

Gabon: Second Review Under the Stand-By Arrangement, Request for Waiver of Performance Criterion, and Review of Financing Assurances—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Gabon

In the context of the second review under the Stand-By Arrangement, request for a waiver of a performance criterion, and review of financing assurances with Gabon, the following documents have been released and are included in this package:

- the staff report for the second review under the Stand-By Arrangement, request for waiver of performance criterion, and review of financing assurances prepared by a staff team of the IMF, following discussions that ended on November 6, 2004, with the officials of Gabon on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 10, 2004. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a Press Release summarizing the views of the Executive Board as expressed during its December 22, 2004 discussion of the staff report that completed the review and request.
- a statement by the Executive Director for Gabon.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Gabon*
Technical Memorandum of Understanding*

*May also be included in the Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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GABON

**Second Review Under the Stand-By Arrangement, Request for Waiver
of Performance Criterion, and Review of Financing Assurances**

Prepared by the African Department
in consultation with other departments

Approved by David Nellor and Juha Kähkönen

December 10, 2004

- **Mission.** Discussions on the second review under the Stand-By Arrangement (SBA) were held in Libreville during October 25–November 6. The mission comprised Messrs. Sacerdoti (Head) and Ntamatungiro, Ms. Bhattacharya (all AFR), and Mr. Di Bella (PDR), and was assisted by Mr. Randriamaholy (Resident Representative). Mr. Nord (AFR) joined the mission on November 3. Mr. Nguema-Affane (OED) attended most meetings. The mission met with the Minister of State in Charge of Finance, Mr. Tougui, the Minister of State in charge of Planning, Mr. Oyé Mba, the Central Bank National Director, Mr. Andzembé, and other senior officials. It also met with the Prime Minister, the President of the National Assembly, the donor community, the private sector, and micro-credit institutions. It worked closely with World Bank staff on forestry issues, private sector development, and the Poverty Reduction Strategy Paper (PRSP).
- **Economic program.** The authorities' program for 2004–05 seeks to bolster non-oil GDP growth with structural reforms aimed at improving the investment climate, while sustaining fiscal adjustment and improving public expenditure management.
- **Stand-By Arrangement.** In support of the authorities' program, a 14-month arrangement was approved by the Executive Board on May 28, 2004, in the amount of SDR 69.44 million (45 percent of quota). The first review was concluded on September 20, 2004.
- **Letter of Intent.** In the attached letter dated December 10, 2004, the authorities report on developments under the program in the first nine months of 2004 and formulate objectives and policies for the remainder of the year and for 2005.
- **Performance under the program continues to be satisfactory.** All quantitative and structural performance criteria for end-September were met, and most of the structural benchmarks up to end-October were observed. The adoption of an action plan to reform the role of the timber marketing board SNBG (structural performance criterion for November 30, 2004) occurred with delay in early December.
- **Elections.** The next presidential elections are scheduled for late 2005. President Omar Bongo Ondimba, who has been in power since 1967, is expected to run again.

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EXECUTIVE SUMMARY

- **The authorities are committed to addressing Gabon's key economic challenges,** namely the heavy dependence on declining oil production, a heavy debt burden, and weak social indicators.
- **The program supported by the 14-month Stand-By Arrangement (SBA) aims at promoting non-oil GDP growth, while sustaining fiscal adjustment and improving public expenditure management.** The non-oil primary deficit is to be reduced by 0.5 percentage points of non-oil GDP in 2004 and by an additional 1.9 percentage points in 2005. The program includes a wide-ranging structural reform agenda, encompassing the forestry sector, the economic and social infrastructure, the financial sector, governance, and private sector development. A Poverty Reduction Strategy Paper (PRSP) is to be finalized by mid-2005 in the context of a fully participatory process.
- **Performance under the SBA continues to be satisfactory.** All performance criteria for end-September 2004 were observed, even though there were small slippages in the indicative targets for non-oil revenue and the net reduction of unpaid payments orders at the treasury. The structural performance criterion for end-September was observed, together with most structural benchmarks for end-October. The adoption of an action plan to reform the role of the timber marketing board SNBG (structural performance criterion for November 30, 2004) occurred with a small delay in early December, due to the late finalization of the study by an international consultant.
- **The macroeconomic environment has improved since the first review, reflecting slightly higher oil production, and considerably higher oil prices.** As expected under the revised program, there has been a pick up in non-oil sector activities since mid-2004, which is expected to continue in 2005. Non-oil real GDP is projected to grow by 2.3 percent in 2004 and by 3.5 percent in 2005, up from 1 percent in 2003. However, oil production is projected to exceed previous projections by 0.3 million tons in 2004 and by 0.8 million tons in 2005. The oil prices for the Brent crude in 2004-05 are also projected to exceed the projections at the time of the first review by US\$1.9 and US\$6.9 a barrel, respectively. As a result, the external current account surplus and international reserve position are projected to strengthen significantly, and the debt-to-GDP ratio would decline in 2004 and 2005 more rapidly than previously indicated. However, such a scenario is highly dependent on the level of oil prices, underscoring the need for economic diversification.
- The authorities envisage using in 2005 the excess oil revenue associated with the higher oil production and prices to reduce public debt and increase savings in the Fund for Future Generations (FFG). An opportunity to adjust the investment program in the medium-term will arise following completion of both the PRSP (around mid-2005) and the expenditure reviews to be conducted for key sectors with donor assistance.

I. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

1. **In concluding the first review under the Stand-By Arrangement (SBA),¹**

Directors encouraged the authorities to take advantage of the current favorable commodity prices to pursue fiscal consolidation and deepen structural reforms, in order to place the public debt (73 percent of GDP at end-2003) on a sustainable path, strengthen the growth of the non-oil sector, and increase spending in priority areas to reduce poverty. They stressed that the good implementation of the SBA-supported program was a promising start that needed to be sustained to successfully address the difficult challenges that lie ahead, including the long-term decline in oil production, volatile oil prices, the heavy debt burden, and weak social indicators.

2. Following the adoption of the SBA and the first review, there have been two equal purchases, for a total amount of SDR 27.78 million. At end-October 2004, Gabon's outstanding use of Fund resources amounted to SDR 55.53 million, equivalent to 35.99 percent of quota.²

3. As already indicated in the staff report for the first review under the SBA (www.imf.org), macroeconomic performance has improved in 2004 and the SBA continues to be on track. Non-oil growth has picked up in the second half of 2004, while oil production has unexpectedly increased in 2004 (Table 1); overall GDP growth in 2004 is expected to reach 1.9 percent, close to the original program projection of 2 percent. However, the GDP growth rate remains below the population growth rate estimated at 2.2 percent, and real GDP per capita has fallen by more than 2 percent since 2000.³

- Over the full year, non-oil real GDP growth is **expected to reach 2.3 percent in 2004, in line with revised program projections**. Real activity continues to be strong in manganese mining and timber processing, while activity in construction, electricity and cement production has picked up in the second half of the year, spurred by the acceleration in the execution of public investment, and the large repayments of the float at the treasury in the first half of the year. Logging of the main timber species (*Okoumé*) continued to decline, reflecting shipping constraints to export markets, and

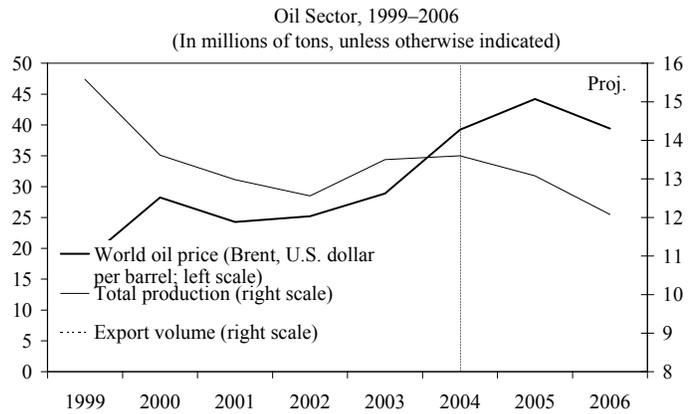
¹ See www.imf.org.

² The letter of intent for the second review and the technical memorandum of understandings are presented in Appendix I. Summaries of Gabon's relations with the Fund and World Bank appear in Appendices II and III, respectively. Appendices IV, V and VI contain the assessment of external and public sector debt sustainability, the safeguard assessments, and statistical issues, respectively.

³ It should be noted that, while the per capita nominal income in local currency has declined by 5 percent since 2000, it has increased by 25 percent in dollar terms, to US\$ 4,595, in view of the appreciation of the CFA franc.

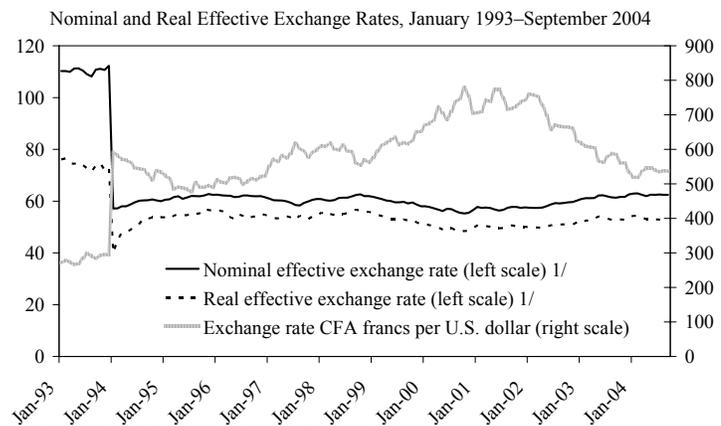
increased competition from neighboring countries; however, the cutting and export of other species (*bois divers*) increased considerably, reflecting strong demand for high quality wood in Asian markets.

- Oil production is expected to reach 13.6 million tons in 2004, up from 13.5 million tons in 2003**, in excess of program projections (13.3 million tons). The large investments to upgrade extraction technology carried out since 2003 have halted the decline in production in the largest old field (Rabi), while continued favorable oil prices have stimulated exploration in marginal oil fields and recuperation in previously abandoned fields.



Sources: Gabonese authorities; and staff estimates and projections.

4. **Inflation is on a downward trend.** Consumer prices in October 2004 rose by 1 percent year-on-year, below the 2 percent envisaged under the program. After appreciating by 3.4 percent in 2003 because of the nominal depreciation of the U.S. dollar vis-à-vis the euro to which the CFA franc is pegged, the real effective exchange rate stabilized in early 2004, and has declined slightly since June 2004. In September 2004, the real effective exchange index was about 2 percent below the level reached 10 years before.



Source: IMF, Information Notice System (INS).

1/ Index 1990=100. A decrease means a depreciation of the CFA franc.

2/ End of period exchange rate. A decrease means an appreciation of the CFA franc.

therefore appear to have been safeguarded. Gabon's external competitiveness continues to be hampered by the domestic high cost structure and, as underlined by a recent study of the IFC's Foreign Investment Advisory Service, by structural constraints, including inadequate financing for small- and medium-scale enterprises, high harbor transit costs, cumbersome regulatory procedures, the lack of skilled labor, and malfunctioning of the labor market.⁴

⁴ For example, while there is youth unemployment in the urban areas, reportedly there is a lack of labor for agricultural activities in the countryside.

However, the recent increase in commodity prices has enhanced the attractiveness of Gabon for foreign investors in forestry, mining and agribusinesses (Box 1).

Box 1. Exchange Rate, Commodity Prices, and External Competitiveness

The recent appreciation of the CFA franc vis-à-vis the US dollar (the CFA franc is pegged to the Euro) has not been an important setback to the efforts to diversify the Gabonese economy through its impact on external competitiveness and profitability of tradables. An analysis of the sources of growth of the non-oil economy (Table 13) indicates that the profitability of these sectors depends mainly on the trends in the prices of the non-oil commodities for which Gabon has the potential for large productive expansion, namely palm oil, rubber, manganese and timber. As shown by the table below, the prices of these commodities have shown large increases since 2001, when expressed in US dollars, which far exceeded the appreciation of the euro vis-à-vis the US dollar. Therefore the profitability of these sectors has increased markedly, attracting a number of new, mainly foreign, investors.

Gabon: Developments in Key Commodity Prices and Exchange Rate for the euro, 2001-04

	2001	2002	2003	2004 Proj.
Commodity prices				
Timber (U.S. dollars per m3)	160	162	187	200
Palm oil (U.S. dollars per ton)	286	390	443	480
Rubber (U.S. dollars per ton)	26	35	49	58
Manganese (U.S. dollars per ton)	65.2	70.8	92.7	116.4
Average index of the four commodity prices in U.S. dollars (2001=100) (a)	100.0	122.5	143.7	159.0
Exchange rate (U.S. dollars per euro)	0.90	0.94	1.13	1.23
Index (2001=100) (b)	100.0	105.3	126.2	137.0
Average commodity price index in euro (2001=100) (a/b)	100.0	116.3	113.8	116.0

Sources: Gabonese authorities; and staff estimates and projections.

Profitability of these sectors could, of course, have increased even more in the absence of the appreciation of the CFA franc vis-à-vis the US dollar. However, inflation would likely have pushed costs up. The appreciation of the CFA franc has contributed to the stability of domestic prices and costs, including of wages, and facilitated the current social truce, thereby enhancing the attractiveness of Gabon for foreign investors. However, should the depreciation of the U.S. dollar continue, without further increases in commodity prices in U.S. dollar terms, the profitability of the resource-based sectors would be adversely affected.

5. **The external current account developments continue to be favorable**, on account of higher export volumes and prices for crude oil, manganese and processed wood. Compared with the same period in 2003, during the first nine months of 2004 manganese exports more than doubled, while exports of processed wood rose by over 20 percent, which more than offset the 10 percent decline in timber exports. Preliminary data indicate that nominal imports during the first nine months of 2004 increased by about 10 percent, reflecting strong activity in oil exploration and production, as well as in road construction. As

a result, at end-September 2004, Gabon's contribution to the regional central bank's (Bank of Central African States, BEAC) net foreign assets (NFA) were more than double its level at end-2003. For the full year, the current account surplus is expected to increase by almost two percentage points of GDP, to 11.5 percent (Tables 6, 8 and 13). The external debt-to-GDP ratio is projected to decline from 55.9 percent at end-2003 to 50 percent at end-2004 (Table 7).

6. **The mission conducted the financing assurances review.** Following the debt rescheduling agreement concluded with Paris Club creditors on June 11, 2004, the authorities are finalizing bilateral rescheduling agreements. With regard to non-Paris Club bilateral creditors, Gabon has concluded the agreement with Korea, and negotiations are under way with Saudi Arabia, China, and Libya. The rescheduling negotiations with London Club banks are close to completion, and all the financial terms have been agreed. The legal documentation is still being reviewed by the participant banks and is expected to be signed in the next few weeks.

7. **In the first nine months of the year, fiscal performance remained on track** (Tables 2 and 3). The primary budgetary balance, excluding grants (adjusted for excess oil revenue and externally financed investment) exceeded the program objective by CFAF 9 billion (0.2 percentage points of GDP). The small shortfall in non-oil revenue (CFAF 2.8 billion) was more than offset by lower-than-programmed nonwage spending, even though the execution rate of the investment budget accelerated during the third quarter. As a result, all the end-September quantitative performance criteria were met (Table 1, Appendix I). In particular, the quantitative performance criterion on bank credit to government was met with a considerable margin (CFAF 12.6 billion, or 0.3 percent of GDP). The indicative target on the net reduction of unpaid payments orders at the treasury was not respected, due essentially to the slower reduction of wage arrears, pending the results of the audit completed in October.

- **Customs revenue fell short of target by about CFAF 17 billion**, owing to lower-than-projected taxable imports, the impact of the increase in the number of products subject to the 10 percent reduced VAT rate⁵, and the decline in timber exports.⁶ The shortfall was almost entirely offset by higher-than-expected yield from the value-

⁵ In the context of the implementation of the 2003 social truce with trade unions, the 2004 budget law widened the number of goods subject to the reduced VAT rate of 10 percent and, to ensure revenue neutrality, introduced an augmented rate of 25 percent for a number of imported luxury goods and on banking services and telecommunications. Subsequently, the higher VAT rate of 25 percent, which was constraining the development of telecommunications and banking services, was eliminated and replaced with the normal 18 percent rate, with effect from October 1, 2004.

⁶ There is no export tax on processed wood.

added tax, the taxes on dividend and rental income, and registration fees. Current expenditure on goods and services and domestically financed investment expenditure were below program projections. However, the indicative target on the floor on non-wage current expenditure in the social sectors was observed. The wage bill was contained within program limits, reflecting the impact of the saving measures taken in April 2004.

- **Oil revenue remained at comfortably high levels**, and in the first nine months of the year exceeded the revised projections under the first review by CFAF 7 billion. This performance reflected favorable international prices for crude oil and stronger-than-projected oil production. However, in view of the tax regime change by key operators from profit taxation to production sharing arrangements in 2003, which allow for a more rapid recovery of investment costs, government oil revenue lagged somewhat behind oil exports.

8. **Monetary developments** were characterized by the strong expansion of NFA, and a decline in net bank credit to government and in bank credit to the economy. Broad money rose by 3.6 percent during the first nine months of the year, in line with the nominal growth of non-oil GDP (Tables 4 and 5). During the same period, credit to the economy declined by 4.8 percent, reflecting loan repayments by the oil and mining sectors and by borrowers who benefited from the large reduction in the Treasury float. Reflecting the stricter classification required by the regional banking commission, COBAC, nonperforming loans (NPL) rose to 17.3 percent of total gross loans, up from 13.8 percent at end-2003. In line with the regional prudential regulations, over the last 18 months, banks raised the level of provisioning to the equivalent of 72 percent of NPLs at end-September; the banking system also significantly strengthened its capital and reserve position, and its profitability remains satisfactory, according to COBAC (Table 15).

9. **Progress has been made on structural reforms (Appendix I, Table 2)**. The decree establishing the Large Enterprise Directorate (structural performance criterion for end-September) was adopted on September 9, 2004, and implementing regulations are to be prepared before end-2004. However, the adoption of a time-bound plan of actions on the role of the timber marketing board SNBG (structural performance criterion for end-November) occurred only in early December, due to delay in the finalization of the study by an international consultant. The authorities are requesting a waiver for the non observance of this structural performance criterion. All the structural benchmarks for end-October were met, although the performance contract with the National Social Guarantee Fund (*Caisse nationale de garantie sociale—CNGS*) was concluded with a small delay in mid-November. The study on prioritizing university scholarships (structural benchmark) was prepared by end-October by the Scholarships and Training Directorate. Given the importance of this issue, the government has decided to deepen the analysis; thus, a commission chaired by the Deputy Prime Minister has received the mandate to prepare specific proposals to reform the university scholarship system and improve its effectiveness; the associated pluriannual action plan is to be adopted before end-May 2005, in the context of the finalization of the Poverty Reduction Strategy Paper (PRSP). In the area of administrative reform, the government has

harmonized the civil service and payroll rosters, through the introduction of a unified personnel roster. With regard to trade liberalization, the import surcharge on eggs was eliminated on August 11, 2004.

10. **Concerning public enterprises**, the privatization process of Gabon Télécom is well advanced; the authorities have decided to privatize more than 51 percent of the capital (instead of the 35 percent initially envisaged) and a successful bidder is expected to be selected before end-March 2005. With regard to Air Gabon, the new management team installed in May 2004 has improved the company's operating results, through the redeployment of the fleet and a rationalization of the routes, leading to a reduction of debts to suppliers, which however remain large. Despite this improvement, the end-2004 structural benchmark of a balanced operating result before depreciation will not be met. While pursuing the restructuring of the company, the government has decided to proceed with a partial privatization of the company.

II. REPORT ON POLICY DISCUSSIONS

11. **The authorities concurred with the staff that the favorable commodity prices were an opportunity to strengthen fiscal adjustment and to deepen structural reforms necessary for economic diversification.** In this context, after assessing the economic outlook for the remainder of 2004 and for 2005, discussions focused on macroeconomic policies for this period, the review of financial assurances, the structural reform agenda, and the preparation of the PRSP. Understandings were reached on the quantitative performance criteria for end-March 2005, together with indicative quantitative targets for end-June 2005. The structural reform agenda was also enhanced in some areas.

A. Macroeconomic Framework for the Remainder of 2004 and for 2005

12. **Policy discussions were underpinned by the prospects for a pick up in non-oil activity, improved oil production, and favorable international prices for crude oil and manganese.** Non-oil real GDP growth is expected to accelerate to 3.5 percent in 2005, up from 2.3 percent in 2004, reflecting increased investments in the recently privatized rubber and palm oil agribusinesses and in petroleum refining, continued expansion of timber processing capacities, strong manganese production, and new initiatives in the housing sector. Following the unanticipated increase in 2004, oil production is expected to decline by about 4 percent to 13.1 million metric tons in 2005, compared with 12.3 million envisaged previously. As international prices for crude oil and manganese are projected to remain high, the external position is to strengthen further, with an increase in the current account surplus, a substantial build-up of external reserves, and a significant fall in the ratio of external debt to GDP (see text table below).⁷

⁷ Prices for Brent crude are projected to reach US\$39.20 a barrel in 2004 and US\$44.20 in 2005, according to Fund staff estimates. The export price of manganese is projected to

(continued)

Key Macroeconomic Indicators, 2003-05
(In percent changes, unless otherwise indicated)

	2003		2004		2005		
	Est.	Prog.	Rev. prog.	Proj.	Prog.	Rev. prog.	Proj.
Real GDP growth	2.6	2.0	1.5	1.9	-0.7	0.7	1.6
Oil	6.8	-0.6	-0.5	0.7	-11.7	-6.7	-3.2
Non-oil	1.0	3.0	2.3	2.3	3.5	3.5	3.5
Nominal GDP (in billions of CFAF)	3519	3382	3667	3839	3301	3598	4020
Oil	1486	1242	1544	1731	1048	1359	1798
Non-oil	2033	2140	2123	2108	2253	2239	2222
CPI (annual average)	2.1	2.0	2.0	1.0	2.0	2.0	2.0
Current account balance, incl. transfers (in percent of GDP)	9.6	5.8	11.6	11.5	1.5	10.9	13.6
Gross official reserves (in billions of CFAF)	104.9	181.3	246.3	264.2	235.6	387.6	441.3
Non-oil budgetary primary deficit, incl. grants (in percent of non-oil GDP)	-8.2	-7.5	-7.6	-7.7	-5.7	-5.7	-5.8
External public debt (in percent of GDP)	55.9	58.6	52.1	50.0	60.7	50.8	45.5

Sources: Gabonese authorities; and staff estimates and projections.

B. Fiscal Policy for the Remainder of 2004 and for 2005

13. **The authorities are committed to meeting the end-2004 target for the non-oil primary budget deficit of CFAF 161.7 billion, equivalent to 7.7 percent of non-oil GDP.⁸** They are confident that non-oil revenue will be in line with the program target, as the projected shortfall in customs revenue (CFAF 12 billion) is expected to be offset by the better performance of other non-oil revenue. In this context, they have stepped up efforts to collect arrears on the forestry taxes and on corporate profit tax (LOI, paragraph 12). The authorities have also taken the necessary administrative measures to ensure that expenditures are kept within program limits.

increase by 24 percent to US\$112.60 per metric ton in 2004, and to remain unchanged in 2005.

⁸ Due to a lower deflator, the nominal non-oil GDP for 2004 and 2005 is CFAF 15 billion and CFAF 17 billion lower than under the revised program, respectively. This leads to an increase in the non-oil primary budgetary deficit for 2004 from 7.6 percent to 7.7 percent of non-oil GDP, and for 2005 from 5.7 percent to 5.8 percent.

14. **The authorities' fiscal program for 2005 aims, consistently with the program, at reducing further the non-oil primary budget deficit, including grants, by 1.9 percentage points to the equivalent of 5.8 percent of non-oil GDP.** This result is based on an increase in non-oil revenue (0.4 percentage point of non-oil GDP) and a reduction in primary expenditures (1.6 percentage points of non-oil GDP). In view of the projected high oil revenues, and the June 2004 rescheduling agreement with Paris Club creditors, which extends through the first half of 2005, no financing gap is projected for 2005.

15. **Non-oil revenue is projected to reach the equivalent of 24.8 percent of non-oil GDP in 2005, up from 24.4 percent of GDP in 2004.** The objective for 2005 is predicated on the strengthening of tax administration (LOI, paragraph 16), including through (i) making operational the new Large Enterprise Directorate; (ii) improving land registration and the collection of property taxes; (iii) enhancing the collection of domestic forestry taxes; (iv) extending self assessment procedures used for VAT to corporate income tax; (v) increasing the coverage and frequency of tax audits; and (vi) stepping up the collection of tax arrears.

16. **On the expenditure side, the adjustment will come from the containment of the wage bill and other current expenditure (LOI, paragraph 17), while protecting pensions for government employees and essential social spending.** The wage bill will be programmed to be reduced by CFAF 1 billion to CFAF 225 billion in 2005 (5.6 percent of GDP). This objective, which takes account of the cost of recruitments in 2004 in the health, education, police, and justice sectors, relies on (i) the impact of the measures adopted in 2003-04 to reduce the number of advisors, streamline indemnities, and enforce the retirement age provisions; (ii) a cut in the number of nonpermanent workers; (iii) the replacement of the current automatic promotion scheme with a merit-based system, on the basis of the provisions of the new law on the civil service statutes, expected to be approved by parliament before end-2004; and (iv) rationalization of the regime for contractual workers. With regard to nonwage spending, measures have been taken to contain the consumption of water and electricity, while sovereignty expenses will be reduced to CFAF 22 billion, down from CFAF 24 billion in 2004 and CFAF 80 billion in 2002. Transfers are to decline, reflecting the privatization in 2004 of the two agribusinesses, AGROGABON and HEVEGAB, and the restructuring of Gabon Poste under way. Strict enforcement of the provisions of the public procurement code should also lead to cost savings, particularly in the investment budget and in the operations of the Road Maintenance Fund.

17. **The government is determined to pursue its efforts to improve public expenditure management and effectiveness (LOI, paragraph 20-22).** To ensure a fast start of the execution of the investment budget early in 2005, detailed budgetary appropriations were attached to the budget submitted for adoption to parliament (a structural benchmark under the program). The government will also ensure that the regional investment budget related to the independence day celebration is executed in accordance with the bidding

procedures of the public procurement code.⁹ In the road sector, the government is determined to enhance the effectiveness of investments through rigorous multiyear planning and strengthened monitoring and control of road development and maintenance projects. The three-year rolling investment plan for 2005-07 gives the priority to education, health and roads, but could be updated following the finalization of the PRSP.

18. **The government is stepping up efforts to enhance budgetary transparency.** The budget of the National Guarantee Fund (CNGS), as well as the operations of the special accounts, are presented in annexes to the government budget for 2005 (structural benchmarks for end-December). As regards the investment budget, the Ministry of Planning will continue its program of financial and physical execution audits of investment projects initiated in 2004. The selection of the consultants to conduct the audits of the arrears of the Road Maintenance Fund and of the regional investment budget is under way; the audits will start in January 2005 and will be concluded before end-April 2005.

19. **Measures are being taken to strengthen the finances of the National Social Guarantee Fund (CNGS) and of local authorities (LOI, paragraphs 23 and 24).** To ensure the financial equilibrium of the CNGS, a study on the level and applicable base of payroll taxes was completed in November 2004. A decree establishing the new rate and base will be adopted before end-March 2005, and its implementation is scheduled for early 2006. An action plan to strengthen local authorities' finances is being prepared, on the basis of the report of a joint commission of the Ministry of Finance and Ministry of the Interior, completed at end-October. Key actions include the strengthening of real property taxation (including the enlargement of the number of properties subject to real estate taxation), strict management of personnel costs, and an equitable system for the allocation of transfers to local governments. The process of updating property registers is well advanced in the two main cities, Libreville and Port-Gentil, with higher real estate tax revenue expected to be collected starting from 2005.

Uses of the oil revenue windfall

20. **The authorities concurred with staff that the oil revenue windfall should be used in a prudent manner, in support of well-designed poverty reduction sectoral strategies.** They recognized that the projected improvement in the medium-term macroeconomic environment was heavily based on increases in highly volatile oil prices, and underscored that favorable oil prices should not weaken the resolve for adjustment and structural reform. Thus, they indicated that only after finalization of the PRSP and identification of key priorities in the social sectors and infrastructure some additional priority spending program could be envisaged, provided that oil revenue prospects remained favorable. Supporting the

⁹ Since 2002, every year a share of the investment budget (CFAF 50 billion) is allocated to regional infrastructure spending to be carried out in two out of the nine provinces; these are to be completed by August 17, the independence day, when key projects are inaugurated.

authorities' approach, the staff underscored the importance that the PRSP be prepared thoroughly, within a comprehensive consultative process, that any additional spending be consistent with the macroframework, in line with the master plans for the priority sectors, and that a careful costing of the priority outlays be conducted in the context of a medium-term expenditure framework. The Public Expenditure Review (PER) for the sectors of health, education and infrastructure, to be initiated in early 2005 with technical and financial assistance from the World Bank, the African Development Bank, and the European Union, will provide a solid foundation for designing appropriate medium-term priority programs for these key sectors.

Gabon: Projected Uses of Oil Revenue Windfall, 2004-2005
(In billions of CFA francs, unless otherwise indicated)

	2004		2005	
	Prog.	Proj.	Prog.	Proj.
World oil price (Brent, U.S. dollars per barrel)	30.0	39.2	27.0	44.2
Oil production (in million tons)	13.3	13.6	11.5	13.1
Oil government revenue	508.1	640	412.7	670
Total additional resources	0.0	145.9	0.0	250.1
Projected oil revenue windfall	0.0	131.9	0.0	257.3
Savings on external debt service	0.0	14.0	0.0	-7.2
Projected uses	0.0	145.9	0.0	250.1
Deposits in the Fund for Future Generations	0.0	67.3	0.0	48.2
Lower recourse to external debt rescheduling 1/	0.0	45.0	0.0	85.4
Reduction of the float at the treasury	0.0	17.0	0.0	13.4
Clearance of FER arrears	0.0	0.0	0.0	25.0
Repayment of BEAC's statutory advances	0.0	15.6	0.0	74.6
Other, net 2/	0.0	1.0	0.0	3.5

1/ Including cash payments on external debt in excess of original program projections.

2/ For 2004, including the CFAF 1 billion upward revision in expenditure under the revised program. For 2005, including higher interest payments on domestic debt and higher debt repayments to commercial banks, for a total of CFAF 2.3 billion.

21. Pending the finalization of the PRSP in mid-2005, and a possible strengthening of the medium-term investment program—which could be reflected in a supplementary budget for 2005—the additional oil revenue projected for 2005, equivalent to 6.4 percent of GDP, will not be used for any additional expenditure; it will be allocated to (i) reduce the costly statutory advances from the BEAC; (ii) reduce the financing gap by paying reschedulable external obligations falling due in the second half of the year; and (iii) increase the resources of the Fund for Future Generation (FFG). The reduction in domestic and external debt will help place the debt on a sustainable path, while freeing the necessary financial resources for private sector development. Following the finalization of the PRSP, a possible use of a part

of the oil revenue windfall for priority expenditures will be discussed with the staff, in the context of an updated macroframework.

22. In view of the substantial increase in the resources of the FFG, discussions are ongoing with the BEAC, in a regional context, with a view to improving the modalities of investments of these resources, including placements abroad. Also, as the 1998 law establishing the FFG grants parliament a supervisory role in the management of the FFG, the Minister of Finance has started discussions with parliament on how to strengthen management procedures.

23. As a number of the bilateral rescheduling agreements with bilateral creditors will be concluded only in 2005, savings on the debt service for 2004 are estimated at CFAF 14 billion; in 2005, however, the external debt service is likely to exceed original program projections by about CFAF 7 billion. The text table above presents the planned uses of the oil revenue windfall in 2004–05, and of the projected savings on external debt service.

C. Monetary and Financial Sector Policies

24. **Monetary policy will continue to be conducted at the regional level by the BEAC, consistent with the fixed exchange rate regime.** In the last quarter of 2004, the contribution of Gabon to the net foreign assets of the central bank is expected to be substantial, in the order of 13 percent of end-2003 money supply; this will be offset by a large decrease in net credit to government. With some expected pick up in credit to the economy, money supply is projected to increase over the year by 4.7 percent, in line with the growth of non-oil GDP. In 2005, a similar pattern of developments is projected. Money supply is projected to increase by 5.5 percent: a large increase in Gabon's contribution to the net foreign assets of the central bank would again be broadly offset by a decrease in net credit to government. Credit to the economy is projected to pick up, and to rise by about 7 percent, as demand of credit rises in connection with new investments in housing, oil refining, timber processing, agribusinesses, and services.

25. **As indicated in LOI, paragraphs 31-32, the government is keen to promote a deepening of the financial system,** with the development of institutions and financial instruments better adapted to sustain small and medium-scale enterprises, and the strengthening of microfinance institutions, which are much less developed than in some neighboring countries. To this end, the government is preparing a revision of the statutes of the Development and Expansion Fund (FODEX), which has benefited in the past from lines of credit from the African Development Bank, to enable it to play a new role in supporting small and medium-scale enterprises, including by supporting mutual guarantee funds, and to provide refinancing to microfinance networks. The authorities are also endeavoring to accelerate the issuance of land titles, in particular in the main cities, in order to facilitate the provision of housing finance by the banking system.

26. **The development of microfinance institutions has recently gained strength.** The National Microfinance Promotion Unit at the Ministry of Finance, which is in charge of

promoting microfinance activities, licensing the institutions, and ensuring the conformity of their statutes with the COBAC regulations, has recently identified a large number of associations that are in the process of adopting the required statutes in order to be fully licensed. In view of the still small capital base and limited membership of existing and prospective institutions, there is a need for external assistance, both to build up technical skills and to reinforce their resources; donors such as the European Union are examining the modalities of possible support.

D. External Sector and Debt Sustainability

27. The external financial position is expected to improve further in the second half of 2004 and in 2005, on account of higher-than-expected oil prices, and also higher manganese exports. The financing gap for 2004 and that originally projected for 2005 are fully covered by the rescheduling already obtained from the Paris Club creditors, and that expected to be concluded shortly with the London Club banks, taking into account the higher oil prices.¹⁰ The accumulation of net foreign assets in 2004 is projected to be higher than envisaged under the first review by the equivalent of 0.6 percent of GDP. For 2005 the accumulation of the central bank net foreign assets attributable to Gabon is now projected to be equivalent to 4.2 percent of GDP.

28. **The external medium-term outlook has improved from when the program was formulated**, and also from the time of the first review, on account of higher oil prices and because of improved prospects for oil and non-oil exports in volume terms, in particular manganese. Updated projections indicate that oil production in 2005 is likely to attain 13.1 million tons, up from 12.3 million forecast at the time of the first review; over the remainder of the decade oil production projections, although on a declining trend, have been revised upward in the order of 15 percent per year, because of the investments to upgrade oil fields and increase the rates of extraction with new technologies; thus, by 2010 oil production is now projected to be about 8.6 million tons, up from 7.3 million projected at the time of the first review. These projections are however subject to substantial uncertainty (Appendix IV, Table 4). Manganese extraction is expected to rise by 40 percent in volume between 2003 and 2005, because of large investments in the existing mine, and to increase steadily thereafter as new operators are beginning production. As a result, the current account surplus is projected to increase to 13.6 percent of GDP in 2005; it will decline gradually thereafter, to 5 percent in 2010, but would remain substantially higher than under the previous scenario (see www.imf.org). Under these revised projections, no financing gaps would exist through the remainder of the decade.

¹⁰ Under the first review a small residual financing gap, of CFAF 10 billion, was projected for 2005. With the upward revision of the oil price projections, no gap is presently projected for 2005.

29. The new baseline scenario (reflecting the more favorable terms of trade) used in the debt sustainability analysis (DSA) indicates that both the public debt-to-GDP and the external public debt-to-GDP would decline rapidly over the medium term—the latter below 30 percent by 2009—and faster than reported in www.imf.org (Appendix IV, Tables 1-4). This reflects both the higher nominal GDP (mainly on account of higher oil prices and production), and the absence of financing gaps after 2005. The external debt ratios, both in terms of exports and of government revenue, would rise between 2005 and 2009, but decline thereafter, as the weight of the rising non-oil sector in the overall economy increases.

30. In 2005-09 charges and repurchase to the Fund would represent on average 4.7 percent of government revenue and 2.3 percent of exports of goods and nonfactor services (Tables 11, 12 and 13). Given the country's track record in servicing its obligations to the Fund in a timely manner, and the constitution of reserves out of oil resources, it is expected that Gabon will continue to meet its obligations to the Fund. To further ensure promptness in servicing Fund obligations, the authorities have authorized the Fund to debit Gabon's SDR account and have undertaken to maintain adequate balances in this account (LOI, paragraph 41).

31. **A number of sensitivity analyses performed under the DSA exercise indicates that debt sustainability is very sensitive to shocks to non-oil real growth and to the price of oil.** Stress tests based on past current account deficits, exchange rate depreciation and non-oil growth rates, minus one standard deviation, indicate that the external debt would rise rapidly and become unsustainable. Two sensitivity tests, one assuming a sustained lower non-oil growth rate, and the other a sustained lower path of oil prices, by 25 percent, indicate that the debt ratio would become unsustainable in both cases. These results underscore the strong dependence of the baseline scenario on the higher oil prices presently projected by the staff, and the need to diversify the economic base and secure a satisfactory non-oil growth rate.

32. **The authorities reiterated their interest in a successor arrangement,** noting that a financing gap could well reemerge in 2005-06, in view of the declining trend of oil production and the possibility of a weakening of oil prices. The staff concurred that such a gap could reappear, and underscored that a new arrangement would be predicated on satisfactory performance under the present SBA, including adequate fiscal performance, implementation of structural reforms, and finalization of the PRSP.

33. **The government remains committed to trade liberalization.** The authorities will eliminate the remaining import surcharges on cigarettes before end-year. They have decided to put an end to the import restrictions on sugar, by end-2004, while starting discussions within the CEMAC to ensure that sugar trade within the regional market will be unhampered by nontariff barriers.

E. Other Structural Reforms and Progress in Economic Diversification

34. Progress is under way in implementing a wide ranging set of structural reforms directed to promoting the diversification of the economy and stimulating non-oil growth. The strategy is based on improving the investment climate, reforming the forestry sector, promote new initiatives in mining, fisheries, agriculture and services, restructuring and privatizing public enterprises, and improving governance. There are already encouraging signs of new investment in a number of sectors, in particular telecommunication, mining, agribusinesses, fisheries, and housing, which should contribute to raising growth in 2005 (Table 14). The staff underscored that these positive elements should provide a stimulus to accelerate actions to further improve the investment climate.

35. **A recently completed diagnostic study on the investment climate by the IFC's Foreign Investment Advisory Service (FIAS)**, which will be discussed in depth with representatives of the private sector in January 2005, identified a number of bottlenecks that need to be addressed (LOI paragraph 25) including inadequate financing for small- and medium-scale enterprises: high costs for utilities, harbor services, and transportation; cumbersome procedures for opening new businesses; insufficient labor training; and slowness in the judicial system. This study will be followed by a second study on the regulatory environment.

36. **In the forestry sector**, the implementation of the letter of development policy (LDP) adopted on May 18, 2004 is advancing, in close collaboration with the World Bank. A key objective is to ensure that all forestry concessions be brought before end-2006 under operating rules designed to ensure respect of the principle of sustainable development; this is challenging for small concessions holders, representing about 40 percent of the total, given the costs involved and requires that they regroup.¹¹ The LDP also calls for moving to an auction system for granting forestry concessions; an initial pilot auction to test the system is to be conducted in 2005, with World Bank technical assistance. The study to redefine the role of the timber marketing board (SNBG) was finalized in mid-November by an international consulting firm. On the basis of its recommendations, in early-December the government has decided to fundamentally change the role of the SNBG, including by removing its monopoly on the export of the okoumé and ozigo species. The abolition will become effective in early 2006, after a transition period in which the SNBG will be restructured and transformed in a

¹¹ It is estimated that the preparation of sustainable development plans (SDPs)—involving mapping, aerial photography, and sample inventory of resources—cost about US\$5 per hectare, or about US\$1 million for an average size concession of 200,000 ha. Out of total forestry concessions covering 11 million ha, concessions covering 2.2 million ha have already submitted SDPs, while holders of 4.6 million ha have signed an agreement giving them three years to submit a SDP. The remaining group of holders will have to regroup with those that have finalized a SDP.

scaled-down private marketing company controlled by the foresters, and certain functions of quality and invoice controls are transferred to the ministries of forestry and finance.

37. **The privatization of Gabon Telecom is expected to be concluded before end-March, on the basis of a schedule agreed with an internationally recognized investment bank.** The privatization of the company, together with the rapid expansion of the three existing cellular companies, which are carrying out a large investment program, bodes well for upgrading the quality of telecommunication services in the country.¹²

38. **The government has selected a consultant to assist in the privatization of Air Gabon.** The documentation needed for the tender for prequalifying potential buyers will be prepared before end-April 2005 (LOI, paragraph 38). Following managerial improvements in 2004, while an operating loss before amortization is still forecast for 2004, a surplus seems within reach in 2005, provided efforts to reduce costs are sustained.

39. **In the agribusiness sector,** the privatization of the palm oil company AGROGABON and the rubber company HEVEGAB, finalized in April 2004, appears to have been successful. The private investor has embarked in a large investment program to upgrade and enlarge plantations, and to renovate the industrial processing plants. New private initiatives to develop agricultural plantations are taking hold, especially in the northern part of the country. The artisanal fishery sector is also being revitalized, with donor assistance directed to establishing refrigeration facilities in several fishing centers and modernizing the fishing fleet.

40. **New initiatives to promote housing construction in urban areas are under way,** with an acceleration of the development of urban land suitable for residential purposes; to that end, the process of issuing land titles is being accelerated, with more resources allocated to the land registry offices in the main cities (see LOI, paragraph 28).

41. **The government is committed to price liberalization.** The authorities will reinstate before end-March 2005 the mechanism of automatic adjustment of the domestic retail prices for petroleum products, in line with international oil prices. Retail prices have not been changed since end-2002, while the ex-refinery price has been regularly adjusted in line with international prices, in order to maintain the margins for the refinery. This has not had any fiscal consequences, but has resulted in a compression of margins for the wholesale and retail distributors, albeit from a relatively high level.¹³

¹² The number of cellular subscribers in the country is equal to one quarter of the total population, one of the highest ratios in Africa.

¹³ The government envisages to renegotiate in the coming months the margin for wholesalers and retailers, in the context of a return to the automatic formula. As wholesalers and retailers are also the majority owners of the refinery, they have benefited from the comfortable refinery margins.

F. Governance

42. **Improvement in governance is one of the key objectives under the program.** A number of initiatives, already discussed above, have been taken to improve transparency, in particular in public expenditure management, including through audits of the physical execution of investment projects. **The National Commission against Illicit Enrichment** continues its work on financial disclosure procedures, and in awareness campaigns and investigation. A first report on its activity will be prepared before end-2004. **Under the Extractive Industry Transparency Initiative (EITI)**, to which Gabon has adhered since May 2004, the templates with detailed information on revenue flows are expected to be filled by the government and the operating companies before end-2004; they are thereafter to be submitted in early 2005 to a monitoring committee to be established for that purpose, comprising representatives of the government and of civil society (LOI, paragraph 27).

G. PRSP Preparation

43. **The preparation of the PRSP has gained momentum in recent months** (see LOI, paragraph 39), and the document is expected to be completed by mid-2005. The quantitative survey to update poverty and welfare indicators (Table 9) is now in the pilot phase, and will take place in January 2005. On the basis of this updated poverty survey, one key issue that the PRSP will have to address is how to achieve the millennium development goals (MDGs) by 2015 (Table 10). The series of seminars with civil society participation, which started in July, will be completed by end-2004. The strategies for the priority sectors are being prepared with the assistance of the various ministries, and will lead to a costing of the priority action programs; these will become an integral part of the budget for 2006 and the rolling investment budget for 2006–08.¹⁴ These programs will be submitted for review to the donor community, in order to facilitate the mobilization of external financial support, including technical assistance, which will be essential for improving key social indicators; they will rely on the public expenditure review for the education, health, and road sectors which will start in early 2005 with the assistance of the AfDB, the World Bank, and the European Union.

III. STAFF APPRAISAL

44. **In the first nine months of the year, Gabon's performance under the program supported by the SBA has been satisfactory.** Economic activity in the non-oil sector has shown signs of recovery, budgetary performance was in line with the objectives, and all quantitative performance criteria for end-September were met. Quantitative indicative targets were also met, with the exception of a very small slippage in non-oil revenue and in the

¹⁴ However, as indicated in paragraph 21, additional priority expenditures could be carried out in the second half of 2005, in the context of a supplementary budget law, following the completion of the PRSP and after discussion with Fund staff.

reduction of the treasury's float. Structural reforms are also progressing on schedule, even though there has been a short delay in adopting a time-bound action plan for the reform of the SNBG.

45. **It is encouraging that there is a wide consensus within the government that the windfall oil revenue, resulting from favorable prices, be used in priority to clear domestic arrears, reduce domestic and external debt, and accumulate deposits in the FFG.** The budget for 2005 submitted to parliament is fully consistent with the adjustment envisaged under the program. As the fiscal targets are challenging, there is a need to maintain a disciplined policy implementation. Only when the PRSP under preparation will be completed, around mid-next year, there will be an opportunity to assess the priority action plans for key sectors, and possibly adjust the medium-term investment program, after the envisaged expenditure reviews conducted with donor assistance.

46. **While the updated debt sustainability analysis, based on favorable oil prices, indicates that the debt-to-GDP ratio is likely to fall substantially, significant uncertainty surrounds this scenario, which depends critically on oil price projections.** Should the oil prices decline rapidly to below US\$30 per barrel, the debt burden would remain worrisome. This underscores the importance of dealing prudently with the present oil windfall, and to make maximum efforts to reduce the heavy dependence of the economy on the oil sector.

47. **In the public finance area, the measures to limit the wage bill are being implemented with determination.** This is essential in order to free resources for the priority sectors and to promote the diversification of the economy. The expected adoption by parliament of the new civil services statutes, before end-year, will further contribute to the rationalization of the civil service, by enabling the introduction of a merit-based promotion system, and the alignment of the statute for contractual workers to that for other civil servants. Progress is also being made in tax administration reforms, with the establishment of the large tax enterprise unit, and the reform of real estate taxation, that will benefit local authority finances. It is encouraging that an agreement has been reached regarding changes in the payroll taxes for contractual workers, so as to place their social security system on a sound foundation.

48. **The preparation of a high quality PRSP is essential in order to formulate the necessary strategies to improve social and economic indicators and to achieve the MDGs.** It is encouraging that a wide participation of the civil society, through a series of regional seminars, is being sought, and that the poverty profile will be updated in the coming months with the launching of a household survey with donor assistance in their design and execution. The staff urges the authorities that the medium-term expenditure frameworks for the priority sectors, which will be part of the PRSP, be prepared with utmost care, as they will constitute a crucial input for the next three-year rolling investment budget, and for the medium-term overall budget. These frameworks will also be essential in order to mobilize external assistance.

49. **A thorough discussion with the economic community of the recently completed IFC's FIAS diagnostic study**, to take place in January 2005, will be essential in order to draw up useful action plans to deal with the inefficiencies identified in the report, including the financial system, transportation, labor training and judicial system. While the recent privatization and structural reforms have spurred new investments, further reforms in these areas are necessary in order to accelerate the diversification of the economy.

50. **Reforms in the forestry sector are essential in order to tap the important potential in this sector, while ensuring the respect of the principle of sustainable development.** It is encouraging that the authorities are working closely with the World Bank to launch an initial pilot auction for attributing forestry concessions, a mechanism that is more transparent than the existing regime. The staff welcomes that, following the completion of a consultant study in mid-November, the authorities have adopted in early December a comprehensive time-bound action plan eliminating the export monopoly of the timber marketing company SNBG and ensuring that the company will operate in a fully competitive environment. It therefore supports the request of a waiver for the non observance by end-November 2004 of the performance criterion on the redefinition of the role of the SNBG.

51. **Efforts to strengthen governance at all levels must be pursued with determination.** The staff welcomes the progress that is under way in preparing the information required under the EITI, and the establishment of a schedule for submitting the information in the first half of 2005 to a commission with civil society participation.

52. In view of the authorities' good faith efforts in negotiating with non-Paris Club and London Club creditors, and the substantial progress made in these negotiations, the staff recommends completion of the financing assurances review.

53. In view of the satisfactory performance in the first nine months of 2004, observance of all quantitative performance criteria, and progress in achieving the structural benchmarks envisaged for end-2004, **the staff recommends that the second review of the SBA be completed.**

Table 1. Gabon: Selected Economic Indicators, 2000–06

	2000	2001	2002	2003 Est.	2004			2005 Projections	2006
					Prog.	Rev. 1/ Proj.	Proj.		
(Annual percent change)									
GDP at constant prices	-1.9	2.0	0.0	2.6	2.0	1.5	1.9	1.6	1.1
Oil	-10.2	-5.7	-1.4	6.8	-0.6	-0.5	0.7	-3.2	-6.2
Non-oil	2.1	5.3	0.6	1.0	3.0	2.3	2.3	3.5	3.7
GDP at current prices	26.0	-4.7	0.0	2.0	-3.9	4.2	9.1	4.7	-3.4
GDP deflator	28.5	-6.6	0.0	-0.5	-5.8	2.6	7.1	3.0	-4.4
Oil	77.5	-12.7	1.0	-3.5	-16.0	4.3	15.6	7.3	-8.5
Non-oil	3.0	2.2	-0.2	0.3	2.2	2.1	1.3	1.9	1.5
Consumer prices									
Yearly average	0.4	2.1	0.2	2.1	2.0	2.0	1.0	2.0	2.0
End of period	1.8	1.0	0.4	3.5	2.0	2.0	1.5	2.0	2.0
External sector									
Exports, f.o.b. (CFA francs)	53.7	-19.0	-5.7	4.2	-4.3	19.1	23.1	8.0	-10.7
Of which: oil	65.4	-19.6	-6.9	4.8	-3.8	20.8	25.8	6.8	-15.1
Imports, f.o.b. (CFA francs)	1.4	9.3	7.1	-5.4	4.6	10.0	15.1	9.3	2.0
Export volume	32.8	-13.9	-0.4	-3.7	0.3	12.8	16.0	4.6	-8.9
Import volume	-13.9	3.8	11.4	9.0	11.5	17.0	22.9	8.1	0.3
Terms of trade (deterioration -)	-1.6	-10.6	-1.5	24.7	-4.7	12.4	13.3	2.2	-3.6
Nominal effective exchange rate (- = depreciation)	-5.5	1.4	2.3	3.3	...	...	...	...	...
Real effective exchange rate (- = depreciation)	-6.9	1.7	0.7	3.4	...	...	...	...	...
Central government finance									
Total revenue	48.4	-2.8	-7.3	-3.6	-2.6	7.9	9.9	5.8	-4.8
Oil revenue	121.0	-7.6	-19.1	-6.4	-10.9	8.4	12.2	4.7	-13.4
Non-oil revenue	-11.7	7.1	13.8	0.0	7.2	7.2	7.2	7.2	5.6
Total expenditure	0.8	35.1	-8.7	-18.6	7.2	6.2	5.0	-2.5	-0.5
Current	2.1	27.5	-20.1	-10.7	3.5	2.3	0.7	-3.9	-1.4
Capital	-11.6	55.7	-16.5	-4.4	24.3	24.3	24.3	1.5	2.4
(In percent of beginning-of-period broad money, unless otherwise indicated)									
Money and credit									
Net domestic assets	-31.5	42.6	-2.1	-8.8	-4.2	-16.2	-30.9	-23.4	-15.4
Domestic credit	-33.7	38.8	-1.4	-4.9	-3.3	-15.8	-22.5	-23.4	-14.9
Central government	-39.6	27.7	-9.1	2.0	-8.2	-16.7	-22.2	-29.3	-19.9
Credit to the economy	8.3	11.8	6.4	-7.1	4.9	1.4	0.2	5.9	5.0
(annual percentage change)	11.7	17.4	8.7	-9.4	7.1	2.0	0.3	8.8	7.2
Broad money	18.0	7.5	5.7	-1.2	5.3	4.4	4.7	5.4	5.4
Velocity of broad money (non-oil GDP)	3.5	3.5	3.3	3.4	3.4	3.4	3.4	3.4	3.4
(In percent of GDP, unless otherwise indicated)									
Gross national savings	41.5	36.8	29.6	33.5	31.5	37.0	35.7	36.3	32.9
Government	14.6	8.0	7.5	11.1	10.3	12.7	12.9	14.5	13.7
Private sector	27.0	28.8	22.1	22.4	21.1	24.3	22.8	21.8	19.1
Gross domestic savings	58.1	52.1	44.2	46.3	49.1	52.6	50.8	51.0	46.1
Government	19.7	15.9	10.9	8.0	7.4	10.1	10.4	12.3	11.8
Private sector	38.4	36.2	33.2	38.4	41.6	42.5	40.4	38.6	34.2
Gross fixed investment	21.8	25.8	24.4	24.0	25.7	25.4	24.2	22.7	22.9
Government	2.9	4.7	4.0	3.7	4.8	4.4	4.2	4.1	4.4
Private sector	18.9	21.0	20.5	20.2	20.9	21.0	20.0	18.6	18.5
Nominal GDP (in billions of CFA francs)	3,618.3	3,448.5	3,448.9	3,519.3	3,382.3	3,667.1	3,838.8	4,019.5	3,884.7
Central government									
Primary budget balance (commitment basis)	17.5	12.0	7.9	11.4	10.3	12.5	12.5	13.5	12.3
Overall balance (commitment basis, incl. grants)	11.6	3.2	3.5	7.4	5.4	8.2	8.7	10.4	9.3
Overall balance (commitment basis, excl. grants)	11.6	3.2	3.4	7.4	5.2	8.0	8.5	10.3	9.2
Overall balance (cash basis)	4.0	4.8	3.5	6.4	0.1	2.8	3.5	8.7	9.3
Domestic bank financing	-4.9	4.2	-1.5	0.5	-1.4	-2.7	-3.4	-4.5	-3.3
Net external financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net external financing	4.4	-6.2	-2.2	-3.7	-9.6	2.6	2.5	-2.5	-4.5
Financing gap	0.0	0.0	0.0	0.0	13.9	0.0	0.0	0.0	0.0
External current account balance (including official transfers)	19.7	11.0	5.2	9.6	5.8	11.6	11.5	13.6	10.0
External current account balance (excluding official transfers)	20.0	10.8	5.0	9.5	5.5	11.4	11.4	13.5	9.9
External debt service paid (percent of government revenue) 1/	20.1	40.0	16.2	23.4	20.1	...	...	...	...
External public debt (including the Fund and gap financing)	57.1	63.1	62.7	55.9	58.6	52.1	50.0	45.5	42.4
Total public debt (including the Fund and gap financing)	71.3	81.0	82.7	72.9	67.9	59.3	62.2	51.8	45.7

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ Including the Fund.

Table 2. Gabon: Fiscal Operations of the Central Government, 2004-05

(In billions of CFA francs, unless otherwise indicated)

	2005												
	Mar.			Jun.			Sep.			Dec.			
	Proj.	Est.	Prog.	Proj.	Est.	Prog.	Rev. 1/	Prel.	Prog.	Rev. 1/	Proj 1/	Prog.	Proj.
Total revenue and grants	244.3	271.1	496.2	529.8	727.9	802.9	801.7	1,029.4	1,139.5	1,161.3	298.4	615.9	1,225.3
Revenue	243.1	271.1	493.0	529.8	722.0	797.0	801.7	1,021.5	1,131.6	1,153.4	297.7	613.9	1,220.3
Oil revenue	134.7	146.6	247.3	284.5	357.3	432.3	439.7	508.1	618.2	640.0	181.5	355.0	670.0
Non-oil revenue	108.5	124.5	245.7	245.3	364.7	364.7	362.0	513.4	513.4	513.4	116.2	258.9	550.3
Direct taxes	33.4	43.1	82.8	77.8	106.8	106.8	101.6	145.3	145.3	147.2	35.9	85.8	156.1
Indirect taxes	26.0	23.4	55.0	53.6	77.2	77.2	80.7	115.2	115.2	110.2	26.5	54.0	117.4
Taxes on international trade	42.0	42.9	92.0	89.2	157.0	157.0	140.2	217.5	217.5	205.6	41.6	90.2	216.0
Import taxes	38.0	37.3	82.0	77.2	135.4	135.4	121.0	185.5	185.5	176.1	37.4	78.5	182.5
Export taxes	4.0	5.6	10.0	12.0	21.6	21.6	19.1	32.0	32.0	29.5	4.2	11.7	33.5
Other revenue	7.1	15.1	15.9	24.7	23.7	23.7	39.5	35.4	35.4	50.4	12.2	28.9	60.8
Foreign grants	1.2	0.0	3.2	0.0	5.9	5.9	0.0	7.9	7.9	7.9	0.8	2.0	5.0
Total expenditure and net lending	192.5	186.7	372.9	361.0	597.1	585.0	574.2	845.6	837.9	828.2	204.6	403.4	807.5
Total expenditure, excluding interest payments	161.6	156.9	319.5	305.7	484.1	484.1	475.4	681.9	682.9	682.9	167.2	335.8	683.6
Current expenditure	148.0	143.7	280.7	283.3	460.5	448.4	443.8	635.1	627.4	617.7	154.4	299.7	593.5
Wages and salaries	58.8	55.4	111.9	110.1	168.6	168.6	168.3	226.0	226.0	226.0	56.2	110.2	225.0
Purchases of goods and services	28.6	27.9	56.0	55.2	89.6	89.6	85.2	124.5	125.5	125.5	30.0	58.2	126.6
Water and electricity	2.8	2.7	5.6	5.4	8.5	8.5	8.1	11.2	11.2	11.2	2.8	5.6	11.2
Telephone services	2.4	2.1	4.7	4.2	7.2	7.2	6.1	9.5	9.5	9.5	2.4	4.7	9.5
Other (petrol, transport, travel, etc.)	23.4	23.1	45.6	45.6	73.9	73.9	70.9	103.7	104.7	104.7	24.8	47.9	105.9
Transfers	29.8	30.7	59.5	62.7	89.3	89.3	91.5	121.0	121.0	121.0	30.7	63.6	118.0
Public enterprises	4.1	4.7	8.3	7.6	12.4	12.4	10.8	16.6	16.6	16.6	4.1	8.3	16.6
Other	25.6	26.0	51.2	55.1	76.8	76.8	80.7	104.5	104.5	104.5	26.5	55.3	101.5
Interest payments	30.9	29.7	53.4	55.4	113.0	100.9	98.7	163.6	155.0	145.3	37.5	67.6	123.9
Domestic	6.9	6.2	9.8	11.7	20.5	20.2	26.9	28.7	28.7	28.7	6.6	13.1	17.5
External	24.0	23.5	43.5	43.7	92.5	80.7	78.6	136.7	126.2	116.6	30.8	54.5	106.4
Capital expenditure	32.5	31.6	68.1	57.8	100.6	100.6	99.1	162.5	162.5	162.5	38.0	79.2	165.0
Road Maintenance Fund (FER) and special funds	12.0	11.4	24.0	19.9	36.0	36.0	31.3	48.0	48.0	48.0	12.3	24.5	49.0
Overall balance, incl. grants (on a payments order basis)	51.8	84.4	123.3	168.8	130.8	217.9	227.5	183.8	301.6	333.0	93.8	212.5	417.8
Primary balance, incl. grants (on a payments order basis)	82.7	114.1	176.7	224.2	243.8	318.8	326.2	347.4	456.6	478.3	131.3	280.1	541.7
Change in payments arrears	-10.9	-17.5	-155.3	-187.0	-161.2	-194.3	-190.9	-181.1	-198.1	-198.1	-31.3	-47.5	-66.9
External (on interest payments)	-0.9	11.7	-139.4	-139.5	-139.4	-139.4	-139.5	-139.4	-139.4	-139.4	0.0	0.0	0.0
Domestic	-10.0	-29.2	-15.9	-47.5	-21.8	-54.9	-51.3	-41.7	-58.7	-58.7	-31.3	-47.5	-66.9
Arrears on interest on domestic debt	-2.0	-3.2	-2.6	-3.2	-3.0	-3.0	-3.1	-4.6	-4.6	-4.6	0.0	0.0	0.0
Floater (unpaid payment orders at the treasury)	-8.0	-22.3	-12.0	-39.9	-12.8	-45.9	-36.7	-25.9	-42.9	-42.9	-20.0	-25.0	-36.9
Floater at the Road Maintenance Fund (FER)	0.0	0.0	0.0	0.0	-3.0	-3.0	-2.2	-6.0	-6.0	-6.0	-10.0	-20.0	-25.0
Other floater at the treasury 2/	0.0	-2.8	0.0	-2.2	0.0	0.0	-6.3	0.0	0.0	0.0	0.0	0.0	0.0
Compensation for political violence	0.0	-0.9	-1.3	-2.2	-3.0	-3.0	-3.0	-5.2	-5.2	-5.2	-1.3	-2.5	-5.0
Overall balance (on a cash basis)	40.9	66.9	-31.9	-18.2	-30.4	23.6	36.6	2.7	103.5	134.9	62.5	165.0	350.9
Financing	-82.8	-66.9	-359.5	18.2	-406.3	-23.6	-36.6	-474.2	-103.5	-134.9	-62.5	-165.0	-350.8
External (net)	-62.2	-27.7	-284.5	114.9	-294.4	70.8	80.4	-325.3	95.2	95.8	-12.3	-12.0	-101.9
Drawings	2.6	2.5	6.8	9.5	55.3	10.3	13.4	65.0	65.0	65.0	6.7	15.4	32.0
Project financing	2.6	2.5	6.8	9.5	10.3	10.3	13.4	20.0	20.0	20.0	6.7	15.4	32.0
Program financing	0.0	0.0	0.0	0.0	45.0	0.0	0.0	45.0	45.0	45.0	0.0	0.0	0.0
Amortization	-60.7	-60.1	-102.7	-103.7	-161.1	-165.2	-165.6	-201.6	-204.8	-209.2	-65.4	-104.7	-211.3
Arrears on principal (reduction-)	-4.1	29.9	-186.6	-186.6	-186.6	-186.6	-186.6	-186.6	-186.6	-187.5	0.0	0.0	0.0
Debt rescheduling and deferral	0.0	0.0	-2.0	395.4	-2.0	412.2	419.0	-2.0	421.7	427.3	46.4	77.4	77.4
Debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.0

Table 2. Gabon: Fiscal Operations of the Central Government, 2004-05 (concluded)
(In billions of CFA francs, unless otherwise indicated)

	2004						2005							
	Mar.		Jun.		Sep.		Dec.		Mar.		Jun.		Dec.	
	Proj.	Est.	Prog.	Est.	Prog.	Rev. 1/	Prel.	Prog.	Rev. 1/	Proj. 1/	Prog.	Rev. 1/	Proj.	Rev. 1/
Domestic (net)	-20.6	-39.1	-75.0	-96.7	-111.9	-94.3	-117.1	-148.9	-198.7	-230.8	-50.3	-153.0	-248.9	-248.9
Banking system	6.2	-22.4	-27.0	-61.4	-35.3	-21.2	-48.5	-48.6	-98.6	-131.5	-20.2	-91.3	-181.8	-181.8
Bank of Central African States (BEAC)	13.3	-19.2	-16.5	-38.4	-21.4	-7.2	-23.1	-32.7	-82.6	-115.5	-16.7	-84.4	-167.9	-167.9
Fund for Future Generations	13.3	13.5	-20.8	-21.5	-29.9	-25.0	-25.0	-51.7	-101.7	-119.0	-23.6	-46.4	-100.0	-100.0
Commercial banks 4/	-7.1	-3.2	-10.5	-23.0	-13.9	-13.9	-25.4	-16.0	-16.0	-16.0	-3.5	-6.9	-13.9	-13.9
Nonbank sources	-26.7	-16.7	-48.0	-35.3	-76.6	-73.2	-68.6	-100.3	-100.1	-99.3	-30.1	-61.7	-67.2	-67.2
Domestic debt	-13.3	-15.5	-31.6	-30.8	-49.1	-48.6	-44.8	-70.4	-73.0	-67.9	-18.7	-33.4	-56.9	-56.9
Oil company advances (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Accounting Department (DGCP)	-12.4	-11.6	-28.6	-22.8	-39.1	-36.9	-33.4	-50.4	-49.6	-47.3	-9.6	-19.1	-33.8	-33.8
Securitized commercial agreements	-4.1	-4.1	-8.1	-7.5	-12.2	-12.2	-10.6	-16.3	-16.3	-16.3	-3.7	-7.5	-14.2	-14.2
Other (drivers) 3/	-8.4	-7.5	-20.5	-15.3	-26.9	-24.7	-22.8	-34.1	-33.3	-31.0	-5.8	-11.6	-19.6	-19.6
Debt at the treasury ("Libreville Club")	0.0	-0.6	0.0	-2.3	0.0	-1.7	-3.9	0.0	-3.4	-5.6	-1.1	-2.2	-4.5	-4.5
Regularization of civil servants' salaries (rappels)	-0.9	-3.4	-3.0	-5.7	-10.0	-10.0	-7.6	-20.0	-20.0	-15.0	-8.0	-12.0	-18.6	-18.6
Change in domestic arrears (on principal, - reduction)	-5.0	-16.1	-5.5	-13.0	-10.9	-10.9	-12.3	-13.6	-14.7	-14.7	0.0	0.0	0.0	0.0
Restructuring cost 5/	-2.5	-1.5	-4.5	-4.5	-9.8	-9.8	-7.3	-14.5	-18.5	-15.3	-5.9	-19.7	-19.7	-19.7
Domestic debt rescheduling/deferral	0.0	10.1	0.0	10.1	0.0	10.1	14.1	0.0	10.1	14.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	1.4	0.0	10.0	0.0	0.0	11.9	11.9	1.9	0.0	0.0	18.2	18.2
Other	-5.9	6.3	-7.8	2.9	-16.9	-14.0	-18.3	-13.7	-15.9	-17.2	-5.5	-8.6	-8.8	-8.8
Treasury correspondents, incl. pensions	-2.2	-2.9	-3.0	-1.9	-10.0	-7.1	-5.7	-5.0	-7.2	-8.5	-3.2	-5.5	-4.0	-4.0
Local authorities 6/	-0.3	3.1	-1.0	1.5	-1.0	-1.0	1.0	-1.0	-1.0	-1.0	-1.5	-1.5	-1.5	-1.5
Development Bank of Gabon (BGD)	-0.5	-0.5	-0.8	-0.5	-1.1	-1.1	-0.7	-1.4	-1.4	-1.4	-0.3	-0.6	-1.3	-1.3
Other, including transactions	-3.0	1.1	-3.0	-0.8	-4.8	-4.8	-7.2	-6.3	-6.3	-6.3	-0.5	-1.0	-2.0	-2.0
between local and central treasury	0.0	5.5	0.0	4.6	0.0	0.0	-5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	41.8	0.0	391.4	0.0	436.7	0.0	0.0	471.5	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap														
Memorandum items:														
Primary fiscal balance, incl. grants (in percent of GDP)	2.4	3.0	5.2	5.8	7.2	8.3	8.5	10.3	12.5	12.5	3.3	7.0	13.5	13.5
Non-oil primary balance, incl. grants (in percent of non-oil GDP)	-2.4	-1.5	-3.3	-2.9	-5.3	-5.4	-5.4	-7.5	-7.6	-7.7	-2.3	-3.4	-5.8	-5.8
Stock of unpaid payments orders at the treasury	76.7	62.4	72.7	44.8	71.9	38.8	48.0	58.8	41.8	41.8	21.8	16.8	4.9	4.9
Fund for Future Generations (balance)	16.8	16.5	50.8	51.5	60.0	55.0	55.0	81.7	142.1	149.0	172.6	195.4	249.0	249.0

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ The original program targets for end-September and end-December 2004 have been revised to take into account the planned uses of the oil windfall, and an upward adjustment in current spending (by CFAF 1 billion) for end-December 2004.

2/ "Other float at the treasury" includes mainly variations in consignments and operations with autonomous bodies.

3/ Including old debt repayments to Société d'Eau et d'Énergie de Gabon (SEEG), National Social Security Fund (CNSS), and Office des Postes et Télécommunication (OPT), as well as debt service on new debt agreements with Gabon Télécom, Gabon Poste, Air Gabon's suppliers, and CNSS. During the last quarter of 2003, there was a deferral of debt obligations amounting to some CFAF 1 billion.

4/ The data excludes CFAF 7.8 billion of securitized commercial agreements bought by a local commercial bank from private nonbank creditors during the first nine months of 2004. It therefore differs from the monetary survey data.

5/ Restructuring costs refer to social costs of privatization and voluntary departures.

6/ Local authorities consist of variations in local entities' account balances with the treasury.

Table 3. Gabon: Fiscal Operations of the Central Government, 2002–06

	2002	2003	2004			2005			2006	
			Prog.	Rev.	Proj.	Prog.	Rev.	Proj.	Proj.	Proj.
(In billions of CFA francs)										
Total revenue and grants	1,089.9	1,050.3	1,029.4	1,139.5	1,161.3	971.0	1,161.5	1,225.3	915.2	1,166.3
Revenue	1,088.0	1,049.1	1,021.5	1,131.6	1,153.4	966.0	1,156.5	1,220.3	910.2	1,161.3
Oil revenue	609.0	570.2	508.1	618.2	640.0	412.7	603.3	670.0	328.8	580.0
Non-oil revenue	479.0	478.9	513.4	513.4	513.4	553.3	553.3	550.3	581.3	581.3
Direct taxes	134.2	122.6	145.3	145.3	147.2	149.2	149.2	156.1	158.1	158.1
Indirect taxes	83.5	109.6	115.2	115.2	110.2	128.5	128.5	117.4	135.6	135.6
Taxes on international trade	210.0	200.3	217.5	217.5	205.6	230.2	230.2	216.0	239.6	239.6
Import taxes	180.9	171.2	185.5	185.5	176.1	199.6	199.6	182.5	207.4	207.4
<i>Of which</i>										
VAT	88.6	83.9	90.9	90.9	86.3	97.8	97.8	89.4	101.6	101.6
Export taxes	29.1	29.1	32.0	32.0	29.5	30.6	30.6	33.5	32.2	32.2
Other revenue	51.3	46.4	35.4	35.4	50.4	45.3	45.3	60.8	47.9	47.9
Foreign grants	1.9	1.2	7.9	7.9	7.9	5.0	5.0	5.0	5.0	5.0
Total expenditure (including net lending)	969.2	789.0	845.6	837.9	828.2	817.3	810.6	807.5	813.9	803.2
Total expenditure (excluding interest payments)	817.9	647.5	681.9	682.9	682.9	686.6	686.6	683.6	686.1	689.1
Current expenditure	687.4	613.5	635.1	627.4	617.7	600.3	593.5	593.5	595.9	585.2
Wages and salaries	220.6	229.0	226.0	226.0	226.0	224.0	224.0	225.0	221.0	224.0
Purchases of goods and services	156.7	124.8	124.5	125.5	125.5	126.6	126.6	126.6	129.1	129.1
Transfers	158.8	118.3	121.0	121.0	121.0	119.0	119.0	118.0	118.0	118.0
Interest payments	151.3	141.5	163.6	155.0	145.3	130.7	123.9	123.9	127.8	114.0
Domestic	33.7	30.4	26.9	28.7	28.7	16.5	17.3	17.5	14.5	15.9
External (excluding IMF)	117.6	111.1	136.7	126.2	116.6	114.2	106.7	106.4	113.3	98.2
Capital expenditure	136.6	130.7	162.5	162.5	162.5	168.0	168.0	165.0	169.0	169.0
Domestically financed investment	117.0	122.0	142.5	142.5	142.5	133.0	133.0	133.0	131.0	131.0
Foreign-financed investment	19.6	8.7	20.0	20.0	20.0	35.0	35.0	32.0	38.0	38.0
Net lending (including equity participation)	17.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring cost of public enterprises 1/	67.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Maintenance Fund (FER) and special funds 2/	60.5	44.5	48.0	48.0	48.0	49.0	49.0	49.0	49.0	49.0
Overall balance, incl. grants (on a payments order basis)	120.7	261.3	183.8	301.6	333.0	153.7	351.0	417.8	101.3	363.2
Primary balance, incl. grants (on a payments order basis)	272.0	402.8	347.4	456.6	478.3	284.3	474.9	541.7	229.1	477.2
Change in arrears	1.1	-36.4	-181.1	-198.1	-198.1	-28.5	-66.9	-66.9	0.0	0.0
External (on interest payments)	81.1	32.4	-139.4	-139.4	-139.4	0.0	0.0	0.0	0.0	0.0
Domestic	-79.9	-68.8	-41.7	-58.7	-58.7	-28.5	-66.9	-66.9	0.0	0.0
Overall balance (on a cash basis)	121.8	224.9	2.7	103.5	134.9	125.2	284.1	350.9	101.3	363.2
Financing	-121.8	-224.9	-474.2	-103.5	-134.9	-288.0	-294.1	-350.8	-261.3	-363.1
External (net)	-76.9	-130.7	-325.3	95.2	95.8	-161.3	-99.3	-101.9	-161.7	-175.3
Drawings	17.7	8.7	65.0	65.0	65.0	35.0	35.0	32.0	38.0	38.0
Project financing	17.7	8.7	20.0	20.0	20.0	35.0	35.0	32.0	38.0	38.0
Program financing	0.0	0.0	45.0	45.0	45.0	0.0	0.0	0.0	0.0	0.0
Amortization	-243.6	-198.6	-201.6	-204.8	-209.2	-196.3	-211.6	-211.3	-199.7	-213.3
Arrears (on principal)	135.8	46.1	-186.6	-186.6	-187.5	0.0	0.0	0.0	0.0	0.0
Foreign exchange effect on arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling and deferral	1.3	2.0	-2.0	421.7	427.3	0.0	77.4	77.4	0.0	0.0
Debt cancellation	11.9	11.1	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Advance external debt payment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	-44.9	-94.2	-148.9	-198.7	-230.8	-126.7	-194.8	-248.9	-99.6	-187.8
Banking system	-51.5	15.8	-48.6	-98.6	-131.5	-58.1	-126.2	-181.8	-41.6	-129.9
Bank of Central African States	-92.9	15.8	-32.7	-82.6	-115.5	-45.4	-113.6	-167.9	-35.5	-123.7
<i>Of which: IMF</i>	-9.1	-11.8	19.0	19.1	19.1	8.2	8.4	8.5	-3.7	-3.6
Repayment statutory advances	0.0	0.0	0.0	0.0	-15.6	-1.8	-26.0	-76.4	-2.0	-76.4
Commercial banks	41.4	0.0	-16.0	-16.0	-16.0	-12.6	-12.6	-13.9	-6.1	-6.1

Table 3. Gabon: Fiscal Operations of the Central Government, 2002–06 (concluded)

	2002	2003	2004			2005			2006	
			Prog.	Rev.	Proj.	Prog.	Rev.	Proj.	Proj.	Proj.
(In billions of CFA francs)										
Nonbank sources	6.6	-110.0	-100.3	-100.1	-99.3	-68.7	-68.7	-67.2	-58.0	-58.0
Domestic debt	-75.4	-60.1	-70.4	-73.0	-67.9	-58.0	-58.0	-56.9	-44.4	-44.4
Oil company advances (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Department (DGCP)	-69.1	-55.3	-50.4	-49.6	-47.3	-38.0	-38.0	-33.8	-28.2	-28.2
Debt at treasury	0.0	0.0	0.0	-3.4	-5.6	0.0	0.0	-4.5	0.0	0.0
Regularization of civil servants' salaries (<i>rappels</i>)	-6.3	-4.8	-20.0	-20.0	-15.0	-20.0	-20.0	-18.6	-16.2	-16.2
Change in domestic arrears (on principal, – reduction)	14.1	-11.6	-13.6	-14.7	-14.7	0.0	0.0	0.0	0.0	0.0
Restructuring cost	47.9	-7.8	-14.5	-18.5	-15.3	-11.8	-25.3	-19.7	-10.6	-10.6
Debt rescheduling	39.6	0.0	0.0	10.1	14.0	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	1.8	1.0	11.9	11.9	1.9	8.7	22.2	18.2	0.0	0.0
Other 3/	-21.4	-31.5	-13.7	-15.9	-17.2	-7.5	-7.5	-8.8	-3.0	-3.0
Financing gap	0.0	0.0	471.5	0.0	0.0	162.8	10.0	0.0	160.0	0.0
Possible rescheduling 4/	...	...	471.5	...	...	150.8	...	...	153.0	...
(In percent of GDP, unless otherwise specified)										
Memorandum items:										
Cumulative variation in net bank credit to the government from January 1, 2000 (in billions CFA francs)	...	...	...	...	...	...	...	...	...	...
Total revenue (excluding grants)	31.5	29.8	30.2	30.9	30.0	29.3	32.1	30.4	27.9	29.9
Oil revenue	17.7	16.2	15.0	16.9	16.7	12.5	16.8	16.7	10.1	14.9
Non-oil revenue	13.9	13.6	15.2	14.0	13.4	16.8	15.4	13.7	17.8	15.0
Total expenditure	28.1	22.4	25.0	22.8	21.6	24.8	22.5	20.1	25.0	20.7
Total expenditure, excluding interest	23.7	18.4	20.2	18.6	17.8	20.8	19.1	17.0	21.1	17.7
Current expenditure	19.9	17.4	18.8	17.1	16.1	18.2	16.5	14.8	18.3	15.1
Wage bill	6.4	6.5	6.7	6.2	5.9	6.8	6.2	5.6	6.8	5.8
Other current spending	9.1	6.9	7.3	6.7	6.4	7.4	6.8	6.1	7.6	6.4
Interest	4.4	4.0	4.8	4.2	3.8	4.0	3.4	3.1	3.9	2.9
Capital expenditure	4.0	3.7	4.8	4.4	4.2	5.1	4.7	4.1	5.2	4.4
Net lending	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring cost of public enterprises	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road fund and special funds	1.8	1.3	1.4	1.3	1.3	1.5	1.4	1.2	1.5	1.3
Defense expenditure 5/	1.9	1.8	1.9	1.7	1.6	1.8	1.7	1.5	1.8	1.5
Primary balance, incl. grants (on a payments order basis)	7.9	11.4	10.3	12.5	12.5	8.6	13.2	13.5	7.0	12.3
Overall balance, incl. grants (on a payments order basis)	3.5	7.4	5.4	8.2	8.7	4.7	9.8	10.4	3.1	9.3
Overall balance (on a cash basis)	3.5	6.4	0.1	2.8	3.5	3.8	7.9	8.7	3.1	9.3
(In percent of non-oil GDP)										
Non-oil revenue	23.9	23.6	24.0	24.2	24.4	24.6	24.7	24.8	24.5	24.8
Primary expenditure	40.8	31.8	31.9	32.2	32.4	30.5	30.7	30.8	28.9	29.4
Wage bill	11.0	11.3	10.6	10.6	10.7	9.9	10.0	10.1	9.3	9.6
Non-oil primary balance, incl. grants	-16.8	-8.2	-7.5	-7.6	-7.7	-5.7	-5.7	-5.8	-4.2	-4.4
(In billions of CFA francs, unless otherwise indicated)										
Oil prices (in U.S. dollars/barrel) 6/	25.2	28.9	30.0	37.3	39.2	27.0	37.3	44.2	26.0	39.4
GDP at market prices	3,449	3,519	3,382	3,667	3,839	3,301	3,598	4,020	3,258	3,885
Non-oil GDP at market prices	2,006	2,033	2,140	2,123	2,108	2,253	2,239	2,222	2,376	2,341
Fund for Future Generations (stock)	70.4	30.0	81.7	142.1	149.0	133.6	238.0	249.0	163.4	292.8

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ Including Air Gabon's suppliers' debt and debt of public enterprises to National Social Security Fund (CNSS) taken over by the government during 2002.

2/ Outlays of the Road Maintenance Fund (FER) and of other special funds are recorded in annexes to the budget since 2004 and 2005, respectively.

3/ Includes treasury correspondents, local governments, checks written but not yet cashed, and errors and omissions.

4/ Financing gaps during the program period are expected to be covered by debt rescheduling.

5/ Defense spending is partly included under current expenditure and partly under capital spending.

6/ The corresponding national oil prices are US\$1-2 lower.

Table 4. Gabon : Quarterly Monetary Survey, 2003-05

	2003				2004							
	Actual				Prel.							
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.				
Net foreign assets	76.9	58.3	73.3	81.6	142.2	199.4	126.6	138.3	222.9	137.7	203.5	292.4
Central bank	62.3	36.1	61.8	66.9	87.8	119.0	111.9	111.9	130.3	123.0	189.2	207.1
Deposit money banks	14.6	22.2	11.6	14.6	54.4	80.3	14.6	26.3	92.5	14.6	14.3	85.3
Net domestic assets	524.6	537.0	503.2	510.2	449.6	425.7	498.9	484.9	390.1	485.2	414.5	327.3
Net domestic credit	617.5	649.3	645.6	623.0	585.6	549.7	611.7	600.0	554.2	603.6	529.5	489.7
Net credit to the public sector	173.2	187.0	223.2	210.2	183.9	145.7	159.9	185.9	161.4	161.6	108.4	75.5
Net credit to the Government	200.8	216.4	253.5	231.9	209.5	170.6	181.6	210.8	191.2	183.3	133.3	100.4
Central bank	128.9	167.3	171.5	146.5	127.3	108.1	110.1	139.3	123.4	113.8	63.8	31.0
Deposit money banks 1/	71.9	49.0	82.0	85.4	82.2	62.4	71.5	71.5	67.8	69.5	69.5	69.5
Post office savings	3.3	1.5	1.3	6.2	6.6	6.6	6.2	6.6	6.4	6.2	6.6	6.6
Claims on public agencies, net	-30.9	-30.9	-31.6	-27.9	-32.2	-31.5	-27.9	-31.5	-36.2	-27.9	-31.5	-31.5
Credit to the economy	444.3	462.4	422.4	412.8	401.6	404.1	451.8	414.1	392.8	442.0	421.1	414.1
Other items, net	-92.9	-112.3	-142.4	-112.8	-136.0	-124.1	-112.8	-115.1	-164.1	-118.4	-115.0	-162.4
Broad money	601.5	595.3	576.6	591.8	591.8	625.0	625.5	623.2	613.0	622.8	618.0	619.7
Currency outside banks	119.1	117.2	120.1	124.2	113.4	116.6	118.9	79.8	120.1	130.7	129.7	130.1
Demand deposits	232.8	225.2	211.2	220.9	223.6	251.3	244.9	271.3	234.8	232.5	230.7	231.3
Time deposits	249.6	253.0	245.3	246.7	254.7	257.1	261.7	272.1	258.1	259.6	257.6	258.3
Memorandum items:												
	(Changes in percent of beginning-of-period broad money)											
Monetary survey												
Net foreign assets	6.8	3.7	6.2	7.6	10.2	19.9	7.6	9.6	23.9	9.5	20.6	35.6
Net domestic assets	-6.4	-4.3	-10.0	-8.8	-10.2	-14.3	-1.9	-4.3	-20.3	-4.2	-16.2	-30.9
Net domestic credit	-5.8	-0.5	-1.1	-4.9	-6.3	-12.4	-1.9	-3.9	-11.6	-3.3	-15.8	-22.5
Net credit to the government	-3.2	-0.6	5.6	2.0	-3.8	-10.4	-8.5	-3.6	-6.9	-8.2	-16.7	-22.2
Credit to the economy	-1.9	1.1	-5.5	-7.1	-1.9	-1.5	6.6	0.2	-3.4	4.9	1.4	0.2
Broad money	0.4	-0.6	-3.7	-1.2	0.0	5.6	5.7	5.3	3.6	5.3	4.4	4.7
	(Annual percent changes)											
Credit to the economy	10.0	6.1	-1.4	-9.4	-9.6	-12.6	6.9	-2.0	-7.0	7.1	2.0	0.3
Broad money	2.3	-2.2	-3.7	-1.2	-1.6	5.0	8.5	8.1	6.3	5.3	4.4	4.7

Sources: BEAC; and staff estimates and projections.

1/ The data for September 2004 differs from the one in the government finance table, which excludes CFAF 7.8 billion of securitized commercial agreements bought by a local commercial bank in 2004.

Table 5. Gabon: Monetary Survey, 2000–06

	2000	2001	2002	2003 Est.	2004			2005 Projections	2006
					Prog.	Rev.	Proj.		
(In billions of CFA francs)									
Stocks									
Net foreign assets	177.2	-8.1	36.1	81.6	137.7	203.5	292.4	471.0	606.4
Central bank	72.8	-46.0	46.0	66.9	123.0	189.2	207.1	375.7	511.1
Assets	136.5	9.9	90.1	104.9	181.3	246.2	264.2	441.3	573.1
Liabilities	-63.7	-56.0	-44.1	-38.0	-57.0	-57.0	-57.1	-65.6	-62.0
Deposit money banks	104.4	37.9	-9.9	14.6	14.6	14.3	85.3	95.3	95.3
Assets	169.0	98.5	72.5	86.6	86.6	85.5	161.5	171.5	171.5
Liabilities	-64.6	-60.6	-82.5	-71.9	-71.9	-71.1	-76.1	-76.1	-76.1
Net domestic assets	350.1	574.8	562.9	510.2	485.2	414.5	327.3	182.0	81.6
Net domestic credit	455.6	660.2	652.3	623.0	603.6	529.5	489.7	344.4	247.3
Net credit to the public sector	98.6	241.0	196.7	210.2	161.6	108.4	75.5	-106.3	-236.1
Net credit to the government	125.0	271.3	219.8	231.9	183.3	133.3	100.4	-81.4	-211.2
Central bank	114.2	223.6	130.7	146.5	113.8	63.8	31.0	-136.9	-260.7
Claims	157.3	248.2	231.5	196.8	215.8	215.8	200.3	132.4	54.4
<i>Of which</i>									
Statutory advances	94.5	194.4	189.2	166.4	166.4	166.4	150.7	74.4	0.0
Use of IMF credit	62.8	53.8	42.2	30.4	49.4	49.5	49.5	58.0	54.4
Deposits	43.2	24.6	100.8	50.3	102.0	152.0	169.3	269.3	315.1
Deposit money banks	10.9	47.7	89.1	85.4	69.5	69.5	69.5	55.6	49.5
Post office savings	3.9	2.3	2.5	6.2	6.2	6.6	6.6	6.6	6.6
Claims on public agencies, net	-30.3	-32.6	-25.5	-27.9	-27.9	-31.5	-31.5	-31.5	-31.5
Credit to the economy	356.9	419.2	455.6	412.8	442.0	421.1	414.1	450.7	483.4
Other items, net	-105.4	-85.4	-89.4	-112.8	-118.4	-115.0	-162.4	-162.4	-165.7
Broad money	527.3	566.7	599.0	591.8	622.8	618.0	619.7	653.1	688.0
Currency outside banks	116.2	128.2	132.0	124.2	130.7	129.7	130.1	137.1	144.4
Demand deposits	204.3	204.0	214.7	220.9	232.5	230.7	231.3	243.8	256.8
Time deposits	206.9	234.5	252.3	246.7	259.6	257.6	258.3	272.2	286.8
(Changes in percent of beginning-of-period broad money)									
Net foreign assets	49.5	-35.1	7.8	7.6	9.5	20.6	35.6	28.8	20.7
Net domestic assets	-31.5	42.6	-2.1	-8.8	-4.2	-16.2	-30.9	-23.4	-15.4
Net domestic credit	-33.7	38.8	-1.4	-4.9	-3.3	-15.8	-22.5	-23.4	-14.9
Net credit to the government	-39.6	27.7	-9.1	2.0	-8.2	-16.7	-22.2	-29.3	-19.9
Credit to the economy	8.3	11.8	6.4	-7.1	4.9	1.4	0.2	5.9	5.0
Broad money	18.0	7.5	5.7	-1.2	5.3	4.4	4.7	5.4	5.4
(Annual percent changes, unless otherwise indicated)									
Credit to the economy	11.7	17.4	8.7	-9.4	7.1	2.0	0.3	8.8	7.2
Broad money	18.0	7.5	5.7	-1.2	5.3	4.4	4.7	5.4	5.4
<i>Of which:</i> currency outside of banks	10.4	10.3	3.0	-5.9	5.3	4.4	4.7	5.4	5.4
Memorandum items:									
Velocity									
Non-oil GDP	3.5	3.5	3.3	3.4	3.4	3.4	3.4	3.4	3.4
Total GDP	6.9	6.1	5.8	5.9	5.4	5.9	6.2	6.2	5.6
Non-oil GDP growth	5.1	7.6	0.4	1.4	5.3	4.4	3.7	5.4	5.4
Total GDP growth	26.0	-4.7	0.0	2.0	-3.9	4.2	9.1	4.7	-3.4
Credit to the economy/non-oil GDP	19.2	21.0	22.7	20.3	20.7	19.8	19.6	20.3	20.7

Source: Bank of Central African States (BEAC).

Table 6. Gabon: Balance of Payments, 2001–06 (concluded)
(in billions of CFA francs, unless otherwise indicated)

	2001	2002	2003 Prel. Est.	2004		2005		2006		
				Prog.	Rev. Prog. Proj.	Prog.	Proj.	Prog.	Proj.	
Overall Balance	-197.0	-138.5	-36.9	-88.0	26.8	39.9	-116.7	91.2	-115.9	135.3
Financing	197.0	138.5	36.9	-383.4	-26.8	-39.9	-46.1	-91.2	-44.1	-135.4
Central Bank, net foreign assets (- = increase)	119.1	-92.0	-20.9	-57.4	-122.3	-140.2	-46.1	-168.6	-44.1	-135.4
IMF liabilities (- = increase)	-7.1	-13.5	-6.1	19.0	19.1	19.1	8.2	8.5	-3.7	-3.6
Purchases (gross)	0.0	0.0	0.0	32.2	32.2	32.2	21.5	21.5	0.0	0.0
Repurchases (gross)	-7.1	-13.5	-6.1	-13.3	-13.2	-13.1	-13.3	-13.0	-3.7	-3.6
Other net assets (- = increase)	126.1	-78.5	-14.8	-76.4	-141.4	-159.3	-54.3	-177.1	-40.4	-131.8
Debt rescheduling 4/	0.0	1.3	2.0	0.0	273.0	270.3	0.0	234.0	0.0	0.0
Debt cancellation (and other) 4/	17.0	11.9	8.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Arrears net (- = reduction)	60.9	217.3	47.8	-326.0	-326.0	-326.9	0.0	0.0	0.0	0.0
Other exceptional financing 4/ 5/	0.0	0.0	0.0	0.0	148.6	156.7	0.0	-156.7	0.0	0.0
Financing gap 6/	0.0	0.0	0.0	471.5	0.0	0.0	162.8	0.0	160.0	0.0
Memorandum items:										
Current account (including official transfers)	11.0	5.2	9.6	5.8	11.6	11.5	1.5	13.6	-0.5	10.0
Oil	27.2	20.0	22.5	21.6	24.6	25.0	16.6	26.2	14.4	22.8
Non-oil	-16.2	-14.9	-12.9	-15.9	-13.0	-13.5	-15.1	-12.6	-14.9	-12.8
Current account (excluding official transfers)	10.8	5.0	9.5	5.5	11.4	11.3	1.4	13.5	-0.7	9.9
Capital account	-16.7	-9.2	-10.6	-8.4	-10.9	-10.4	-5.1	-11.3	-3.0	-6.5
Overall balance	-5.7	-4.0	-1.0	-2.6	0.7	1.0	-3.5	2.3	-3.6	3.5
Gross official reserves (in billions of CFA francs)	9.9	90.1	104.9	181.3	246.3	264.2	235.6	441.3	276.0	573.1
In months of imports of GNFS	0.1	0.9	1.0	1.9	2.2	2.2	2.6	3.6	3.1	4.7
World oil price (U.S. dollars/barrel)	24.3	25.2	28.9	30.0	37.3	39.2	27.0	44.2	26.0	39.4
National oil price (U.S. dollars/barrel)	22.6	24.2	27.6	28.9	36.1	36.9	25.8	41.2	24.9	37.8
Oil production (in million tons)	13.0	12.6	13.5	13.3	13.3	13.6	11.5	13.1	10.2	12.1
GDP (in billions of CFA francs)	3,448.5	3,448.9	3,519.3	3,382.3	3,667.1	3,838.8	3,300.5	4,019.5	3,257.6	3,884.7
Exchange rate CFA francs per U.S. dollar (average)	732.4	695.4	580.1	532.6	536.2	534.4	...	...	...	...

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ In 2004, it excludes late interest for approximately CFAF 4 billion that remains to be reconciled with the French Treasury.

2/ In 2003, it includes (cumulated) debt cancellation by Agence Francaise de Developpement and Banque de France for 2004-13.

3/ It includes both direct and guaranteed debt.

4/ For 2004-06, it may change after bilateral agreements with Paris Club, non-Paris Club Bilateral and London Club creditors will be concluded.

5/ In 2004-05, it includes the deferral of 50 percent of arrears on principal and 35 percent of arrears on interest with Paris Club creditors. The rescheduling of such arrears will only become effective provided the second review under the SBA is completed.

6/ The financing gap for the program period was covered by a debt rescheduling.

Table 7: Gabon: External Debt Outstanding and Scheduled Debt Service, 2000-06 1/

	2000	2001	2002	2003	2004	2005	2006
(In billions of CFA francs)							
Total medium- and long-term debt	2065.4	2176.0	2163.8	1967.0	1918.4	1827.0	1645.4
Debt Outstanding (as of December, 2003)	2065.4	2176.0	2163.8	1967.0	1394.2	1176.1	963.3
<i>of which:</i> Arrears 2/	0.0	61.1	278.3	326.9	0.0	0.0	0.0
Multilateral	400.0	362.3	320.5	242.3	195.9	150.0	114.4
<i>of which:</i> non-IMF	336.5	308.5	276.2	210.6	177.9	145.2	113.3
Bilateral	1587.7	1697.9	1711.2	1636.3	1168.6	1003.6	832.7
Paris Club	1561.9	1646.8	1669.3	1594.5	1136.0	973.4	805.1
Other Bilateral	25.8	51.1	41.9	41.8	32.5	30.2	27.6
Debt Diverse	39.5	83.7	86.9	41.5	29.7	22.4	16.2
London Club	38.2	26.8	21.1	18.6	0.0	0.0	0.0
Unpaid Interest on arrears (IDR) 3/	0.0	5.3	24.1	28.4	0.0	0.0	0.0
New Debt 4/	...	...	...	...	524.2	650.9	682.1
IMF	...	...	...	...	32.2	53.8	53.9
Project-Program	...	...	...	...	65.0	100.0	138.0
Paris Club VIII (2004)	...	...	...	...	398.8	476.2	476.2
London Club	...	...	...	...	18.8	12.8	7.9
Other Bilateral	...	...	...	...	9.4	8.1	6.1
Remaining Gap Financing	...	...	...	...	0.0	0.0	0.1
Above stocks include							
Arrears	0.0	61.1	278.3	326.9	0.0	0.0	0.0
Principal	0.0	34.5	171.0	186.6			
Interest	0.0	26.6	107.3	140.3			
Total debt service due (including IMF) 5/	424.4	548.4	403.2	318.8	343.9	336.4	319.4
<i>of which:</i> Reschedulable	...	...	...	156.2	151.3	153.4	156.5
Principal	231.9	306.3	244.7	206.8	225.2	227.6	219.7
Interest	192.6	242.1	158.5	112.0	118.7	108.8	99.7
Multilateral	75.3	99.6	64.2	58.1	60.5	60.6	48.0
non-IMF	65.6	88.7	51.8	49.0	46.8	47.0	44.1
IMF Outstanding	9.7	10.9	12.3	9.1	13.7	13.5	3.9
Bilateral	315.3	383.7	269.2	233.8	232.8	233.1	229.2
Paris Club	311.1	378.8	263.2	231.8	229.9	230.7	226.5
Paris Club pre-cutoff	227.0	272.4	184.2	180.4	178.5	188.0	194.4
Never rescheduled (NPRD)	2.1	8.8	5.2	1.8	1.8	1.7	0.8
Paris Club I	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Paris Club II (1987)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Paris Club III (1988)	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Paris Club IV (1989)	50.3	26.4	0.0	0.0	0.0	0.0	0.0
Paris Club V (1994)	88.5	100.0	91.4	90.9	88.0	93.9	95.8
Paris Club VI (1995)	63.1	152.8	52.8	52.7	54.4	55.5	57.2
Paris Club VII (2000)	7.5	44.1	27.2	35.1	34.3	37.0	40.6
Paris Club post-cutoff (PCOD)	61.8	67.4	48.2	51.4	51.4	42.7	32.1
Other Bilateral (Non Guaranteed Credit)	4.2	4.9	6.0	2.1	2.9	2.4	2.7
Debt Diverse (Non PC Creditors)	18.4	49.7	59.4	18.1	11.7	7.3	6.3
London Club	15.4	15.5	10.5	8.8	4.2	0.0	0.0
Interest on arrears (IDR) 3/	0.0	0.0	0.0	0.0	28.4	0.0	0.0
New Debt (includes residual gap filling)	...	...	...	...	6.3	35.5	35.9
Principal	...	...	...	...	4.1	9.7	7.0
<i>of which:</i> Paris Club VIII (2004)	...	...	...	...	0.0	0.0	0.0
<i>of which:</i> IMF	...	...	...	...	0.0	0.0	0.0
Interest	...	...	...	...	2.2	25.8	28.9
<i>of which:</i> Paris Club VIII (2004)	...	...	...	...	1.5	20.1	21.6
<i>of which:</i> IMF	...	...	...	...	0.3	1.1	1.2

Table 7: Gabon: External Debt Outstanding and Scheduled Debt Service, 2000-06 (concluded) 1/

	2000	2001	2002	2003	2004	2005	2006
(In billions of CFA francs)							
Debt cancellation 9/	34.0	34.0	23.8	16.0	0.0	0.0	0.0
Debt Outstanding	17.0	17.0	11.9	8.0	0.0	0.0	0.0
Arrears	17.0	17.0	11.9	8.0	0.0	0.0	0.0
Change in arrears (=reduction)	-915.7	95.4	353.8	63.5	-326.9	0.0	0.0
Principal	-483.5	60.9	217.3	47.8	-186.6	0.0	0.0
Interest	-274.7	34.5	136.5	15.7	-140.3	0.0	0.0
Other	-157.5	0.0	0.0	0.0			
Debt rescheduling/deferral 9/	1005.7	0.0	2.6	4.0	427.0	77.4	0.0
Debt service rescheduling	419.4	0.0	2.6	4.0	103.0	77.4	0.0
Principal	277.3	0.0	1.3	2.0	67.2	53.3	0.0
Interest	142.2	0.0	1.3	2.0	35.7	24.1	0.0
Arrears rescheduling	586.2	0.0	0.0	0.0	167.4	156.7	0.0
Principal	371.8	0.0	0.0	0.0	115.3	103.0	0.0
Interest	214.4	0.0	0.0	0.0	52.1	53.6	0.0
Deferred payments 6/	0.0	0.0	0.0	0.0	156.7	-156.7	0.0
Principal	0.0	0.0	0.0	0.0	103.0	-103.0	
Interest	0.0	0.0	0.0	0.0	53.6	-53.6	
Debt service paid (including IMF)	242.4	493.9	190.1	274.3	...	...	...
Principal	155.9	266.3	150.1	202.7	...	...	...
Interest	86.5	227.6	40.0	71.6	...	...	...
(In percent)							
Memorandum items:							
External public debt/GDP							
Including IMF	57.1	63.1	62.7	55.9	50.0	45.5	42.4
Excluding IMF	47.8	54.2	54.7	49.9	44.5	40.5	38.1
External public debt/exports 7/ 9/							
Including IMF	82.9	106.7	112.0	98.0	78.6	69.6	69.8
Excluding IMF	69.4	91.6	97.7	87.5	70.0	62.0	62.7
Debt-service ratio 7/ 9/							
Due (before relief)	17.0	26.9	20.9	15.9	14.1	12.8	13.5
Principal	9.3	15.0	12.7	10.3	9.2	8.7	9.3
Interest	7.7	11.9	8.2	5.6	4.9	4.1	4.2
Paid	9.7	24.2	9.8	13.7	...	...	...
Principal	6.3	13.1	7.8	10.1	...	...	...
Interest	3.5	11.2	2.1	3.6	...	...	...
Debt service/government revenue 8/ 9/							
Due (before relief)	35.1	46.7	37.1	30.4	33.7	29.2	33.1
Paid	20.1	40.0	16.2	23.4	...	...	...
Debt service/non-oil GDP 9/							
Due (before relief)	22.9	27.4	20.1	15.7	16.3	15.1	13.6
Paid	13.1	24.7	9.5	13.5	...	...	...

Sources: Gabonese authorities; and staff estimates and projections.

1/ End-of-period data; public and publicly guaranteed debt.

2/ Arrears through end-2002 were due to multilateral and bilateral creditors, and to commercial banks.

By end-2003, CFAF 321 billions correspond to reschedulable debt. The rest correspond to CFAF 4.8 billion of arrears on non-reschedulable debt that were cleared during the first quarter of 2004.

It excludes possible arrears with Libya and Iran that are in the process to be reconciled.

3/ In 2003-04, it excludes late interest for approximately CFAF 4 billion that remains to be reconciled with the French Treasury.

4/ Includes residual gap filling.

5/ Debt service is net of cancellation.

6/ Assuming second review under the SBA is complete d successfully.

7/ In percent of exports of goods and services.

8/ Government revenue, excluding grants.

9/ For 2004-06 it may change after bilateral agreements with Paris Club, other Bilateral and London Club creditors will be concluded.

Table 8. Gabon: External Financing Requirements and Sources, 2003-06
(In billions of CFA francs)

	2003	2004	2005	2006
	Est.	Projections		
1. Gross financing requirements	163.9	-278.6	136.3	33.1
External current account deficit (exc. official transfers)	335.7	432.8	541.0	384.6
Debt amortization	-198.6	-212.1	-214.6	-216.1
Medium and long term debt	-198.6	-212.1	-214.6	-216.1
Public sector	-172.0	-194.3	-201.4	-204.8
Multilateral 1/	-31.8	-31.7	-32.7	-31.9
Bonds and notes	0.0	0.0	0.0	0.0
Bilateral	-140.2	-162.6	-168.7	-172.9
Commercial banks	-8.5	-6.0	-5.9	-5.0
Corporate private sector	-18.1	-11.7	-7.3	-6.3
Short-term debt 2/	0.0	0.0	0.0	0.0
Repayment of arrears	47.8	-326.9	0.0	0.0
Gross reserves accumulation	-14.8	-159.3	-177.1	-131.8
IMF repurchases and repayments	-6.1	-13.1	-13.0	-3.6
2. Available financing	-163.9	278.6	-136.3	-33.1
Foreign direct investment (net)	51.4	170.2	175.3	183.5
Debt financing from private creditors	-241.9	-424.0	-450.5	-259.6
Medium- and long-term financing	39.1	29.1	32.1	38.8
To public sector	0.0	0.0	0.0	0.0
<i>of which:</i> balance of payments financing 3/	0.0	0.0	0.0	0.0
To commercial banks	0.0	0.0	0.0	0.0
To corporate private sector	39.1	29.1	32.1	38.8
Short-term financing	-281.0	-453.1	-482.6	-298.4
<i>of which:</i> balance of payments financing 3/	0.0	0.0	0.0	0.0
Official creditors 4/	16.6	72.9	40.0	43.0
Multilateral 1/	10.6	56.2	17.8	17.2
<i>of which:</i> balance of payments financing 3/	7.1	48.2	5.0	2.0
Bilateral	5.9	16.7	22.2	25.8
To public sector	5.9	16.7	22.2	25.8
<i>of which:</i> balance of payments financing 3/	0.7	4.7	3.0	3.0
To private sector	0.0	0.0	0.0	0.0
IMF	0.0	32.2	21.5	0.0
Debt rescheduling, deferral and cancellation	10.0	427.3	77.4	0.0
Financing gap	0.0	0.0	0.0	0.0
Other flows 5/	0.0	0.0	0.0	0.0
Memorandum item:				
Total balance of payments financing 3/	17.8	512.4	106.9	5.0

1/ Excluding the IMF.

2/ Original maturity of less than 1 year. Stock at the end of the previous period.

3/ Includes those transactions that are undertaken for the purpose of financing a balance of payments deficit or an increase in reserves.

4/ Includes both loans and grants.

5/ Includes all other net financial flows, and errors and omissions.

Table 9. Gabon: Income and Social Indicators, 1980–2002

	Gabon						Same Region/Income Group	
	1980–85	1990	1993-2000	2000	2001	2002	Sub-Saharan Africa	Upper-middle income
Population								
Total population, midyear (millions)	0.8	0.9	1.2	1.2	1.3	1.3	702.6	647.0
Growth rate (annual average, in percent)	3.3	3.0	2.4	2.3	2.2	2.2	2.6	1.3
Urban population (in percent of population)	65.2	68.1	81.0	81.5	82.0	82.9	34.0	76.0
Total fertility rate (births per woman)	4.5	4.8	5.1	4.5	4.2	4.1	5.3	2.7
Poverty (in percent of population)								
National head count index 1/	...	...	62.0	...	...	...	...	...
Income								
GNP per capita (U.S. dollars)	3,900.0	4,470.0	3,877.0	3,327.7	3,100.0	3,060.0	450.0	5,407.0
Consumer price index (1995=100)	76.0	72.5	107.5	105.3	109.3	109.5	131.0	122.0
Food price index (1995=100)	76.0	72.5	107.0	104.8	...	...	130.5	...
Social indicators								
Public expenditure (in percent of GDP)								
Health	...	2.0	3.1	...	...	1.9	4.0	5.5
Education	5.0	...	2.9	...	...	2.4	4.1	5.0
Gross school enrollment rates (in percent of age group)								
Primary	172.0	168.0	162.3	...	151.0	150	78.0	107.0
Secondary	43.0	50.0	56.2	...	54.0	53	25.0	64.0
Tertiary	6.0	7.0	8.0	...	...	...	3.0	14.0
Access to improved water source (in percent of population)								
Total	58.0	60.0	67.0	77.2	86.0	...	58.2	...
Urban	75.0	77.0	80.0	93	...	...	...	...
Rural	34.0	33.0	30.0	35.2	...	...	...	...
Immunization rate (in percent of children under 12 months)								
Measles	58.0	78.0	30.0	...	55.0	55.0	57.0	78.0
DPT	24.0	76.0	31.0	...	37.0	38	59.0	75.0
Life expectancy at birth (years)								
Total	49.0	51.0	53.0	...	52.7	52.9	45.8	66.0
Male	47.0	49.0	51.0	...	51.0	...	46.0	65.0
Female	51.0	53.0	54.0	...	54.0	...	48.0	69.0
Mortality								
Infant (per 1,000 live births)	112.0	69.0	84.0	57.0	64.0	63.0	92.0	54.0
Under 5 (per 1,000 live births)	194.0	96.0	...	...	87.0	85.0	174.0	78.0
Adult (15-59)								
Male (per 1,000 population)	474.0	425.0	386.0	342.0	...	...	499.0	221.0
Female (per 1,000 population)	387.0	360.0	344.0	281.0	...	...	453.0	170.0
Maternal (per 100,000 live births)	600.0	500.0	...	519.0	420.0	...	917.0	...

Sources: World Bank, *World Development Indicators*, 2003; UN Statistics Division (2003); and Gabon's Demographic and Health Survey (2000).

1/ Defined as the share of the population with per capita consumption of less than two-thirds of the national average.

Table 10. Gabon: Millennium Development Goals

	1990	1995	2001	2002	<u>2015</u> Target
Goal 1: Eradicate extreme poverty and hunger					
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.					
Population below \$1 a day (percent)	...	...	...	...	...
Poverty gap at \$1 a day (percent)	...	...	...	...	...
Percentage share of income or consumption held by poorest 20percent	...	...	...	...	...
Target 2: . Halve, between 1990 and 2015, the proportion of people who suffer from hunger.					
Prevalence of child malnutrition (percent of children under 5)	...	...	11.9	...	...
Population below minimum level of dietary energy consumption (percent)	11	9	7	...	5.5
Goal 2: Achieve universal primary education					
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.					
Net primary enrollment ratio (percent of relevant age group)	...	...	78.3	...	...
Percentage of cohort reaching grade 5 (percent)	...	59.3	102.1	...	...
Youth literacy rate (percent ages 15-24)	...	...	...	...	...
Goal 3: Promote gender equality					
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.					
Ratio of girls to boys in primary and secondary education (percent)	102.6	96.2	96	...	100
Ratio of young literate females to males (percent ages 15-24)	...	...	...	...	...
Share of women employed in the nonagricultural sector (percent)	43.2	...	...	...	...
Proportion of seats held by women in national parliament (percent)	...	6	...	...	...
Goal 4: Reduce child mortality					
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.					
Under 5 mortality rate (per 1,000)	96	91	87	85	32
Infant mortality rate (per 1,000 live births)	69	67	64	63	...
Immunization, measles (percent of children under 12 months)	76	57	55	55	...
Goal 5: Improve maternal health					
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	500	...	420	...	125
Births attended by skilled health staff (percent of total)	...	...	85.5	...	...
Goal 6: Combat HIV/AIDS, malaria and other diseases					
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.					
Prevalence of HIV, female (percent ages 15-24)	...	...	4.7	...	...
Contraceptive prevalence rate (percent of women ages 15-49)	...	...	32.7	...	...
Number of children orphaned by HIV/AIDS	...	...	8600	...	...
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.					
Incidence of tuberculosis (per 100,000 people)	...	...	192	248.4	...
Tuberculosis cases detected under DOTS (percent)	...	...	...	72.9	...

Table 10. Gabon: Millennium Development Goals (concluded)

	1990	1995	2001	2002	2015 Target
Goal 7: Ensure environmental sustainability					
Targets 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.					
Forest area (percent of total land area)	85.1	...	84.7	...	
Nationally protected areas (percent of total land area)	...	2.8	2.8	2.8	
GDP per unit of energy use (PPP \$ per kg oil equivalent)	3.7	4.2	4.7	...	
CO2 emissions (metric tons per capita)	7	3.4	2.8	...	
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.					
Access to an improved water source (percent of population)	60	...	86	...	93
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.					
Access to improved sanitation (percent of population)	...	...	53	...	
Access to secure tenure (percent of population)	...	...	...	...
Goal 8: Develop a Global Partnership for Development					
Targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states.					
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.					
In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.					
Youth unemployment rate (percent of total labor force ages 15-24)	...	...	...	...
Fixed line and mobile telephones (per 1,000 people)	21.7	33.5	234	239.7	
Personal computers (per 1,000 people)	...	5.6	15.8	19.2	

Sources: World Bank; *World Development Indicators* 2004; and www.developmentgoals.org.

Table 11. Gabon: Fund Position During the Period of the Stand-By Arrangement, 2004-07

	2004		2005		2006		2007	
	Fund Position Oct. 31	2004 Nov.-Dec.	Jan.-Jun.	Jul.-Dec.	Jan.-Jun.	Jul.-Dec.	Jan.-Jun.	Jul.-Dec.
Purchases (GRA)	...	13.9	27.8	0.0	0.0	0.0	0.0	0.0
Stand-By Arrangement (SBA)	...	...	...	...	...	...	...	...
Repurchases (GRA)	...	5.1	8.4	8.4	3.2	1.4	0.0	5.2
<i>Of which: drawings on new SBA</i>	...	0.0	0.0	0.0	0.0	0.0	0.0	5.2
Charges and interest	...	0.4	1.4	1.3	1.3	1.2	1.2	1.2
<i>Of which: drawings on new SBA</i>	...	0.1	0.7	0.7	0.8	0.8	0.8	0.8
Total Fund credit outstanding (end of period)	55.5	64.4	83.8	75.4	72.2	70.8	69.4	64.2
<i>Of which: new SBA</i>	27.8	41.7	69.4	69.4	69.4	69.4	69.4	64.2
			(In percent of quota) 1/					
Total Fund credit outstanding (end of period)	36.0	41.7	54.3	48.9	46.8	45.9	45.0	41.6
SBA purchases	...	9.0	18.0	0.0	0.0	0.0	0.0	0.0
Repurchases	...	3.3	5.4	5.4	2.1	0.9	0.9	3.4
Charges and interest	...	0.3	0.9	0.8	0.8	0.8	0.8	0.8

Sources: Finance Department; and staff projections.

1/ Gabon's quota is SDR 154.3 million.

Table 12. Gabon : Indicators of Financial Obligations to the Fund, 2000-09

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
							Projections				
Outstanding use of Fund credit 1/											
In millions of SDRs	68.4	59.6	49.5	39.4	64.4	75.4	70.8	64.2	34.7	5.2	
In billions of CFAF	63.6	53.8	44.3	31.7	50.9	59.6	56.1	50.8	27.4	4.1	
In percent of government revenue and grants	5.3	4.6	4.1	3.0	4.4	4.9	4.8	4.7	2.6	0.4	
In percent of exports of goods and nonfactor services (f.o.b.)	2.6	2.6	2.3	1.6	2.1	2.3	2.4	2.3	1.3	0.2	
In percent of external public debt including the Fund	3.1	2.5	2.0	1.6	2.7	3.3	3.4	3.5	2.2	0.4	
In percent of GDP	1.8	1.6	1.3	0.9	1.3	1.5	1.4	1.3	0.7	0.1	
In percent of quota	44.3	38.7	32.1	25.6	41.7	48.9	45.9	41.6	22.5	3.4	
Repurchases and charges due											
In millions of SDRs	10.4	11.7	11.8	11.2	18.2	19.4	7.1	9.0	31.5	30.5	
In billions of CFAF	9.7	10.9	10.7	9.1	14.3	15.1	5.6	7.0	24.6	23.8	
In percent of government revenue and grants	0.8	0.9	1.0	0.9	1.2	1.2	0.5	0.6	2.3	2.2	
In percent of exports of goods and nonfactor services (f.o.b.)	0.4	0.5	0.6	0.5	0.6	0.6	0.2	0.3	1.2	1.2	
In percent of external public debt including the Fund	0.5	0.5	0.5	0.5	0.7	0.8	0.3	0.5	2.0	2.3	
In percent of GDP	0.3	0.3	0.3	0.3	0.4	0.4	0.1	0.2	0.6	0.6	
In percent of quota	6.7	7.6	7.7	7.3	11.8	12.5	4.6	5.8	20.4	19.8	
Net use of Fund credit (in millions of SDRs)	5.8	-8.7	-10.1	-10.1	24.9	11.1	-4.6	-6.6	-29.5	-29.5	
Purchases	13.2	...	...	...	41.7	27.8	...	...	...	...
Repurchases	7.4	8.7	10.1	10.1	16.7	16.7	4.6	6.6	29.5	29.5	

Sources: IMF, Treasurer's Department, Gabonese authorities, and staff estimates and projections.

1/ At end of period; assuming drawings under the Stand-By Arrangement in 2004-05.

Table 13. Gabon: Indicators of External Vulnerability, 1999–2004

	1999	2000	2001	2002	2003	2004
Exports (percent change, 12-month basis in U.S. dollars)	31.2	33.1	-21.4	-0.7	24.8	33.6
Imports (percent change, 12-month basis in U.S. dollars)	-21.6	-12.2	6.0	12.8	13.4	24.9
Terms of trade (percent change, 12-month basis)	37.9	-1.6	-10.6	-1.5	24.7	13.3
Current account balance, incl. grants (in percent of GDP)	8.4	19.7	11.0	5.2	9.6	11.5
Gross official reserves (in millions of U.S. dollars)	22.8	191.2	13.8	136.9	194.1	490.6
Gross official reserves (in months of imports of goods and services of the following year) 1/	0.1	1.4	0.1	0.9	0.9	2.1
Gross reserves of the banking system (in millions of U.S. dollars) 1/	101.7	428.1	150.9	247.2	354.3	790.5
Gross reserves of the banking system (in months of imports of goods and services of the following year) 1/	0.6	3.2	1.0	1.6	1.6	3.4
Central bank short-term foreign liabilities (in millions of U.S. dollars) 1/	90.8	89.2	77.9	67.0	70.3	106.0
Official reserves/broad money (M2) (in percent) 1/	3.2	25.9	1.8	15.0	17.7	42.6
Total short-term external debt by original maturity (in millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0
Total short-term external debt by remaining maturity (in millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0
Total short-term external deb/reserves by original maturity (in percent)	0.0	0.0	0.0	0.0	0.0	0.0
Total short-term external debt/reserves by remaining maturity (in percent)	0.0	0.0	0.0	0.0	0.0	0.0
Total public and publicly guaranteed debt (in millions of U.S. dollars)	3717.1	2894.7	3028.9	3288.6	3639.5	3562.6
Total external debt to exports of goods and services (in percent)	130.4	82.9	106.7	112.0	98.0	78.6
External interest payments to exports of goods and services (in percent)	10.1	7.7	11.9	8.2	5.6	4.9
External amortization payments to exports of goods and services (in percent)	12.2	9.3	15.0	12.7	10.3	9.2
Exchange rate (per U.S. dollar, period average)	614.9	710.0	732.4	695.4	580.1	534.4
Exchange rate (per U.S. dollar, end of period)	619.5	713.5	718.4	658.0	540.5	538.5
Net foreign assets of commercial banks (in millions of U.S. dollars)	-3.1	146.3	52.8	-15.1	27.1	158.5

Sources: Gabonese authorities; and staff estimates.

1/ Gabon is a member of the Central African Economic and Monetary Community (CEMAC) and of its regional central bank (BEAC). Gross reserves in the table are BEAC's gross reserves imputed to Gabon.

Table 14. Gabon: Sources of Growth, 2003-08

(Annual percentage changes)

	Sectoral share of GDP (%) in 2003	2003 Est.	Projections				
			2004	2005	2006	2007	2008
Real GDP Growth	100.0	2.8	1.7	-0.1	0.6	2.0	2.1
Oil sector	28.4	7.6	-1.6	-9.8	-9.3	-4.5	-4.5
Non-oil sector	71.6	1.0	3.0	3.5	3.8	3.8	3.8
<i>of which</i>							
Agriculture, Fishing and Agro-Industry	8.7	1.5	2.1	4.0	4.4	4.1	4.1
Logging activities and Wood Industry	2.9	4.5	15.5	9.9	10.4	8.8	9.0
Mining (excluding Oil related activities)	1.4	3.6	4.5	4.1	4.6	5.1	4.9
Services, Transport and Commerce	30.8	1.1	2.6	4.6	5.1	5.1	4.6
Construction, water, electricity, and other industries	27.9	0.4	2.5	1.7	1.5	1.6	2.0
Contribution to Non-Oil GDP Growth	100	1.0	3.0	3.5	3.8	3.8	3.8
Agriculture, Fishing and Agro-Industry	12.1	0.2	0.3	0.5	0.5	0.5	0.5
Logging activities and Wood Industry	4.0	0.2	0.6	0.4	0.5	0.4	0.5
Mining (excluding Oil related activities)	2.0	0.1	0.1	0.1	0.1	0.1	0.1
Services, Transport and Commerce	43.0	0.4	1.0	1.9	2.1	2.1	2.0
Construction, water, electricity, and other industries	38.9	0.2	1.0	0.7	0.6	0.6	0.8

Sources: The Gabonese authorities; and Fund staff estimates and projections.

Table 15. Gabon: Banking Sector Soundness Indicators, 1998-2004
(Ratios in percent)

	1998	1999	2000	2001	2002	2003	2004 Sept.
Capital adequacy							
Regulatory capital to risk-weighted assets	24.5	23.0	13.2	17.2	17.6	19.9	24.2
Ratio of total loans larger than 15 percent of capital to eight times capital 1/	4.5	3.1	2.4	7.3	4.5	9.5	4.8
Assets quality							
NPLs to total gross loans	8.9	9.4	6.6	8.6	11.4	13.8	17.3
NPLs to total capital	32.3	36.7	35.0	35.2	52.9	59.4	66.7
NPLs provisions to total NPLs	37.2	36.1	64.7	63.0	66.5	78.8	71.7
Earnings and profitability							
Interest margin to gross income	184.7	182.6	159.8	173.8	187.1	206.0	...
Return on equity	28.8	31.2	60.2	36.8	35.3	30.9	...
Return on assets	5.6	5.4	6.2	5.6	5.2	4.7	...
Liquidity							
Liquid assets to short-term liabilities	127.0	134.6	125.4	128.8	134.0	199.0	215.1

Source: Bank of Central African States (BEAC).

1/ According to COBAC prudential regulations, the total of large loans (defined as those exceeding 15 percent of capital) should not exceed eight times banks' capital.

Libreville, December 10, 2004

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Rato:

1. Performance under the program supported by the Stand-By Arrangement (SBA) continues to be satisfactory. This letter describes economic and financial developments during the first nine months of 2004, the measures being implemented to meet the objectives for 2004, as well as the objectives and policies for 2005.

A. Recent Economic and Financial Developments

2. The trends in economic activity observed during the first half of the year continued during the third quarter, while budget execution at end-September was in line with program objectives. Oil production is expected to exceed program projections, with production amounting to 13.6 million metric tons in 2004, up from 13.5 million in 2003, as a result of the substantial investments made since 2003. Non-oil GDP in real terms is projected to grow by 2.3 percent (up from 1 percent in 2003), in line with program projections. Manganese production and timber processing remained strong, while activity in the construction and public works sector, as well as cement production, picked up recently, notably as a result of the accelerated execution of the public investment program. Power generation is also up. In the timber sector, Okoumé exports continued to be hampered by the high costs of freight, sluggish demand in the Asian market, and stiffer competition from neighboring producer countries. As a result, Okoumé exports are expected to total 900,000 m³ in 2004, compared to 1 million metric tons in 2003. The logging of other species (*bois divers*) was spurred by strong external demand, with a 10 percent jump in exports, which could total 660,000 m³ tons. Timber processing is also on the rise, boosted by greater capacity.

3. Inflation is on a downward trend. In October 2004, on a year-on-year basis, the consumer price index rose by only 1.0 percent, lower than the 2 percent projected in the program.

4. The external position remains favorable. The current account surplus is expected to widen considerably in 2004 owing to the positive performance of oil and manganese exports, and to reach the equivalent of 11.5 percent of GDP, compared with 9.6 percent in 2003. Consequently, at end-September 2004, Gabon's contribution to the net foreign assets of the regional central bank (Bank of Central African States—BEAC) was more than twice its level at end-2003, and is projected to increase by CFAF 140 billion (3.6 percent of GDP) during the whole year. Following the debt rescheduling agreement concluded with Paris Club creditors

on June 11, 2004, negotiations on bilateral agreements were initiated with these creditors and are expected to be concluded shortly; the Paris Club secretariat will be kept regularly informed of progress. As for debt to non-Paris Club bilateral creditors, Gabon has concluded an agreement with Korea and has begun negotiations with the others (Saudi Arabia, China, and Libya). The agreement with London Club banks will be signed in the coming weeks.

5. Fiscal performance at end-September was in line with the program and all the end-September quantitative performance criteria have been met (Table 1). In particular, the objective for the primary fiscal balance excluding externally financed investment expenditure (adjusted for the excess in the oil revenue) was met with a comfortable margin.

6. Non-oil revenue fell slightly short of the target (by CFAF 3 billion, or the equivalent of 0.1 percent of non-oil GDP); the customs revenue shortfall of CFAF 17 billion was almost entirely offset by higher-than-expected yield from the value-added tax, the IRVM tax on securities income, and registration fees. The shortfall of non-oil revenue was offset by current expenditure on goods and services and domestically financed investment expenditure which were somewhat below program projections. The floor on non-wage current expenditure in the social sectors, which is a quantitative indicator under the program, was observed.

7. Oil revenue exceeded program projections by CFAF 7 billion, reflecting favorable international prices for crude oil and a small increase in production in the first nine months of the year, compared with the same period of 2003. Government oil revenue, however, grew more slowly than oil exports, owing to the transition of many operators from the concession regime to the production sharing arrangement, which allow for a more rapid recovery of investment costs, thus creating an incentive for investment in more modern techniques.

8. The wage bill was contained within program limits as a result of the measures taken in April 2004. These included strictly enforcing the retirement age, reducing the size of ministerial offices, monitoring contractual staff actually in service, ensuring that functional allowances are paid only to those entitled to them, and paying air service allowances only to those entitled.

9. After the sharp reduction of the Treasury float in the first six months, the float increased slightly in the third quarter. The repayment of Libreville Club domestic creditors (18-month consolidation agreed in March 2004) continued as planned. The target for the stock of domestic arrears at end-September (performance criterion) was met. The performance criterion regarding the net position of the government vis-à-vis the banking system was met with a margin of CFAF 12.6 billion, equivalent to 0.3 percent of GDP.

10. Developments in the monetary sector up to end-September 2004 were marked by the strong growth of net foreign assets, which more than compensated for the decline in net bank credit to the government and in bank credit to the economy. The money supply rose in the first nine months by 3.5 percent (6.2 percent over the 12 months period to end-September). Credit to the economy fell by 4.8 percent over the nine months, as the reduction in the

Treasury float enabled many borrowers to repay their bank loans. Moreover, banks continue to be very cautious in granting credit to the forestry sector, owing to the relatively large amount of nonperforming loans in that sector. The ratio of nonperforming loans, which stood at 13.8 percent of total gross loans at end-2003, rose to 17.3 percent at end-September 2004, reflecting the stricter classification required by the regional banking commission, COBAC. However, banks have substantially increased their loan loss provisions, which, at end-September, covered 72 percent of nonperforming loans. The banking system also significantly strengthened its capital and reserve position during the first nine months of 2004.

11. Progress has been made on structural reforms. The decree establishing the Large Enterprise Directorate (structural performance criterion for end-September) was adopted on September 9, 2004, the director was appointed on October 14, and implementing regulations are to be prepared by end-2004. Also, all the structural benchmarks for end-October have been met (Table 2), except for the conclusion of a performance contract with the National Social Guarantee Fund (*Caisse nationale de garantie sociale—CNGS*) which has been observed with some delays; this was prepared in October, but has been signed on November 17. In the area of administrative reform, the government has introduced the single unified personnel roster (*fichier unique de référence – FUR*), which harmonizes the civil service and payroll rosters, while the computerized civil service management project (ANITA) will become operational by end-March 2005. Significant steps are being taken in the area of public enterprise restructuring. The process of privatizing Gabon Télécom, which was delayed for several months to allow for greater equity participation by the private sector (sale of more than 51 percent instead of the 35 percent initially envisaged) is in its final stage, with the updating of the memorandum of information for investors. Bids will be submitted by mid-March 2005 and a successful bidder will be selected by the end of that month. The new management team installed at Air Gabon in May 2004 has achieved encouraging improvements in the company's operating results, with a redeployment of the fleet and a higher aircraft occupancy rate. This has enabled Air Gabon to reduce its debts to suppliers by about CFAF 5 billion, although the remaining debts are large. As already indicated in my letter of September 8, 2004, the end-2004 structural benchmark of a balanced operating result before depreciation will not be met. On September 14, an international consulting firm was selected, through a competitive bidding process, to assist in the partial privatization of the company. In the area of trade liberalization, the import surcharge on eggs was eliminated on August 11, 2004.

B. Policies for the Remainder of 2004

12. The government is confident that the end-2004 program target for the non-oil budget deficit of CFAF 161.7 billion can be met. Because of the downward revision of the non-oil GDP deflator in 2004, this is equivalent to 7.7 percent of non-oil GDP, compared with 7.6 percent targeted under the revised program. Non-oil revenue is expected to remain on target, with a shortfall in customs revenue estimated at about CFAF 12 billion to be offset by the strong performance of other non-oil revenue. Major efforts are underway to improve the collection of forestry taxes—through increased cooperation between the General Directorate

of Taxes, the customs administration, and the General Directorate of Water and Forests—as well as of tax arrears, particularly the corporate income tax. The customs revenue target, however, has been adjusted downward to take account of the impact of the increase, in August 2004, of the number of products subject to the 10 percent reduced VAT rate, in the context of the social truce. In contrast, the higher VAT rate (25 percent) introduced in August 2004 on banking services and telecommunications, as well as on certain luxury goods, has been eliminated and replaced with the normal 18 percent rate, effective October 1, to ensure that it does not hinder the development of important sectors. Administrative steps have been taken to keep expenditures within program limits.

13. It is expected that oil revenues for 2004 will amount to CFAF 640 billion, based on a Brent oil price of US\$47.85 per barrel in the fourth quarter, compared with CFAF 618 billion under the revised program. This excess will be used to repay the statutory advance from the central bank by CFAF 15 billion, and to increase deposits in the Fund for Future Generations (FFG) by CFAF 7 billion. Any surplus or shortage will be allocated to reduction of the statutory advance, as well as any savings expected to be made on external debt service because of the deferment to 2005 of the signing of some rescheduling agreements.

C. Objectives and Policies for 2005

The macro framework for 2005

14. Macroeconomic prospects are expected to remain favorable in 2005, marked by faster non-oil sector growth, a less pronounced decline in oil production, and high prices for crude oil and manganese. Non-oil real GDP is expected to grow by 3.5 percent in 2005, fueled by ongoing investments in the recently privatized agribusinesses and in petroleum refining, expanded timber processing capacities, higher manganese production, and new initiatives in the housing sector. Oil production is expected to reach 13.1 million metric tons, well above the level of 12.3 million previously projected. The implementation of prudent fiscal policies should contribute to contain inflation at 2 percent. With the projected high prices for oil and manganese, the external position is expected to strengthen, with a current account surplus equivalent to 13.5 percent of GDP and a substantial build-up of external reserves. The ratio of external debt to GDP is expected to fall from 56 percent at end-2003 to 45 percent at end-2005.¹ These projections, however, are highly dependent on oil prices, which are subject to major fluctuations.

¹ Prices are projected to remain high in 2005, at US\$44.20 a barrel for Brent crude, according to Fund staff estimates, and at US\$41.20 for Gabonese crude. The export price of manganese (US\$112.60 per metric ton), which rose by 24 percent in 2004, is projected to remain unchanged in 2005.

Key elements of the fiscal program for 2005

15. The draft budget for 2005 submitted to parliament in October is in line with the program, which aims at reducing the non-oil primary budget deficit, including grants, by 1.9 percentage points; this will lead to a deficit of 5.8 percent of non-oil GDP, compared with 5.7 percent under the original program, given the downward revision of the non-oil GDP deflator. This will result from an increase in non-oil revenue (0.4 percentage point of non-oil GDP) and a reduction in primary expenditures (1.6 percentage points of non-oil GDP). Given the projected high level of oil revenues for 2005 (CFAF 670 billion, equivalent to 16.6 percent of GDP, on the basis of a favorable oil price) and the rescheduling agreement with Paris Club creditors, which extends through the first half of 2005, there will be no financing gap in 2005.

16. Non-oil revenue is projected to reach the equivalent of 24.8 percent of non-oil GDP (24.4 percent of non-oil GDP in 2004), or CFAF 550 billion, compared with a program estimate of CFAF 553 billion. The revenue effort is ambitious and will require implementation of the planned improvements in tax administration. These include (i) the gradual start of operations of the new Large Enterprise Directorate (DGE) in 2005; (ii) improvements in land title registration and in the collection of property taxes, based on the assessment lists to be finalized in early 2005 for Libreville and Port-Gentil; (iii) replacement of the income tax credits for property taxes with deductions from taxable income; (iv) implementation of a program to secure forestry revenue, including through the establishment of a stumpage tax withholding system (withholding made by purchasers of timbers who, according to the law, are jointly liable for the payment of this tax) and stepping up the collection of forestry tax arrears; (v) continuation of the effort started in 2004 to update the taxpayers roster, by ensuring that a uniform tax identification number is used for all taxes; (vi) extension of the self assessment procedures used for VAT to corporate income tax; (vii) increase in the number of tax auditors and in the scope of audits; and (viii) stepped-up collection of tax arrears. The initial customs revenue target was adjusted downward to take account of the impact of the 10 percent reduced VAT rate over the course of the full year. However, greater efforts to collect tax arrears and forestry taxes are expected to compensate for nearly all this shortfall.

17. On the expenditure side, the adjustment effort reflects the impact of measures to contain the wage bill and other current expenditure. The wage bill will be reduced by CFAF 1 billion to CFAF 225 billion in 2005 (5.8 percent of GDP), despite net recruitment of 500 employees in 2004 in the health, education, police, and justice sectors. Attainment of the wage bill target relies on (i) full implementation of the measures adopted in 2003-04; (ii) a reduction in the cost of nonpermanent workers; (iii) the introduction of a merit-based promotion system; and (iv) rationalization of the regime for contractual workers, including modification of the promotion system to align that of the permanent civil servants, and cuts in certain transportation benefits and other allowances; a decree to this effect was adopted on August 2004. Moreover, the adoption of the new law on the civil service statute is expected to contain the growth of the wage bill, inter alia by eliminating the system of automatic promotions.

18. With regard to nonwage spending, the government expects to achieve savings on a number of items. Investments will be made to contain water and electricity consumption. In addition, sovereignty expenses will be reduced by CFAF 2 billion from the 2004 level, and subsidies to public enterprises will decrease owing to completion of the privatization of the two agribusinesses, Agrogabon and Hevegab, as well as efforts to reduce Gabon Poste expenditures. This will allow for more realistic allocations to employee pensions, as well as government contributions to the CNGS. Strict enforcement of the provisions of the public procurement code by the General Directorate of Government Procurement and the General Budget Directorate should also lead to some reduction in the costs of investment projects included in both the state and Road Fund budgets.

19. With regard to scholarships, the Scholarships and Training Directorate has completed a study on how to enhance effectiveness in the awarding of scholarships. In particular, the study proposes (i) a better match between scholarship awards and human resource requirements, (ii) a reduction of the number of university scholarships for studying abroad in favor of upgrading Gabonese training institutions; and (iii) an improved legal framework for awarding scholarships. This study has been submitted to the World Bank for review. A commission chaired by the Deputy Prime Minister, which has been reactivated, will deepen the analysis and provide the government with specific proposals for reforming the scholarship system, to improve its effectiveness, and achieve savings on university scholarships beginning with the 2005-06 academic year, which will be used to strengthen the domestic higher education infrastructure. An action plan to that effect will be adopted before end-May 2005 (structural benchmark), and a pluriannual action plan will be an integral part of the PRSP.

20. The investment budget is expected to increase by an amount equivalent of 0.2 percentage point of GDP, to 4.1 percent of GDP in 2005. To ensure a fast start of budget execution in 2005, detailed line-item budgetary appropriations have been attached to the budget submitted to parliament, thus meeting one of the program's structural benchmarks. Consequently, the execution of the investment budget will start by end-February 2005, as envisaged in the program. For regional expenses related to the independence celebration (*fêtes tournantes*), the National Commission responsible for project selection will take closely into account the needs in the social sectors. These expenditures will be executed in accordance with the bidding procedures set out in the public procurement code, and to that end, projects will be selected sufficiently in advance before the end of the preceding year.

21. In the road sector, the government expects to enhance the effectiveness of investments through rigorous multiyear planning and stepping up the monitoring and control of road development and maintenance projects. In addition, the government, aware of the vast urban rehabilitation needs, is preparing an ambitious program to improve urban living conditions, which it expects to launch in 2006, and for which it will seek external financing.

22. The government is continuing its efforts to enhance effectiveness and transparency in budgetary management. Accordingly, a functional budgetary expenditure classification has been prepared and an external expert recruited to help apply the new economic and

administrative budgetary expenditure classification to the investment budget. The Ministry of Planning will continue the audit of financial and physical execution of the investment budget begun in 2004. The selection process of consultants for the audit of FER arrears and expenses related to the regional independence celebration (*fêtes tournantes*) has been launched, and the audits will be concluded by end-April 2005.

23. For the first time, the budget of the National Social Guarantee Fund (CNGS) is annexed to the State budget, and the operations of the special accounts are presented in annexes to the budget. To ensure that the financial equilibrium of the CNGS is soundly based, a study on the level and applicable base of payroll taxes was recently completed. A decree establishing the new payroll taxes and applicable base will be adopted by end-March 2005 for implementation in early 2006.

24. An action plan to strengthen local authorities' finances is being prepared, based on the report of a joint commission of the Ministry of Finance and Ministry of the Interior, completed at end-October. The plan focuses on the strengthening of real property taxation, strict management of personnel costs, and an equitable system for the allocation of transfers to local governments. Efforts will be made to improve the allocation of resources from the equalization account. The ongoing process of updating urban property registers, which includes the issuance of real estate titles, will generate nonrecurrent revenue beginning in 2005. It will also considerably enlarge the number of properties subject to real estate taxation and the related revenue.

Managing the oil surplus and good governance

25. Given that projected 2005 oil prices and production are higher than under the program as revised during the first review, oil revenue is expected to exceed program projections by CFAF 66 billion (1.6 percent of GDP). However, in 2005 the external debt service after rescheduling is expected to exceed original program projections, as a number of rescheduling agreements will be concluded in 2005 rather than in 2004. The government plans to use the additional net revenue to (i) reduce outstanding statutory advances from the BEAC, which carry a fairly high interest rate by about CFAF 50 billion; (ii) pay reschedulable external obligations falling due in the second half of the year; and (iii) increase the resources of the Fund for Future Generations (FFG) by about CFAF 6 billion. No external financing gap is presently projected for 2005. The reduction in domestic and external debt will help ease the debt burden, while freeing financial resources needed for private sector development.

26. The government plans to improve the efficiency and transparency in the management of FFG resources. In view of the projected increase in these resources, it is essential that the FFG be properly managed and that its investments yield an adequate return. The immediate actions envisaged include (i) ensuring that the FFG effectively plays the role of a savings fund, the resources of which cannot be used to finance government expenditure, (ii) putting into operation the FFG management committee provided for in the 1998 law; (iii) authorizing the investment of FFG resources in long-term, low-risk financial instruments. The latter

measure will need to be decided at the regional level, to ensure consistency with BEAC regulations. Should the law of 1998 require modification, Fund staff will be consulted.

27. The government remains committed to improving governance by combating corruption and enhancing transparency in the management of revenues from raw materials. In this regard, the National Commission Against Illicit Enrichment (CNLEI) continues its work on financial disclosure procedures and in other areas, such as investigations and awareness campaigns. The CNLEI budget for 2005 includes adequate allocations for its operating and investment expenses. An initial report on the activities of the Commission will be produced by end-2004. In the area of transparency, the templates for the Extractive Industries Transparency Initiative (EITI) are being properly filled by the government and the oil companies. A monitoring committee chaired by the Minister of Finance and including representatives of civil society will be established by end-February 2005, and the duly completed forms will be forwarded to the Monitoring Committee by end-April 2005 with the information for the last quarter of 2004, and in July 2005 with the information for the full year 2004. Thereafter, the forms will be completed and forwarded to the Monitoring Committee on a quarterly basis. External technical assistance may be obtained, if necessary. In view of the promising outlook for manganese production, the government plans to extend the coverage of this initiative to the manganese sector in 2005.

Monetary policy

28. Monetary projections for the remainder of 2004 and for 2005 are marked by a substantial increase in net foreign assets and the expected recovery of bank credit to the economy in the final quarter of 2004, associated with increased economic activity. In 2005, the rise in net foreign assets and the decline in net bank credit to the government are expected to continue, with growth of 21.5 percent and a decrease of 20.4 percent, respectively, relative to beginning-of-period money supply. With projected growth of credit to the economy of 7.8 percent (5.3 percent of beginning-of-period money supply), the money supply could grow 5.5 percent on an annual basis, in line with nominal non-oil GDP growth. The recovery of credit to the economy in 2005 is expected to result from a pick up in construction and public work, expansion of agribusinesses and oil refining, as well as new initiatives being prepared in the urban housing sector (National Real Estate Company's project for 2000 medium-standard housing units in Libreville), aided by accelerate procedures for allocating land parcels and issuing titles. The ample liquidity position of the banks, which hold liquid reserves equivalent to 20 percent of deposits and a similar amount of foreign assets, should facilitate this recovery.

Measures to boost non-oil sector growth

29. The government is committed to strengthening the ongoing structural reforms, which are essential for stimulating non-oil sector growth and economic diversification. Efforts in the coming months will focus on financial sector reforms, continued foreign trade and price liberalization, improvement of the investment climate, reform of the forestry and mining sectors, and public enterprise restructuring.

Financial sector reforms

30. To support economic diversification, growth, and employment, it is essential that the financial sector be strengthened and become more responsive to the need for financing small and medium-sized enterprises, housing, and micro-projects (microfinance). Regarding the increase in nonperforming loans observed since 2003, it is important that the provisioning of such loans remain adequate. The profitability of banks, which deteriorated in 2003 partly because of the need to put aside larger provisions, is expected to improve in 2004 and 2005.

31. The IFC's Foreign Investment Advisory Service (FIAS) study emphasized the lack of adequate institutions and instruments for financing small and medium-size enterprises, as well as the very high financing costs. As in other countries, mutual guarantee schemes can facilitate access to bank financing. The FODEX (Fund for the Development and Expansion of Small and Medium-Sized Enterprises) could play an important role in this area by serving as a mutual guarantee institution. As part of this reform, the FODEX would cease its bank refinancing and direct lending activities, which have not shown good results. A new FODEX charter, with the aim to enable it—through separate units—to engage both in mutual guarantee activities and refinancing microfinance institutions, in accordance with COBAC regulations, is being prepared and will be adopted in the first half of 2005.

32. The government recognizes the important role that microfinance institutions can play in economic development and poverty reduction. Consequently, a National Microfinance Promotion Unit was established in December 2003 at the Ministry of Finance to oversee the promotion of microfinance activities in Gabon. The unit has drafted standard by-laws based on the CAEMC (Central African Economic and Monetary Community) guidelines for microfinance organizations, and is responsible for examining the licensing requests submitted by associations wishing to engage in such activity. The Association of Microfinance Institutions (*Association des Établissements de Microfinance – APEMFG*) was established in December 2003. During an information and education mission carried out throughout the country between June and August 2004, the unit identified about one hundred associations and groups engaged in microfinance or interested in starting such activities. Some of these associations are in the process of amending their by-laws to obtain authorization to engage in microfinance. In the next few months, the government plans to contact donors that might be able to provide technical and financial assistance to these institutions, promote direct investment in this area, and extend lines of credit; training and education seminars will also be held on the regulatory framework.

Foreign trade

33. The significant nontariff barriers in place within the CAEMC continue to limit the potential benefits of regional integration. The government is determined to involve other member countries in the rapid elimination of such barriers, starting with liberalization of the sugar market at the CAEMC-regional level. An agreement concluded with the private sugar company, SUCAF, in August 2004 gradually eliminates the reductions in import duties that

the company had enjoyed. The government also plans to abolish the import surcharge on cigarettes by end-December 2004.

Price liberalization

34. The government remains committed to not expanding the list of products subject to price controls; only pharmaceutical products, bread, petroleum products and school books are currently on the list. Moreover, with regard to domestic oil prices, the government plans, by end-March 2005, to reinstate the mechanism that automatically adjusts prices to reflect changes in international prices.

Investment climate

35. The government has prepared an action plan for implementing of the recommendations of the report by the FIAS team which conducted the first phase of a diagnostic study on the business climate in May 2004. The main recommendations of the report, which are to be presented in a seminar in January 2005, include: (i) improving the financing instruments for small and medium-sized enterprises; (ii) containing factor costs, with particular attention to the very high costs of port and transport operations; (iii) simplifying the procedures for starting new businesses, which are still too slow and necessitate a revamping of the private investment promotion agency (*Agence de promotion des investissements privés - APIP*); (iv) increasing the supply of skilled labor by upgrading the vocational training centers; and (v) improving the functioning of the courts and promoting the use of arbitration as an instrument to settle commercial disputes. A plan of action to implement the key recommendations of the seminar will be established before end-March 2005.

Forestry and mining sector policies

36. The government is in the process of implementing the program of forestry sector reforms set out in the letter of Development Policy for Forestry, Fisheries, and the Environment adopted on May 18, 2004. The aim of the reforms is to ensure the observance of sustainable forestry development principles and transparency in the use of resources. Accordingly, the list of forestry permit holders and basic information about them, already available to the public, will be made more accessible for easy consultation; the granting of new forestry permits has been suspended; and a pilot auction project of forestry permits is being developed with the World Bank; the suspension will be maintained until the end of the pilot project. Implementation of the timber marketing board (SNBG) restructuring plan continues with a view to considerably reducing its operating costs, given the low volume of the Okoumé and Ozigo exports, for which it has the monopoly. On the basis of the conclusions and recommendations of the consultant's study on the role of the SNBG, which was finalized at end-November, the government has decided to fundamentally change the role of SNBG, including the elimination of the export monopoly, and has adopted a time-bound action plan for the implementation of this important reform. Under this plan, SNBG will be profoundly restructured and transformed into a private company trading timber and

processed wood; the timber quality and quantity control role will be transferred to the government. The government requests a waiver for the delay in the adoption of this plan, which was programmed for end-November 2004.

37. In the mining sector, the implementing regulations of the mining code have been drafted and will be adopted by end-2004, as planned. They are essential for defining a clear tax framework for new investors. The draft standard concession agreement will be submitted to Fund staff for review, before adoption by end-December.

Public enterprises

38. The government is currently expediting the privatization of Gabon Télécom so that the successful bidder can be selected by end-March 2005, on the basis of a revised timetable agreed with the investment bank. Efforts to reorganize Air Gabon continue with encouraging results, but the company's financial position remains fragile. The operating results will probably still be negative in 2004, but they are expected to reach balance in 2005, and to turn into a surplus in 2006. To monitor the company's restructuring, quarterly earnings targets have been defined by its general management and the Ministry of Finance. The current effort to reduce personnel expenses will continue. The timetable for partial privatization will be prepared by end-January 2005 with the assistance of the consultant selected to assist the government in the process of privatizing the company. By end-April 2005 the consultant will prepare the documents necessary for the invitation to prequalify for the privatization (structural benchmark), and the call for bids for the partial privatization will be issued by end-2005. Concerning Gabon Poste, on the basis of a recent consultants' report the government is examining measures that need to be taken in order to reduce costs and increase revenue, with the aim to reducing the annual subsidy and improve the quality of service.

PRSP preparation

39. PRSP preparation is on track and the document should be ready by end-June 2005. In this connection, a flash survey (questionnaire on core welfare indicators—QUIBB) will be prepared in January 2005 and completed in March 2005. The results will be used to update the poverty indicators as well as other social indicators. The review of the results of the General Population and Housing Census, undertaken with donor assistance, is in progress. Regarding the participatory process, seminars for civil society, the private sector, and various associations are planned in the nine provinces of the country by end-December, with financial and organizational support from the UNDP and the World Bank. National workshops were held in July and August in the provinces of Estuaire and Ogooué Maritime. Based on the 15 focal points of the PRSP, strategies for the priority sectors (education, health, agriculture, etc.) are being developed in the various key ministries and will be completed by end-December 2004. They include a quantification of the costs, which will be reflected in the 2006 budget and the 2006–08 public investment program, in line with the medium-term expenditure framework (MTEF). These strategies will be submitted to donors before they are adopted by the government, to facilitate mobilization of the necessary external financing. A review of public expenditure in the education, health, and infrastructure

sectors will begin by end-2004, with assistance from the AfDB, the European Union, and the World Bank.

Program monitoring

40. The attached Table 1 presents the performance criteria and quantitative targets for end-March 2005, as well as indicative targets for end-June 2005. The attached Table 2 presents the structural performance criteria and benchmarks for the program.

41. The government has also decided to maintain larger balances in its SDR holdings accounts with the IMF to facilitate scheduled repayments.

Sincerely yours,

/s/

Paul Toungui
Minister of State, responsible for the Economy,
Finance, Budget, and Privatization

Table 1. Gabon: Quantitative Performance Criteria and Indicative Targets Under the Stand-By Arrangement, 2004-05
(In billions of CFA francs; end-period data; cumulative flows from January 1)/

	2004				2005		
	Mar.	Jun.	Dec. 11/	Mar.	Jun.	Dec. 11/	Jun.
	Target	Act.	Deviation	Prog.	Rev.	Act.	Deviation
Performance criteria							
Ceiling on the net claims of the banking system on the central government 2/	-27.0				-21.2		
Adjusted target 2/	-22.4	-53.7	-61.4	-7.6	-35.3	-48.5	-12.6
Ceiling on the contracting or guaranteeing of new nonconcessional external debt with maturity of over 1 year by the central government 3/	2.5	80.0	9.5	-70.5	96.0	13.4	-82.6
Ceiling on outstanding stock of new nonconcessional external debt with original maturity of one year or less owed or guaranteed by the central government 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on the accumulation of external payments arrears by the central government 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of arrears on domestic debt of the central government 6/	14.1	13.1	5.5	-7.6	7.3	5.5	-1.8
Floor on the primary fiscal balance of the central government, excl. grants and foreign-financed investment (on a payments order basis) 7/	180.4				323.2		
Adjusted target 7/	116.6	217.6	233.6	160	248.2	330.7	339.6
Indicative targets:							
Floor on non-oil central government revenue	124.5	245.7	245.3	-0.4	364.7	362.0	-2.8
Ceiling on the central government wage bill on a payments order basis	55.4	111.9	110.1	-1.8	168.6	168.3	-0.3
Ceiling on total noninterest domestic expenditure of the central government, on a payments order basis 8/	154.5	312.7	296.2	-16.5	473.7	462.0	-11.7
Floor on current expenditure for the sectors of education, health and social assistance	7.2	15.4	17.2	1.9	23.8	25.8	2.0
Floor on the net reduction of unpaid payments orders at the treasury 9/	-13.3				-28.8	-61.9	-33.1
Adjusted target 9/	-29.4	-29.3	-50.0	-20.8	0.0	-61.9	-55.8
Memorandum items:							
Nonproject external financing disbursements (excluding IMF)	0.0	3.2	0.0	-3.2	50.9	5.9	-5.9
External debt service due (excluding IMF)	83.6	146.3	147.4	1.2	253.6	244.2	-1.7
Domestic debt service due	9.6	12.8	36.7	23.9	59.6	58.8	-1.4
Oil revenue	146.6	247.3	284.5	37.2	357.3	432.3	439.7
Rescheduling of external debt 10/	0.0	391.4	395.4	4.0	436.7	412.2	419.0
Privatization proceeds	0.0	1.4	0.0	-1.4	10.0	0.0	0.0

Sources: Gabonese authorities; and Fund staff estimates and projections.

- 1/ Indicative targets for end-March 2004 and end-June 2005. Targets for end-September, end-December 2004, and end-March 2005 are performance criteria under the SBA.
- 2/ The performance criterion will be adjusted upward/downward for any lower/higher oil revenues, larger/lower payment of external debt service (net of nonproject external financing disbursements), larger/smaller net reductions in domestic arrears, and smaller/larger privatization proceeds, relative to program targets. The performance criterion will be adjusted downward for unprogrammed rescheduling/deferment on domestic debt.
- 3/ This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted by the IMF Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are rescheduling arrangements and purchases from the Fund. For purposes of this performance criterion, the term "nonconcessional" means that the debt has a grant element of less than 35 percent, calculated on the basis of currency-specific discount rates that are based on the OECD commercial interest reference rates (CIRRs).
- 4/ Excluded from this performance criterion are rescheduling arrangements, purchases from the Fund, and normal import-related credits.
- 5/ The nonaccumulation of new external payments arrears will constitute a continuous performance criterion.
- 6/ As defined in paragraph 10 of the Technical Memorandum of Understanding (TMU). The ceiling on bank financing will be adjusted downward for unprogrammed rescheduling/deferments.
- 7/ The performance criterion on the primary fiscal balance will be adjusted upward/downward for any higher/lower-than-programmed oil revenue. For end-December 2004, the original program target has been revised.
- 8/ To reflect the higher oil revenue and the upward adjustment in current spending by CFAF 1 billion.
- 9/ Noninterest spending excluding foreign-financed investment.
- 10/ Including the reduction of arrears on the wage bill and the payment of compensations for social violence.
- 11/ These amounts represent rescheduled end-April 2004 stock of arrears and the obligations falling due during May-December 2004 and January-June 2005, in line with the Paris Club greed minutes of June 11, 2004.
- 11/ The original program targets for end-September and end-December 2004 have been revised to take into account the planned uses of the oil windfall.

Table 2. Gabon: Structural Performance Criteria and Benchmarks
Under Stand-By Arrangement, 2004–05

Measures	Implementation Period	Status of Implementation
Structural performance criteria		
<i>Fiscal policy/Development of the private sector</i>		
Adoption of a decree establishing the large enterprise tax unit within the tax administration department, which covers all enterprises with annual turnover over CFAF 1 billion.	End-September 2004	Done. The decree was signed on September 9, 2004.
<i>Forestry sector</i>		
Adoption of time-bound action plan to streamline SNBG, on the basis of World Bank-financed study.	End-November 2004	Done in early December.
Structural benchmarks		
<i>Civil service reform</i>		
Harmonization of the civil service and payroll rosters, based on the computerized civil service management system (ANITA).	End-December 2004	Met in November, with the introduction of a unified personnel roster (<i>fichier unique de référence – FUR</i>)
Adoption of implementing decrees on the new wage structure and promotion system, on the basis of the new law on the general civil service statute.	End-December 2004	Draft decrees were prepared. Draft law still with the National Assembly.
<i>Fiscal policy</i>		
Integration in the 2005 government budget of all special funds.	End-December 2004	Expected to be met.
No granting of exemptions to any company beyond those already provided for under the mining, forestry, and investment code, and no renewal of existing exemptions.	Continuous benchmark	Met.
Completion of assessment of stock of wage arrears.	End-September 2004	Met.

Table 2. Gabon: Structural Performance Criteria and Benchmarks
Under Stand-By Arrangement, 2004–05 (continued)

Measures	Implementation Period	Status of Implementation
Finalization of taxable base for local real estate taxation for Libreville and Port-Gentil.	End-December 2004	Expected to be met with delay in early 2005.
Establishment of detailed budgetary appropriations for the investment expenditures, according to the budgetary classification, in the 2005 Budget Law submitted to parliament.	End-December 2004	Met.
Entry into effectiveness of budgetary credits for the 2005 budget before end-February 2005.	End-February 2005	Expected to be met.
Establishment of a performance contract with the National Social Guarantee Fund, CNGS.	End-September 2004	Met with delay. Contract signed in mid-November.
Issuance of interministerial report on local authorities' finances.	End-October 2004	Met.
Preparation of a study with recommendations to prioritize the university scholarship system.	End-October 2004	Met.
<i>Adoption of an action plan based on additional recommendations by a commission chaired by the Deputy Prime Minister.¹</i>	<i>End-May 2005</i>	
<i>Good governance</i>		
Preparation of the first report on the operations of the Commission Against Illicit Enrichment.	End-December 2004	Expected to be met.
Inclusion in the 2005 budget of an adequate operational budget for the National Commission Against Illicit Enrichment.	End-December 2004	Met.

Table 2. Gabon: Structural Performance Criteria and Benchmarks
Under Stand-By Arrangement, 2004–05 (concluded)

Measures	Implementation Period	Status of Implementation
<i>Development of the private sector</i>		
Selection of the successful bidder for Gabon Télécom.	End-September 2004	Has been delayed to March 2005, to accommodate newly interested investors.
Adoption of the implementation regulations for the mining code.	End-December 2004	Expected to be met.
<i>Public enterprises</i>		
Achievement of a surplus in 2004 in the operational results of Air Gabon, before depreciation.	End December 2004	Operational result has improved, but surplus cannot be reached in 2004.
<i>Preparation by the consultant in charge of the privatization of the documentation to select prequalified bidders.¹</i>	<i>End-April 2005</i>	
<i>Trade reform</i>		
Removal of import surcharges on poultry and cigarettes.	End-December 2004	Met in September for eggs; expected to be met for cigarettes.

^{1/}New structural benchmark

GABON

Technical Memorandum of Understanding

1. This memorandum spells out the understandings for the monitoring of program implementation, and the reporting requirements for the period May 2004–June 2005. In this context, it defines (a) the quantitative performance criteria; (b) the structural performance criteria and benchmarks; (c) the quantitative indicative targets; (d) the adjusters for the quantitative performance criteria; and (e) the key assumptions used in the formulation of the program for 2004-05 presented in the Memorandum for Economic and Financial Policies (MEFP) of the government of Gabon attached to the letter from the Minister of Economy, Finance, Budget, and Privatization to the Managing Director of the International Monetary Fund dated May 6, 2004. The key assumptions of the program, in particular those related to oil revenue, have been modified by the letter of the Minister of Economy, Finance, Budget, and Privatization of December 10, 2004. The adjusters for the quantitative performance criteria for end-March 2005 have also been modified slightly.

D. Monitoring of Program Implementation

2. Monitoring of the implementation of the program will be made on the basis of (i) an assessment of the observance of quarterly quantitative performance criteria as well as of the structural performance criteria and benchmarks at specified dates; and (ii) observance of quarterly quantitative indicative targets.

E. Quantitative Performance Criteria, Quantitative Indicative Targets and Adjusters

Quantitative performance criteria and indicative targets

3. The quantitative performance criteria are specified in Table 1 of the letter of the Minister of Finance of December 10, 2004. The quantitative performance criteria are the following:

- a ceiling on the net claims of the banking system on the central government;
- a ceiling on new nonconcessional external debt with original maturity of more than one year contracted or guaranteed by the central government;
- a ceiling on the outstanding stock of new nonconcessional external debt with original maturity of up to (and including) one year owed or guaranteed by the central government;
- a zero limit on the accumulation of external payments arrears by the central government (a continuous performance criterion);

- a ceiling on the stock of domestic payments arrears of the central government (as defined in paragraph 10) ; and
 - a floor on the primary fiscal balance of the central government, on a payments order basis (excluding foreign-financed investment, FINEX, cumulative from January 1).
4. The program includes adjusters for the quantitative performance criteria as specified in paragraphs 20-24 below and in footnotes 2, 6 and 7 of Table 1 of the letter of the Minister of Finance of December 10, 2004.
5. The quantitative indicative targets (cumulative from January 1) are as follows:
- a floor on central government non-oil revenue;
 - a ceiling on the total central government wage bill, on a payments order basis;
 - a ceiling on total noninterest expenditure, on a payments order basis;
 - a floor on current expenditure for the sectors of education, health and social assistance, as defined in paragraph 17; and
 - a floor on the reduction of the float at the treasury, wage arrears (rappels) and obligations resulting from political violence.

Definitions and computation

6. The outstanding amount of the net claims of the banking system on the central government is measured in accordance with the accounting practice at the central bank, the BEAC, along the lines of the IMF format, excluding deposits of the postal checking account system.¹ As of December 31, 2003, this outstanding amount was CFAF 231.9 billion, and its breakdown was as follows:

¹ The deposits of the postal checking account system are excluded since they are not at the disposal of the treasury.

Net Claims of the Banking System on the Central Government (In billions of CFA francs)	
Statutory advances from the BEAC	165.2
Plus: CFA franc counterpart of use of Fund resources	30.4
Plus: consolidated advances	1.2
Minus: deposits at the BEAC	50.3
<i>Of which: Account for Future Generations</i>	30.0
Plus: net borrowing from the commercial banks ¹	85.4
Total	231.9

1/ Excluding private nonbank claims on the government bought by commercial banks.

7. The **Account for the Fund for Future Generations (AFFG)** at the BEAC will be fed in 2004 by 10 percent of oil revenue and oil revenues in excess of the programmed levels (based on program baseline assumptions detailed in para. 24). The use of AFFG resources is discussed in paragraph 20. The **AFFG** is part of the net claims of the banking system on the central government.

8. The performance criteria on nonconcessional external debt are ceilings on **new nonconcessional external debt**. The performance criterion on the contracting and guaranteeing of new nonconcessional debt with maturity over one year by the central government applies not only to debt as defined in point 9 of the *Guidelines on Performance Criteria with Respect to Foreign Debt*, adopted by the IMF on August 24, 2000, but also to commitments contracted or guaranteed for which no value has yet been received. Excluded from this performance criterion are rescheduling arrangements and purchases from the IMF. The performance criterion on the **outstanding stock of nonconcessional external debt,² with an original maturity of up to one year** (one year included) excludes rescheduling arrangements, purchases from the IMF, and normal import-related credits. The concessionality of debts will be calculated on the basis of the reference interest rates for the specific currencies of denomination used, as established by the Organization for Economic Cooperation and Development (OECD). A debt is deemed to be on concessional terms if, at the time of the initial disbursement date, the ratio between the present value of the loan calculated on the basis of the reference interest rates, on the one hand, and the face (nominal)

² The term “debt” has the meaning set forth in point 9 of the *Guidelines on Performance Criteria with Respect to Foreign Debt* (Decision number 12274-(00/85) August 24, 2000).

value of the loan, on the other hand, is less than 65 percent (i.e., a grant element of at least 35 percent).

9. **The accumulation of external payments arrears** by the central government which is a continuous performance criterion with a zero limit, is calculated as the difference between (a) the gross amount of all the maturities falling due on account of contractual external debt-service obligations (interest and principal, including moratorium and late/penalty interest, where applicable); and (b) the amount of actual payments made during the period under consideration. Arrears resulting from the nonpayment of the debt service for which a rescheduling agreement is sought are excluded from this definition.

10. The **stock of domestic payments arrears of the central government** corresponds to the stock of payments arrears on: (i) interests on treasury debt, securitized commercial agreement, “other” debts, and bank debt; (ii) the principal on securitized commercial debt agreements and “other” debts.³ At end-December 2003, the stock of domestic payments arrears amounted to CFAF 21.2 billion, of which CFAF 4.6 billion on interests and CFAF 16.6 billion on principal.

11. **The treasury float** consists of the “payment orders at the treasury”, float at the Road Maintenance Fund (FER) and the “other treasury float.”⁴ The “payment orders at the treasury” corresponds to the difference between the cumulative payment orders (*ordonnancements*)⁵ and the cumulative actual payments (checks encashed—cash basis). At end-December 2003, the central government’s domestic payments arrears amounted to CFAF 94 billion, comprising CFAF 84,7 billion in outstanding treasury float and CFAF 9.3 billion in “other treasury float.” The net reduction of the treasury float is defined as the reduction in the float existing at end-2003, less the accumulation of new float during 2004.⁶ For 2005, the net reduction of the treasury float is defined as the reduction in the float existing at end-2004, less the accumulation of new float during 2005.

³ The nonbank domestic debt includes the outstanding amounts of (a) securitized commercial agreements as validated by the Ministry of Economy, Finance, Budget, and Privatization as at end-December 2003; (b) the debt of the treasury; and (c) “other” debts, consisting of amounts due to the SEEG, CNSS, Gabon Telecom, Gabon Poste and Air Gabon’s supplier debt taken over by the government in 2001/2002.

⁴ The “other treasury float” includes the accounts on “subsidies,” “consignments,” “accounting agencies,” including “transfers between accounting offices” related to budgetary operations, and “installments to be allocated.”

⁵ As defined below in paragraph 13.

⁶ Under the program, payments for wage arrears (“*rappels*”) and compensation for political violence are considered as a reduction in the float at the treasury.

12. **Total central government revenue** is measured on a cash basis and includes offsetting revenue and expenditure operations, including private sector tax obligations offset against central government obligations to the private sector. Tax receipts are specified in the Table of central government financial operations (*Tableau des opérations financières de l'Etat-TOFE*), including all earmarked revenues (Road Fund and special funds).

13. **Total central government expenditure** include spending on payment order basis (*ordonnancements*), and treasury advances (*avances à régulariser*), and outlays on special funds and earmarked revenues. The quantitative indicative target on total noninterest expenditure excluding foreign-financed investment (FINEX) is calculated on the basis of this definition.

14. **The primary fiscal surplus**, on a payment order basis (*ordonnancements*), is defined as the difference between (a) total central government revenue (excluding grants) on a cash basis; and (b) total noninterest current expenditure plus investment expenditure (excluding foreign-financed investment), net lending, and outlays of the Road Fund and on earmarked revenues.

15. **The indicative target on the central government wage bill** is defined on a commitment basis (*engagements*) for all personnel (whether on a permanent or a temporary basis) of the civil service and the security and defense forces. The wage bill consists of all remunerations, including indemnities, social contributions, housing allowances, and other allowances.

16. **The wage arrears** (*rappels*) correspond to the unpaid financial impact of advancement promotion of civil servants at end-2002 (line 1281 of the budget).

17. **Expenditure for the education and health sectors** correspond to spending on goods and services for education, health and social affairs services. Under the quantitative indicative target for 2004, the following outlays will be monitored: (i) expenditures on goods and services for the Ministries of Education, Health, Social solidarity, social affairs and well-being, Family and child protection (title 5, chapters 81, 82, 84, 91, 93 and 94); and (ii) transfers and subsidies in favor of private education and social safety nets of the Ministries of National solidarity and Family (lines 6421 and 6511 under chapters 81, 93 and 94).

18. **The restructuring costs posted as “financing”** represent the social costs relating to the public enterprises to be liquidated or privatized in the context of the central government’s divestiture of its productive sector holdings, the operating costs (consultants, etc.) of the Secretariat of the Privatization Committee, and the costs of voluntary departures in the context of the administrative reform. The other expenditures, intended in particular for maintaining the activity of the other public enterprises included in the privatization program, are posted under “transfers and subsidies”.

19. The financial operations specified in the Table of central government financial operations (*Tableau des opérations financières de l'Etat-TOFE*) relating to treasury correspondents (*correspondants du Trésor*), local governments (*collectivités locales*), and other treasury operations correspond to the change from period to period in the balance of

these accounts. The Government will provide information on the balance of all these accounts on a monthly basis to the IMF.

Adjustments to quantitative performance criteria

20. A specific contingency mechanism for oil revenue is established for 2004-05, given the importance of oil for the Gabonese economy and the uncertainties regarding oil prices and output. If oil revenue is above the baseline projections in a given quarter, the surplus will be deposited in the Account of the Fund for Future Generations with the BEAC, with a corresponding downward adjustment in the ceiling on net credit from the banking system to the central government and an upward adjustment in the floor for the primary fiscal balance. If oil revenue in CFA franc terms is lower than programmed (because actual oil prices, the exchange rate and/or output are lower than projected in the baseline scenario), the shortfall could be offset by additional net bank credit—with an upward adjustment in the ceiling on net credit from the banking system to the central government, and a downward adjustment in the floor on the primary fiscal balance. The cumulative ceilings to the adjustor are CFAF 17.0 billion for end-June, CFAF 25.5 billion for end-September, and CFAF 45.0 billion for end-December 2004. The cumulative ceilings to the adjustor are CFAF 50.0 billion for end-March 2005, and CFAF 100.0 billion for end-June 2005. If the oil revenue shortfall exceeds the maximum adjustor, the quarterly fiscal targets will be reassessed in consultation with Fund staff.

21. The program also includes (downward/upward) adjusters for the benchmarks on net credit from the banking system to the central government for (i) lower/higher-than programmed external debt service effectively paid⁷ (net of nonproject external financing disbursements); (ii) lower/higher-than-programmed net reduction of domestic arrears; and (iii) lower/higher-than-programmed net reduction in the float at the treasury.

22. The program also includes a symmetric (downward/upward) adjuster for the net bank credit to the central government for privatization proceeds higher/lower than projected in the program.⁸ The program's assumptions related to oil revenues, external and domestic debt service, disbursements on external nonproject financing, expected external debt rescheduling, and privatization proceeds are indicated in Table 1 of the letter of the Minister of Finance of December 10, 2004.

⁷ External debt service due minus any accumulation of external arrears minus debt relief obtained. The programmed amounts of debt service, payments arrears, debt relief, and nonproject external financing are calculated in CFA franc terms based on currency-specific exchange rates. The actual amounts are calculated in CFA franc terms based on the actual transactions in foreign currency and the exchange rates published by the Fund.

⁸ For end-March and end-June 2005, the adjuster will apply to privatization proceeds, net of the restructuring cost of public enterprises.

F. Structural Performance Criteria and Benchmarks

23. The structural performance criteria and benchmarks are specified in Table 2 of the MEFP attached to the letters of May 6, 2004, September 8, 2004, and December 10, 2004.

G. Key Assumptions of the 2004-05 Program

24. The main assumptions of the program are the following:

	2004	2005
World Brent oil prices (U.S. dollar per barrel)	39.2	44.2
Gabonese export oil prices (U.S. dollar per barrel)	36.9	41.2
Oil output (in millions of metric tons) ⁹	13.6	13.1
Exchange rate (CFA francs per US\$1, annual average)	534.4	530.9
Government oil revenue (in billions of CFAF)	640.0	670.0

H. Reporting Requirements

25. To facilitate monitoring of program implementation, the government of Gabon will prepare and send to the IMF monthly reports within four weeks following the end of the preceding month. In addition, the Technical Support Unit of the Interministerial Committee for Monitoring the Structural Adjustment Program will communicate to the IMF's African Department, within the four weeks following the end of period, by fax or by e-mail the data required to monitor the implementation of the program. Such data will include (but are not limited to) the following:

- (a) the comprehensive monetary survey, the central bank balance sheet, and the consolidated balance sheet of the commercial banks;
- (b) the net financial position of the central government with the BEAC (PNG) and net credit from the banking system to the central government, with a separate line for the Account of the Fund for Future Generations;
- (c) central government financial operations (*opérations financières de l'Etat*) on a payment order basis (*ordonnancements*), identifying any discrepancy between the fiscal deficit and changes in domestic and external arrears, on the one hand, and total net domestic bank/nonbank and net external financing, on the other;
- (d) the detailed breakdown of petroleum receipts by nature (royalties, profit tax, and other) and by company, and the underlying basis when available (e.g. production,

⁹ The average conversion rate is 7.3 barrels per metric ton.

prices, turnover, costs, etc.), as well as the detailed breakdown of non-oil receipts (by type of tax) and nontax revenue;

(e) the detailed breakdown of total central government expenditure, on an adjusted commitment basis, adjusted payment order basis, and cash basis as presented in the *Tableau Intégré* produced by the Statistical Committee (*Comité statistique*).

(f) the details for domestic and external debt-service obligations, on a contractual and actual payments basis, respectively, with a breakdown into interest and principal and by creditor, as well as any possible accumulation of domestic or external arrears (electronic file);

(g) the details on the stock of external and domestic debt at the end of each month (electronic file);

(h) the details for the outstanding stock of domestic arrears (month to month) and the cumulative flows from January 1, 2004: the net accumulation of new arrears during 2004 as defined in paragraph 11 by the difference between payment orders (*ordonnancements*) and payments made (cash basis), as well as the repayment of pre-2004 arrears, with both items to be broken down by wages and salaries, goods and services, transfers and subsidies, interest, capital expenditure, and net lending; any stock-flow adjustment not consistent with flows should be explained (electronic file).

(i) the amount of new external debt contracted or guaranteed by the central government, with the detailed information (electronic file) on the original terms and conditions (currency of denomination, interest rate, grace period, and maturity);

(j) actual disbursements on non-project-related external financing, including on newly contracted loans, and the amounts of debt relief granted to Gabon by external creditors (electronic file);

(k) monthly information on the oil sector: export prices, effective exchange rate, production per oil field, exports, based on data from the Direction Générale des Hydrocarbures (electronic file);

(l) indicators and other statistical data on recent economic developments, such as the household consumer price index, merchandise imports and exports (in value and volume terms) by major categories on the basis of customs data, log production and exports (in value and volume terms), as well as the quarterly reports on economic activity prepared by the General Directorate of the Economy and the Interinstitutional Committee on Statistics;

(m) a status report on the implementation of the structural reforms specified in Table 2 of the MEFP attached to the letter of December 10, 2004;

(n) quarterly data on the finances of local authorities; and

(o) Quarterly financial data of Air Gabon.

26. The Technical Support Unit of the Interministerial Committee for Monitoring the Structural Adjustment Program will provide the African Department of the IMF with any other information that the latter may deem necessary or that may be requested by the staff of the IMF for the effective monitoring of the program.

Gabon: Relations with the Fund

(As of October 31, 2004)

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

II. General Resources Account:	SDR Million	%Quota
Quota	154.30	100.00
Fund holdings of currency	209.65	135.87
Reserve position in Fund	0.18	0.12

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	14.09	100.00
Holdings	7.51	53.32

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
Extended arrangements	21.14	13.70
Stand-by arrangements	34.39	22.29

V. Latest Financial Arrangements:

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-by	May 28, 2004	June 30, 2005	69.44	27.78
Stand-by	Oct 23, 2000	Apr 22, 2002	92.58	13.22
EFF	Nov 8, 1995	Mar 7, 1999	110.30	60.67

VI. Projected Payments to Fund (Obligations Basis)

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

	<u>Forthcoming</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Principal	5.06	16.72	4.60	6.59	13.89
Charges/Interest	<u>0.44</u>	<u>1.65</u>	<u>1.21</u>	<u>1.06</u>	<u>0.75</u>
Total	5.49	18.37	5.81	7.65	14.64

VII. Implementation of HIPC Initiative: Not Applicable

VIII. Safeguards Assessments:

Under the Fund’s safeguards assessment policy, the Bank of Central African States (BEAC), of which Gabon is a member, was subject to a full safeguards assessment. An on-site assessment of the BEAC was completed on July 20, 2001. The staff’s findings and recommendations are reported in Country Report No. 02/95 (www.imf.org). A subsequent safeguards assessment of the BEAC completed on August 30, 2004 found that the BEAC has implemented a number of measures to strengthen its safeguards framework since the 2001 safeguards assessment, but further progress needs to be made in key areas.

IX. Exchange Rate Arrangement:

Gabon’s currency is the CFA franc, which is pegged to the euro at a fixed rate of CFAF 655.957= €1.

X. Last Article IV Consultation:

- (a) Consultations with Gabon are on the 24-month cycle.
- (b) The last consultation discussions were initiated in Libreville in March/April 2003. The consultation was concluded by the Executive Board on November 10, 2003 (Country Report No. 04/23 (www.imf.org)).

XI. FSAP Participation:

Gabon participated in the FSAP and, in this connection, a joint Fund/World Bank mission visited Libreville in June and July 2001. The FSSA report was discussed by the Executive Board in March 2002.

XII. Technical Assistance:

Department	Purpose	Time of Delivery
FAD	Budget management	March 2004
FAD	Tax policy and administration	November 2003
LEG	Law against illicit enrichment	June, July, and October 2003
FAD	Budgetary procedures and expenditure control	November 2000
STA	Multisector statistics mission	May 1998
FAD	Value-added tax administration issues	August 1997

XIII. Resident Representative:

The Fund maintains a resident representative office in Libreville. The current resident representative, Mr. Richard Randriamaholy, assumed his post in October 2003.

Gabon: Relations with the World Bank

(Updated as of November 19, 2004)

1. As one of Africa's few IBRD countries, Gabon's GDP per capita is estimated at US\$4,675 in 2003, well above the sub-Saharan African (SSA) average. Mindful of limiting the burden of its high external debt service, Gabon has been prudent about borrowing from the Bank in the past. However, the country's oil revenues are projected to decline over the next few years, and the government has started exploring the country's potential for economic diversification. The Bank is working closely with the IMF team to support structural measures, particularly in improving the environment for the development of the private and forestry sectors, and is assisting in the development of the local private sector in urban areas.

The Bank Group strategy and lending operations

2. As of July 1, 2004, all Bank projects were completed. A Forestry and Environment Sector development and a follow-up to the Pilot Community Infrastructure Project are currently under preparation. The findings and recommendations of the diagnostic study on the business climate in Gabon, conducted by the FIAS in 2004, as well as follow-up work on improvement of the legal and regulatory environment in the mining sector, could serve as input for the preparation of a future Diversification and Private Sector Development operation. Future Bank assistance to Gabon will be more clearly defined within the context of a new Country Assistance Strategy (CAS) which will be presented to the Board in FY2005.

3. The two Bank Projects which closed on June 30, 2004 were (i) US\$5 million urban learning and innovation loan (LIL) which tested new procurement methods, supported the implementation of pilot urban works in poor urban neighborhoods, and conduct urban public expenditure reviews; and (ii) US\$10 million privatization and regulatory capacity-building technical assistance loan, expected to contribute to the growth of private investment and increase the participation of non-oil private sector in the country's economy.

IMF—World Bank collaboration

4. Overall, the IMF and World Bank staff maintain a close collaborative relationship in supporting reforms to foster economic diversification and in coordinating their policy advice to the Gabonese authorities. In view of the structural measures envisaged under the medium term program, successful implementation of the reform program hinges on complementary action by the World Bank, especially in the areas of business climate improvements, poverty reduction policies, and nonrenewable resource management, as well as the identification and development of sources of growth in the non-oil sector.

Table 1. Bank/Fund Collaboration

Area of Structural Reform	Lead Institution
1. Fiscal area	
Civil service reform	IMF
Expenditure monitoring and control	IMF
Priority Expenditure Tracking under PRSP	World Bank
Medium-term public expenditure review	World Bank
Tax administration	IMF
2. Governance	
Anticorruption law implementation	IMF
Code of ethics for government officials	IMF
Extractive Industries Transparency Initiative (EITI)	World Bank/IMF
3. Judicial reform	
Commercial code/competition	IMF
4. Private sector development	
FIAS study of the business climate	World Bank/IFC
Diversification and non-oil sector development	World Bank
5. Other	
Price controls	IMF
Forestry and environment	World Bank
PRSP	World Bank/IMF
External trade	IMF
Transport	World Bank
Urban development	World Bank

IMF—World Bank collaboration in specific areas

Areas in which the World Bank leads and there is no direct IMF involvement

5. A Poverty Assessment (PA), initiated in late 1994, was finalized in March 1997 and discussed with a broad range of Gabonese stakeholders in July 1997. The main conclusion of the report is that the relative inefficiency and low quality of public expenditures, particularly in the social sectors, constitute major impediments to poverty alleviation. The Bank is supporting the preparation of the government's poverty reduction strategy, and in that context, will continue to provide support for strengthening the statistical capacity and assisting the NSO (National Statistical Office) to undertake key household surveys along the lines of the Core Welfare Indicators Questionnaire (CWIQ), and to update key social

indicators to be monitored on an annual basis. The Bank also plans to assist the NSO in putting together a monitoring and evaluation system for the poverty reduction strategy.

Areas in which the World Bank leads and its analysis serves as input for the IMF

6. In June 2002 the Bank completed a US\$22.5 million ten-year project that aimed to improve the management and protection of Gabon's forestry and environmental resources. The project aimed at implementing and strengthening government policies on forestry and environment and was to strengthen the planning and operational capacity of government institutions and local environmental nongovernmental organizations (NGOs). A new program in the same sector is being prepared for Board presentation in FY2005. This program builds on the lessons learned during the implementation of the previous project, and expects to broaden its objectives by reaching a larger number of beneficiaries, attracting investments in the forestry, fishing and environment sectors, and thus assisting the government in its efforts to diversify the Gabonese economy and reduce its dependence on the oil sector.

7. The FIAS (a joint facility of the World Bank and International Finance Corporation) is providing advisory services to help improve the investment climate in Gabon. This technical assistance consists of three studies that would identify constraints to private investment, particularly foreign direct investment, and provide inputs to a governmental program of reforms aimed at alleviating impediments to private sector development. The diagnostic of the investment climate, including identification of priorities for reform and concrete recommendations, was presented in September. The second and third studies would consist of a more detailed review of administrative barriers to investment and an in-depth review of the tax and incentive regime with an objective of proposing additional and complementary concrete reforms. FIAS will confirm each study based on action on the previous one.

8. The Bank is also preparing an Infrastructure Framework Report (IFR), which will present a comprehensive overview of the country's general environment for private participation and the main opportunities for investment in infrastructure. The report will also outline recommendations and an action plan to assist the government in putting in place the laws, policies, and institutions needed to create an enabling environment for enhanced private-sector participation. This study covers transport infrastructure (railways, air transport, maritime transport), telecommunications, water, and power.

9. Starting in early 2005 the Bank will also assist in carrying out a public expenditure review aimed at assessing expenditure effectiveness, particularly in the social sectors.

Areas of shared responsibility

10. While the Bank has taken the lead in privatization and in structural reforms impacting the environment for the private sector, the IMF has a strong interest in the same area from a macroeconomic perspective. The IMF's primary focus is on good governance, particularly in the fiscal area, and transparency in private sector development and economic diversification. Additional concerns for the Bank include efficiency of the resulting market structures and

improved enterprise operation. The Bank and the IMF are also working closely together in the financial sector, for which a Financial Sector Assessment Program (FSAP) was jointly prepared by the two institutions during 2002. While the FSAP indicated that the financial sector in Gabon is overall profitable and stable, it also identified certain structural weaknesses and risks in Gabon's financial sector, including lack of bank portfolio diversification and underdevelopment of nonbank financial institutions. Follow-up work could include assessing progress in these areas.

11. **Areas where the Fund takes the lead role and its analysis serves as input into the World Bank-supported program** are in the dialogue on fiscal matters, which sets the overall envelope for public expenditures. The IMF is also providing technical assistance in the area of governance and anticorruption.

12. The IMF leads the dialogue on policies to contain various expenditures in the public sector. These include policies regarding the wage bill in the public sector and the definition of the ceiling for public investment expenditures. In these areas, the Bank takes into account the policy recommendations of the IMF and ensures that its own policy advice is consistent.

13. In addition, the IMF is monitoring the implementation of the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) and trade liberalization measures being taken at the CEMAC (regional) level. This supplements a significant on-going program of work by the Bank to support regional integration among CEMAC countries. The IMF is also following the streamlining of the judicial process. These measures should improve the business climate and will complement work by the Bank (in conjunction with the IFC) in the area of facilitating investment.

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

Gabon: Assessing External and Public Sector Debt Sustainability

This appendix assesses external and public sector sustainability, applying the framework adopted by the Board to the staff's updated baseline scenario, which includes the impact of higher than expected oil production and prices. In addition to the standard stress tests, this appendix considers the effect of three additional shocks to the baseline scenario, namely a lower growth in non-oil GDP and non-oil exports, a lower oil price, and lower growth in wood-related exports. The baseline external sustainability scenario during the period 2004-2013 shows that the external debt-to-GDP decreases continuously, financing gaps disappear in the wake of high oil prices and higher oil production, and the debt service-to-exports ratio peaks in 2009 and again in 2012 before declining steadily thereafter. The results of the public sector debt baseline analysis, which are affected by the inclusion of the float at the treasury, indicate that virtually all outstanding domestic public debt will be eliminated by 2013, as its maturities are relatively short term and as a part of the oil windfall is assumed to be used to repay domestic arrears. The stress tests reveal that Gabon's debt sustainability continues to be extremely sensitive to shocks to non-oil real growth (affecting both non-oil exports and budgetary revenues), as it is to changes in the price of oil. These results continue to highlight the importance of adhering to policies fostering non-oil growth, private sector development, and diversification of Gabon's economic base. They also underscore the need for prudent fiscal policies given the highly volatile oil prices.

External Public Debt Sustainability

1. The updated baseline debt sustainability analysis (DSA) indicates that, over the medium term (2004-2006), the external debt-to-GDP ratios are projected to decrease by 13.5 percentage points to 42.4 percent of GDP (see Table 1 and Figure 1). This period is characterized by a lower-than-originally envisaged decrease in oil receipts, both due to higher-than-envisaged oil production and prices, moderate non-oil growth and continued fiscal adjustment that result in no financing gaps.¹ After 2006, the baseline scenario projects an improvement in the external debt-to-GDP ratio to 18.7 percent in 2013 on account of (i) continued growth of non-oil real GDP; (ii) amortization in excess of new borrowings; and (iii) larger-than-envisaged oil revenues. The debt-service ratios peak in 2009, reaching 17.9 percent for the debt service-to-exports ratio and 32.7 percent for the debt service-to-revenue ratio, and again in 2012, reaching 13.9 percent and 23.6 percent, respectively. Under the current high oil prices, the analysis in the updated baseline scenario indicates that no financing gaps will occur through 2013; this result is predicated on the assumption that for the period 2011-13, some reduction of external reserves will be used to close potential financing gaps.²

¹ The financing gap for 2004 has already been covered by a debt rescheduling, including CFAF 321 billion of arrears.

² Financing gaps arising after 2013 are assumed to be covered on commercial terms.

2. Gabon's vulnerability to external shocks remains high as shown by the standard sensitivity tests (Table 1, bottom panel and Figure 1).³ In each of the tests, which assume extreme adverse shocks to each key parameter individually and jointly, the debt ratio rises faster and to higher levels than in the baseline:⁴

- The shocks that set real GDP growth rates and nominal interest rates at their historical averages result in a continuously decreasing debt-to-GDP ratio; the paths observed are similar to that in the baseline, although the ratio decreases in both cases at a slower pace.
- Under a temporary shock to the U.S. dollar deflator, the debt ratio rises sharply initially (26.4 percentage points by 2006), and decreases slowly thereafter to reach approximately 68.7 percent of GDP by 2013. The larger increase in the debt ratios reflects the 14.4 depreciation assumed for both 2004 and 2005 instead of the relative stability of the deflator in the baseline.
- The long-term effects of the shock to the non-interest current account balance (the historical non-interest current account balance minus one standard deviation for 2004-05) are also significant: the debt ratio increases to 65.4 percent by 2005 and then decreases to 47.7 percent by 2013.
- The combined shock leads to a sharp increase in the external debt ratio, as the result is dominated by the deflator shock (an increase in debt ratios by 72.2 percentage points by 2013).
- A one time 30 percent depreciation of the CFA franc vis-à-vis the U.S. dollar in 2004 results in a rise in the debt-to-GDP ratio of 2.3 percentage points on impact. However, it decreases steadily thereafter. This outcome reflects the fact that dollar denominated debt accounts for approximately 15 percent of total external debt at end-2003. Clearly, a depreciation against the euro would have a much stronger effect (70 percent of external debt is euro-denominated at end-2003).

4. The analysis includes three additional sensitivity tests, namely a long-term shock to non-oil real growth, a long-term shock to wood-related exports, and a long-term shock to the

³ The test that combines the effect of setting all key variables at their historical values is not presented, since the relatively large average non-interest current account surpluses are the dominating effect. Thus, the results obtained would not be realistic given the steady decreases in oil production projected in the baseline scenario.

⁴ These sensibility analyses consider adverse shocks of one standard deviation, lasting two years (i.e., transitory shocks) for each key parameter.

price of oil.⁵ All shocks lead to a deterioration of the external current account, the first two through lower non-oil exports and the latter through lower oil-exports. The negative effect of the lower oil price (25 percent lower than the baseline oil price over the medium term) leads to a steady increase of the debt ratio, faster in the medium-term and slower in the longer-term, as the share of oil in GDP decreases.⁶ Similarly, the effect of lower growth in the tradable non-oil sector causes debt ratios to turn unsustainable. Clearly, given the still large size of oil exports, the effect of a lower oil price impacts heavily in the short-term while the lower growth in the non-oil tradable sector impacts more in the medium to long-term. Although less dramatic, the impact of lower wood-related exports is reflected in a debt-to-GDP ratio that decreases at a slower pace than in the updated baseline, and after 2009, stabilizes around 29 percent. The clearly unsustainable paths for the debt-to-GDP ratio in the cases of a lower oil price and lower non-oil tradable GDP growth underscore (i) the importance for Gabon to adopt macroeconomic policies that promote economic diversification, and (ii) the strong dependence of the results of the updated baseline scenario on the higher (expected) oil prices.

Public Sector Debt Sustainability

5. Under the baseline projections, Gabon's total public sector-to-GDP ratio is projected to decrease from 72.9 percent in 2003 to 45.7 percent in 2006 and further to 18.7 percent in 2013, where it is assumed to be fully repaid.⁷ The key assumption underlying this result is the growth of non-oil GDP, which is projected to average 3.5 percent in 2004-2010 (see Table 2 and Figure 2).

⁵ The shock to wood-related export intends to reflect the consequences of failing to implement the reform agenda in this sector.

⁶ The stress test that considers a lower oil price is performed *ceteris paribus*, that is with the same accumulation of reserves than in the baseline. When that factor is adjusted for, the debt-to-GDP ratio increases to 110.6 percent in 2013 as opposed to 123.6 percent.

⁷ The stock of domestic debt has been expanded to consider the unpaid float at the treasury. For this reason the public debt-to-GDP ratio of 67.6 percent at end-2003 quoted in the last DSA has now been increased to 72.9 percent. The domestic debt declines due to (i) the government's reimbursement of domestic debt to suppliers and public contractors; (ii) the repayment by the government of public enterprise debt to the social security system, wage bill arrears and to suppliers (assumed by the government in recent years in the context of the restructuring of such enterprises); (iii) the repayment to commercial banks of domestic debt; and (iv) the repayment of virtually all unpaid float at the treasury. All these debts have relatively short maturities. Most of the remaining domestic debt after 2008 is assumed to be unpaid float at the treasury resulting from normal payment delays.

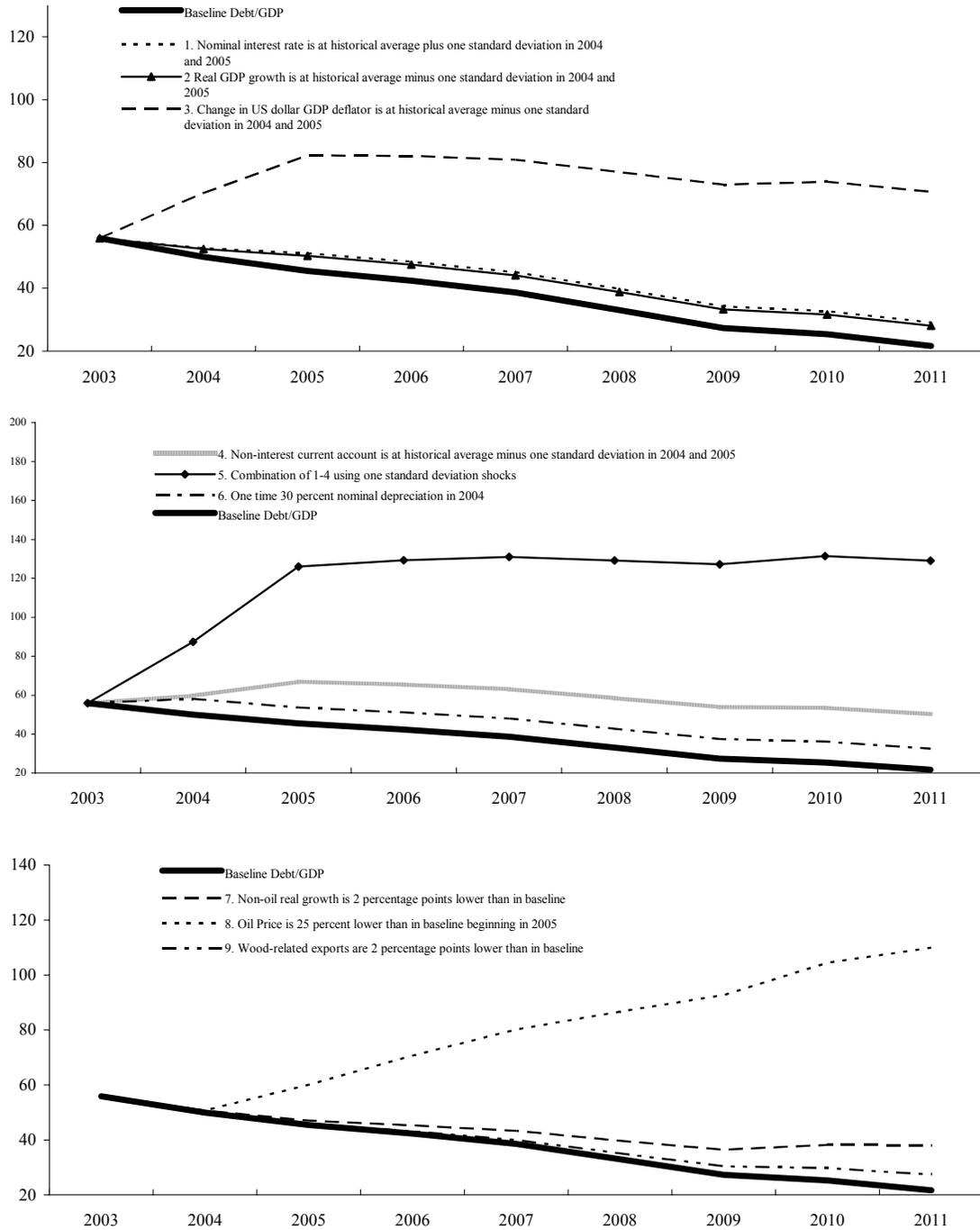
6. Gabon's public debt sustainability vulnerabilities are underscored when considering the stress test that uses the primary balance as the shock variable. A one-standard deviation shock on the primary balance in 2004-05 results in a public debt-to-GDP that is only 6.7 percentage points lower by 2013, i.e., at 66.2 percent. This is the result of lower domestic debt being retired and more foreign borrowing needed to cover the resulting financing gap.

7. Not surprisingly, the results obtained for the sensitivity tests that consider temporary shocks to other key parameters (Table 2, bottom panel and Figure 2) resemble those described for the external debt. As for the stress test that considers a combination of shocks to all relevant parameters, the profile of the public debt ratio shows a strong temporary increase, followed by a gradual decline; the profile remains below that of the external debt ratio under the combined shock, because in the former the shock to the GDP deflator is absent.⁸

8. As for the external DSA, the public debt sustainability analysis includes three additional sensitivity tests, namely a long-term shock to non-oil real growth, a long-term shock to wood-related exports, and a long-term shock to the price of oil. As before, the effect of lower oil prices and lower growth in the tradable non-oil sector causes debt ratios to turn unsustainable. These results underscore that (i) a main factor in Gabon's debt sustainability is the ability to sustain steady growth in the non-oil sector through diversification, and (ii) the need for continued fiscal consolidation and prudent policies, given the high volatility observed in international oil markets.

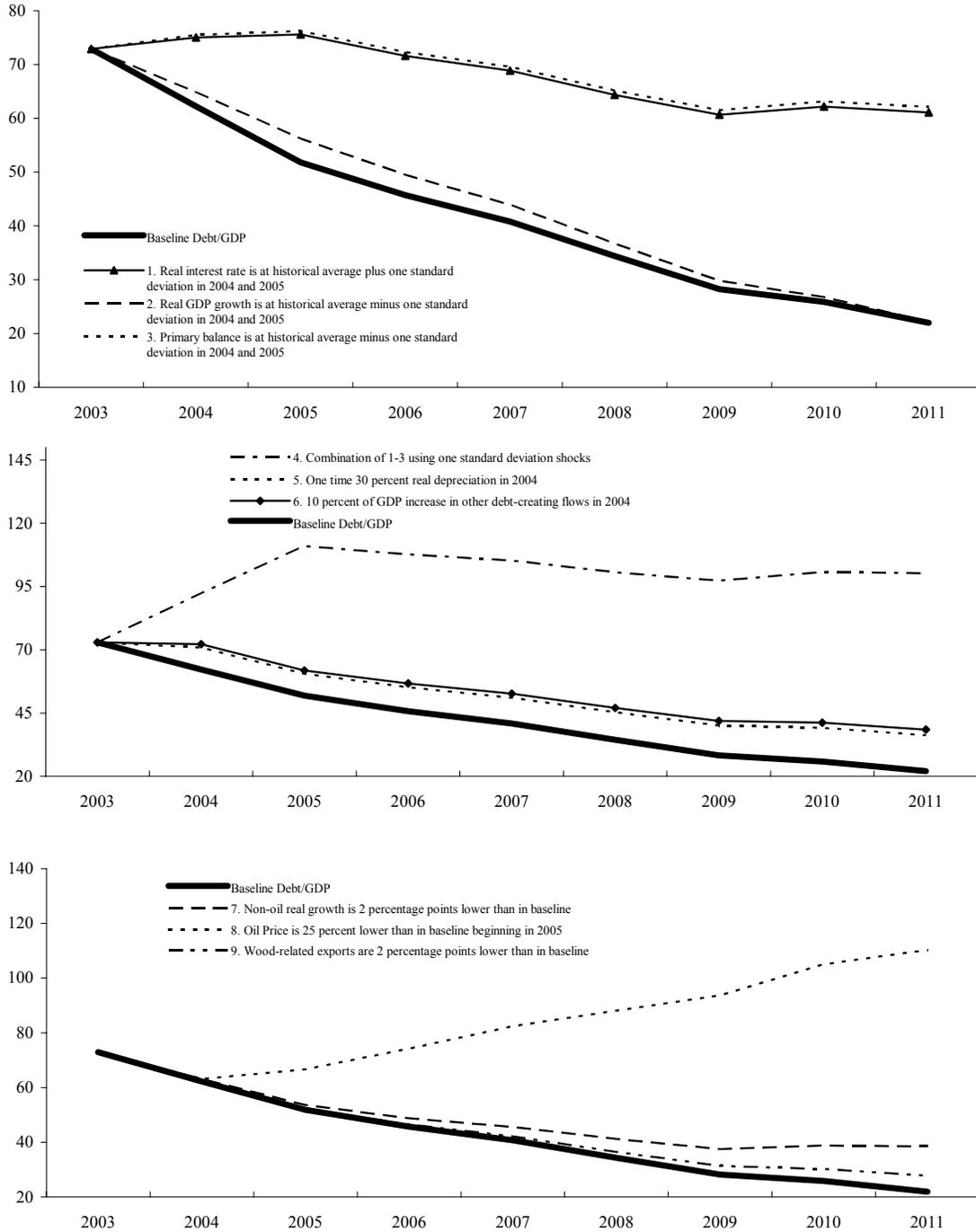
⁸ The test that combines the effect of setting all key variables at their historical values (not presented), is dominated by the higher primary surpluses, lower interest rates and higher nominal GDP growth that were the case during the height of Gabon's oil boom. Presenting this scenario could be misleading given the expected change in the structure of Gabon's economy.

Figure 1. Gabon: External Public Debt Sustainability, 2003–2011
(In percent of GDP)



Source: IMF staff estimates and projections.

Figure 2. Gabon: Total Public Sector Debt Sustainability, 2003–2011
(In percent of GDP)



Source: IMF staff estimates and projections.

Table 1. Gabon: External Debt Sustainability Framework, 1999-2013
(In percent of GDP, unless otherwise indicated)

	Projections														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
External debt	79.6	57.1	63.1	62.7	55.9	50.0	45.5	42.4	38.6	33.0	27.3	25.3	21.6	19.5	18.7
Change in external debt	-1.3	-22.5	6.0	-0.4	-6.8	-5.9	-4.5	-3.1	-3.7	-5.6	-5.7	-2.0	-3.7	-2.2	-0.8
Identified external debt-creating flows (4+8+11)	-17.5	-18.0	0.5	-2.6	-5.8	-9.0	-7.3	-4.5	-3.7	-5.1	-4.7	-1.6	-4.3	-1.5	0.1
Current account deficit, excluding interest payments (- = surplus)	-14.4	-24.9	-18.9	-8.7	-12.8	-13.8	-15.8	-12.0	-10.0	-9.1	-7.6	-6.4	-4.3	-2.7	-1.3
Deficit in balance of goods and services (- = surplus)	1.8	-36.3	-26.4	-19.7	-22.4	-26.5	-28.2	-23.2	-20.4	-18.6	-16.2	-14.3	-11.3	-8.8	-6.6
Exports	57.7	68.8	59.1	56.0	57.0	63.6	65.3	60.7	57.4	54.6	51.4	49.5	45.6	42.0	38.8
Imports	59.5	32.6	32.8	36.3	34.6	37.0	37.1	37.5	37.0	36.0	35.2	35.2	34.3	33.2	32.1
Net non-debt creating capital inflows (- = inflows)	-3.5	15.7	8.3	3.4	7.6	8.3	8.6	3.9	3.7	2.4	1.6	3.1	1.7	1.0	1.3
Net foreign direct investment, equity	12.1	-1.3	-2.0	4.6	1.5	4.4	4.4	4.7	4.4	4.1	3.7	3.3	3.1	2.7	2.6
Net portfolio investment, equity, and other private capital flows	-8.6	-14.3	-6.3	-8.0	-9.1	-12.7	-13.0	-8.6	-8.1	-6.5	-5.3	-6.4	-4.8	-3.7	-3.9
Automatic debt dynamics 1/	0.4	-8.8	11.1	2.7	-0.7	-3.4	-0.1	3.6	2.7	1.6	1.3	1.7	0.3	0.2	0.2
Contribution from nominal interest rate	6.0	5.2	7.9	3.5	3.2	2.3	2.2	2.0	1.8	1.5	1.2	1.0	0.8	0.7	0.6
Contribution from real GDP growth	6.9	1.4	-1.3	0.0	-1.3	-0.9	-0.8	-0.5	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.4
Contribution from price and exchange rate changes 2/	-12.5	-15.4	4.5	-0.8	-2.5	-4.8	-1.6	2.1	1.5	0.7	0.6	1.3	0.0	0.0	0.0
Residual, incl. change in gross foreign assets (2-3)	16.1	-4.5	5.5	2.2	-1.0	3.0	2.8	1.4	0.0	-0.5	-1.1	-0.3	-1.4	-0.7	-0.9
External debt-to-exports ratio (in percent)	138.1	82.9	106.7	112.0	98.0	78.6	69.6	69.8	67.2	60.6	53.1	51.2	47.4	46.4	48.3
Gross external financing need (in billions of US dollars) 3/	-0.1	-0.7	-0.1	0.1	-0.2	-0.4	-0.6	-0.3	-0.2	-0.1	0.0	-0.1	0.1	0.2	0.0
in percent of GDP	-1.1	-12.8	-1.8	2.2	-3.2	-6.0	-8.2	-4.5	-2.5	-1.3	0.4	-1.0	1.3	2.4	0.7
Key Macroeconomic and External Assumptions															
Real GDP growth (in percent)	-8.9	-1.9	2.0	0.0	2.6	1.9	1.6	1.1	1.3	1.6	1.4	1.9	2.2	2.2	2.3
Real non-oil GDP growth (in percent)	-10.5	2.1	5.3	0.6	1.0	2.3	3.5	3.7	3.7	3.8	3.9	3.9	3.9	3.9	3.9
Exchange rate appreciation (US dollar value of local currency, change in percent)	-4.1	-13.4	-3.0	5.3	19.9	8.6	0.7	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
GDP deflator in US dollars (change in percent)	14.4	11.3	-9.4	5.3	19.2	16.2	3.7	-4.3	-3.2	-1.7	-1.8	-4.4	-0.1	-0.1	0.0
Non-oil GDP deflator in US dollars (change in percent)	-0.5	-10.8	-0.9	5.1	20.3	10.0	2.5	1.6	1.3	1.4	1.2	0.9	0.9	0.9	0.9
Nominal external interest rate (in percent)	7.1	12.7	5.9	6.2	5.0	4.6	4.3	4.1	3.8	3.5	3.4	3.3	3.3	3.1	3.1
Growth of exports (US dollar terms, in percent)	31.2	33.1	-21.4	-0.7	24.8	33.6	8.7	-10.6	-7.6	-5.5	-6.6	-6.5	-6.4	-6.6	-6.0
Growth of non-oil exports (US dollar terms, in percent)	26.0	2.5	-18.8	4.3	22.0	22.2	13.8	7.6	8.5	5.8	5.8	5.1	5.0	4.7	4.4
Growth of imports (US dollar terms, in percent)	-21.6	-12.2	6.0	12.8	13.4	24.9	10.0	0.5	-0.4	-0.4	-0.6	-1.1	1.9	-0.3	-0.1
Growth of non-oil private imports (US dollar terms, in percent)	-22.6	-21.2	5.9	23.4	7.2	22.0	9.2	5.8	3.9	3.3	3.0	2.4	2.1	1.9	1.7
II. Stress Tests for External Debt Ratio															
1. Nominal interest rate is at historical average plus one standard deviation in 2003 and 2004	...	...	...	...	55.9	52.7	51.1	48.4	45.1	39.7	34.3	32.7	29.1	27.0	26.3
2. Real GDP growth is at historical average minus one standard deviation in 2003 and 2004	...	...	...	...	55.9	52.4	50.2	47.5	44.1	38.8	33.2	31.7	28.0	25.9	25.2
3. Change in US dollar GDP deflator is at historical average minus one standard deviation in 2003 and 2004	...	...	...	...	55.9	70.2	82.3	82.1	80.8	76.9	73.0	73.8	70.7	69.1	68.7
4. Non-interest current account is at historical average minus one standard deviation in 2003 and 2004	...	...	...	...	55.9	59.7	66.8	65.4	63.1	58.6	53.8	53.5	50.2	48.3	47.7
5. Combination of 2-5 using one standard deviation shocks	...	...	...	...	55.9	87.3	126.0	129.3	131.0	129.1	127.3	131.5	129.1	128.0	128.1
6. One time 30 percent nominal depreciation in 2003	...	...	...	...	55.9	58.2	53.6	51.2	48.0	42.8	37.4	36.1	32.5	30.5	29.8
7. Non-oil real growth is 2 percentage points lower than in baseline	...	...	...	...	55.9	50.7	47.1	45.3	43.3	39.8	36.5	38.2	38.1	40.3	45.1
8. Oil Price is 15 percent lower than in baseline	...	...	...	...	55.9	50.7	60.1	70.7	80.1	86.7	92.7	104.5	109.9	116.2	123.6
9. Wood-related exports are 2 percentage points lower than in baseline	...	...	...	...	55.9	50.1	45.8	43.1	40.0	35.2	30.4	29.8	27.4	26.9	28.0
Historical Statistics for Key Variables (past 10 years)															
	Historical Average	Standard Deviation	Average 2003-10												
Current account deficit, excluding interest payments	-13.1	9.0	-9.9												
Net non-debt creating capital inflows	-5.2	6.2	-4.2												
Nominal external interest rate (in percent)	8.4	2.0	4.0												
Real GDP growth (in percent)	1.7	4.4	1.6												
GDP deflator in US dollars (change in percent)	-1.7	14.4	0.5												

Sources: Gabonese authorities; and Fund staff estimates and projections.
 1/ Derived as $[r - g - \rho(1+g) + \alpha e(1+r)] / (1+g-p+g)$ times previous period debt stock, with r = nominal effective interest rate on external debt, p = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and α = share of domestic-currency denominated debt in total external debt.
 2/ The contribution from price and exchange rate changes is defined as $[-\rho(1+g) + \alpha e(1+r)] / (1+g-p+g)$ times previous period debt stock. ρ increases with an appreciating domestic currency ($e > 0$) and rising inflation (based on GDP deflator).
 3/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

Table 3. Gabon: Baseline Debt Sustainability Analysis 2003-2023 1/
(In CFAF billion, unless otherwise noted)

	Averages														
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2023	2003-2010	2011-2023	2003-2023
Total stock of debt	1,967.0	1,918.4	1,827.0	1,645.4	1,469.0	1,254.1	1,030.6	932.4	812.4	745.8	733.2	728.2	1,505.5	808.6	1,123.6
Stock of outstanding (excluding arrears)	1,640.0	1,394.2	1,176.1	963.3	747.9	530.0	315.8	211.5	89.8	26.5	23.8	15.5	872.3	24.5	417.4
Stock of new borrowing	0.0	524.2	650.9	682.1	721.2	724.1	714.8	721.0	722.6	719.3	709.4	712.7	592.3	784.1	678.7
Stock of arrears 2/	326.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	326.9	0.0	302.6
Total debt service	318.8	343.9	336.4	319.4	315.2	342.2	347.4	225.1	235.6	224.1	110.2	159.1	318.5	149.9	221.4
Debt service due outstanding debt	318.8	337.6	300.9	283.5	273.2	262.6	254.5	146.8	153.2	135.9	15.1	0.5	272.2	26.3	131.5
Debt service on new borrowing	0.0	6.3	35.5	35.9	42.0	79.6	92.9	78.2	82.5	88.2	95.0	158.6	46.3	123.6	89.9
Total amortization	206.8	225.2	227.6	219.7	226.4	264.4	282.7	170.9	187.8	183.5	73.4	120.8	228.0	107.5	157.9
Amortization on current debt	206.8	221.1	217.9	212.7	215.4	217.8	223.7	127.0	140.1	130.2	13.2	0.5	205.3	24.5	100.6
Amortization due to new borrow	0.0	4.1	9.7	7.0	11.0	46.5	59.1	43.9	47.7	53.3	60.3	120.3	22.7	83.1	57.3
Total interest payments	112.0	118.7	108.8	99.7	88.8	77.8	64.6	54.2	47.8	40.6	36.7	38.3	90.6	42.3	63.5
interest payments on current debt	112.0	116.5	83.0	70.8	57.8	44.7	30.8	19.9	13.1	5.7	1.9	0.0	66.9	1.9	30.9
interest payments due to new borrow	0.0	2.2	25.8	28.9	31.0	33.1	33.8	34.3	34.7	34.9	34.8	38.3	23.6	40.5	32.5
DSA ratios:															
Ratio of total debt / GDP:															
ratio current debt/ GDP	55.9	50.0	45.5	42.4	38.6	33.0	27.3	25.3	21.6	19.5	18.7	13.0	39.7	18.2	28.0
ratio new debt & arrears clearance / GDP	46.6	36.3	29.3	24.8	19.7	14.0	8.4	5.7	2.4	0.7	0.6	0.3	23.1	0.6	11.2
Ratio of total debt / exports of goods & NFS															
ratio current debt/exports	98.0	78.6	69.6	69.8	67.2	60.6	53.1	51.2	47.4	46.4	48.3	50.3	68.5	56.8	63.7
ratio new debt & arrears clearance / exports	81.7	57.1	44.8	40.9	34.2	25.6	16.3	11.6	5.2	1.6	1.6	1.1	39.0	1.6	19.7
ratio new debt & arrears clearance / revenues	16.3	21.5	24.8	28.9	33.0	35.0	36.9	39.6	42.2	44.7	46.7	49.2	29.5	55.2	44.0
Ratio of total debt / revenues:															
ratio current debt/revenues	187.5	166.3	149.7	141.7	135.6	118.1	97.1	90.5	82.7	78.5	74.7	65.0	135.8	80.5	106.0
ratio new debt & arrears clearance / revenues	156.3	120.9	96.4	82.9	69.0	49.9	29.8	20.5	9.1	2.8	2.4	1.4	78.2	2.5	37.8
ratio new debt & arrears clearance / revenues	31.2	45.5	53.3	58.7	66.6	68.2	67.4	70.0	73.5	75.7	72.3	63.7	57.6	78.0	68.2
Ratio debt service / exports:															
ratio current debt service / exports	15.9	14.1	12.8	13.5	14.4	16.5	17.9	12.4	13.8	13.9	7.3	11.0	14.7	10.4	12.4
ratio new debt service / exports	15.9	13.8	11.5	12.0	12.5	12.7	13.1	8.1	8.9	8.5	1.0	0.0	12.4	1.6	6.4
ratio new debt service / revenues	0.0	0.3	1.4	1.5	1.9	3.8	4.8	4.3	4.8	5.5	6.3	10.9	2.2	8.7	6.0
Ratio of total debt service/ revenue:															
ratio current debt service/revenue	30.4	29.8	27.6	27.5	29.1	32.2	32.7	21.8	24.0	23.6	11.2	14.2	28.9	14.9	20.9
ratio new debt service/revenue	30.4	29.3	24.7	24.4	25.2	24.7	24.0	14.3	15.6	14.3	1.5	0.0	24.6	2.7	12.1
ratio new debt service / revenue	0.0	0.5	2.9	3.1	3.9	7.5	8.8	7.6	8.4	9.3	9.7	14.2	4.3	12.2	8.8
Memorandum items:															
Exports of goods and NFS	2,006.4	2,441.2	2,626.0	2,358.1	2,184.8	2,070.3	1,939.1	1,821.2	1,712.3	1,607.8	1,518.3	1,448.7	2,180.9	1,434.6	1,726.8
Exports of goods	2,316.5	2,501.4	2,233.4	2,060.1	1,945.7	1,814.4	1,696.5	1,587.6	1,483.2	1,393.6	1,319.2	1,355.5	2,019.5	1,292.1	1,580.0
Fiscal revenues excluding grants	1,049.1	1,153.4	1,220.3	1,161.3	1,083.7	1,061.9	1,030.5	982.9	950.0	980.9	1,119.5	1,102.7	1,006.9	1,045.5	1,045.5
Nominal GDP	3,519.3	3,838.8	4,019.5	3,884.7	3,803.4	3,794.7	3,774.7	3,678.3	3,752.7	3,829.3	3,917.3	5,601.9	3,789.2	4,514.4	4,202.3

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ Financing gaps are assumed to be covered by 8-year external debt with 3 years of grace and 5.5 annual interest rate.

2/ Out of the stock of arrears at end-2003, approximately CFAF 320 billions was in reschedulable debt.

Table 4. Gabon: Macroeconomic Projections for the Baseline DSA 2003-2023
(In billions of CFAF, unless otherwise specified)

Sector projections	Averages														
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2023	2003-2010	2011-2023	2003-2023
I. Real Sector															
Real GDP growth rate	2.6	1.9	1.6	1.1	1.3	1.6	1.4	1.9	2.2	2.2	2.3	3.5	1.7	2.9	2.4
of which: Non-oil GDP growth	1.0	2.3	3.5	3.7	3.7	3.8	3.9	3.9	3.9	3.9	3.9	4.0	3.2	4.0	3.7
Nominal GDP growth rate	-2.0	9.1	4.7	-3.4	-2.1	-0.2	-0.5	-2.6	2.0	2.0	2.3	4.3	0.9	3.3	2.4
Nominal GDP levels	3519.3	3838.8	4019.5	3884.7	3803.4	3794.7	3774.7	3678.3	3752.7	3829.3	3917.3	5601.9	3789.2	4514.4	4238.1
of which: oil GDP	1486.2	1730.8	1797.9	1544.2	1346.5	1212.6	1062.6	834.8	770.3	700.7	635.3	277.9	1376.9	467.4	813.9
non-oil GDP	2033.1	2108.0	2221.6	2340.5	2457.0	2582.1	2712.2	2843.5	2982.4	3128.6	3282.0	5324.1	2412.3	4047.0	3424.3
Oil production (million tons)	13.5	13.6	13.1	12.1	11.2	10.3	9.4	8.6	7.9	7.2	6.5	2.7	11.5	4.7	7.3
WEO oil prices (US dollar/barrel)	28.9	39.2	44.2	39.4	37.1	36.1	35.0	33.0	31.0	29.0	27.0	20.0	36.6	22.8	28.0
2. Balance of Payments															
Current Account (including transfers)															
Current Account in % of GDP	336.9	440.7	546.0	389.6	315.0	288.8	243.7	199.1	130.6	77.6	28.4	-14.9	345.0	-28.5	113.8
Exports, f.o.b.	1881.7	2316.5	2501.4	2233.4	2060.1	1945.7	1814.4	1696.5	1587.6	1483.2	1393.6	1324.1	2056.2	1309.9	1594.2
Oil sector	1498.8	1885.5	2014.2	1709.5	1492.3	1345.4	1180.1	1029.6	887.4	750.2	628.6	187.1	1519.4	403.2	828.4
Other sectors	382.9	431.0	487.1	524.0	567.8	600.3	634.3	667.0	700.2	733.0	765.0	1137.0	536.8	906.8	765.8
Imports, f.o.b.	-629.1	-724.1	-791.2	-806.8	-810.2	-805.9	-800.5	-791.6	-806.5	-804.0	-802.9	-842.3	-769.9	-814.3	-797.4
Oil sector	-202.7	-245.1	-271.7	-240.2	-240.2	-217.4	-194.9	-171.5	-173.3	-158.5	-146.2	-74.7	-225.1	-114.2	-156.5
Government	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2
Non-oil sector	-426.3	-478.9	-519.5	-549.3	-569.8	-588.4	-605.5	-620.0	-633.1	-645.4	-656.6	-767.4	-544.7	-699.9	-640.8
Trade balance	1252.6	1592.4	1710.1	1426.6	1250.0	1139.8	1013.9	904.9	781.1	679.1	590.7	481.7	1286.3	495.6	796.8
Services (net)	-862.3	-1105.1	-1114.8	-987.8	-885.8	-801.9	-721.3	-657.0	-601.7	-552.9	-513.8	-449.1	-892.0	-475.9	-634.4
of which: interest on external debt	-112.0	-118.5	-108.8	-99.7	-88.8	-77.8	-64.6	-54.2	-47.8	-40.6	-36.7	-38.3	-90.5	-42.3	-60.7
Profits (net)	-225.5	-337.7	-349.7	-292.5	-260.9	-232.8	-203.4	-178.3	-155.9	-133.3	-114.6	-70.4	-260.1	-89.5	-154.5
Transfers (net)	-53.4	-46.6	-49.4	-49.3	-49.2	-49.1	-49.0	-48.9	-48.8	-48.7	-48.6	-47.6	-49.3	-48.2	-48.6
Capital account	-373.7	-400.9	-454.8	-254.2	-234.5	-206.1	-197.1	-148.9	-111.2	-77.4	16.9	51.7	-283.8	26.7	-91.5
Transfers (net)	26.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	0.0	1.3
Medium and Long term	-119.0	52.2	27.8	44.2	35.4	7.3	-24.8	59.7	43.9	40.7	148.3	67.4	10.4	93.7	61.9
of which: Government drawings	15.4	65.0	35.0	38.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	44.2	50.0	47.8
Amortization	-224.9	-212.1	-214.6	-216.1	-221.3	-238.8	-259.9	-163.0	-177.8	-169.7	-54.6	-70.8	-218.8	-72.4	-128.2
Foreign Direct Investment	51.4	170.2	175.3	183.5	167.9	154.0	139.4	122.1	116.1	104.8	102.3	81.6	145.5	89.2	110.6
Other Private Medium and Long Term	39.1	29.1	32.1	38.8	38.8	42.2	45.7	50.7	55.7	55.7	50.7	6.7	39.5	26.9	31.7
Short-term Flows (including E&O)	-281.0	-453.1	-482.6	-298.4	-269.9	-213.4	-172.3	-208.6	-155.2	-118.2	-131.4	-15.8	-297.4	-66.9	-154.7
Overall balance	-36.9	39.9	91.2	135.3	80.5	82.8	46.6	50.2	19.4	0.1	45.2	36.8	61.2	-1.7	22.2
<i>Memorandum items:</i>															
Net IMF purchases (+ = net drawing)	-8.2	19.1	8.5	-3.6	-5.1	-25.5	-22.8	-1.3	0.0	0.0	0.0	0.0	-4.9	0.0	-1.9
Fiscal revenues excluding grants	1049.1	1153.4	1220.3	1161.3	1083.7	1061.9	1061.3	1030.5	982.9	950.0	980.9	1119.5	1102.7	1006.9	1043.4
Exports of GNFS	2006.4	2441.2	2626.0	2358.1	2184.8	2070.3	1939.1	1821.2	1712.3	1607.8	1518.3	1448.7	2180.9	1434.6	1718.9
of which: non-oil	488.9	537.0	593.1	629.9	673.8	706.2	740.3	772.9	806.2	839.0	871.0	1242.9	642.8	1012.7	871.8
Imports of GNFS	-1218.3	-1422.0	-1491.0	-1457.2	-1409.0	-1365.1	-1327.5	-1295.2	-1288.5	-1271.8	-1258.8	-1292.4	-1373.2	-1260.7	-1303.5
of which: non-oil	-752.0	-859.7	-911.5	-945.2	-963.3	-979.8	-997.1	-1016.2	-1026.8	-1039.7	-1050.9	-1184.6	-928.1	-1099.1	-1034.0
Growth Rates															
Exports of GNFS	3.8	21.7	7.6	-10.2	-7.3	-5.2	-6.3	-6.1	-6.0	-6.1	-5.6	2.0	-0.3	-1.7	-1.1
of which: non-oil	1.9	9.8	10.5	6.2	7.0	4.8	4.8	4.4	4.3	4.1	3.8	3.7	6.2	3.7	4.7
Imports of GNFS	-2.7	16.7	4.9	-2.3	-3.3	-3.1	-2.8	-2.4	-0.5	-1.3	-1.0	0.9	0.6	0.0	0.2
of which: non-oil	-4.8	14.3	6.0	3.7	1.9	1.7	1.8	1.9	1.1	1.3	1.1	1.4	3.3	1.2	2.0
Exports	4.2	23.1	8.0	-10.7	-7.8	-5.6	-6.7	-6.5	-6.4	-6.6	-6.0	2.2	-0.3	-1.8	-1.2
of which: non-oil	1.7	12.6	13.0	7.6	8.4	5.7	5.7	5.0	4.7	4.4	4.0	4.0	7.5	4.2	5.4
Imports	-5.4	15.1	9.3	2.0	0.4	-0.5	-0.7	-1.1	1.9	-0.3	-0.1	0.9	2.4	0.5	1.2
of which: non-oil	-10.6	12.3	8.5	5.7	3.7	3.3	2.9	2.4	2.1	1.9	1.7	1.6	3.5	1.7	2.4

Sources: Gabonese authorities; and Fund staff estimates and projections.

Bank of Central African States: Safeguards Assessments

1. The Bank of the Central African States (BEAC) is the regional central bank of the Central African States, of which Gabon is a member. A first on-site safeguard assessment was completed on June 20, 2001, and the main recommendations are reported on “Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings—March 12, 2002” (www.imf.org). A subsequent safeguards assessment of the BEAC completed on August 30, 2004 found that the BEAC has implemented a number of measures to strengthen its safeguards framework since the 2001 safeguards assessment, but further progress needs to be made in key areas.

The main recommendations of the assessment, applicable to the BEAC as an institution, include: (i) preparation of financial statements in full accordance with an internationally recognized accounting framework, initially the ECB guidelines; (ii) publication of its full financial statements, together with the auditor’s report, starting with the 2003 financial statements; (iii) formulation of Board-approved formal guidelines under which the BEAC Governor is authorized to make exceptional advances to BEAC member countries; (iv) annual review by the BEAC internal audit department of the process of program data reporting of member countries to the IMF; (v) implementation of a risk-based audit approach, and finalization of a charter, for the internal audit function; and (vi) systematic follow up of all recommendations pertaining to the BEAC’s system of internal controls to be coordinated by the internal audit department, with regular reporting to the Audit Committee and the BEAC Governor.

Other priority recommendations of the assessment, but of a country specific nature, were: (i) the BEAC should clarify with its member countries that hold foreign reserves outside the BEAC the statutory basis and circumstances for doing so, to avoid an apparent conflict with the BEAC statutes and to ensure full transparency of reporting of reserves by the member country; (ii) the BEAC and its member states are encouraged to establish a mechanism to prevent IMF overdues and facilitate timely payments through advance acquisitions of SDRs and an authorization to debit the SDR account of the member; and (iii) the BEAC should cooperate with its members to reconcile and confirm the treasury balances to ensure that the balances reported by the BEAC in respect of credit to government as reflected in the accounts of the Treasuries are in agreement with the BEAC.

Gabon: Statistical Issues

1. Gabon's economic database is fairly comprehensive. While data are generally compiled in accordance with international standards, consistency between sectors is poor, raising questions about the quality of the data. Detailed economic and financial statistics, including long historical time series, are published in the *Tendances de l'Economie*, issued on a semiannual basis by the General Directorate of Statistics and Economic Studies (DGSEE) of the Ministry of Planning; more recent sectoral developments are described in detail in the *Tableau de Bord de l'Economie*, issued on a quarterly basis by the General Directorate for the Economy (DGE) of the Ministry of Economy, Finance, Budget, and Privatization.
2. An Inter-institutional Statistics Committee to improve macroeconomic data gathering, compilation, and dissemination was established in 1999, in response to STA and FAD recommendations. Following the detection of questionable accounting practices by audits of central government finances and domestic public debt in 1998, the fiscal data, national accounts, and balance of payments statistics for 1997–98 have been revised. As a result, there have been delays in reporting consistent data to the Fund, although the timeliness has improved recently.
3. Gabon is a participant in the General Data Dissemination System (GDDS). Metadata regarding Gabon's national statistical systems, including plans for improvement, were first posted to the Fund's Dissemination Standards Bulletin Board on October 1, 2002, but have not been updated. The authorities do not report any real sector statistics for publication in *IFS*, nor fiscal data for publication in the *IFS* or *GFS Yearbook*.

National accounts

4. Annual national accounts data were revised and updated for the period 1985–96, and the base for the calculation of aggregates at constant prices was changed from 1989 to 1991. These data were prepared by the DGSEE. Provisional estimates of national accounts data for the 1997–98 period have been prepared by the Inter-institutional Statistics Committee and the DGE but have not yet been finalized. The coverage of developments in the oil and other key export sectors is based on a range of indicators that may not fully capture the profits generated by these sectors. Despite recent improvements in collecting and processing oil sector statistics, significant inconsistencies remain between national accounts and the balance of payments statistics. In addition, more frequent household surveys are required, to improve the quality and quantity of data available on income distribution and consumption. The staff and the authorities are working closely to establish a more consistent database.

Employment and unemployment

5. Detailed annual data on employment are available for all sectors of the economy until 1997, including a breakdown of employment between the public and private sectors. However, data on unemployment and the total labor force are not systematically available.

Prices

6. Monthly consumer price indices for low- and middle-income households are available only for the capital city of Libreville. These indices are based on an outdated family expenditure survey of 1975 and attach a large weight to prices of food and basic consumer goods. The “new” household budget survey of 1993 should allow for the development of a more representative index, when it is introduced.

Government accounts

7. The main deficiencies in government finance statistics relate to a lack of comprehensive coverage of the available data, involving notably special treasury accounts, ministries’ own expenditures outside the budget, and social security operations. As a result of the 1999 audit of central government finances, the deficiencies have been corrected. Available estimates for 1997, 1998, and 1999 now reflect a comprehensive coverage of central government finances, although the social security operations are not included in government finances. Other needed improvements relate, inter alia, to the statistical treatment of oil companies’ tax advances, the need to record in the budget accounts government investment financed by oil companies, and the recording of government domestic payment arrears.

Monetary statistics

8. Monthly monetary data for Gabon, as well as for the other members of the Central African Economic and Monetary Community (CEMAC), are reported on a regular basis, although with some delays. The data are reported in electronic form by the regional central bank (BEAC) and published in *International Financial Statistics (IFS)*. The institutional coverage of the monetary statistics is comprehensive, but accuracy is affected by cross-border movements of currency among CEMAC member countries. In the case of Gabon, however, the magnitude of imported notes is smaller than in other countries in the region. About 94 percent of notes in Gabon are nationally issued; the remaining are from the Republic of Congo, Cameroon, and Equatorial Guinea. Gabon exports about 19 percent of its notes, most of which go to Cameroon (13 percent) and to the Republic of Congo (3 percent).

9. The monetary and financial statistics mission that visited BEAC headquarters (May 2001) provided technical assistance in addressing the main shortcomings pertaining to coverage, methodology, compilation procedures, and timeliness of monetary statistics. The mission discussed an action plan for the implementation of the *Monetary and Financial Statistics Manual (MFSM)* and for the introduction of an area-wide page in *IFS* for CEMAC. Following the 2001 mission, a regional workshop on monetary and financial statistics was organized by the BEAC in Libreville (Gabon) in May 2002 to support the implementation of the *MFSM* in CEMAC countries. The new page for CEMAC was published in the January 2003 issue of *IFS*.

External public debt

10. Comprehensive data on the outstanding stock of external public debt and its composition, together with detailed projections on debt service due, are available and provided (usually to Fund missions) by the General Directorate of Public Debt and Accounting (Direction générale de la comptabilité publique) of the Ministry of Economy, Finance, Budget, and Privatization. Comprehensive data on the composition of external public debt for the period prior to 1994 are not available.

Balance of payments and trade statistics

11. Balance of payments data are disseminated with considerable delays, and the most recent data refer to 2001. As in most other countries of CEMAC, balance of payments data are compiled and disseminated by the national agency of BEAC for Gabon. The compilation process involves a close cooperation between BEAC headquarters and the national agency for Gabon since BEAC headquarters calculates the national contribution in the international reserves it holds and manages on behalf of all six countries. The headquarters also validate the draft results and run consistency checks against the guidelines adopted for the whole monetary union.

12. Annual data are produced along the lines of the recommendations of the fourth edition of the *Balance of Payments Manual (BPM4)*. However, since 1995, the dissemination of balance of payments statistics has been in accordance with the presentation of the fifth edition of the *Balance of Payments Manual (BPM5)*. Source data are primarily reported through (i) surveys of enterprises by the central bank (main source of data); (ii) reports from banks and the postal administration on foreign exchange transactions of other enterprises, retailers, and private individuals; and (iii) BEAC reports on banknotes issued by Gabon and returned by other BEAC countries.

13. Source data have several shortcomings: imports and exports of goods are collected from surveys among enterprises, while trade data on the three main exported products (oil, wood, and manganese) are derived from the volume exported and adjusted by average market tariffs. Customs data are not used for exports because of their weak reliability and long delays in availability, although import data are derived from customs sources. External trade sources are therefore mostly based on estimates, which are not cross-checked with customs data. The reliability of other items of the current account suffers due to the low response rate to the enterprise surveys in spite of partial correction through adjustments. Foreign direct investments in the financial accounts are likely to be underestimated owing to the insufficient detail of the oil sector survey. The overall magnitude and detailed breakdown of private capital flows, particularly those related to the short term, suffer from a lack of comprehensiveness.

Public enterprise sector

14. While a fairly good database exists on the operations of public enterprises, information is communicated to the staff on an ad hoc basis, notably during Fund missions. At present, data provided cover only the wholly owned and mixed enterprises in which government equity participation is at least 25 percent.

Gabon: Core Statistical Indicators
(As of November 19, 2004)

Exchange Rates ¹	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates ²	Consumer Price Index	Exports and Imports	Current Account Balance	Overall Government Balance	National Accounts	External Debt
11/18/04	09/30/04	09/30/04	09/30/04	09/30/04	10/31/04	10/31/04	09/30/04	12/31/03	09/30/04	2003	09/31/04
11/19/04	11/09/04	11/09/04	11/09/04	11/09/04	11/01/04	11/29/04	10/25/04	03/01/04	10/25/04	03/01/04	10/25/04
D	M	M	M	M	M 1/	M	M	A	M	A	M
D	M	M	M	M	V 1/	M	A	V	M	V	M
N	A	A	A	A	A	A	A	A	A	A	A
O 2/	E	E	E	E	E	E	V	V	C	V	E
C	A	A	A	A	C	A	A	A	A	A	A
D	M	M	M	M	M	M	A	A	Q	A	A

¹ As reported in the daily Morning Press (euro exchange rate).

² Information communicated to staff as interest rates are adjusted.

³ D = daily; M = monthly; Q = quarterly; A = annually; V = staff visits.

⁴ N = none; A = direct reporting by central bank, Ministry of Finance, or other official agency.

⁵ O = official; E = electronic data transfer; C = cable or facsimile; V = staff visits.

⁶ A = For use by staff only; B = for use by the staff and the Executive Board; C = unrestricted use



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International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Completes Second Review Under Gabon's
Stand-By Arrangement and Approves US\$21.4 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the second review of Gabon's economic performance under a 14-month Stand-By Arrangement to support the country's economic program. The completion of the review enables the release of a further SDR 13.9 million (about US\$21.4 million), which will bring the total amount drawn under the arrangement to SDR 41.7 million (about US\$64.1 million).

In completing the review, the Executive Board also waived the non-observance of the performance criterion on reforming the role of the timber marketing board.

Following the Executive Board's discussion on Gabon's economic performance, Ms. Anne Krueger, First Deputy Managing Director and Acting Chair, stated:

“Gabon’s implementation of the program supported by the Stand-By Arrangement continues to be satisfactory, reflecting increased program ownership and the authorities’ commitment to reform. The pick-up in non-oil activity in the second half of 2004 is expected to continue in 2005. However, real GDP growth over the medium term is expected to stay below the population growth rate, and social indicators remain weak. This underscores the need to pursue vigorously reforms to raise economic growth and achieve the Millennium Development Goals.

“Gabon’s external current account surplus and international reserve position have strengthened, and the debt-to-GDP ratio has declined. However, this performance is highly dependent on favorable but volatile oil prices. It is therefore reassuring that the government is committed to pursuing fiscal consolidation and deepening structural reforms. These policies are essential to place the public debt on a sustainable path, free resources for the development of the non-oil sector, and tackle Gabon’s poverty problems.

“The success of the authorities’ ambitious fiscal program for 2005 will depend to a large extent on efforts to restrain current spending and improve tax administration. In particular, it is important to continue to moderate the wage bill through the introduction of a merit-based promotion system and the rationalization of the statute of contractual workers, and to strengthen the finances of local authorities and the social security system.

“The authorities have decided to use the oil revenue windfall during 2004 and 2005 to repay domestic and external debt and to accumulate deposits in the Fund for Future Generations. They have indicated that part of this windfall could in due course be used to finance higher priority outlays in key social sectors. It is essential that this be done in the context of a well-focused medium-term expenditure framework and in line with the priorities of the Poverty Reduction Strategy Paper, which is expected to be completed in mid-2005.

“Efforts are underway to improve the transparency and efficiency of budget management. These include stricter monitoring of the execution of priority investment projects, the conduct of public expenditure reviews, the audit of payments arrears of the Road Maintenance Fund and of regional investments, and the preparation of the information required under the Extractive Industry Transparency Initiative (EITI).

“It is also crucial that the authorities carry out in a timely manner their structural reform agenda, designed to stimulate non-oil economic growth, promote the diversification of the economy, and reduce poverty. The key reforms underway include privatizing Gabon Télécom, restructuring and privatizing Air Gabon, improving the investment climate and governance, and revamping the management of the forestry sector,” Ms. Krueger said.

A Stand-By Arrangement is a decision of the IMF by which a member is assured that it will be able to make purchases (drawings) from the General Resources Account up to a specified amount and during a specified period of time, normally between 12 and 18 months, provided that the member observes the terms of the arrangement.

**Statement by Damian Ondo Mañe, Executive Director for Gabon
December 22, 2004**

On behalf of my authorities, I would like to reiterate my appreciation to Management and staff for their support to Gabon in its efforts to address the many challenges facing the economy, which are the declining oil production, high external debt and weak social indicators. Once again, the discussions held in Libreville between the Gabonese authorities and the staff, have been useful and productive.

The staff report before us today is an accurate reflection of these discussions and describes well the progress achieved in the implementation of the authorities' program which aims at reducing oil dependence and improving the social conditions of the population.

Recent Economic Developments and Performance under the SBA

Since the last review, macroeconomic performance has continued to improve as a result of strong program implementation which has been helped by the higher revenue from oil. The performance under the SBA has been satisfactory, with all performance criteria for the period under review being observed except for the end-November performance criterion on the SNBG, where the action was taken in December, and for which my authorities are requesting a waiver.

Economic activity has remained buoyant, with positive contributions from the oil and mineral sectors, as well as from the wood processing industry. While overall real GDP is projected to increase by about 2 percent in 2004, non-oil GDP is expected to increase by 2.3 percent, compared to a real growth of 1 percent in 2003. As noted in my previous statement on Gabon, the high level of international oil prices has allowed for larger investment in the sector, the resumption of exploration in marginal fields, and the exploitation in previously abandoned fields. As a result, oil production has been slightly higher than projected. Inflation remains subdued, below the program's objective of 2 percent.

In the **fiscal sector**, performance at end-September 2004 was on track. Despite lower-than-projected non-oil revenue due to lower taxable imports and downward changes in the VAT rate for some products, total revenue was higher than the program target, owing to higher oil revenue. The current expenditures as well as investment spending have been kept within the program limits, such that the primary balance has exceeded the objective by CFAF 9 billion. As regards tax administration-enhancing measures, the decree establishing the Large Enterprise Directorate was adopted in September and the director appointed in October. Moreover, since October 1, the higher VAT rate (25 percent) on banking services and telecommunications as well as on certain luxury goods, introduced in August 2004, has been eliminated and replaced with the normal 18 percent rate.

The improvement in the **external accounts** observed at the time of the first review has been maintained at end-September. It has contributed to the strong growth of net foreign assets

(NFA) of the banking system. As regards debt, the external debt-to-GDP ratio is projected to decline from 55.9 percent at end-2003 to 50 percent at end-2004. Following the Paris Club agreement in June 2004, discussions are underway with creditors to conclude bilateral agreements. Negotiations are well advanced with London Club banks and an agreement on a rescheduling is expected soon. With regard to non-Paris Club bilateral creditors, an agreement was concluded with Korea and discussions are ongoing with Saudi Arabia, China and Libya.

In the **monetary sector**, the strong growth in NFA offset the decline in net credit to the government and credit to the economy. The latter fell by 4.8 percent over the nine months, reflecting government's clearance of domestic debt obligations. In the financial sector, the banking system remains sound. Nevertheless, the ratio of nonperforming loans rose from 13.8 percent of total gross loans at end-2003 to 17.3 percent at end-September 2004, in view of the stricter classification required by the regional banking commission, COBAC; but banks have substantially increased their loan loss provisions, which, at end-September, covered 72 percent of nonperforming loans.

On the structural side, the **restructuring/privatization** of public enterprises is progressing well. The memorandum of information for investors in the privatization of *Gabon Télécom* is being updated. It is expected that bids will be submitted by mid-March 2005 and a successful bidder will be selected by the end of that month. As regards *Air Gabon*, the financial situation is improving, reflecting the measures taken by the new management team installed since May 2004. However, due to the grounding of the long-carrier aircraft, there has been a reduction of the company's normal operations, such that the end-2004 structural benchmark of a balanced operating result before depreciation will not be met. In the meantime the government has decided on a partial privatization of the company, and in September an international consulting firm was selected, through a competitive bidding process, to assist the authorities in this operation.

The reforms in the **forestry sector** are progressing well, and the implementation of the Letter of Development Policy (LDP) for the sector is proceeding, in close collaboration with the World Bank. The aim of the reforms includes increasing transparency in this sector. In this context, and in conformity with the letter, the granting of new forestry permits has been suspended, and a pilot auction project of forestry permits is being developed with the assistance of the World Bank. Moreover, the government has adopted in early December an action plan to streamline SNBG. As part of this action plan, the monopoly of the SNBG in exporting Okoumé and Ozigo woods has been eliminated. There will be a transition period of one year until December 31, 2005, for the restructuring of the enterprise, before it is privatized.

The reinforcement of the **finances of social security funds and of local authorities** is underway. In particular, the performance contract for the *Caisse Nationale de Garantie Sociale (CNGS)* has been concluded, and was signed in November. An action plan to strengthen local authorities' finances is being prepared. In this regard, the reform of real property taxation is progressing well with the property registers being updated in the two

main cities, Libreville and Port-Gentil. The issuance of land titles is being accelerated with more resources allocated to the land registry offices of these cities. This effort should also facilitate the provision of housing finance by the banking system.

As regards **business environment**, the IFC's FIAS concluded its study on the obstacles to investment in Gabon and a report was given to the government in October. My authorities intend to have an in-depth discussion on the relevant issues at the time of the official presentation of the report by the FIAS in January 2005. In the area of **trade liberalization**, the import surcharge on eggs was eliminated in August.

At end-September 2004, all quantitative and structural performance criteria and benchmarks were observed with the exception of the benchmark related to the CNGS, which was signed in mid-November. Also, all the structural benchmarks for end-October have been met (Table 2 of the staff report). In view of this performance, my authorities request the completion of the second review of the SBA.

Policies for the Remainder of 2004 and Outlook for 2005

The outlook for the remainder of the year and for 2005 remains positive, helped by the improved performance of the oil sector. My authorities are confident that the pursuit of the current policy stance will help achieve the end-year program objectives. Efforts have focused on accelerating the recovery on tax arrears in the forestry sector and maintaining expenditures within the program limits. Oil revenue projections for 2004 are expected to be exceeded by a further CFAF 22 billion, which will go toward the reduction of statutory advances at the regional central bank while the remainder will be saved in the FFG. The use of any oil surplus in 2005 will be identical to that in 2004.

On the structural side, the reform agenda is well advanced. Except for the benchmarks related to the finalization of taxable base for local real estate taxation and the operational results of Air Gabon, all structural benchmarks for end-December are expected to be met.

My authorities expect an increase in private foreign investment in 2005 following an increased interest in investment in sectors such as mining, wood processing and housing by foreign investors. In addition, already established enterprises – mostly in refining and agribusiness sectors – have indicated that they plan to increase their investment. This augurs well for the non-oil activity in 2005, which is expected to grow by 3.5 percent in real terms. In addition, given the positive prospects in the oil sector over the medium term, oil revenues in 2005 are expected to exceed program projections by 1.6 percent of GDP, which should lessen financing needs.

While my authorities welcome the favorable outlook in the oil sector, they remain committed to their adjustment program and intend to pursue vigorously its implementation in 2005 as indicated in their letter of intent. **Policies in 2005** will aim at pursuing the adjustment effort with the strengthening of the public finance management and the promotion of the activity in non-oil sectors through the implementation structural measures.

More specifically, in the **fiscal sector**, the objective is to reduce the non-oil primary budget deficit by 1.9 percent of GDP through an increase of non-oil revenue and a reduction in primary expenditures. The increase in non-oil revenues should stem mainly from (i) the improvement in tax administration that the new Large Enterprise Directorate should bring with its operationalisation in early 2005, (ii) the implementation of a program to secure forestry revenue, (iii) the improvement in the management of the taxpayers' roster, and (iv) the stepped-up collection of tax arrears.

Savings in **expenditures** will come from (i) reduction in the wage bill resulting from the full effect of measures taken in 2004 and the implementation of laws related to the civil service reform, and (ii) reduction in other non wage expenditure. Additional savings are expected from the strict enforcement of the provisions of public procurement code. My authorities are also exploring other areas where savings could be made. In particular, a study on the scholarships system has been completed and, it is expected that, following the review of the study by the World Bank, an action plan to improve the effectiveness of the system will be adopted.

My authorities are determined to improve **investment spending** and the management and monitoring process of projects. The government will continue the audit of the financial and physical execution of the investment budget begun in 2004 and is in the process of selecting consultants for the audits of the Road Fund and of the investment budget related to the celebration of Independence. These audits should be completed by end-April 2005.

Monetary policy will continue to be conducted at the regional level by the BEAC, consistent with the fixed exchange rate regime that has served the country well. Discussions are ongoing with BEAC at the regional level as regards the feasibility of the investment of the FFG resources in long-term, low-risk financial instruments.

On **structural reforms**, my authorities will continue to implement their reform agenda that aim at diversifying the economy through the improvement of the business climate and the promotion of the private sector in non-oil activity. To this end, they expect to conclude the privatization of Gabon Telecom in the first semester of 2005 and will pursue the restructuring of the remaining public enterprises, notably Air Gabon and SNBG.

As regards transparency in the oil sector, the templates for the **EITI** are being filled by the government and the oil companies. A monitoring committee chaired by the Minister of Finance and including representatives of civil society will be established in February 2005, and the duly completed forms will then be forwarded to the Commission.

The preparation of the **PRSP** is well advanced. Many seminars have been organized in the country with a large participation of the civil society. With the assistance of the World Bank and UNDP in updating data and devising strategies for the priority sectors, the document should be ready by end-June 2005.

Conclusion

My authorities have demonstrated their commitment to and ownership of their adjustment program. So far, performance under the program has been satisfactory and it is my authorities' intention to pursue their adjustment policies; especially as they are of the view that the recent positive developments in the oil sector are transitory and do not address the fundamental issues the economy is facing. Having in mind the likely reversal in international oil prices, and the possible reemergence of financing gaps over the medium term, my Gabonese authorities would like to maintain the close relationship with the Fund through a successor arrangement that would help to strengthen the actions already taken to diversify the economy and build the foundation for medium- and long-term fiscal sustainability. Such an arrangement will contribute to the efforts to make the economy less dependent on mineral and oil resources and increase the participation of the private sector. In this regard, and given the challenges facing the Gabonese economy, they are of the view that an EFF would be more appropriate. It is their hope that discussions could start soon on such an arrangement.