of investments, 50 percent is allocated to infrastructure, 19 percent to non-oil directly productive sectors, and 28 percent to social and administrative infrastructure. Investment spending for the construction of the railway, which represents 29 percent of total investments under the plan, will decline gradually from 43 percent in 1984 to 9 percent in 1988, while the share devoted to road infrastructure will increase from 11 percent to 22 percent. Meanwhile, investments in agriculture are to increase from 8 percent to 14 percent, while those allocated to manufacturing will not exceed 1 percent of the total outlays planned for 1984-88. As foreseen by the plan, the implementation of these investments should help achieve an annual real growth rate of about 2 percent in the non-oil sector, while oil GDP is anticipated to decline at an annual real rate of 4 percent. Consequently, during the plan period total GDP is expected to stagnate in real terms.

In its preliminary assessment, the World Bank staff indicates that the strategy of the plan broadly addresses the need for the development of the non-oil economy as it recognizes that higher priority than in the past should be given to investments in the productive sectors and in education. The allocations to physical infrastructure are, however, still close to half of total planned investments. Because of the existing constraints--smallness of the domestic market, shortage of skills, and the high cost of labor--the speed of development of the productive sectors is likely to be slow. In view of this, the plan projections are probably optimistic for sectors such as agriculture and manufacturing industries, although the forecasts for GDP appear on the whole reasonable. Concerning the financial aspects, the World Bank staff's view is that the financial strategy of the plan is sound and well-justified. In particular, they agree with the basic premise that at mid-term the country will enter a period of long-term decline in oil revenue and endorse the plan's proposal to substantially moderate the past expansionary trends of government current expenditures.

CHART 3
GABON
MOVEMENTS OF THE EXCHANGE RATE AGAINST SELECTED CURRENCIES, 1978-84¹



Sources: IMF, *International Financial Statistics*; and staff calculations.

¹Decline in index denotes depreciation of CFA franc.

²Trade-weighted.



The availability of resources for the financing of the plan remains closely linked to prospects for oil production, world market conditions, and exchange rate movements, as well as to the authorities' fiscal policy stance. Since 1975-77, when crude oil output reached an annual level of 11.3 million tons, production has declined steadily to an average of 7.8 million tons during 1981-83. Following the coming on stream of a new oil field, crude oil output rose by 12.6 percent to 8.8 million tons in 1984. On the basis of currently proven reserves, production is expected to decline steadily to about 7.1 million tons in 1988. Given this, and assuming unchanged policies, two budgetary and balance of payments scenarios for the remaining period of the plan were examined based on alternative oil price assumptions (Charts 4 and 5, and Appendix III, Tables IV and V). Under the first scenario, the world market price for crude oil is assumed to remain unchanged at US\$29 per barrel. The second scenario assumes that the crude oil price would increase at an annual rate of about 5 percent during the last three years (1986-88) of the plan. This exercise suggests that even under the more optimistic scenario, the stated objective of further improving the government financial situation is unlikely to be achieved. Current budgetary spending (including interest on the public debt) would not be covered by non-oil receipts, the reduction in the level of outstanding public debt would be effected at a much slower pace than in 1980-83, and the buildup of reserves by the Treasury would not be significant. Under either scenario, pressures on the external current account would intensify beginning in 1987. Under the more optimistic scenario official external borrowing would be reduced in 1987-88, but this would aggravate the overall balance of payments deficit.

These scenarios are highly sensitive to fluctuations in world market prices for oil and to exchange rate movements. As an illustration, it is estimated that a change in the export price of petroleum by US\$1, other things being equal, would lead to a change in the external current account of Gabon of about CFAF 25 billion in 1985, and about CFAF 23 billion per annum over the period 1986-88. As far as the fiscal revenues of the Government are concerned, a similar change in the world price of petroleum would result in a change of about CFAF 14 billion in 1985, and an average of about CFAF 12 billion per annum over the period 1986-88.

Against this background and prospects, the consultation discussions centered on the authorities' investment and fiscal policy stance.

IV. Report on the Discussions

1. Supply-side policies

Under the plan investments in the non-oil productive sector are to increase gradually from 15 percent of the total in 1984 to 25 percent in 1988. However, such investments would represent only 19 percent of projected total investments over the plan period (1984-88). Therefore,

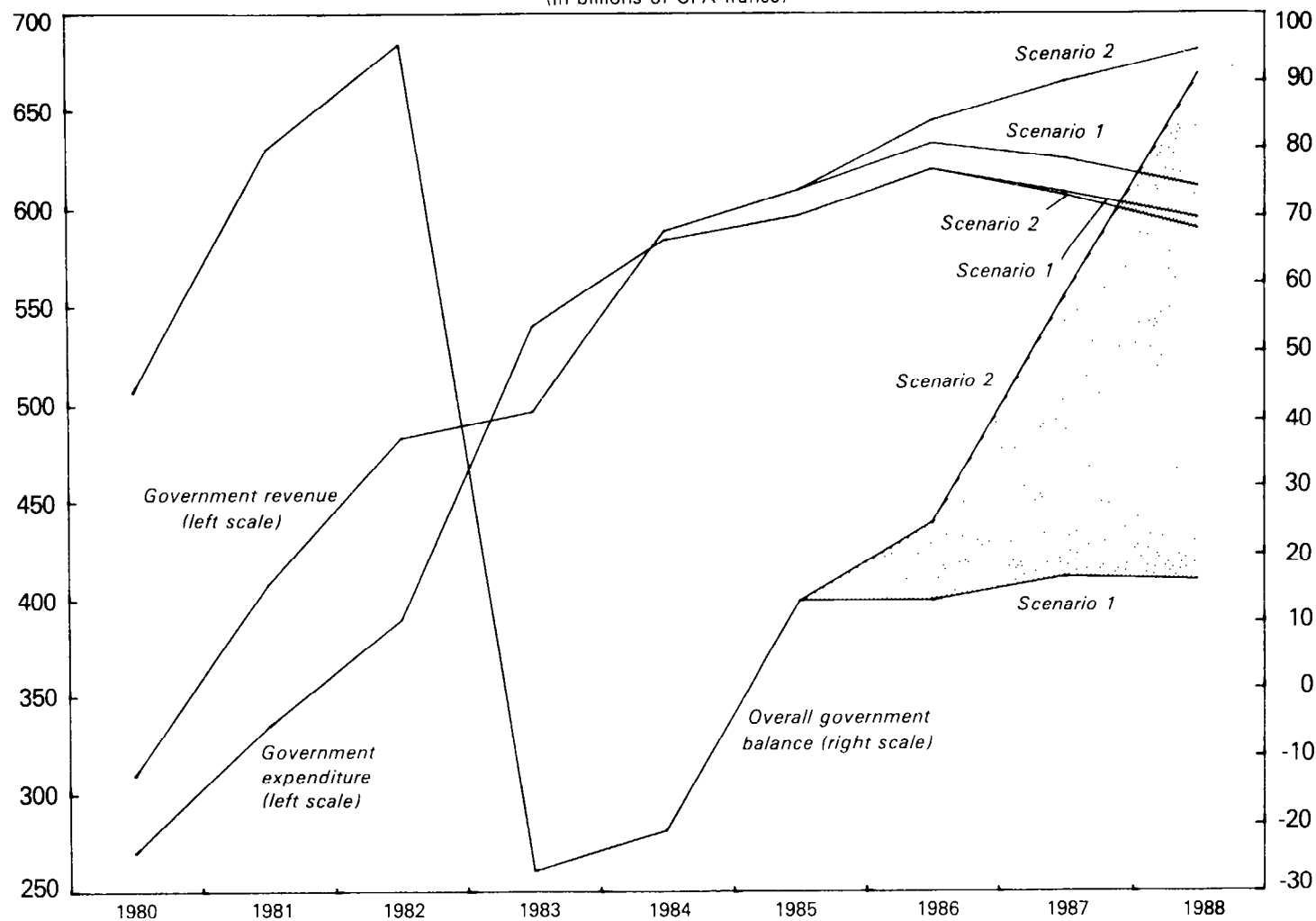
as in the past, the bulk of investments is allocated to infrastructure. Moreover, as past experience has shown, infrastructure projects are likely to be fully implemented whereas the execution of productive projects could fall substantially short of the targets. In view of this, the staff representatives stressed the need to strike a better balance between investments in directly productive and infrastructure projects.

The Gabonese representatives stated that the sectoral allocation of investments might not appear to be consistent with the objective of developing the non-oil sector of the economy. However, they considered that the existence of adequate transport infrastructure would facilitate economic diversification; in particular, the railway would help open up hitherto untapped areas. The successful easing of transportation bottlenecks should foster economic integration, thereby promoting growth in agriculture, forestry, and to some extent domestic industry. They noted that the large share of resources allocated to the railway project reflects not only the pace of execution but also the relatively high cost per kilometer due to the difficult nature of the terrain. They were confident that once the second leg of the railway is completed, substantially larger resources would become available for productive projects. The decision to build the third leg of the railway to Belinga would be taken only if all feasibility studies were to conclude that the iron ore deposits in that region are commercially exploitable. Thus, in their view, investment choices will become crucial only after 1987 and they were confident that the highest priority would be accorded to the productive sectors. In the meantime, the Gabonese representatives agreed that close cooperation with international institutions, notably the World Bank, would be essential to progress in the areas of project identification and feasibility studies. The World Bank is currently providing technical assistance to the Ministry of Planning in the areas of project evaluation and investment budget programming.

The Gabonese authorities also recognized that the development of the non-oil sector, especially domestic industry, requires a substantial improvement in the competitiveness of the Gabonese enterprises. Production costs and prices in Gabon are generally much higher than in other member countries of the Central African Customs and Economic Union. In particular, wage costs in Gabon have risen rapidly in recent years; as an indication, over the ten-year period ended February 1, 1984, the minimum monthly wage rate increased at an annual average rate of 13 percent to CFAF 60,000 (about US\$125), a level substantially higher than in Cameroon and in the People's Republic of the Congo. The high wage levels in Gabon are in part attributable to the substantial recourse to expatriates to fill technical and managerial positions because of the acute shortage of domestic skilled manpower. Under the circumstances, the intention to place greater emphasis on improving competitiveness is appropriate and should be effectively acted upon. This will require restraint in the area of wage policy and continued vigorous efforts to train Gabonese nationals. Meanwhile, demand management policies should aim at ensuring relative price stability. In this respect, the staff

CHART 4
GABON
CENTRAL GOVERNMENT FINANCE, 1980-88¹

(In billions of CFA francs)

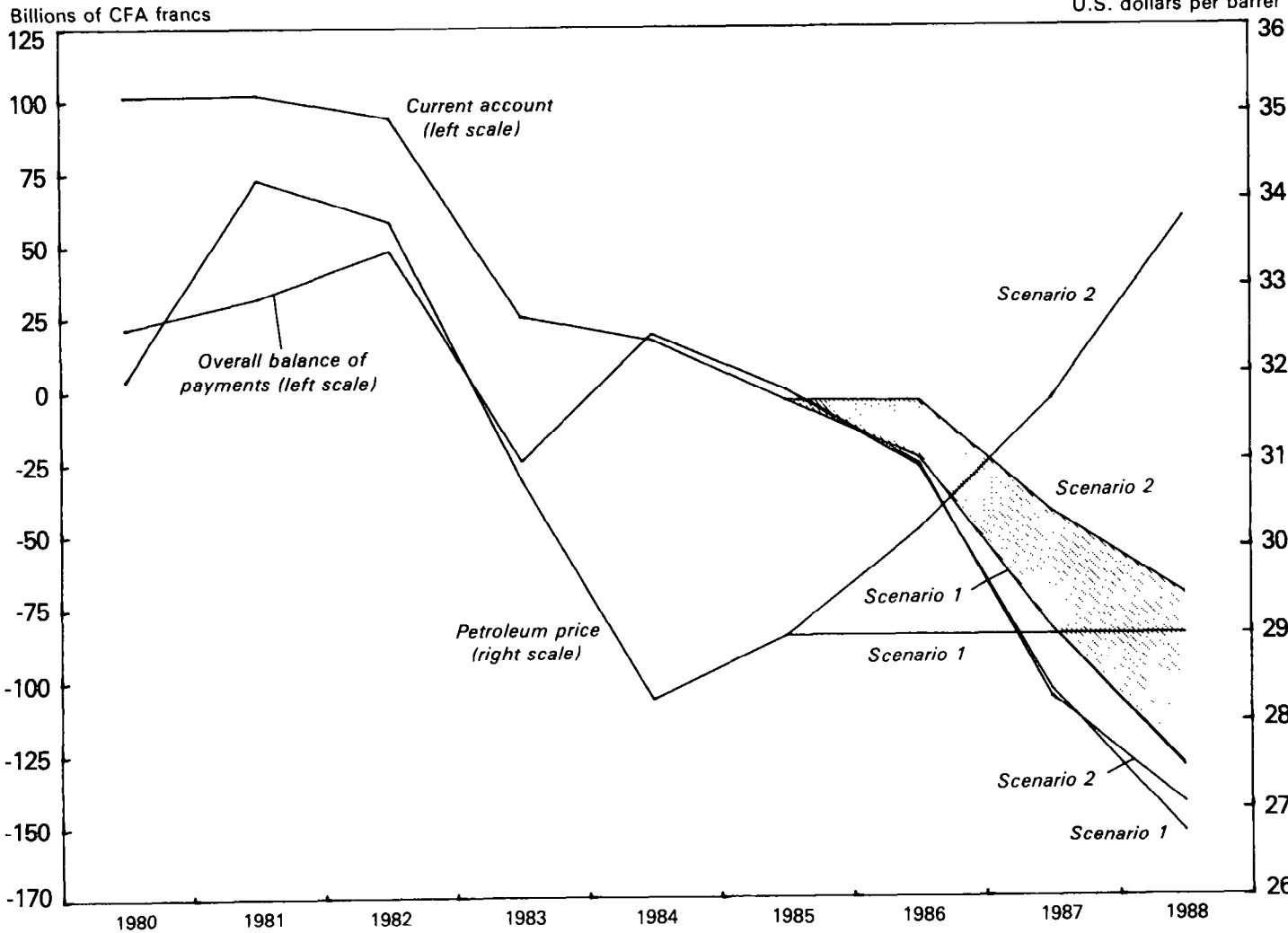


Sources: Data provided by the Gabonese authorities; and staff estimates and projections.

¹1980-83: actual data; 1984: estimates; 1985: budget; 1986-88: scenarios.



BALANCE OF PAYMENTS, 1980-88¹



¹1980-83: actual data; 1984: estimates; 1985: projections; 1986-88: scenarios.

representatives intimated that actions aimed at the causes of inflationary pressures are preferable to price controls which are rarely effective and especially to a price freeze which is usually followed by a new spurt of price increases. The Gabonese representatives indicated that they were considering alternative ways of reducing inflationary pressures, including ways of ensuring the proper invoicing of imports. They also indicated their intention to lift the existing price freeze early in 1985.

2. Financial policies

The relaxation of fiscal policy at a time of softening world market prices for oil led to a considerable weakening in Gabon's budgetary situation in 1983-84. Revenue, which rose rapidly from 34.3 percent of GDP in 1980 to 40.6 percent in 1982, fell to 37.7 percent in 1983, owing to the turnaround in the oil market situation. In 1984, because of increased oil output and favorable exchange rate movements, revenue rose to 40.5 percent of GDP, or about the same level as in 1982. Meanwhile, reflecting the sharp expansion in investment outlays, total government spending (including extrabudgetary operations), which was maintained at 32 percent of GDP in each of the three years 1980-82, rose rapidly to about 40 percent in 1983 and 1984. Current outlays also accelerated in 1983-84, but in terms of GDP remained at the level of about 16 percent. Although the ratio of current outlays to GDP remained constant during the period 1980-84, such outlays grew at an average annual rate of 13 percent. With the exception of interest payments on the public debt, all major categories of current expenditures increased rapidly. The growth of the wage bill averaged 18 percent per annum, while materials and supplies rose by 16 percent, and transfers and subsidies by 19 percent.

Under the 1985 budget the rate of growth of budgetary expenditures is to be halved to 7 percent, with both current and capital outlays expanding at a similar rate. The wage bill would increase by 12 percent, reflecting a 3.5 percent growth in employment and the impact of an anticipated 8 percent increase in the monthly minimum wage rate to CFAF 65,000. Outlays for materials and supplies are budgeted to increase by 9 percent and transfers and subsidies also by 9 percent, while interest payments on the public debt would be about 6 percent lower than in 1984. With crude oil output assumed to fall by 3.5 percent, petroleum resources are budgeted to decline by 2 percent. However, this would be offset by a projected 7 percent increase in non-oil revenue and budgetary revenue for 1985 would rise marginally. Therefore, if account is taken of the planned settlement of arrears, in 1985 Treasury operations would register a cash deficit of CFAF 2.5 billion, compared with a deficit of about CFAF 21 billion in 1984.

While recognizing that the 1985 budget is consistent with the authorities' decision to return to a less expansionary fiscal stance, the staff representatives indicated that it falls short of the stated financial objectives of the plan. Under the circumstances, and given the medium-term prospects, particularly as regards the oil sector, the staff

representatives indicated that further restraint is necessary, especially in the areas of current spending and nonessential infrastructure projects. The staff representatives also expressed the view that sound budgetary management requires that all government spending be budgetized. There was also the need to improve budgetary preparation in order to arrive at more realistic expenditure estimates. This, together with strict adherence to budgetary procedures and the tightening of financial controls, would help avoid budgetary overruns and the emergence of arrears.

The Gabonese representatives explained that the expansionary fiscal stance adopted in 1983 and the decision to supplement declining oil revenue with previously accumulated Treasury reserves had helped avoid an economic recession. Nevertheless, they were concerned by the rapid growth of government spending, and it was their firm intention to prevent a deterioration in the economic and financial situation. In line with this, future wage policy would be more prudent. Even though the 1985 budget provides for the impact of an assumed 8 percent increase in the minimum wage, a rate substantially below previous ones, a decision to that effect has not yet been taken. As regards other current expenditure, efforts would be made to streamline budgetary procedures and strengthen controls. Extrabudgetary outlays are also likely to decline as a sizable amount of these expenditures was linked to exceptional circumstances which were not expected to be repeated.

The Gabonese representatives indicated that they were also mindful of the need to improve the performance of state enterprises whose subsidy requirements entailed an increasing drain on budgetary resources. Over the last five years, operating subsidies to these enterprises have more than doubled to CFAF 15 billion in 1984, when they accounted for more than 6 percent of current outlays. In the latter year, capital subsidies also amounted to CFAF 15 billion, or 5 percent of budgetary investment expenditure. To redress the situation of the state enterprises, the Government has decided to resort to the system of contrat programme, a contractual agreement under which budgetary subsidies are made contingent upon the observance of specified performance. So far, only one such agreement has been signed (with Air Gabon); a second one is expected to be signed shortly with the Société Nationale des Bois du Gabon. With the creation of a special unit within the Ministry of Finance in charge of the implementation of government policy in this area, it was expected that the pace of negotiations of contractual agreements would be accelerated.

In discussing credit and monetary policies, the Gabonese representatives observed that although in 1983-84 the Government drew down its deposits with the central bank, its recourse to direct advances has been insignificant. However, they recognized that at the same time the Government resorted to commercial bank loans to finance special operations outside the budget. They concurred that this practice was very costly as the loans are obtained on commercial terms, and added that, as noted above, these special operations were not likely to be repeated. As regards the implication of the improved liquidity position of commer-

cial banks for the conduct of credit policy, the Gabonese representatives explained that they were mindful of the fact that this situation did impair the effectiveness of their traditional credit control instruments. In these circumstances, the staff representatives remarked that the reserve ratios should be introduced and a more active interest rate policy followed. In this respect, the authorities' decision to impose a ceiling of 13 percent on deposit rates did not seem warranted. The Gabonese representatives considered that the rapid expansion of commercial bank credit was not a cause for concern. Should the situation warrant it, the monetary authorities would not hesitate to take corrective action, including the introduction of reserve ratios. They added that the decision to put a cap on deposit rates was consistent with the member country's desire to maintain a low interest rate structure as they considered that this would promote investment and economic activity. Moreover, in their view, this action did not trigger a significant outflow of financial savings.

V. Staff Appraisal

Following several years of prudent demand management which contributed to a significant strengthening of the country's overall financial situation, in 1983 the Gabonese authorities sought to stimulate economic growth through an acceleration of investment spending. In the event, in that year economic growth slowed down and the budgetary and external positions deteriorated considerably. Beginning with the 1984 budget, the authorities rightly decided to return to a less expansionary fiscal stance which, together with a significant increase in oil output, helped improve Gabon's economic and financial performance. However, as public investment spending remained largely concentrated on infrastructure, little progress was made in the structural diversification of the economic base away from the oil sector.

The medium-term economic and financial policies of the Gabonese authorities are embodied in the recently approved Five-Year Development Plan (1984-88). The development strategy of the plan and its objectives are justified. In particular, the intention to diversify the economic base and accord priority to agriculture, forestry, fishing, and manufacturing, especially agro-industries, is appropriate. However, the present sectoral allocation of investments does not appear consistent with the objective of developing the non-oil sector of the economy. The staff therefore urges the authorities to strike a better balance between investments in directly productive and infrastructure projects. Such investment choices should be made in a timely manner and on the basis of careful project evaluation. The assistance of international institutions, notably the World Bank, would be particularly useful in determining sectoral priorities and also in helping improve the absorptive capacity of the country. In this respect, the staff welcomes the authorities' willingness to strengthen cooperation with the World Bank.

The plan recognizes that production costs and prices in Gabon are relatively high. Thus, as part of their efforts to promote the development of the non-oil sector, the authorities' intention to place greater emphasis on improving competitiveness is justified and should be effectively acted upon. This will require restraint in the area of wage policy and improved domestic supply of qualified manpower, and policies aimed at ensuring relative price stability. Administrative price controls are not effective and the staff welcomes the authorities' intention to lift the price freeze early this year.

Given these circumstances and the limited absorptive capacity of the economy, more prudent demand management policies are called for. Thus, the financial objectives of the plan which seeks to contain the growth of budgetary outlays, build up Treasury reserves, and further reduce foreign indebtedness are appropriate. At the time of the discussions, the medium-term scenario examined with the authorities suggested that these objectives may not be achieved on the basis of existing expenditure trends. It now appears that prospects for world market conditions for oil are less favorable than assumed. In view of this, the staff firmly believes that the restraint already exercised is not sufficient and that a stronger adjustment is called for. The brunt of adjustment should be borne by expenditure policies. In particular, expenditure for personnel, materials and supplies, and nonproductive investments should be curbed. At the same time, corrective actions in the area of public enterprises should be implemented more vigorously and on an urgent basis. Furthermore, to improve fiscal management all government spending should be budgetized and budgetary procedures and controls tightened.

Credit policy should be supportive of fiscal policy and avoid overheating the economy. The maintenance of relative price stability is essential for the growth of the non-oil sector of the economy. The staff therefore notes that, should the need arise, the authorities would be prepared to improve the effectiveness of credit policy, notably through the introduction of reserve requirements. Monetary and credit policy could also be enhanced through a more active interest rate policy.

More prudent demand management policies should not only help the Treasury build up reserves but also allow the authorities to maintain their cautious external borrowing policy, thereby contributing to the continued restoration of the country's borrowing capacity. These policies would also help increase the resilience of the economy to external shocks, thereby avoiding the need for the drastic adjustment measures that became necessary in the late 1970s.

Gabon has made substantial progress in improving its statistical base. However, a number of deficiencies still exist, and it is expected that the Fund will be providing technical assistance in these areas.

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

VI. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision in concluding the 1984 Article XIV consultation with Gabon, in light of the 1984 Article IV consultation with Gabon conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Gabon continues to maintain an exchange system that is free of restrictions on payments and transfers for current international transactions.

Gabon - Relations with the Fund

(As of December 31, 1984)

I. Membership Status

- (a) Date of membership September 10, 1963
- (b) Status Article XIV

A. Financial Relations

II. General Department

- (a) Quota SDR 73.10 million
- (b) Total Fund holdings SDR 73.07 million (99.96 percent
of Gabon's currency of quota)
- (c) Reserve tranche position SDR 0.03 million
- (d) Fund credit --
- (e) Current operational budget --
(maximum use of currency)

III. Current Stand-By or Extended Arrangement and Special Facilities

- (a) Current stand-by or
extended arrangement None
- (b) Previous stand-by or
extended arrangement
during the past 10 years

<u>Arrangement</u>	<u>Date</u>	<u>Duration</u>	<u>Amount</u>	<u>Utilization</u>
Extended fund facility	June 27, 1980	30 months	SDR 34 million	--
Stand-by arrangement	May 31, 1978	1 year	SDR 15 million	SDR 15 million

- (c) Special facilities No use in last 10 years

Gabon - Relations with the Fund (continued)

(As of December 31, 1984)

IV. SDR Department

- | | |
|-------------------------------|--|
| (a) Net cumulative allocation | SDR 14.1 million |
| (b) Holdings | SDR 5.82 million (41.3 percent of net cumulative allocation) |
| (c) Current designation plan | -- |

V. Administered Accounts

- | | |
|------------------|----|
| Trust Fund loans | |
| (i) Disbursed | -- |
| (ii) Outstanding | -- |

VI. Overdue Obligations to the Fund --

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 1 = F 0.02.

VIII. Last Article IV Consultation

Discussions were held by the staff in Libreville during November 13-25, 1983. The staff report (SM/84/45, February 15, 1984) was discussed by the Executive Board on March 28, 1984. Consultations with Gabon are on the standard 12-month cycle.

The Executive Board's decision (Decision No. 7656-(84/47)), adopted on March 28, 1984, was as follows:

1. The Fund takes this decision in concluding the 1983 Article XIV consultation with Gabon, in light of the 1983 Article IV consultation with Gabon conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
2. The Fund notes with satisfaction that Gabon continues to maintain an exchange system that is free of restrictions on payments and transfers for current international transactions.

Gabon - Relations with the Fund (concluded)

(As of December 31, 1984)

IX. Technical Assistance

The Fund has provided Gabon with short-term technical assistance in debt management, general statistics, government finance statistics, and customs administration. An expert in expenditure control from the fiscal panel was stationed in Libreville during the year ended October 1980. A Fund technical assistance mission visited Libreville in the period October 26-November 13, 1980 to review the tax system, and its report was issued on April 23, 1981. A separate report on oil taxation prepared by the head of that mission on a subsequent visit (July 19-25, 1981) to Libreville was issued on September 21, 1981. A member of the fiscal panel visited Libreville in the period May 23-June 6, 1981 to follow up on technical assistance in the field of customs administration. During the period August 1981-August 1983 another expert from the fiscal panel was assigned to Libreville as General Fiscal Advisor to the Minister of Economy and Finance.

Gabon - Relations with the World Bank Group

Between 1959 and 1975 the IBRD approved six new loans to Gabon totaling US\$69.3 million, most of which has been disbursed; no new commitments have been made since then. In view of its relatively high GNP per capita, Gabon has never been eligible for IDA credits. IBRD staff participated in the 1980 Article IV consultation mission. In April 1981 Gabon requested technical assistance from the World Bank in the planning field. A project financed mainly by the Gabonese authorities and partly by the UNDP, and with the IBRD as an executing agency, became operational in early 1983. It provides experts to the Ministry of Planning in the area of project evaluation and investment budget programming, and is involved in the training of Gabonese officials with the help of French consultants. The IFC and the Gabonese authorities have also been in contact on proposals for future IFC operations in Gabon. An economic mission from the World Bank, the first since 1971, visited Gabon during June 14-28, 1984, and its report has recently been submitted to the Gabonese authorities.

Table I. Gabon: Central Government Financial Operations, 1980-85 ^{1/}

(In billions of CFA francs)

	1980	1981	1982	1983	1984 Prov.	1985 Budget
Revenue	310.2	408.5	482.7	497.0	589.2	594.0
Oil	187.3	271.5	310.2	311.4	384.5	375.0
Non-oil	122.9	137.0	172.5	185.6	204.7	219.0
Budgetary expenditure	246.1	312.5	361.2	477.3	544.1	581.5
Current	150.0	177.9	189.3	210.4	239.1	256.5
Capital	96.1	134.6	171.9	266.9	305.0	325.0
Extrabudgetary expenditure	24.1	23.2	28.3	62.6	40.0	--
Overall surplus or deficit (-), (commitment basis)	40.0	72.8	93.2	-42.9	5.1	12.5
Arrears, net (reduction -)	4.3	7.2	2.4	16.0	-26.0	-15.0
Overall surplus or deficit (-) (cash basis)	44.3	80.0	95.6	-26.9	-20.9	-2.5
Financing	-44.3	-80.0	-95.6	26.9	20.9	2.5
Foreign, net	-33.1	-40.9	-41.1	-9.8	20.4	2.5
Borrowing	(33.0)	(18.9)	(20.1)	(57.0)	(84.0)	(85.0)
Amortization	(-66.1)	(-59.8)	(-61.2)	(-66.8)	(-63.6)	(-82.5)
Domestic, net	-11.2	-39.1	-54.5	36.7	0.5	--
Central bank	-10.4	-27.8	-39.3	21.6	-11.6	--
Of which: advances	(-10.4)	(-20.7)	(1.7)	(-1.7)	(--)	(--)
Other banks, net	2.6	-7.5	2.1	22.3	7.9	--
Other financial institutions, net	-6.4	-16.2	-14.6	-13.4	-7.5	--
Other Treasury operations ^{2/}	3.0	12.4	-2.7	6.2	11.7	--
<u>Memorandum item:</u>						
Budgetary surplus or deficit (-), (commitment basis)	64.1	96.0	121.5	19.7	45.1	12.5

Source: Data provided by the Gabonese authorities.

^{1/} Government operations are consolidated with those of the autonomous debt management agency (CAA) and include the following adjustments: the inclusion in current expenditure of scheduled interest payments and the shift from expenditure to the financing items of amortization of government debt.

^{2/} Including changes in cash balances.

Table II. Gabon: Monetary Survey, 1980-84

	1980	1981	1982	1983				1984			
				March	June	Sept.	Dec.	March	June	Sept. Prov.	Dec. Est.
(In billions of CFA francs)											
Net foreign assets	7.5	32.3	84.2	91.6	115.5	91.1	72.4	80.7	98.3	78.4	87.9
Central bank	22.8	54.9	103.4	114.7	128.4	102.3	78.9	88.8	123.2	87.4	97.9
Commercial banks <u>1/</u>	-15.3	-22.6	-19.2	-23.1	-12.9	-11.2	-6.5	-8.1	-24.9	-9.0	-10.0
Domestic credit	185.8	183.5	172.0	175.8	176.0	208.2	242.0	232.8	221.5	268.8	276.5
Credit to Government <u>2/</u>	38.4	8.1	-18.7	-41.9	-43.7	-14.7	7.3	10.0	-9.8	17.4	3.7
Credit to public institutions <u>3/</u>	4.8	4.4	5.7	14.4	10.9	9.6	5.6	5.2	7.0	5.0	5.0
Credit to private sector	142.6	171.0	185.0	203.3	208.8	213.2	229.1	217.5	224.3	246.4	262.8
Money and quasi-money	152.1	176.1	199.6	196.9	213.8	227.2	235.3	238.5	255.0	258.0	275.1
Deposits of public institutions	12.3	14.6	19.6	32.3	32.8	30.3	32.9	33.6	42.1	42.7	43.0
Counterpart of SDR allocations	3.1	4.4	4.8	4.8	5.6	5.6	5.6	6.0	6.2	6.3	6.3
Other items (net)	25.8	20.7	32.2	33.4	39.3	36.2	40.6	35.4	16.5	40.2	40.0
Memorandum items:	(In percent)										
Percentage change in:											
Domestic credit	7.4	-1.2	-6.3	21.0	40.5	31.0	40.7	32.4	25.8	29.1	14.3
Credit to the private sector	15.7	19.9	8.2	17.9	26.8	14.7	23.8	7.0	7.4	15.6	14.7
Money plus quasi-money	24.3	15.8	13.3	10.5	19.6	16.6	17.9	21.1	19.3	13.5	16.9

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

1/ Includes postal debt.

2/ Credit to Government comprises Central Government and the CAA only, and thus differs from the BEAC data which include net credit to public institutions as well.

3/ Public institutions consist mainly of social security funds, stabilization funds and other public funds. Credit to public institutions also includes monetary claims on the Office of Post and Telecommunications (deposits with the postal system and postal debt).

Table III. Gabon: Balance of Payments, 1979-84

(In billions of CFA francs)

	1979	1980	1981	1982	1983	1984 Est.
Exports, f.o.b.	382.3	534.9	597.9	709.9	762.2	879.0
Of which: oil	(272.7)	(413.3)	(485.2)	(592.0)	(629.5)	(751.6)
Imports, f.o.b.	-130.0	-175.0	-228.6	-237.5	-276.5	-329.0
Trade balance	<u>252.3</u>	<u>359.9</u>	<u>369.3</u>	<u>472.4</u>	<u>485.7</u>	<u>550.0</u>
Services (net)	-191.2	-224.7	-242.0	-351.3	-424.2	-495.4
Credit	45.3	73.8	90.4	62.5	83.1	81.1
Debit	-236.5	-298.5	-332.4	-413.8	-507.3	-576.5
Of which: freight and insurance	(-23.9)	(-35.8)	(-46.5)	(-48.1)	(-58.2)	(-72.4)
scheduled interest on public debt	(-32.4)	(-32.1)	(-34.5)	(-40.9)	(-32.7)	(-34.9)
scheduled interest on private debt	(-8.1)	(-4.6)	(-5.2)	(-9.2)	(-21.3)	(-24.0)
oil sector services	(-73.5)	(-96.0)	(-110.9)	(-156.0)	(-211.6)	(-260.0)
Private unrequited transfers (net)	-34.0	-33.3	-25.3	-27.5	-36.2	-37.5
Current account balance (excluding public transfers)	<u>27.1</u>	<u>101.9</u>	<u>102.0</u>	<u>93.6</u>	<u>25.3</u>	<u>17.1</u>
Public unrequited transfers (net)	9.4	7.0	7.6	8.0	2.2	3.6
Current account balance (including public transfers)	<u>36.5</u>	<u>108.9</u>	<u>109.6</u>	<u>101.6</u>	<u>27.5</u>	<u>20.7</u>
Long-term public sector capital (net)	-0.2	-22.2	-37.6	-19.1	-32.5	21.5
Of which: scheduled amortization on public debt	(-66.5)	(-68.1)	(-62.5)	(-66.4)	(-72.5)	(-68.5)
Long-term private sector capital (net)	22.5	14.5	17.9	73.1	64.7	55.7
Of which: scheduled amortization on private debt	(-13.2)	(-19.4)	(-19.4)	(-22.0)	(-33.0)	(-41.0)
Short-term capital	-46.6	-71.0	-57.3	-64.4	-49.1	-80.3
Of which: commercial credits	(-44.5)	(-48.3)	(-26.6)	(-46.1)	(-16.5)	(-47.1)
Monetary capital	-5.5	-3.1	7.7	-2.8	-13.2	-11.1
Capital account balance	<u>-29.8</u>	<u>-81.8</u>	<u>-69.2</u>	<u>-13.1</u>	<u>-30.1</u>	<u>-14.2</u>
SDR allocation and exchange rate guarantee	1.7	--	--	6.1	9.9	12.5
Errors and omissions and valuation adjustment	-10.1	-5.8	-8.3	-46.2	-31.4	--
Overall balance	<u>-1.7</u>	<u>21.3</u>	<u>32.1</u>	<u>48.4</u>	<u>-24.2</u>	<u>19.0</u>
Financing	1.7	-21.3	-32.1	-48.4	24.2	-19.0
Use of Fund credit	2.1	-1.2	--	-0.3	-2.5	-0.8
Purchases	2.1	(--)	(--)	(--)	(--)	(--)
Repurchases	(--)	(-1.2)	(--)	(-0.3)	(-2.5)	(-0.8)
Other reserve movements (increase -)	-0.4	-20.1	-32.1	-48.1	26.7	-18.2
<u>Memorandum items:</u>						
Current account balance (excluding public transfers) as a percentage of GDP	4.2	11.3	9.7	7.9	1.9	1.2
Overall balance as a percentage of GDP	-0.3	2.4	3.1	4.1	-1.8	1.2
Gross official reserves in months of imports, c.i.f.	0.37	1.13	2.46	3.83	2.65	2.85
CFAF/SDR (average)	274.83	275.01	320.41	362.80	407.36	447.75

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

Table IV. Gabon: Central Government Financial Operations, 1986-88

(In billions of CFA francs)

	Scenario I			Scenario II		
	1986	1987	1988	1986	1987	1988
Revenue	633.0	625.0	611.0	645.0	665.0	681.0
Oil	397.0	370.0	335.0	404.0	400.0	390.0
Non-oil	236.0	255.0	276.0	241.0	265.0	291.0
Expenditure	620.0	608.0	595.0	620.0	607.0	590.0
Current	238.0	260.0	284.0	238.0	260.0	284.0
Interest on public debt	31.0	31.0	25.0	31.0	30.0	20.0
Other expenditure	15.0	12.0	8.0	15.0	12.0	8.0
Capital	336.0	305.0	278.0	336.0	305.0	278.0
Overall balance	13.0	17.0	16.0	25.0	58.0	91.0
Amortization	-76.0	-66.0	-69.0	-76.0	-64.0	-61.0
Foreign	(-61.0)	(-64.0)	(-68.0)	(-61.0)	(-62.0)	(-60.0)
Domestic	(-15.0)	(-2.0)	(-1.0)	(-15.0)	(-2.0)	(-1.0)
Financing gap	63.0	49.0	53.0	51.0	6.0	-30.0

Source: Staff projections.

Table V. Gabon: Balance of Payments, 1985-88

(In billions of CFA francs)

	1985 Proj.	1986	1987	1988	1986	1987	1988
		Scenario I			Scenario II		
Exports, f.o.b.	875.0	869.0	816.0	777.0	899.0	877.0	866.0
Of which: oil	(739.0)	(722.0)	(656.0)	(603.0)	(752.0)	(717.0)	(692.0)
other	(136.0)	(147.0)	(160.0)	(174.0)	(147.0)	(160.0)	(174.0)
Imports, f.o.b.	-342.0	-357.0	-372.0	-389.0	-357.0	-372.0	-389.0
Trade balance	533.0	512.0	444.0	388.0	542.0	505.0	477.0
Services (net)	-498.0	-496.0	-485.0	-473.0	-506.0	-506.0	-503.0
Credit	84.0	88.0	93.0	98.0	88.0	93.0	98.0
Debit	-582.0	-584.0	-578.0	-571.0	-594.0	-599.0	-599.0
Of which: freight and insurance	(-75.0)	(-79.0)	(-82.0)	(-85.0)	(-78.0)	(-82.0)	(-86.0)
investment income	(-126.0)	(-125.0)	(-131.0)	(-131.0)	(-125.0)	(-131.0)	(-128.0)
Of which: scheduled interest							
on public debt	(-38.0)	(-33.0)	(-36.0)	(-30.0)	(-33.0)	(-34.0)	(-25.0)
scheduled interest							
on private debt	(-26.0)	(-28.0)	(-30.0)	(-33.0)	(-28.0)	(-31.0)	(-35.0)
other private services	(-297.0)	(-293.0)	(-274.0)	(-260.0)	(-304.0)	(-295.0)	(-290.0)
Of which: oil sector	(-251.0)	(-245.0)	(-223.0)	(-204.0)	(-256.0)	(-244.0)	(-235.0)
other	(-84.0)	(-87.0)	(-91.0)	(-95.0)	(-87.0)	(-91.0)	(-95.0)
Private unrequited transfers (net)	-39.0	-40.0	-42.0	-45.0	-40.0	-42.0	-45.0
Current account balance							
(excluding public transfers)	-4.0	-24.0	-83.0	-130.0	-4.0	-43.0	-71.0
Public unrequited transfers (net)	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Current account balance							
(including public transfers)	--	-19.0	-78.0	-125.0	1.0	-38.0	-66.0
Long-term public sector capital	8.0	2.0	-14.0	-15.0	-9.0	-55.0	-60.0
Borrowing	(86.0)	(70.0)	(57.0)	(61.0)	(58.0)	(14.0)	(8.0)
Scheduled amortization	(-78.0)	(-68.0)	(-71.0)	(-76.0)	(-67.0)	(-69.0)	(-68.0)
Long-term private sector capital	52.0	45.0	39.0	33.0	48.0	42.0	36.0
Borrowing	(95.0)	(90.0)	(85.0)	(80.0)	(93.0)	(88.0)	(83.0)
Scheduled amortization	(-43.0)	(-45.0)	(-46.0)	(-47.0)	(45.0)	-46.0	(-47.0)
Short-term capital	-60.0	-55.0	-50.0	-45.0	-65.0	-54.0	-52.0
Capital account balance	--	-8.0	-25.0	-27.0	-26.0	-67.0	-76.0
Overall balance	--	-27.0	-103.0	-152.0	-25.0	-105.0	-142.0
Financing	--	27.0	103.0	152.0	25.0	105.0	142.0
Memorandum items:							
Oil production (millions of barrels)	61.34	60.12	54.95	50.78	60.12	54.95	50.78
Oil exports (millions of barrels)	58.54	57.22	52.00	47.78	57.22	52.00	47.78
Oil export price (US\$ per barrel)	29.00	29.00	29.00	29.00	30.20	31.70	33.30
Exchange rate (CFAF per US\$)	435.00	435.00	435.00	435.00	435.00	435.00	435.00

Source: Staff projections.

Gabon - Statistical Issues

1. Coverage, Currentness, and Reporting of Data in IFS

		<u>Latest Data in January 1985 IFS</u>
Real Sector	- National Accounts	1979 (GDP through 1983)
	- Prices	September 1984
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	n.a.
	- Financing	n.a.
	- Debt	n.a.
Monetary Accounts	- Central Bank	July 1984
	- Deposit Money Banks	July 1984
	- Other Financial Institutions (Savings Bank)	1978
External Sector	- Merchandise Trade: Values	1982
	Prices	n.a.
	- Balance of Payments	1983
	- International Reserves	July 1984
	- Exchange Rates	November 1984

During the past year, the reporting of data for inclusion in the IFS has been irregular and there are inadequacies in the coverage and currentness of the data. Delays in reporting appear to be attributable in part to the centralization of reporting through the BEAC. The Bureau of Statistics is currently exploring ways of expediting the transmittal of data.

2. Outstanding Statistical Issues

Prices

Since the Wholesale Price Index (WPI) (base June 1966) is outdated and the weights for the Consumer Price Index (CPI) (base June 1975) were derived from a family expenditure survey conducted in 1968/69 in Libreville, the authorities may be requested to consider revising the WPI and undertaking a new expenditure survey, on the basis of which a new CPI could be compiled.

Gabon - Statistical Issues (concluded)

National Accounts

No data on constant price GDP have been made available thus far to the Bureau of Statistics. Details of current price GDP have also not been provided. It would be desirable if the GDP data made available to the mission could be published in IFS.

Government Finance

The only data in the IFS and GFS Yearbooks pertain to the years 1973 through 1976. More recent data are not available for publication in the monthly issues of IFS.

Monetary Accounts and International Reserves

Data for international liquidity and money and banking are reported by the head office of the BEAC with a three to four months' time lag. The Bureau has recently requested that international liquidity data be sent by cable and that all monthly data be sent as they become available.

3. Technical Assistance

The authorities indicated that they would be interested in receiving technical assistance from the Bureau of Statistics in the areas of domestic price and external trade statistics.