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GABON

Selected Issues and Statistical Appendix

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Approved by the African Department

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I. INTRODUCTION

1. On a per capita basis, Gabon is one of the richest countries in sub-Saharan Africa. For the past three decades, oil production has yielded significant income and now accounts for nearly half of GDP, 80 percent of export earnings, and over half of fiscal revenue. But despite its wealth, Gabon has continued to face problems. Oil booms and political cycles have resulted in a ratcheting up of public expenditure, followed by painful adjustment when prices have fallen. Unable to service its heavy debt burden, Gabon accumulated external payment arrears requiring repeated, expensive rescheduling. Meanwhile, available information suggests that social indicators remain quite weak. Since 1997, oil production has fallen by 30 percent. Significant investment in recent years, driven by technological progress as well as high oil prices, has temporarily stemmed the decline. But barring significant new discoveries, which are not on the horizon, the steady drop in output is expected to resume.

2. Against this background, the challenge for Gabon is to prepare itself for the post-oil era. This requires both adjusting macroeconomic policies, notably fiscal policy, and accelerating structural reforms aimed at promoting the diversification of the economy. The selected issues papers analyze these requirements in more detail.

3. Chapter II looks at how oil revenues are managed in Gabon and the role that the Fund for Future Generations (FFG) can play. Many resource-rich countries have established funds aimed at helping governments achieve stabilization or savings objectives, often with mixed results. Indeed, accumulating deposits in a fund alone says very little about net government savings or intergenerational equity. This paper takes sustainable fiscal policies as a given (treated in more detail in Chapter IV) and asks a more narrow question: what is the impact of Gabon's FFG on present and future generations? The paper concludes that while the FFG does shift benefits from current to future generations, it falls well short of achieving inter-generational equity. It also suggests, given the secular decline in oil production, that at least in the next few years, reducing government debt rather than accumulating FFG deposits may be the optimal use of Gabon's oil revenues.

4. Chapter III examines competitiveness and the sources of non-oil growth in Gabon. Data availability and Gabon's long-standing membership in the CFA franc zone impose some limitations on classical competitiveness analysis. However, buoyant world market prices of Gabon's main non-oil exports—timber and manganese—have helped it remain competitive in recent years, despite the sharp appreciation of the euro, to which the CFA franc is pegged. At the same time, the large and well paid civil service that Gabon maintains has likely contributed to the high cost structure in the formal sector and may have shifted activities to the informal economy. Available data also suggest a sustained shift of economic activity from the tradable to nontradable sector, suggesting a deterioration of export competitiveness. The paper concludes that Gabon faces some Dutch disease-like challenges, which, to overcome, require persistent structural reforms to promote investment and economic diversification.

5. Chapter IV conducts a series of scenario analyses for 2005–23 to test the constraints facing fiscal policy as a result of the steady decline in oil production and related government revenue. Using a number of different plausible assumptions, the paper illustrates that Gabon will face a significant challenge when oil revenues begin to fall. Non-oil revenues are already quite high by sub-Saharan African standards, and most of the adjustment will need to be shouldered by controlling expenditure, notably the government wage bill. However, the paper also shows that Gabon has a unique opportunity to enter a virtuous cycle if it uses the current windfall revenue from high prices wisely. If it maintains budgetary discipline, and manages its oil windfall prudently, foreign debt can fall by more than half by 2010. If, on the other hand, Gabon relaxes fiscal policy today, foreign debt will remain at current levels and unsustainable financing gaps will open up.

6. Finally, Chapter V examines the recent reforms in Gabon's forestry sector, a key source of potential future growth. Following many years of almost unregulated exploitation of its forest, Gabon has initiated a series of reforms since 2001 geared toward protecting its forestry resources and managing them sustainably. The creation of national parks was accompanied by a simplification of forestry taxation to provide incentives for sustainable management and promote domestic transformation. More recently, the decision to eliminate the timber marketing board and introduce more transparency in the allocation of forestry permits also aims to make timber a long-term, sustainable economic resource for Gabon.

II. Managing Oil Revenues in Gabon—Is There a Role for the Fund for Future Generations?[1]

A. Introduction: Two Views on Oil Revenues

1. A country that is blessed with abundant natural resources—notably oil—faces several macroeconomic challenges. Export receipts, as well as fiscal revenues from resource extraction are often highly volatile, requiring the government to plan budgetary expenditures carefully. This task is complicated by the need to distinguish temporary shocks from longer-term or permanent ones. Even when the path of expenditures is relatively well known (such as with long-term investment projects and recurrent expenditures), if future oil revenues are the main source for paying for these engagements, then a certain degree of prudence is still required. Otherwise, governments run the risk of ending up with an unsustainable debt.

2. Governments must also take into consideration the dynamic effects that revenues from oil have on the rest of the economy. For example, rapid expansion of the "enclave" oil sector and large inflows of foreign exchange may put upward pressure on the currency and prices, hampering competitiveness and the development of other sectors (see Chapter III). Also, large oil revenues may hamper the development of a broad-based tax system and may weaken discipline in overall budgetary management and governance.

3. Finally, governments that rely on revenues from natural resource extraction must address the fact that those revenues are exhaustible. The finite nature of natural resource extraction opens the question of the intertemporal allocation of the economic benefits from such resources. One view is to interpret revenues from extraction as current income, in which case the intertemporal allocation of extraction revenues boils down to a standard consumption and savings decision. Due to the volatility in receipts, the decision to save may be based on precautionary motives, resulting in attempts to smooth the impact of income volatility on consumption. Or, the savings decision may be motivated by a bequest motive that leaves assets for future generations. If the savings are put to productive use, then future generations will inherit a higher capital stock and would be better off (even with low yields on those savings) than if all current revenues were consumed immediately.

4. An alternative view is to consider natural resource revenues as a transformation of natural resource wealth into financial wealth, rather than an income stream. Total wealth is then the sum of natural resource wealth (the present value of current and all future extraction revenues) and financial wealth.[2] In managing natural resource wealth, each generation must then answer two basic questions. First, how much of the natural resource reserves will be extracted each period? In principle, the answer to this question depends both on technological

[1] Prepared by Chris Geiregat.

[2] And the stock of productive physical assets. The issue if spending on investment goods is largely ignored in this paper to simplify the discussion.

constraints and on the risk-return characteristics of each type of asset (natural and financial) in the overall wealth portfolio. For example, when world oil prices are temporarily "high," it may be desirable to speed up oil extraction by operating marginal fields. The second question is how much should be consumed in each period. If all the extraction revenues are immediately consumed, then the present generation effectively pays for current consumption by reducing assets and does so at the expense of all future generations. The other extreme would be to invest all extraction revenues in financial assets, leaving everything for future generations. Clearly, there exist an infinite number of intermediate choices that provide a more evenly distributed outcome across generations. The "optimal" intergenerational distribution depends on society's intertemporal welfare function and is hard to determine.[3] One choice is to ensure intergenerational equity by letting only the permanent income from wealth accrue to each generation. This permanent income may be thought of as an annuity that allows each generation to consume without depleting wealth for future generations. In a society with population growth, the annuity value would be calculated as the permanent income from a constant real per capita stock of wealth of all current and future members of society. Alternatively, countries with a relatively low capital stock might prefer to spend more on investment, thereby helping them achieve their steady-state capital stock faster.[4]

5. The intertemporal choices become more complicated when a society has accumulated debt. In that case, the extraction revenues could be used for immediate consumption, for building up gross financial wealth, and for paying off debt. The optimal composition of the nation's *net* wealth portfolio divides this portfolio into natural resource wealth, gross financial wealth, and debt. In principle, risk-return characteristics of each of the three components should guide this decision. If the interest rate on debt is higher than the expected return on financial assets, then it may be desirable to pay off debt first before building up financial assets. However, it may be optimal to keep some financial assets for precautionary reasons, even if their expected return is lower. If access to credit is constrained during bad times, such a stock of financial assets would allow smoothing of consumption expenditures and also guarantee the timeliness of future debt service payments in light of volatile extraction revenues.

6. In the context of ensuring intergenerational equity, the decision to pay off debt with oil revenues may depend on the origins of the debt. If the debt was accumulated to finance investments in productive activities, and both the current and future generations stand to benefit from a higher capital stock, then it can be argued that all generations share in paying off the debt. In that case, it would be justified to reduce the debt burden through the use of oil revenues. A moral argument may suggest a different approach if the debt was accumulated

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[3] For a discussion of savings to ensure justice across generations, see Rawls, 1971, pp. 251–258.

[4] See Takizawa et al, 2004 for this argument. For theoretical models on fiscal strategies for oil producing countries, see Engel and Valdés, 2000.

primarily to pay for consumption of an impatient present generation, of if the debt financed largely unproductive and wasteful investment spending. In that case, a more just outcome might be to save more oil revenues for future generations and pay off the debt mainly through non-oil primary surpluses (that is, less current spending, increased non-oil revenues, or both).

7. This paper focuses on the question of how useful it is to put some of the Gabonese oil revenues aside in a Fund for Future Generations, with a focus on the institutional arrangements of the Fund as outlined in its founding legal provisions. A full assessment of the intergenerational aspects of the Fund for Future Generations requires making assumptions about the current and future path of government revenues and expenditures. The reason is that, for example, simply setting aside part of oil revenues while financing non-oil deficits with expensive debt would not leave future generations better off, as net wealth declines. Thus, a complete analysis would impose fiscal rules on the non-oil fiscal deficit, and then derive the required fiscal adjustment for given contributions to the Fund. However, such an extensive exercise is beyond the scope of this paper. Instead, a more limited approach is taken by focusing exclusively on the contribution of the Fund to consumption of present and future generations and comparing the outcomes of different scenarios of remuneration. This is justified as long as the contributions are made from any remaining oil revenues, after first financing the non-oil deficit. Once the non-oil deficit is financed, the remaining choices are those of portfolio allocation. In this paper, the opportunity cost of contributing to the Fund (building up other financial assets or paying down debt) is captured by the discount rate.

8. The rest of the paper is organized as follows. Sections B and C give examples of natural resource funds from various countries and describe the modalities of the Gabonese Fund for Future Generations in detail. In Section D the assumptions are developed and the results of various scenarios of the potential effects on present and future generations are presented. Finally, Section E sums up the findings and concludes.

B. Natural Resource Funds

9. Several countries with natural resource revenues have set up funds in which some or all such revenues are deposited. The objectives, operational rules, transparency requirements and the actual performance of such funds vary widely; a detailed description of the modalities is beyond the scope of this paper.[5] One example is the Norwegian State Petroleum Fund, which is a separate government account where oil revenues are deposited. In return, the fund finances the non-oil fiscal deficit through a transfer to the budget. The Norwegian oil fund has been credited with improving the transparency of the budgetary process, and

[5] The interested reader may find more information in Fasano, 2000, Davis et al., 2001; and Katz et al., 2004. This section draws heavily from those sources.

makes clearer the intertemporal choices facing the government, which sets explicit targets for the non-oil budget deficit.

10. In other cases, the natural resource fund has mainly a stabilization objective, such as with the Chilean Copper Stabilization Fund, the Mineral Resources Stabilization Fund in Papua New Guinea (abolished in 2001), and the Macroeconomic Stabilization Fund in Venezuela. The decision to contribute and withdraw may depend on price triggers that could be rules-based or left up to the discretion of policymakers.

11. Finally, in some cases the goal of the fund is to be a store of value for future generations. Examples of this class of "savings" funds include the Reserve Fund for Future Generations in Kuwait and the Alaska Permanent Fund set up by the State of Alaska. In both cases, contributions are made independently of world oil market developments or of the budgetary situation of the government.

C. The Fund for Future Generations

12. Gabon is a mature oil producing economy. Barring any significant new discoveries, oil production is expected to decline substantially during the next decade. The intergenerational dimension of the projected decline in oil production is given higher urgency by the low degree of diversification of the economy, the reliance of the government budget on oil revenues, and the large stock of outstanding debt.

13. To safeguard some of the oil revenues for future generations, a law was passed in July 1998 that created a Fund for Future Generations (Fonds pour les Générations Futures, FGF). The FGF is conceived as a perpetual reserve fund with a minimum capital of CFAF 500 billion. The 1998 law explicitly bars the use of the resources in the FGF to finance government spending.

14. The law describes the rules for contributions into the FGF. During a first phase, which applies up to the minimum capital is reached, the following contribution rules apply:

- 10 percent of projected revenues, using a baseline projection that is determined in the annual budget law;
- 50 percent of oil revenues exceeding the baseline projection contained in the budget law (that is, half of the "windfall" revenues);
- reinvestment of all the interest income from the FGF.

15. Once the minimum capital is reached, contributions would be made as follows:

- all the oil revenues exceeding the baseline projection set out in the budget law (that is, all of the windfall revenues);
- reinvestment of one fourth of the interest income from the FGF (the remaining three quarters of interest income is paid into the general resources of the government).

16. The FGF is held in a special account at the regional central bank (BEAC). While originally not remunerated, since January 2005 the BEAC pays interest on the outstanding balance at a rate of 1.7 percent per annum.

17. In practice, the government has not made the contributions to the FGF as outlined in the 1998 law, and at end-2004, the outstanding balance of the FGF stood at CFAF 55 billion (1.43 percent of GDP).

D. Economic Analysis of the Fund for Future Generations

Main assumptions

18. To better understand the potential role of the *FGF*, different scenarios about the future path of production, prices and contribution and investment rules are analyzed. Table 1 summarizes the assumptions about production and prices. For most scenarios the 2005–10 oil projections of the Gabonese Direction Générale des Hydrocarbures (DGH) are extended to 2030. Under the *DGH* projections, oil extraction will decline from 98.9 million barrels in 2005 to 54.8 million barrels in 2010. These projections are extended by applying average decline rates per field, and by also assuming that the oil fields will be exhausted by 2030.

Table 1. Gabon: Projected Oil Production and Prices

	2005	2006	2007	2008	2009	2010	2020	2030
Oil production (Millions of barrels) (DGH)	98.9	88.7	80.2	70.1	62.7	54.8	17.4	6.2
Exchange rate (CFA francs/ U.S. dollar)	488.4	488.3	488.0	487.8	487.6	487.4	487.4	487.4
Brent price (U.S. dollars per barrel)	48.00	45.25	42.50	41.25	40.50	40.00	35.00	35.00

Sources: Gabonese authorities (Direction des Hydrocarbures); and IMF.

19. The assumptions for exchange rates and Brent oil prices up to 2010 are based on the March 2005 WEO projections. After 2010 the euro/dollar exchange rate is assumed to remain unchanged from 2010, which translates in a CFA franc/U.S. dollar rate of 487.4. The benchmark Brent price of oil is projected to fall from US$48 per barrel in 2005 to US$40 in 2010. After 2010 the Brent price is assumed to converge gradually to US$35 per barrel by 2020, and remain at that level thereafter.

20. To calculate the oil revenues the authorities' oil model is used and extended to 2030. This model takes into account the specific contractual arrangements of each oil field

(concession contracts and production sharing agreements) and also makes assumptions about the price of each type of Gabonese oil relative to the Brent price benchmark.

21. To calculate the net present value of future revenue streams, a discount rate of 3.29 percent is used, which is the WEO average projected euro Libor rate over the period 2005–10. Inflation is projected to remain at 1 percent, resulting in a real discount rate of 2.27 percent. All the scenarios are calculated and reported in constant 2005 prices. The population is assumed to grow at 2 percent, which is somewhat lower than the current growth rate of the population.

22. To calculate the contributions to the FGF, the parameters set in the 1998 law are used. This requires an assumption about the projected windfall oil revenues for the government, that is, an assumption of the actual oil revenues relative to those projected in the budget. Since the authorities typically project oil revenues based on conservative assumptions, the windfall is calculated by assuming a reference Brent price of US$30 per barrel. Given the WEO projections for the Brent price of oil, this implies substantial windfall revenues in the early projection years, converging to a US$5 windfall per barrel after 2010.

Main scenario: contributions start in 2005

23. Three scenarios for the intertemporal effects of the FGF are developed, applying the rules set in the 1998 law from 2005 onwards. The first scenario is a benchmark in which all oil revenues are immediately consumed and nothing is saved. Given the projected production and the assumptions about the Brent price of oil, this implies that there will be no revenues left after 2030. In the second scenario the FGF is introduced, with the assumption that all contributions are made in line with the 1998 law, starting in 2005. In particular, the FGF receives an interest rate of 1.7 percent. Finally, the third scenario follows the same contribution guidelines but assumes that the FGF is remunerated at the euro Libor rate of 3.29 percent (the same rate as the nominal discount rate).

24. Table 2 summarizes the results from the three scenarios. The first column gives the present discounted value of all future flows. The table shows total oil revenues, the value of the FGF, total and per capita at different years up to 2030.

25. The present discounted value of all future oil revenues is calculated at CFAF 4,401.3 billion. This is the total amount of oil wealth, in 2005 CFA francs, that can be shared among the present and all future generations. In the first scenario, this oil wealth is consumed at the same rate as oil is extracted. Under this scenario, total consumption is projected to fall from CFAF 731.7 billion in 2005 to CFAF 23.2 billion in 2030, and is zero forever after. In per capita terms, consumption falls from CFAF 562,800 in 2005 to CFAF 10,900 by 2030.

26. This first “hand to mouth” scenario is used as a reference for comparison with the second and third scenarios, in which contributions to the FGF are introduced. In the second scenario, with the FGF remunerated at a nominal rate of 1.7 percent, the total value of the

Table 2. Gabon: Value of *FGF*, Total and Per Capita Consumption
(Constant 2005 CFA franc)

	Present Disc. Value (2005 CFAF)	2005	2006	2010	2015	2020	2025	2030
Oil Revenues (billion of CFA francs)	4,401.3	731.7	617.6	315.7	156.9	77.0	41.9	23.2
Value *FGF* (billion of CFA francs)								
Scenario 1 (no *FGF*)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scenario 2 (*FGF* at 1.7 percent)	556.2	253.2	416.5	883.7	1,157.9	1,239.0	1,254.9	1,248.6
Scenario 3 (*FGF* at 3.29 percent)	1,247.8	254.1	421.4	903.1	1,197.1	1,301.3	1,341.2	1,358.7
Consumption (billion of CFA francs)								
Scenario 1 (no *FGF*)	4,401.3	731.7	617.6	315.7	156.9	77.0	41.9	23.2
Scenario 2 (*FGF* at 1.7 percent)	3,766.4	534.4	456.1	229.7	130.7	78.1	49.7	34.3
Scenario 3 (*FGF* at 3.29 percent)	4,458.1	534.4	456.1	239.4	144.8	94.0	66.5	51.6
Per capita consumption (Thousand of CFA francs)								
Scenario 1 (no *FGF*)		562.8	465.8	219.9	99.0	44.0	21.7	10.9
Scenario 2 (*FGF* at 1.7 percent)		411.0	343.9	160.0	82.5	44.6	25.7	16.1
Scenario 3 (*FGF* at 3.29 percent)		411.0	343.9	166.8	91.4	53.7	34.4	24.2

Notes. Scenario 1: no *FGF;* Scenario 2: *FGF* remunerated at 1.7%; Scenario 3: *FGF* remunerated at euro Libor rate (3.29 percent).

FGF is calculated at CFAF 556.2 billion. The effect of the FGF is to reduce short-term consumption (as oil revenues are set aside while the FGF is built up), but to increase future consumption once it pays out interest into the general budget. Compared to the benchmark scenario, total annual consumption spending in 2005 is reduced from CFAF 731.7 billion to By 2030 though, consumption spending increases from CFAF 23.2 billion in the "hand to mouth" scenario to CFAF 34.3. The difference is entirely due to the extra consumption spending that comes from the FGF resources. In addition, by end-2030 the balances in the fund have grown to CFAF 1,248.6 billion; this amount is available for spending after 2030 (in contrast, under the first scenario, nothing is available for spending after 2030). In per capita terms, savings into the FGF reduces 2005 consumption from CFAF 562,800 to CFAF 411,000 (a reduction of 26.9 percent), but by 2030 the savings fund allows per capita consumption to be 47.7 percent higher than under the benchmark scenario (CFAF 16,100 instead of CFAF 10,900). The savings into the FGF allow per capita consumption to be higher than the no-savings scenario from 2020 onwards.

27. From the comparison between the benchmark (no-savings) scenario and the (low-remuneration) second scenario, it is found that the FGF helps preserve wealth for future generations, leaving them significantly better off compared to the situation in which no savings are set aside. Further, consumption is higher even before oil revenues dry up.

28. Next, the implications of the specific remuneration rate of the fund are assessed. To do this, a third scenario is developed in which the FGF balances earn a projected euro Libor

rate of 3.29 percent instead of the relatively low rate of 1.7 percent from the second scenario. The results form the third scenario are also reported in Table 2. Just like in the other two scenarios, total consumption drops dramatically between 2005 and 2030, in this case from CFAF 534.4 billion to CFAF 51.6 billion respectively. In per capita terms this translates into a reduction from CFAF 411,000 in 2005 to CFAF 24.2 in 2030. However, when these magnitudes are compared to those from the low-remuneration scenario, it is found that future generations are left substantially better off when the fund earns the higher market return. For example, per capita consumption is 10.8 percent higher in 2015 (CFAF 91,400 versus CFAF 82,500), and by 2030 per capita consumption is 50 percent higher (and more than double than in the no-savings scenario). The effect of the differences in remuneration also shows up in the capitalization value of the FGF: it is calculated at CFAF 556.2 billion in the low-remuneration scenario, versus CFAF 1,247.8 billion when a market interest is earned. By the time when oil revenues dry up completely (in 2030), future generations will inherit a fund with a total value of CFAF 1,358.7 billion, almost 9 percent more than the CFAF 1,248.6 billion that accumulates under the 1.7 percent remuneration scenario.

29. Further evidence of the impact of using different remuneration rates is found when the present discounted values of total consumption are compared. For the third scenario, this value is calculated at CFAF 4,458.1 billion, which is equal to the sum of the outstanding value of the fund at end-2004 and the present discounted value of all future oil revenues. However, in the low-remuneration scenario, the present discounted value of total consumption is only CFAF 3,766.4 billion. That is, while redistributing consumption from present generations to future generations, the low-remuneration scenario achieves this at the cost of leaving all generations worse off by a combined amount of CFAF 691.7 billion. This is entirely due the fact that the interest rate on the outstanding balances is less than the discount rate, which reduces the value of all savings.[6]

30. Although both scenarios in which oil revenues are saved into the FGF increase consumption for future generations, neither achieves perfect intergenerational equity. To achieve such equity would require that only the permanent income from oil wealth is made available for annual consumption spending. With a capitalization value of oil wealth equal to CFAF 4,401.3 billion, total annual permanent income would be equal to CFAF 99.8 billion. However, with population growth this annuity amount would still imply declining per capita consumption spending. For that reason the per capita annuity A_{PC} is also calculated, which is

[6] One way to understand this loss is as follows. Suppose that one could auction off all future oil revenues (plus the initial balance in the *FGF*) for one payment. An investor, using a discount rate of 3.29 percent, would offer CFAF 4,458.1 billion. However, if the contract required that investor to invest part of those future revenues in interest-bearing assets that yield only 1.7 percent, then she would offer only CFAF 3,766.4 billion. The difference is a net loss to the country.

the permanent income from a constant per capita wealth for each current and future individual. This amount is calculated as follows:

$A_{PC} = (W_{2005}/P_{2005})*(r - g)/(1 + r)$

31. In the expression, W_{2005} is the present discounted value of all oil wealth, P_{2005} is the population in 2005, r is the discount rate, and finally g is the growth rate of population. Applying the assumptions gives a per capita annuity of CFAF 8,850. It is clear that both the total annual annuity and the per capita annuity are much lower than short-term and medium-term consumption spending of each of the three scenarios reported in Table 2. For example, compared to the no-savings scenario, for 2005 the constant annuity would imply that CFAF 631.9 billion of oil revenues should be saved; the per capita annuity would require a reduction in per capita consumption of CFAF 553,950. For the per capita annuity, the low amount is due mainly because the real discount rate and the population growth rate are close (2.27 percent and 2.0 percent, respectively), which requires that most of the oil revenues must be saved in order to preserve sufficient per capita wealth for all future generations.[7]

32. The results from the intergenerational equity calculations for each of the three scenarios are reported in Table 3. The most striking observation is that the annuities from the second scenario are smaller than those from both the benchmark scenario and the high-remuneration scenario. For the total annual annuity, this amount is CFAF 85.4 billion versus CFAF 99.8 billion and CFAF 101.1 billion, respectively. Again, the low remuneration of the FGF leaves a smaller permanent income available for all generations, confirming the earlier findings.

[7] Indeed, the per capita annuity is very sensitive to changes in the population growth rate. The per capita annuity will lie between one of two extremes. First, if g = r then no interest may be paid out, and second, if g = 0 then each period all permanent income is made available.

Table 3. Gabon: Intergenerational Equity: Annuity Values (Permanent Income)
Compared to *FGF* Scenarios

	2005	2006	2010	2015	2020	2025	2030
Constant total spending							
Scenario 1 (no *FGF*) 1/	99.8	99.8	99.8	99.8	99.8	99.8	99.8
Implied per capita spending 2/	76.8	75.3	69.5	63.0	57.0	51.7	46.8
Scenario 2 (*FGF* at 1.7 percent) 1/	85.4	85.4	85.4	85.4	85.4	85.4	85.4
Implied per capita spending 2/	65.7	64.4	59.5	53.9	48.8	44.2	40.0
Scenario 3 (*FGF* at 3.29 percent) 1/	101.1	101.1	101.1	101.1	101.1	101.1	101.1
Implied per capita spending	77.8	76.2	70.4	63.8	57.8	52.3	47.4
Constant per capita spending							
Scenario 1 (no *FGF*) 2/	8.85	8.85	8.85	8.85	8.85	8.85	8.85
Implied total spending 1/	11.5	11.7	12.7	14.0	15.5	17.1	18.9
Scenario 2 (*FGF* at 1.7 percent) 2/	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Implied total spending 1/	9.8	10.0	10.9	12.0	13.3	14.6	16.2
Scenario 3 (*FGF* at 3.29 percent) 2/	8.96	8.96	8.96	8.96	8.96	8.96	8.96
Implied total spending 1/	11.7	11.9	12.9	14.2	15.7	17.3	19.1

1/ Unit expressed in billion of 2005 CFA franc.

2/ Unit expressed in thousand of 2005 CFA franc.

Note: The annuities are calculated assuming that the payout starts in 2005, and that the starting value of the FGF was CFAF 55.0 billion at end-2004.

Alternative scenario: Contributions started in 1999

33. The scenarios discussed above assumed that contributions to the FGF are made from 2005 onwards, with a starting value of the FGF at CFAF 55.0 billion. However, the 1998 law called for contributions to begin 1999. Therefore, it is interesting to calculate how the outcome for current and future generations would have changed had the fund been built up since 1999. The analysis is repeated for the starting date of 1999; since the projected budget revenues for the years 1999–2004 are known, the actual windfall from oil revenues are used to calculate the contributions to the FGF. The new results are reported in Table 4. The corresponding results for the intergenerational equity calculation are found in Table 5.[8]

34. The main conclusions from the previous analysis continue to hold; that is: the FGF lifts consumption spending of future generations relative to a no-savings scenario, and future generations would stand to benefit more if the fund earned a market return.

35. A comparison of the numbers in Table 4 to those from Table 2 shows that the impact of an early start—1999 instead of 2005—is significant. For the low-remuneration scenario,

[8] Of course, the first scenario yields the same numbers, as nothing is saved anyway. Thus we can limit our discussion to a comparison of the second and third scenarios.

the actualized value of the FGF is CFAF 1,010.1 billion compared with CFAF 556.2 billion, an increase of 81 percent. In the third scenario, the value of the FGF jumps from CFAF 1,247.8 billion to CFAF 2,263.9 billion. Second, the effects of increasing the consumption of future generations are stronger and kick in sooner. In both the second and third scenarios, per capita consumption under the early-savings case exceeds those from the late-savings case beginning as soon as 2010. Thus, if one accepts the premise that all oil revenues that should have been saved between 1999–2004 were in fact consumed and not used for investment spending or to pay down debt, then the results clearly illustrate how consumption early on comes at the expense of all future generations.

Table 4. Gabon:Value of *FGF*, Total and Per Capita Consumption, With Contributions Starting in 1999
(Constant 2005 CFA franc)

	Present Disc. Value (2005 CFAF)	2005	2006	2010	2015	2020	2025	2030
Oil Revenues (billion of CFA francs)	4,401.3	731.7	617.6	315.7	156.9	77.0	41.9	23.2
Value *FGF* (billion of CFA francs)								
Scenario 1 (no *FGF*)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scenario 2 (*FGF* at 1.7 percent)	1,010.1	1,090.7	1,333.9	1,832.0	2,079.5	2,134.6	2,125.3	2,094.6
Scenario 3 (*FGF* at 3.29 percent)	2,263.9	1,109.4	1,356.9	1,879.2	2,164.7	2,260.5	2,291.9	2,301.1
Consumption (billion of CFA francs)								
Scenario 1 (no *FGF*)	4,401.3	731.7	617.6	315.7	156.9	77.0	41.9	23.2
Scenario 2 (*FGF* at 1.7 percent)	3,966.1	431.2	381.9	241.7	142.4	89.5	60.7	45.0
Scenario 3 (*FGF* at 3.29 percent)	5,219.9	440.9	395.3	263.3	168.5	117.5	89.7	74.7
Per capita consumption (Thousand of CFA francs)								
Scenario 1 (no *FGF*)		562.8	465.8	219.9	99.0	44.0	21.7	10.9
Scenario 2 (*FGF* at 1.7 percent)		331.7	288.0	168.4	89.9	51.1	31.4	21.1
Scenario 3 (*FGF* at 3.29 percent)		339.1	298.1	183.4	106.3	67.2	46.5	35.0

Notes: Scenario 1: no *FGF;* Scenario 2: *FGF* remunerated at 1.7 percent; Scenario 3: *FGF* remunerated at euro Libor rate (3.29 percent).

Table 5. Gabon: Intergenerational Equity: Annuity Values (Permanent Income) Compared to *FGF* Scenarios, With Contributions Starting in 1999

	2005	2006	2010	2015	2020	2025	2030
Constant total spending							
Scenario 1 (no *FGF*) 1/	99.8	99.8	99.8	99.8	99.8	99.8	99.8
Implied per capita spending 2/	76.8	75.3	69.5	63.0	57.0	51.7	46.8
Scenario 2 (*FGF* at 1.7 percent) 1/	89.9	89.9	89.9	89.9	89.9	89.9	89.9
Implied per capita spending 2/	69.2	67.8	62.7	56.7	51.4	46.6	42.2
Scenario 3 (*FGF* at 3.29 percent) 1/	118.4	118.4	118.4	118.4	118.4	118.4	118.4
Implied per capita spending 2/	91.0	89.3	82.5	74.7	67.6	61.3	55.5
Constant per capita spending							
Scenario 1 (no *FGF*) 2/	8.85	8.85	8.85	8.85	8.85	8.85	8.85
Implied total spending 1/	11.5	11.7	12.7	14.0	15.5	17.1	18.9
Scenario 2 (*FGF* at 1.7 percent) 2/	7.97	7.97	7.97	7.97	7.97	7.97	7.97
Implied total spending 1/	10.4	10.6	11.4	12.6	14.0	15.4	17.0
Scenario 3 (*FGF* at 3.29 percent) 2/	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Implied total spending 1/	13.6	13.9	15.1	16.6	18.4	20.3	22.4

1/ Unit expressed in billion of 2005 CFA franc.

2/ Unit expressed in thousand of 2005 CFA franc.

Note: The annuities are calculated assuming that the payout starts in 2005 and that the starting value of the *FGF* was CFAF 55.0 billion at end-2004.

E. Policy Implications and Conclusions

36. The four main findings are summarized as follows. First, the Gabonese Fund for Future Generations is helpful in distributing consumption from present to future generations. Our scenarios indicate that most of the benefits would materialize from 2020 onwards.

37. Second, higher savings in the early years have a large payoff. The path of consumption and of the FGF were calculated with contributions starting in 2005 and were compared those to alternative scenarios in which contributions to the FGF started already in 1999. Significant differences among outcomes across the two starting dates were found, and the results underscore the importance of an early start. In Gabon, where oil production is projected to decline rapidly in the coming years, there is a sense of urgency for increasing savings to make up for lost time. A rapid build-up of net wealth will require substantial adjustment either in expenditures or in non-oil revenues, but doing so would ease the inevitable adjustment once oil revenues are near depletion.

38. Third, the rewards from saving for the future depend crucially on the institutional arrangements of the FGF, and on the rate of return on the assets in particular. A low return on the fund means that intergenerational redistribution is obtained at the cost of a lower potential consumption for all generations. It was shown that the value of the FGF under the current

regime, in which it earns only 1.7 percent per annum, would improve dramatically if it earned a return that is closer to the one prevailing in international financial markets.

39. Fourth, the current institutional arrangement does not achieve intergenerational equity. To achieve such equity would require a substantial increase in savings in the short term, of a magnitude that may not be feasible in practice.

40. In the scenarios, the choice of helping future generations by paying down debt, instead of saving in a FGF, was not explicitly discussed. After all, either of the two choices would build up net financial wealth for future generations. It would be easy to include this part of the intertemporal dimension in our scenarios. For example, if it is assumed that most of the debt is contracted at the short-term interest rate, then the savings decision from the third scenario is equivalent to paying down debt. In fact, the average interest rate on the stock of external debt is 6.07 percent in 2005, clearly underscoring the relative attraction of using oil revenues primarily to pay down debt, at least in the short term. A moral case can be made that the present generation—to the extent that it contracted the debt and invested it poorly—should be primarily responsible for servicing it, i.e. that a larger non-oil primary surplus should be generated. But if this is not feasible, future generations would still be better off if oil revenues were used to reduce debt levels rather than accumulate deposits in the FGF.

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III. COMPETITIVENESS AND GROWTH[9]

The Gabonese authorities have resolved to resume their adjustment efforts after considerable slippages...[]. Their strategy remains that of limiting the economy's dependence on oil, strengthening the dynamism of the private sector and the growth of the economy, and making fiscal and balance of payments positions viable (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand-By Arrangement).

A. Introduction

1. Gabon's major challenges have remained unchanged during the past 15 years: a drop in oil production that, sooner or later will materialize; a lack of economic diversification and poor growth in the non-oil sectors. To fully mobilize the country's growth potential and attract new investment, it is necessary to understand and highlight the key obstacles to growth in the non-oil sectors. Is Gabon competitive enough to lay the groundwork for sustained non-oil growth and economic diversification? Has the pegged CFA franc had a negative impact on the competitiveness and profitability of tradable goods, in particular those in which Gabon has strong potential (for example, timber, manganese, palm oil, and rubber)? Are the relatively high wages and large number of public sector jobs hurting private sector development? Have oil sector developments affected the pattern and composition of growth of non-oil GDP? Has this growth been biased toward nontradable sectors?

B. Some Competitiveness Issues

Has the recent appreciation of the CFA francs in itself, affected Gabon's competitiveness?

2. Gabon has what is still untapped potential for large productive expansion in many areas. In addition to the traditional primary non-oil sectors—that is, timber and manganese—it has the potential to develop, for example, rubber, palm oil, fisheries, coffee, and cocoa production. The profitability of these commodities is closely linked to changes in their prices measured in CFA francs, in international markets.

3. Gabon's participation in the CEMAC area means that its currency, the CFA franc, is pegged to the euro. An appreciation of the euro vis-à-vis the U.S. dollar implies a commensurate appreciation of the CFA franc and, therefore, a decrease in the CFA franc prices of international commodities. The potential effect of this development on the profitability of tradable goods is evident.

4. Table 1 below, shows the evolution of the prices of Gabon's main non-oil export staples (that is, *okoumé* and other Gabonese timber species, plywood, and manganese).

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[9] Prepared by Gabriel Di Bella.

Table 1. Gabon: Developments in Key Commodity Prices and Exchange Rate for the Euro, 2001–10

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Commodity prices										
Okoume (U.S. dollars per m3) 1/	119.76	138.13	166.88	185.15	192.28	201.66	208.22	215.73	222.29	229.80
Plywood of Gabonese timber (average U.S. dollars per m3) 1/	124.52	119.22	163.06	170.10	176.65	185.27	191.30	198.19	204.23	211.12
Other Gabonese timber (average U.S. dollars per m3) 1/	124.52	135.49	182.70	203.63	211.47	221.78	229.00	237.26	244.48	252.73
Manganese (U.S. dollars per ton) 2/	65.20	70.80	92.70	116.40	199.63	168.92	138.21	122.85	107.49	107.49
Palm oil (U.S. dollars per ton) 3/	238.40	356.74	410.37	434.72	450.00	444.00	438.00	432.00	426.00	420.00
Rubber (U.S. dollars per ton) 3/	26.09	34.70	49.12	59.17	56.00	54.00	46.00	42.00	40.00	40.00
Fish meal (U.S. dollars per ton) 3/	530.05	645.56	650.20	692.90	685.00	690.00	700.00	705.00	710.00	715.00
Coffee, robusta (U.S. dollars per ton) 3/	27.32	30.82	38.38	37.28	40.50	41.50	43.00	44.00	46.00	48.00
Exchange rate (U.S. dollars per euro) 3/	0.90	0.94	1.13	1.24	1.31	1.31	1.31	1.31	1.32	1.32
Commodity prices (Indices 2001=100, unless otherwise indicated)										
Okoume (U.S. dollars per m3)	100.00	115.34	139.34	154.60	160.55	168.38	173.86	180.13	185.61	191.88
Plywood of Gabonese timber (average U.S. dollars per m3) 1/	100.00	95.74	130.95	136.60	141.86	148.78	153.63	159.16	164.01	169.54
Other Gabonese timber (average U.S. dollars per m3)	100.00	108.81	146.72	163.53	169.82	178.11	183.91	190.53	196.33	202.96
Manganese (U.S. dollars per ton)	100.00	108.59	142.18	178.53	306.18	259.08	211.97	188.42	164.87	164.87
Palm oil (U.S. dollars per ton)	100.00	149.64	172.14	182.35	188.76	186.24	183.73	181.21	178.69	176.18
Rubber (U.S. dollars per ton)	100.00	133.03	188.31	226.83	214.67	207.01	176.34	161.01	153.34	153.34
Fish meal (U.S. dollars per ton)	100.00	121.79	122.67	130.72	129.23	130.18	132.06	133.01	133.95	134.89
Coffee, robusta (U.S. dollars per ton)	100.00	112.81	140.49	136.45	148.24	151.90	157.39	161.05	168.37	175.69
Fish meal (U.S. dollars per ton; index 2005=100)					100.00	100.73	102.19	102.92	103.65	104.38
Coffee, robusta (U.S. dollars per ton; index 2005=100)					100.00	102.47	106.17	108.64	113.58	118.52
U.S. dollar/euro exchange rate (Index 2001=100)	100.00	105.45	126.26	138.82	146.72	146.64	146.73	146.81	146.94	147.10
Commodity prices (Indices 2001=100, unless otherwise indicated)										
Okoume (euros per m3)	100.00	109.38	110.36	111.37	109.43	114.83	118.49	122.69	126.32	130.44
Plywood of Gabonese timber (euros per m3) 1/	100.00	90.79	103.71	98.40	96.69	101.46	104.70	108.41	111.61	115.26
Other Gabonese timber (euros per m3)	100.00	103.19	116.20	117.80	115.75	121.46	125.33	129.78	133.61	137.98
Manganese (euros per ton)	100.00	102.98	112.61	128.60	208.68	176.67	144.46	128.34	112.20	112.08
Palm oil (euros per ton)	100.00	141.91	136.33	131.36	128.65	127.01	125.21	123.43	121.61	119.77
Rubber (euros per ton)	100.00	126.16	149.15	163.40	146.31	141.17	120.18	109.67	104.35	104.24
Fish meal (euros per ton)	100.00	115.50	97.15	94.17	88.08	88.77	90.00	90.60	91.16	91.70
Coffee, robusta (euros per ton)	100.00	106.98	111.27	98.29	101.04	103.59	107.27	109.70	114.59	119.44
Fish meal (euros per ton; index 2005=100)					100.00	100.78	102.18	102.85	103.49	104.11
Coffee, robusta (euros per ton; index 2005=100)					100.00	102.52	106.17	108.57	113.41	118.22

Sources: Gabonese authorities; and Fund staff estimates.

1/ Actual data for 2001–04. Forecasts for 2005–10 are constructed by assuming annual percentage changes equal to those forecast for hardwood logs in the latest World Economic Outlook (WEO) exercise.
2/ Actual data for 2001–04. Since manganese ore emulates iron ore in terms of price increases, forecasts for 2005–10 are constructed on the assumption that annual percentage changes are equal to those forecast for iron ore in the latest WEO exercise.
3/ Actual data for 2001–04. Forecasts for 2005–10 correspond to those assumed in the latest WEO exercise.

It also shows the prices of commodities that meet at least one of the following criteria: (i) they are currently produced in nonnegligible quantities (that is, rubber, palm oil); (ii) in the past, they were produced in nonnegligible quantities (that is, coffee, cocoa); or (iii) they belong to a sector that is being restructured or targeted for development in the context of an agreement with an IFI (that is, fisheries).[10]

5. As shown in Table 1, the U.S. dollar prices of these commodities have increased since 2001, in some cases significantly. These increases reflect both the robust growth of the world economy and the recent weakening of the U.S. dollar. Particularly important for Gabon are the increases in the price of manganese (almost 80 percent during 2001–04), *okoumé* (close to 55 percent), and Gabonese timber species other than *okoumé* (more than 60 percent).[11]

- Although the euro has appreciated by close to 40 percent, the euro prices of the commodities that constitute the largest share of Gabon's non-oil exports have also increased. Only the price of plywood has remained approximately constant in euro terms during the period.

- The prices of palm oil and rubber have also increased in euro terms (more than 30 and 60 percent, respectively). Although, at this point, Gabon does not export significant quantities of these products, the favorable prices and structural reform in this area, including through the privatization of two state-owned companies during 2004 (Agrogabon and Hevegab), have attracted foreign investors.

- Although the U.S. dollar prices of the commodities for which Gabon still has untapped potential (that is, coffee, fisheries), have increased, these increases are not high enough to offset the euro appreciation. Therefore, the prices decrease (only slightly) in euro terms.

6. Looking forward (that is for the period 2005–10), the euro price of timber (both raw and processed) is expected to increase moderately. The price of manganese, in turn, is expected to increase strongly in euro terms during 2005 and then decrease over the medium term to levels similar to those that prevailed at the beginning of the decade. Similar trajectories are forecast for palm oil and rubber. As for coffee and fisheries, a recovery in euro terms is forecast for the former while further decreases are expected for the latter. However, if 2005 is chosen as the base year, the price of fisheries is also expected to increase in euro terms.

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[10] The World Bank's letter of development policy includes, in addition to forestry, fisheries, and tourism.

[11] More than 80 percent of Gabon non-oil exports in 2004 were comprised by manganese and timber (either raw or processed).

7. Therefore, from the revenue side, Gabon's current non-oil export staples are likely to remain profitable for the remaining of the decade. This conclusion is also valid for those staples that are produced but not currently exported (that is, palm oil and rubber); finally, with 2005 as the base year, it is also valid for those products that are not currently produced in significant quantities (that is, coffee and, in particular, fisheries).[12]

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Gabon's currency, the CFA franc, is pegged to the French franc at the fixed rate of CFAF 50 per F 1. In the 12-month period since the last Article IV consultation, the real effective exchange rate as measured by relative consumer prices, continued to decline, depreciating by a further 10 percent [...]. It should be noted, however, that the weighting pattern (based on a family expenditure survey undertaken in 1968–69) in Gabon's consumer price index is outdated, and the staff has recommended that this weakness be corrected. Moreover, other indicators, including a very high wage structure, point to a continuing lack of competitiveness in many non-oil activities in Gabon (Gabon—Staff Report for the 1992 Article IV Consultation).

Is the real effective exchange rate a meaningful measure of Gabon's competitiveness?

8. The CFA franc devaluation of 1994 seems to have been more effective in Gabon than in other CEMAC country members (Figure A, Chart 1). In addition, the real effective exchange rate depreciations of 15 percent during 1988, about 30 percent from December 1990 to December 1993 and 13 percent from September 1998 to December 2000, compounded the effect of the 1994 devaluation.[13] Did those changes reflect underlying macroeconomic conditions? Did they reflect effective gains in competitiveness? The answers to these questions are essential to determine how meaningful the real effective exchange rate (REER) is as a measure of Gabon's competitiveness.

9. Gabon's REER is calculated using the inflation rate as measured by the consumer price index (CPI) (See Figure A, Charts 3, and 4). Clearly, strong price deflations of about 10 percent and 20 percent explain the real exchange rate depreciation of 1988 and December 1990–December 1993, respectively.

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[12] It can be argued that the profitability of these sectors would have increased even more if the CFA franc had not appreciated vis-à-vis the U.S. dollar. However, this does not seem to be an obvious conclusion. 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 making Gabon more attractive to foreign investors.

[13] The CFA franc was devalued from 50 French francs (FF) per CFA franc to FF 100 per CFA franc in January 1994.

Figure A. Gabon: Real Effective Exchange Rate

Chart 1. CEMAC Countries: Real Effective Exchange Rates (Index 1990=100)

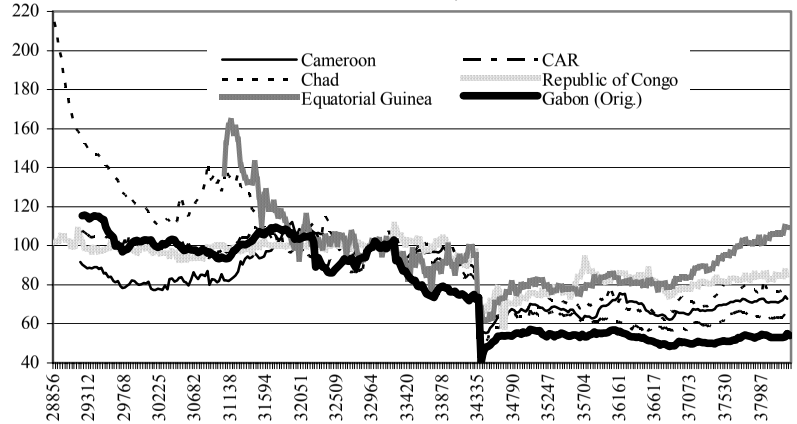


Chart 2. CEMAC Countries: Real Effective Exchange Rates (Index 1990=100)

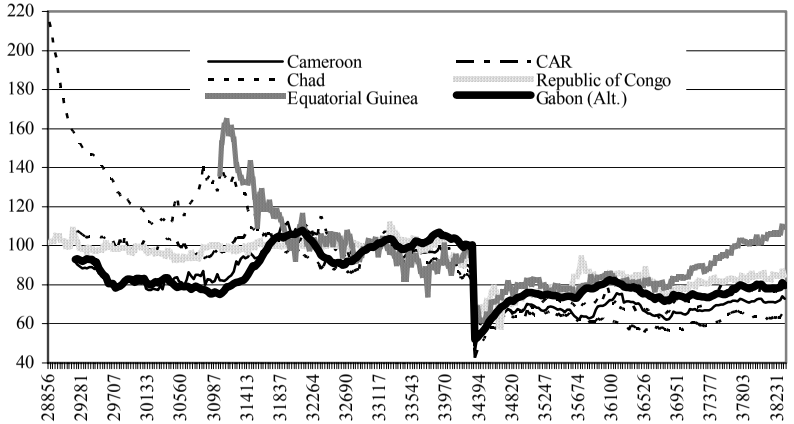


Chart 3. Gabon: Consumer Price Index (-CPI-) (1990=100)

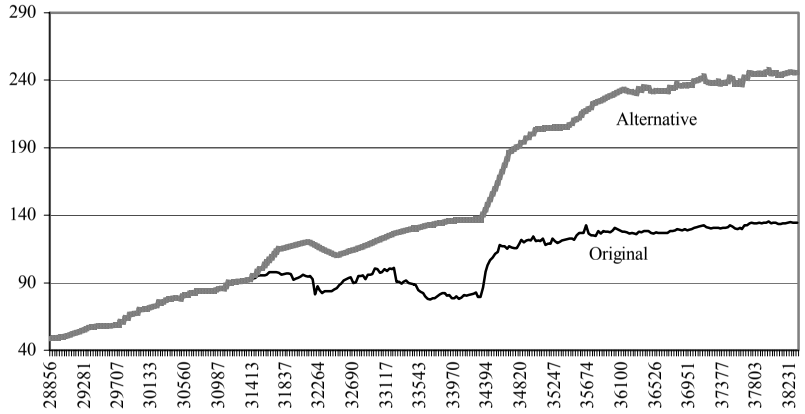
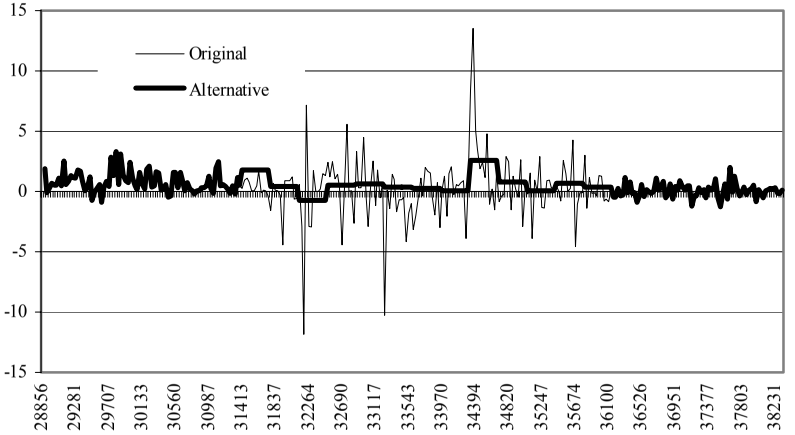


Chart 4. Gabon: CPI (Monthly percentage change)



Sources: Gabonese authorities; and Fund staff calculations.

In contrast, prices were almost completely stable during September 1998–December 2000; thus, the real effective exchange depreciation reflected more the depreciation of the euro vis-à-vis the U.S. dollar.

10. Were the deflations of the late 1980s and the beginning of the 1990s consistent with the behavior of other macroeconomic indicators? Was the concern of the Fund's 1992 mission justified in the latter period? One way to look at this question is to compare the nominal wage increases in the non-oil private sector to the inflation rates. While inflation rates in 1987–90 seem to have been consistent with the rates of change in the nominal wages of the non-oil private sector, the strong deflation rates observed during 1991–92 are in contrast with the increases in nominal wages (see Figure D, Chart 1).[14] The increase in nominal wages in the non-oil private sector is not the only macroeconomic indicator that seems at odds with the reported inflation rates during these years: nominal primary public expenditures increased by an average of 4 percent a year, while GDP growth averaged close to 1.5 percent a year in real terms (of which, close to 1 percent in the non-oil sector). These indicators seem to cast doubt on the usefulness of the CPI to reflect relative price developments during this period.

11. Given the apparent inconsistency between the evolution of the inflation rate and the underlying macroeconomic conditions, the paper proposes a new measure to reflect domestic price developments. The modified CPI series is the same through 1985, but from 1986 to 1998 it grows according to the following rule: whenever the change in nominal wages is at least 5 percentage points higher than the inflation rate, the rate of change in nominal wages is used to compound the index instead of the CPI inflation. The results of this exercise indicate that when the modified CPI is used (see Figure A, Charts 2, 3, and 4), Gabon's REER index no longer compares favorably with that of its CEMAC partners: after the 1994 CFA franc devaluation, Gabon's REER evolves similarly to that of Chad and Congo (both countries in which petroleum is still on an upward trend) and is below that of only Equatorial Guinea (which had an oil boom during most of the 1990s). Interestingly, this conclusion does not change significantly when nominal wages for the whole non-oil sector (that is, including wages paid to central administration employees) are considered instead of the change in private non-oil nominal wages.

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The authorities are keenly aware of the need to contain domestic costs to strengthen the competitiveness of the economy, in the context of the fixed exchange rate of the CFA franc vis-à-vis the French franc and, indirectly, vis-à-vis other strong currencies. To that end, they

[14] While the CPI shows deflations that, on average, are close to 10 percent a year, nominal wages in the non-oil private sector increase by close to 4 percent a year.

are now committed to implementing a firm income policy coupled with structural reforms, especially in the area of public enterprises and the rationalization of the labor market (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand-By Arrangement).

Are public sector employment and wages weakening the competitiveness of non-oil tradable sectors?

12. The high levels of public sector employment and wages may be weakening the competitiveness of Gabon's non-oil tradable sectors. Indeed, when measured as a percentage of non-oil GDP, Gabon's wage bill is significantly high by sub-Saharan Africa (SSA) standards, ranking only lower to Seychelles, Eritrea Namibia, Lesotho, Zimbabwe, and Botswana, and significantly higher to that in other CEMAC country members (see Figure D, Chart 2). The high wages of public servants may be setting the reservation wage so high that it hampers private sector development, in particular that of the tradable sectors.

13. Table 2 below shows levels of average remunerations in different sectors of non-oil economic activity for the period 1985–2000.[15] These sectors are classified as "pure tradable goods" (including agriculture, non-oil mining, forestry, and timber processing), "import substitution goods" (including agroprocessing, textiles, chemical industries, and other processing industries in general), and, finally, "pure nontradable goods" (including commerce, services, transportation, construction, and financial services).

14. In addition, to non-oil private sector wages, the table shows the average nominal wage for civil servants. Note that while the ratio between the wage bill for civil servants and that in the import substituting and pure nontradable goods sectors decreases during the period, the ratio between the wage bill for civil servants and that prevalent in the pure tradable goods sector has remained approximately constant and, on average, fairly close to one. One consequence of this wage structure seems to have been a relative increase in urban employment and production. The average wage in cities is at least as high as that in rural areas (the wages of civil servants working as the reservation wage), and this could be a factor explaining the high level of urbanization in Gabon. Its counterpart has been a continuous decrease in the production of food staples, which have been increasingly replaced by imports. In addition, foresters usually complain about the shortage of labor and its relatively elevated cost.[16]

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[15] The period considered is constrained by the availability of information. The average remunerations are calculated as the ratio between the labor value-added and the number of employees per sector of formal economic activity.

[16] See DGE (2001).

15. Moreover, the almost nonexistent diversification of non-oil exports combined with relatively high average wages in the import substituting sector points to the effective protection the government provides to firms in some markets (that is, sugar, beverages, among others).

Table 2. Gabon: Non-Oil Private Sector Wages and the Public Sector Wage Bill
(In millions of CFA francs, unless otherwise indicated)

	1985	1990	1995	2000
Pure tradables	3.68	4.21	5.23	4.78
Import substituting (tradables for domestic consumption)	4.03	4.53	7.91	8.10
Pure nontradables (excluding central government)	4.92	6.71	9.25	9.30
Central government	3.60	3.98	4.92	5.42
Weighted average (non-oil private sector)	4.59	5.82	8.12	8.07
Weighted average (non-oil sector)	4.32	5.10	6.73	6.95
Maximum	8.40	8.53	12.39	13.10
Minimum	2.37	2.56	4.14	3.98
Ratios				
Wage central government/wage pure tradables	0.98	0.94	0.94	1.13
Wage central government/wage import substituting	0.89	0.88	0.62	0.67
Wage central government/wage pure nontradables	0.73	0.59	0.53	0.58

Sources: Gabonese authorities; and Fund staff estimates.

16. So far, the discussion has considered wages only in the formal sector of the economy. When wages are relatively high, some entrepreneurs find it profitable to turn informal, so to avoid paying taxes and other charges. Although authorities have not tried to measure this phenomenon systematically, some surveys report that informal employment in Gabon is at least as important as formal employment (including that of the public sector). Clearly, the activities that remain formal are those that are either most efficient, or those that have market privilege.

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The Fund and World Bank staffs have collaborated closely on Gabon. To support a program of economic reforms, the World Bank has approved [...] a structural adjustment loan for Gabon. The program focuses on public sector resource management; public enterprise reform; incentives to promote private sector activities, including price and trade reforms; and sectoral policies to promote agriculture and forestry (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand-By Arrangement).

Other competitiveness issues

17. Up to this point, the objective of the presentation was to continue to motivate a discussion that has been ongoing for the last 15 years. However, the issues discussed are only a subset of those relevant, and not necessarily, the most relevant subset.

18. Many of these issues are discussed in a report recently issued by the Foreign Investment Advisory Service (FIAS) of the World Bank that assesses the investment climate in Gabon. It underscores the fact that investment, particularly foreign, is low and provides some explanations for these low levels. Among them, it points to (i) rigidities in the labor market and the shortage of qualified labor, (ii) high factor costs, including that of public services, (iii) the "unfair" competition created by the activities that take place in the informal economy, (iv) the relatively small size of the domestic market, (v) the difficult access to bank financing, (vi) the insecurity about the appropriate conduct of justice and the application of laws, and (vii) the heavy administrative procedures, which are somewhat opaque and discretionary.[17]

19. The report also makes some recommendations, some of them general, about how Gabon should tackle the problems it faces. On a number of issues, however, its recommendations are more specific, including on the most appropriate role and structure of a number of government agencies and on how to improve the investment climate for small and medium-sized enterprises and eliminate red tape. The report concludes that the government should seek to promote not only foreign investment, but also domestic investment, including by targeting the "formalization" of informal sector activities.

C. What Drives Gabon's Non-Oil GDP Growth?

Institutions and growth

20. In a paper analyzing cross-country growth behavior, Tsangarides (2005) finds that what is good for growth around the world is, in principle, also good for growth in Africa. Moreover, he finds that, in addition to initial conditions, other economic factors are robustly linked with growth, namely, higher investment, lower inflation and government consumption, a better fiscal stance, an improved political environment, favorable terms of trade shocks, and fixed geographical factors. For Africa, he finds that political and

[17] So far, this paper has analyzed some of the issues related with factors (i) to (iii). Interestingly, factors (vi) and (vii) will be briefly analyzed in the following section. Factors (iv) and (v) are, no doubt, interestingly enough to constitute the objective of future research.

institutional variables seem to be particularly important.[18]

21. In this regard, Kauffman, Kraay, and Mastruzzi (2003) present estimates of six dimensions of governance, namely voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.[19] The first two governance indicators are intended to capture the process by which those in authority are selected and replaced (that is, the extent to which citizens of a country are able to participate in the selection of governments, the independence of the media, and the likelihood of disruptive changes in government, among others). The next two indicators measure the ability of the government to formulate and implement sound policies (that is, the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the incidence of market-unfriendly policies or that imposed by excessive regulation in such areas as foreign trade and business development). Finally, the last two indicators summarize the respect of citizens and the state for the institutions that govern their interactions (that is, the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts, among others).

22. Countries that rank consistently in the top 10 in the subregion for the indicators are those that present the highest levels of development and the highest per capita growth (that is, Mauritius, Botswana, South Africa, Seychelles, and Ghana). Interestingly, for 2002 Gabon ranks quite high in the subregion for regulatory quality (6) and rule of law (11). It ranks relatively high for political stability (14) and government effectiveness (15), and above

[18] Tahari and others (2004), analyse sources of growth in sub-Saharan Africa using the standard neo-classical model, as described, for instance, in Barro and Sala-i-Martin (1995). In the particular case of Gabon, they find that for the period 1960–2002, out of an average annual rate of 2.7 percent, 1.9 percent was explained by capital accumulation, 1.1 percent by labor and -0.2 percent by total factor productivity (TFP). Among CEMAC countries, the outcome for Gabon's TFP only compares favorably with that for the Republic of Congo.

[19] The analysis covers 199 countries and territories for 1996–2002. The six 'clusters' are based on several hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations.

average for control of corruption (17) and voice and accountability (19).[20] At the same time, growth performance in most of SSA during recent decades has been sobering (IMF, 2005). This could indicate that the average level for these indicators in SSA is still relatively low, and thus having relatively high/average rankings for these indicators in the subregion could be not enough to attract investment and foster growth.[21]

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The authorities share the concern expressed [..] at the time of the last consultation about the lack of diversification in the Gabonese economy and its heavy reliance on the oil sector in the face of an uncertain medium-term outlook (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand-By Arrangement).

Has growth in the oil sector driven non-oil GDP growth?

23. Given the relative high share of oil in the Gabonese economy, those who analyze Gabon expect that developments in the oil sector will have a significant effect on non-oil growth. But is there any support for this hypothesis? What are the links through which non-oil growth and growth are connected? Figure B covering the period 1970–2004, depicts a number of relationships between oil and non-oil GDP growth in real terms (Chart 1), between oil GDP growth and growth of petroleum revenues in real terms (Chart 2), between petroleum revenue growth and primary expenditure growth in real term (Chart 3), and between primary expenditure growth and non-oil GDP growth in real terms (Chart 4).

24. Some interesting issues emerge from the analysis of these relationships. First, the simultaneous impact of oil GDP growth on non-oil GDP growth is very weak. As a matter of fact, if the sample is reduced to the period 1980–2004, the association between both variables is negative and not statistically significant. Second, the simultaneous relationship between real oil GDP growth and the growth of fiscal oil revenues in real terms is positive (but not large) and also statistically weak.

25. In contrast, the relationship between the growth of primary expenditures and that of fiscal oil revenues in real terms is positive and more statistically robust. Likewise, the relationship between changes in primary expenditure in real terms and non-oil growth is positive and statistically significant.

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[20] The authors point out that the margins of error associated with these estimates are large relative to the units in which governance is measured. Thus, cross-country comparisons based on this type of data should be made with due caution.

[21] According to Transparency International (2004), Gabon ranks relatively high in the subregion; however, it ranks 64 (for 145 positions) in the general sample. In SSA, among the highest ranked countries are, again, South Africa (44), Seychelles (48), and Mauritius (54).

Table 3. Sub-Saharan Africa Aggregate Governance Indicators, 1996–2002

	2002	2000	1998	1996
Voice and accountability				
Average	-0.59	-0.52	-0.46	-0.44
Standard deviation	0.72	0.80	0.76	0.70
Maximum	0.80	1.21	0.98	0.86
Minimum	-2.05	-1.91	-1.72	-1.41
Gabon (19)	-0.42	-0.46	-0.26	-0.51
Political stability				
Average	-0.50	-0.58	-0.53	-0.38
Standard deviation	1.00	0.90	0.94	0.81
Maximum	1.06	1.14	1.30	1.19
Minimum	-2.42	-2.83	-2.79	-2.10
Gabon (14)	0.20	-0.42	-0.47	-0.25
Government effectiveness				
Average	-0.68	-0.58	-0.51	-0.59
Standard deviation	0.57	0.72	0.61	0.52
Maximum	0.87	1.02	0.54	0.52
Minimum	-1.60	-1.90	-2.07	-1.88
Gabon (15)	-0.45	-0.53	-0.85	-0.82
Regulatory quality				
Average	-0.62	-0.41	-0.43	-0.50
Standard deviation	0.57	0.75	0.76	0.61
Maximum	0.81	0.93	0.69	0.55
Minimum	-1.77	-2.87	-2.78	-2.60
Gabon (6)	-0.19	-0.13	0.10	-0.50
Rule of law				
Average	-0.63	-0.56	-0.57	-0.52
Standard deviation	0.62	0.62	0.68	0.65
Maximum	0.89	1.21	1.14	0.76
Minimum	-1.79	-1.79	-1.97	-2.04
Gabon (11)	-0.27	-0.54	-0.48	-0.29
Control of corruption				
Average	-0.59	-0.50	-0.56	-0.50
Standard deviation	0.58	0.63	0.46	0.69
Maximum	0.76	1.16	0.53	0.72
Minimum	-1.89	-1.76	-1.58	-1.85
Gabon (18)	-0.55	-0.71	-0.90	-1.15

Source: Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, 2003, "Governance Matters III: Governance Indicators for 1996–2002," World Bank Policy Research Department Working Paper.

Figure B. Gabon: Some Regression Analysis

Chart 1. Oil and Non-Oil growth
(Annual real percentage change)

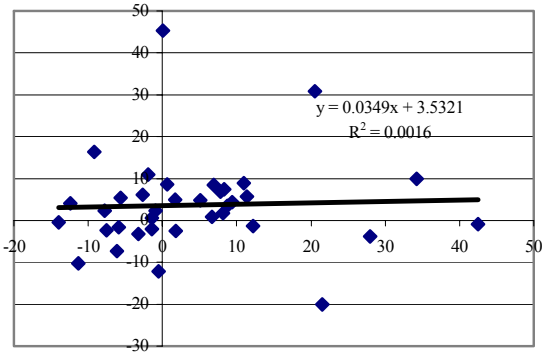


Chart 2. Oil GDP and Fiscal Oil Revenues
(Annual real percentage change)

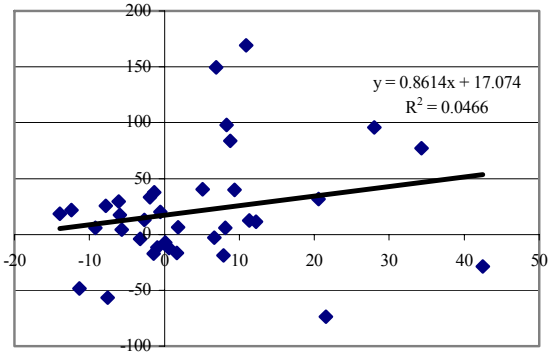


Chart 3. Fiscal Oil Revenues and Primary Expenditures
(Annual real percentage change)

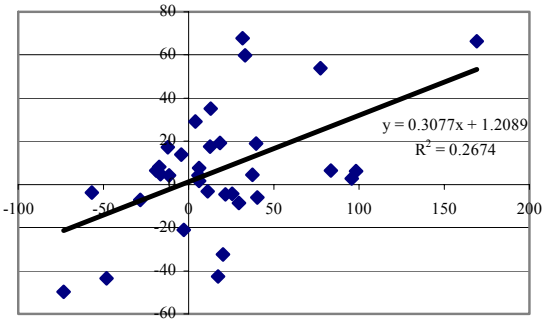


Chart 4. Primary Expenditure and Non-Oil Growth
(Annual real percentage change)

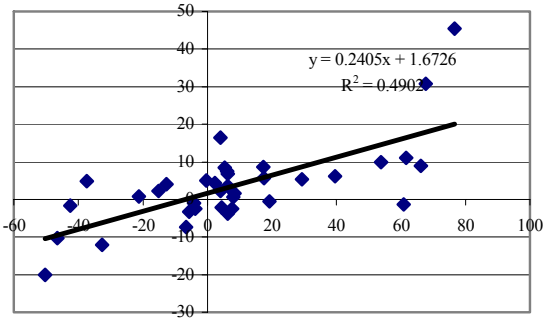


Chart 5. Fiscal Oil Revenues and Current Expenditures
(Annual real percentage change)

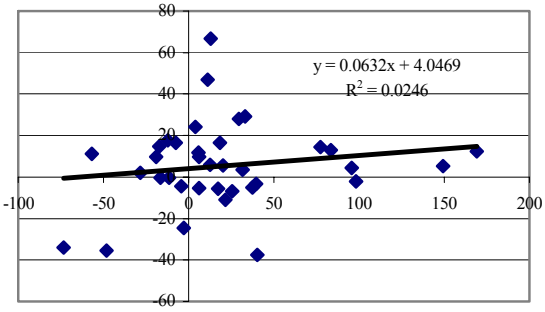
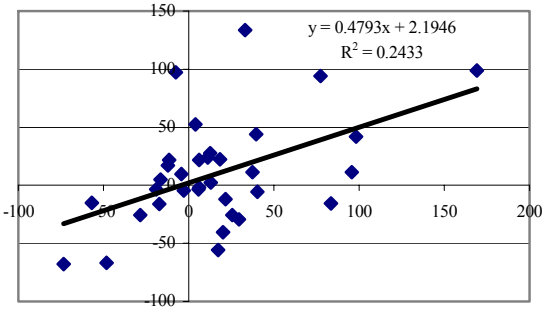


Chart 6. Fiscal Oil Revenues and Capital Expenditures
(Annual real percentage change)



Source: Fund staff calculations.

26. What story can be told based on these facts? First, if oil GDP growth has affected non-oil growth, it has not done so directly and/or simultaneous, but through a different channel, with a lag, or both. Second, fiscal oil revenues, in real terms, have reacted to oil GDP growth, but with a lag.[22]

27. however, once fiscal oil revenues increase, the simultaneous impact of such an increase on primary expenditures seems to be significant. Interestingly, the impact on capital expenditures seems to be larger than the impact on current expenditures (see Figure B, Charts 5 and 6).

28. Additionally, once primary expenditure increases, the simultaneous impact on non-oil growth seems to be significant. Therefore, the mechanism through which real oil GDP growth has affected non-oil GDP growth seems to have been through the additional primary expenditure it generates whenever the higher oil GDP is translated into fiscal oil revenues.

29. A more relevant question is, however, how long the impact of the higher primary expenditures on non-oil GDP growth lasts. An answer to this question, even tentative, would also provide some elements for the analysis on the efficiency and effectiveness of the budgeted capital expenditure during the last 30 years. A preliminary assessment, based on the estimation of a 4-variable Vector autoregression (VAR) model (with real oil GDP growth, fiscal oil revenue growth in real terms, primary expenditure growth in real terms, and non-oil GDP growth in real terms as endogenous variables, and annual oil price changes as exogenous), seems to indicate that increases in primary expenditures financed by extra fiscal oil revenues have not produced a lasting impact on non-oil GDP growth and that its effect has been heavily concentrated in the years for which the increase in expenditures was effected. Given that the variance in primary expenditures is almost fully explained by variability in capital expenditures, this seems to indicate that the efficiency and effectiveness of this type of expenditure in Gabon have been, to say the least, questionable.[23]

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[22] The reasons for a lagged reaction have changed through the years: whereas in the 1980s and early 1990s, there were concerns that these lags responded to governance issues, in the late 1990s and in the beginning of the current decade, the lags are explained more by the type of contracts that prevalent.

[23] By construction, the long-term effect of a shock in a stationary VAR converges to zero, although with varying degrees of persistence. In Gabon, the impact of higher primary expenditures financed by oil windfalls does not seem to persist for very long. A description of the estimated structural VAR that was used to obtain the impulse response functions depicted in the figures above, including the identification method and other auxiliary calculations, is included in Appendix II. Appendix I includes a description of the data and their sources.

Figure C. Gabon: Impulse Response Functions

Chart 1. Response of Real Oil GDP to a 1 Percentage Point Oil Shock

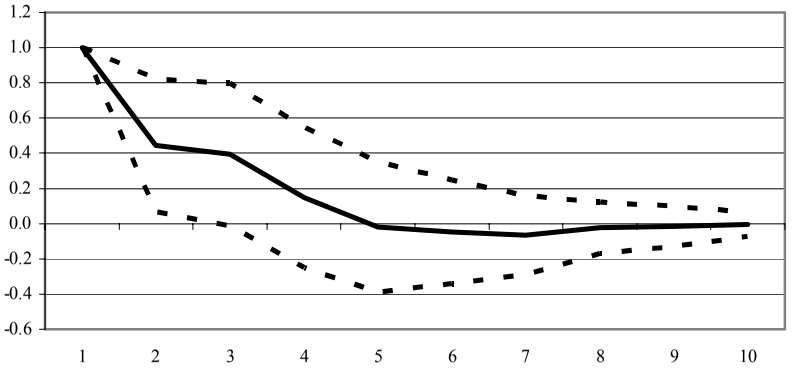


Chart 2. Response of Real Fiscal Oil Revenues to a 1 Percentage Point Oil Shock

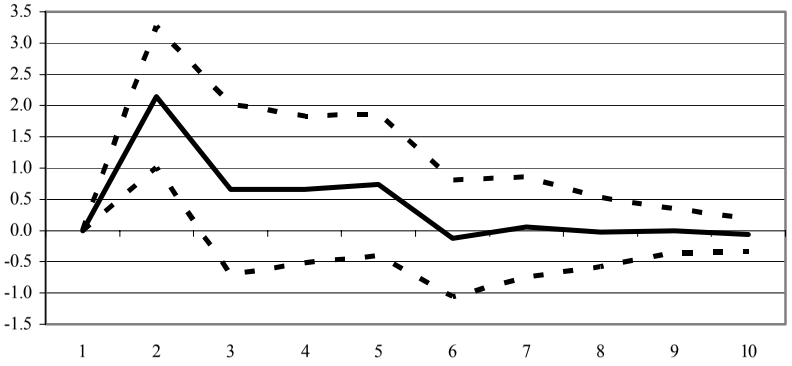


Chart 3. Response of Real Primary Expenditure to a 1 Percentage Point Oil Shock

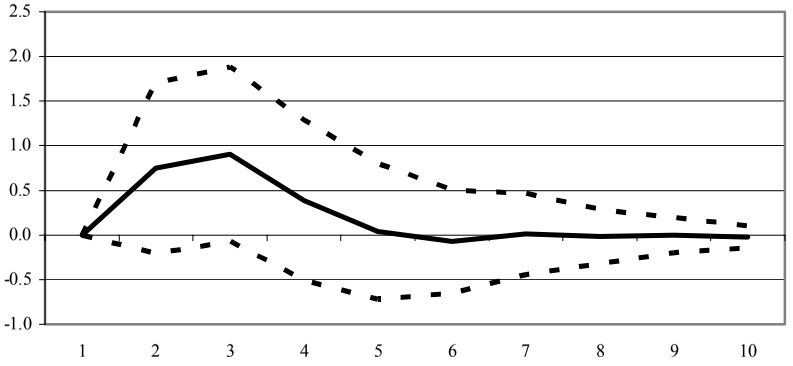
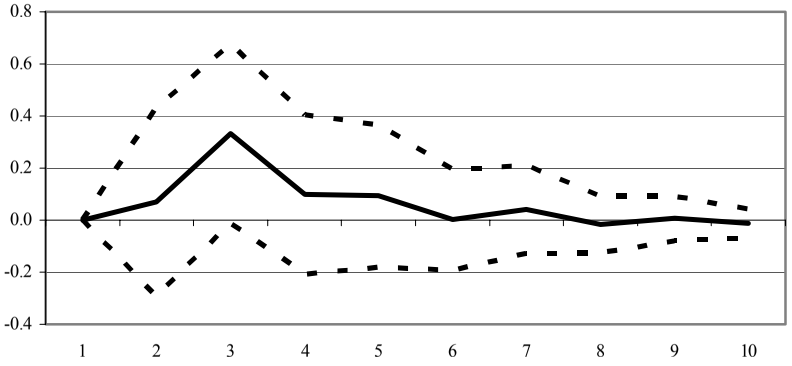


Chart 4. Response of Real Non Oil GDP to a 1 Percentage Point Oil Shock



Source: Fund staff calculations.

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The fundamental objective of restoring growth and keeping it steady and sustainable requires the emergence of a broadly based non-oil sector. [...] In this context, priority has been given to the development of agriculture and agrobusiness, the forestry and timber industry, the fishing and seafood industry, and small and medium-sized enterprises and indigenous service activities (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand-By Arrangement).

Has the composition of GDP growth and employment been biased toward nontradable goods?

30. This issue, which has already been introduced (see Section A.3), is clearly relevant for at least two reasons: the composition of growth mirrors the economic incentives, and, in the context of a country whose exports depend, ex ante, on a limited number of commodities, it affects the extent to which different policies could be considered sustainable or not.

Figure D. Gabon: Wages and Tradable-Goods Production

Chart 1: CPI and Non-Oil Private Wages (nominal annual percentage changes)

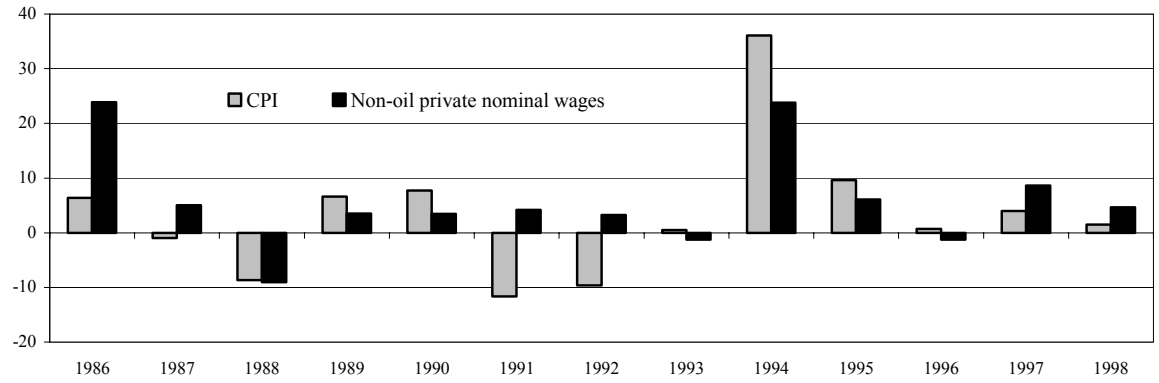


Chart 2: Wage Bill in Sub Saharan Africa (in percentage of GDP)

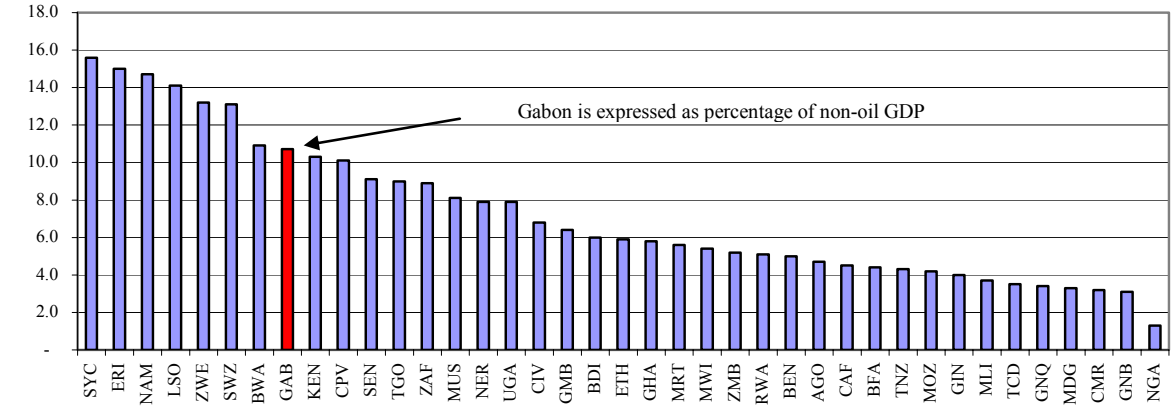
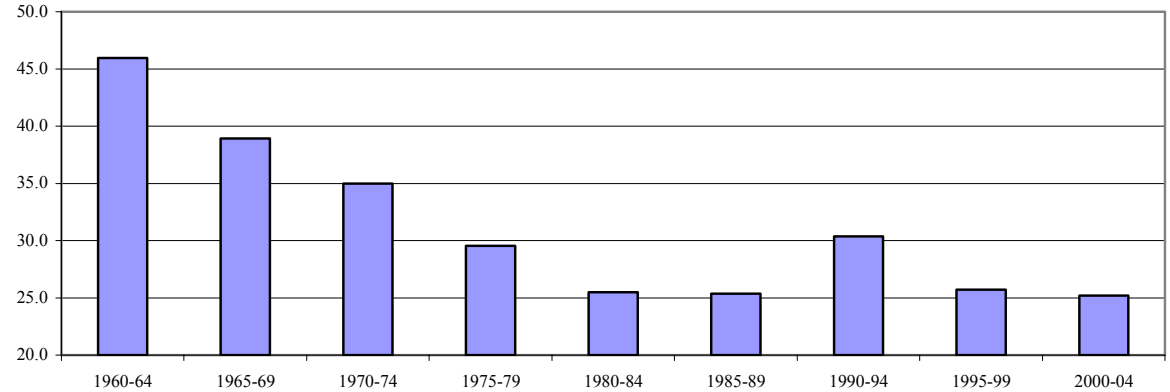


Chart 3: Tradable-goods Production (as percentage of total nominal value added)



Source: Gabonese authorities and Fund staff estimates. World Bank Database for Chart 2.

31. The composition of non-oil GDP employment and its growth seems to indicate that domestic relative prices may be discouraging tradable activities. Abstracting from the relatively high levels of formal non-oil employment in 1985 (year of an exceptionally high level of public investment and, therefore, high employment in the construction sector), private employment remained approximately constant during the 1990s (see Table 4). In addition to informal employment, the only other source of employment creation seems to have been the public sector.

Table 4. Gabon: Non-Oil Formal Employment
(In number of workers)

	1985	1990	1995	2000
Pure tradables	14,006	10,560	11,309	14,003
Import substituting (tradables for domestic consumption)	8,678	6,943	5,611	4,080
Pure nontradables (excluding central government)	54,682	29,245	29,875	29,604
Central government	29,650	30,318	36,172	39,900
Total non-oil formal employment	107,016	77,066	82,967	87,587

Sources: Gabonese authorities; and Fund staff estimates.

32. Extending the sample, the size of non-oil tradable activities (both pure and import substituting) in non-oil GDP has decreased from approximately one-third in the early 1970s to one-fourth during the first years of the new millennium (See Figure D, Chart 3). As a counterpart, non-oil export growth has continued to be relatively modest (2.5 percent, on average, during 1990–2003), extremely volatile and strongly concentrated in timber (80 percent of total non-oil exports) and manganese (15 percent).

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The authorities have resolved to reverse their expansionary policies and [...] sustain their adjustment efforts over the medium term in order to [...] lay the basis for satisfactory economic growth. Their main objectives are to contain labor costs, which are high and constrain economic diversification and growth, and to keep aggregate demand prudent (Gabon—Staff Report for the 1991 Article IV Consultation and Request for Stand By-Arrangement).

D. Conclusions

33. The nature of Gabon's problems has not changed during the past 15 years. The need to diversify the economy and the export base; control fiscal expenditure and, in particular, the wage bill; carefully assess capital expenditure; and reform public sector enterprises are the

challenges for which the Gabonese need to be prepared to implement adequate—and, by now, well-known—policies.

34. Gabon has a window of opportunity at this time: although its cost structure remains high, euro prices for oil and non-oil traditional exports are currently buoyant. The authorities should continue to implement the structural reform program they initiated in 2003. Fiscal discipline is key to making Gabon's macroeconomic situation more stable and sustainable in the face of shocks, which are inevitable. Although, fiscal discipline is necessary if growth is to resume, it is not enough. In addition, the Gabonese authorities need to stick to structural reforms designated to improve the private sector environment. These two acts should foster investment (both foreign and domestic) and promote growth.

35. In sum, the current fiscal and structural reform efforts must be sustained to liberate resources for private sector development, reduce fiscal pressure, lower labor costs, and change the current structure of price/cost incentives, all of which are key to promoting growth in the non-oil sectors. The fixed CFA franc vis-à-vis the euro make these efforts even more relevant.

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I. Data Sources and Description

1. Commodity prices, U.S. dollar/euro exchange rate

Okoumé, plywood made of Gabonese timber and other Gabonese timber: For 2001–04 prices are annual average export prices and were provided by the Gabonese authorities (*BEAC*). For 2005–10, the prices assumed are calculated by compounding each series using the assumed percentage change for Hardwood Logs included in the latest WEO exercise (March 2005).

Manganese, Palm oil, Rubber, Fish meal, Coffee (robusta), U.S. dollar/euro exchange rate: Historical and future prices are those included/assumed in the latest WEO exercise.

2. Real Effective Exchange Rates (REER)

The series for the CEMAC countries were calculated using the Fund's 'Effective Exchange Rate Facility' software. The alternative series for Gabon's REER was calculated using the annual nominal percentage change of the average non-oil formal private sector labor cost during 1986–1998, in the way described in the main text. The source for the latter is the ministry of finance (*Direction Générale de l'Économie*).

3. Non-oil private sector wages and employment

The series used are available for 1985–98 and their source is the ministry of planning (*Direction Prévision et Statistique*). For 1998–2000, these series were estimated by the ministry of finance (*Direction Générale de l'Économie*).

4. Governance indicators

The point estimates for 1996–2002 correspond to the sub sample for the SSA countries presented in Kaufmann, Kraay and Mastruzzi (2003).

5. National accounts

The sources for the GDP series in nominal terms (by sector of economic activity) are, (i) for 1960–1980, DGE (1986) (ii) for 1980–2000, the ministry of planning (*Direction de la prévision et statistique*); and (iii) for 2001–04, the ministry of finance (*Direction Générale de l'Économie*); and. For the GDP in real terms—measured in 1989 prices—(by sector of economic activity), the sources are, (i) for 1985–2000, the ministry of planning (*Direction de la prévision et statistique*); and (ii) for 2001–04, the ministry of finance (*Direction Générale de l'Économie*). There are no GDP series in real terms for 1960–1984. In order to have an indicator for the GDP changes in real terms both for the oil and non oil sectors, the following approximation was used: (i) for oil GDP in real terms, the level in 1985 was deflated by the ratio of the change in oil GDP in nominal terms and the price of oil, for the period 1960–85 (the source for both series is DGE (1986)); (ii) for non-oil GDP, the level in 1985 was

deflated by the ratio of the changes in non-oil GDP in nominal terms and the Consumer Price index in average terms, for the period 1960-85.

6. **Fiscal accounts**

The sources for the series on oil and non-oil fiscal revenues and primary expenditures (both current and capital) are, (i) for 1960–1985, DGE (1986); (ii) for 1986–87, Barro Chambrier (1990) and IMF (1989); (iii) for 1988–99, BEAC (2000); and (iv) for 2000–04, IMF (2004). The series in real terms—expressed in 1989 prices—were approximated as follows: (i) for fiscal oil revenues, the series in nominal terms was deflated by the APSP index with base in 1989; (ii) for the remaining series, they were deflated by the non-oil GDP price deflator (for the period 1986–2004), and by the consumer price index (for the period 1960–1985).

7. **Wage comparisons for sub-Saharan Africa**

The international comparisons are based on a World Bank dataset from the website http://www1.worldbank.org/publicsector/civilservice/.

II. VECTOR AUTOREGRESSION (VAR)

This appendix describes succinctly the VAR model that was used to derive the results reported in Section B.2. A useful reference for VAR estimation techniques is Enders (1995). The endogenous variables considered are real oil GDP growth (DROGDP), real fiscal oil revenues growth (DTP), real primary government expenditure growth (DPG) and real non-oil GDP growth (DRNOGDP). All variables are expressed as the first difference of the respective levels in logarithm terms. All changes refer to annual changes.

The series are all I(0), so the reduced VAR is stationary.[24] To determine the appropriate lag length, several tests were performed. The Akaike information criterion (AIC), the Hannan-Quinn Information criterion (HQ) and the sequential modified likelihood ratio test indicate that the optimal number of lags to include is 2.[25]

Current and one lag changes in the price of oil (OILPRICE) were included as exogenous variables. The results of the estimation of the reduced form VAR are reported in Table A1.

Table A1: Reduced Form Vector Autoregression 1/ 2/

	DROGDP	DTP	DPG	DRNOGDP
DROGDP(-1)	0.445	2.141	0.750	0.071
	0.189	0.567	0.478	0.181
	[2.349]	[3.777]	[1.567]	[0.391]
DROGDP(-2)	-0.032	0.507	0.084	0.173
	0.219	0.655	0.553	0.209
	[-0.147]	[0.773]	[0.151]	[0.829]
DTP(-1)	0.060	-0.377	0.096	0.021
	0.061	0.183	0.154	0.058
	[0.982]	[-2.059]	[0.624]	[0.352]
DTP(-2)	-0.013	-0.218	0.066	0.044
	0.054	0.161	0.136	0.051
	[-0.240]	[-1.351]	[0.482]	[0.853]
DPG(-1)	0.156	-0.195	0.400	0.148
	0.132	0.397	0.335	0.126
	[1.177]	[-0.491]	[1.193]	[1.166]
DPG(-2)	-0.102	-0.609	-0.630	-0.192
	0.119	0.356	0.301	0.114
	[-0.855]	[-1.708]	[-2.094]	[-1.687]
DRNOGDP(-1)	-0.237	2.169	-0.270	-0.393
	0.351	1.050	0.886	0.335
	[-0.674]	[2.065]	[-0.304]	[-1.174]
DRNOGDP(-2)	-0.142	3.073	0.692	0.383
	0.318	0.952	0.803	0.304
	[-0.446]	[3.228]	[0.861]	[1.262]
C	0.007	-0.021	-0.007	0.003
	0.010	0.030	0.025	0.010
	[0.705]	[-0.698]	[-0.277]	[0.265]
OILPRICE	0.004	0.030	-0.019	-0.005
	0.015	0.044	0.037	0.014
	[0.280]	[0.688]	[-0.523]	[-0.339]
OILPRICE(-1)	0.084	-0.135	0.137	0.099
	0.068	0.204	0.172	0.065
	[1.235]	[-0.662]	[0.795]	[1.519]
R-squared	0.396	0.615	0.365	0.277
Adj. R-squared	0.134	0.447	0.089	-0.037
Sum sq. resids	0.053	0.478	0.341	0.049
S.E. equation	0.048	0.144	0.122	0.046
F-statistic	1.511	3.670	1.322	0.881

Notes:
1/ Standard errors in ( ) & t-statistics in [ ]
2/ Sample: 1971 2004 (34 observations)

[24] Augmented Dickey-Fuller tests were performed on the variables (including and excluding a constant). The null hypothesis of a unit root is rejected in all cases at usual confidence levels. These results are available upon request.

[25] Results available upon request.

The identification of the Structural VAR (SVAR) that was used to calculate the Impulse Response Functions (IRFs) depicted in Figure C, assumed that matrix A is diagonal and that matrix B has the following form:

$$B = \begin{bmatrix} 1 & 0 & 0 & 0 \\ b_{21} & 1 & 0 & 0 \\ 0 & b_{32} & 1 & 0 \\ 0 & 0 & b_{43} & 1 \end{bmatrix}$$

To calculate the structural coefficients used to obtain the IRFs, we assume that the structural innovations (ε_t) can be recovered from the observed residuals (e_t) using $A \cdot e_t = B \cdot \varepsilon_t$, where both ε_t and e_t are 4×1 vectors. The ordering of the variables consistent with this identification approach is DROGDP, DTP, DPG and DRNOGDP. In other words, shocks to oil production affect simultaneously the real oil revenues, but not the other 2 variables. Shocks to oil revenues affect simultaneously primary expenditures, but not non-oil growth. Finally, shocks to primary expenditures, affect simultaneously non-oil growth. The rationale for this identification approach follows from the discussion in Section B.3.

The estimates for the structural parameters are reported in Table A2.[26]

Finally, given that the variables used are only available at an annual frequency, the sample size is small (34 observations). Therefore, caution should be exercised in the interpretation of the results.

Table A2: Structural VAR Estimates 1/

	Coefficient	Std. Error	z-Statistic	Prob.
a11	20.767	2.518	8.246	0.000
a22	6.887	0.835	8.246	0.000
a33	9.952	1.207	8.246	0.000
a44	32.537	3.946	8.246	0.000
b21	0.080	0.147	0.541	0.589
b32	0.405	0.134	3.021	0.003
b43	1.113	0.257	4.338	0.000

Notes:
Estimation method: method of scoring (analytic derivatives)
Convergence achieved after 23 iterations

[26] The VAR and SVAR were estimated using Eviews 4.

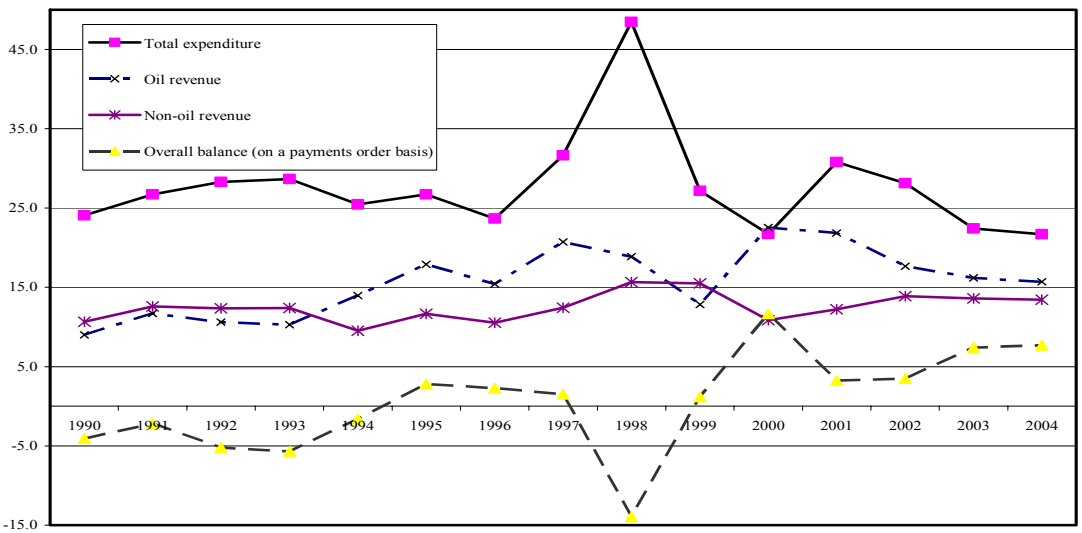
IV. Medium-Term Fiscal Constraints in Gabon: A Scenario Approach[27]

A. Introduction

1. Gabon's macroeconomic performance has been erratic over the past decade. There have been intervals of satisfactory progress followed by periods of sudden surges in government spending, particularly associated with the political cycle, giving rise to large fiscal deficits and accumulation of external and domestic arrears (Figures 1 and 2). However, in recent years, steps have been taken to strengthen budgetary management capacity, improve governance, accelerate the privatization process, and foster private sector development.

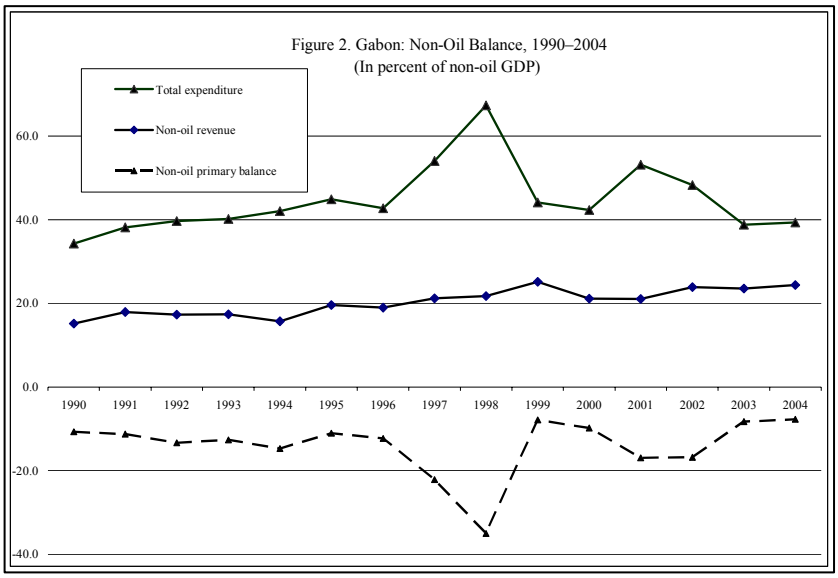
2. Despite the recent improvement, Gabon's economy continues to face major challenges, including a secular decline in oil production, a heavy debt burden, and weak social indicators. Gabon's oil sector, which contributes about 55 percent of government revenues, is projected to decline gradually over the medium term and, without significant new discoveries, oil reserves could be depleted over the next 25 years. At the same time, given the high level of public debt (over 60 percent of GDP in 2004), interest payments, at about 7 percent of non-oil GDP and almost 30 percent of non-oil revenues in 2004, are high and pose a heavy burden on government finances. Gabon's social indicators are weak and are not better than those of other sub-Saharan African countries, despite a per capita income similar to that of other upper middle-income countries. This puts pressures to increase and improve spending in social sectors.

Figure 1. Gabon: Gouvernment Finance, 1990–2004
(In percent of GDP)



[27] Paper prepared by Tahsin Saadi Sedik.

3. In this context, to ensure a sustainable path for the government debt-to-GDP ratio over the medium term, both mobilizing more non-oil revenue, and containing and prioritizing the current level of expenditure are essential.



4. However, in Gabon non-oil revenue already accounts for a relatively large share of non-oil GDP and the room for a large increase of non-oil revenue to offset the reduction of oil revenue may be limited. In 2002 non-oil revenue was around 24 percent of non-oil GDP, compared with an average of less than 15 percent for five other oil-producing countries, Angola, Azerbaijan, Nigeria, Venezuela, and Yemen, (Table 1). Gabon's revenue performance is also well above the sub-Saharan African average and is comparable to those of upper-middle-income countries.[28]

5. Total expenditures, 39.3 percent of non-oil GDP in 2004, also appear to be high. The composition of public expenditures suggests relatively high spending on wages and salaries, and on interest payments (Figure 3). In 2004, wages and salaries represented 10.8 percent of non-oil GDP and interest payments 7 percent of non-oil GDP. Together they represent 60 percent of total current expenditure.

Table 1. Gabon: Comparison of Oil and Non-Oil Revenues 1/

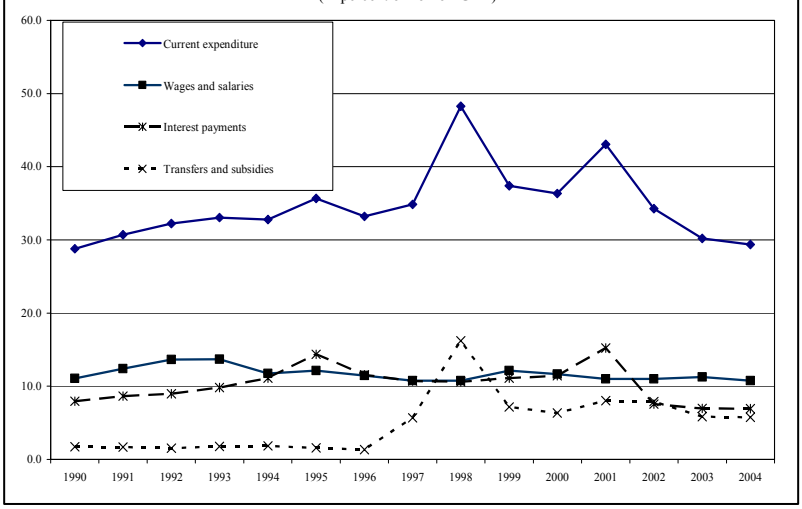
	Total revenue, excluding grants (Percent of GDP)	Oil revenues (Percent of GDP)	Non-oil revenues (Percent of non-oil GDP)
Angola	39	29.9	20.4
Azerbaijan	27.8	15.5	16.9
Nigeria	46.9	36.1	15.5
Venezuela	18.4	9.4	11
Yemen	32	22.3	13.8
Average	**32.7**	**22.6**	**14.7**
Gabon	**31.5**	**17.7**	**23.9**

1/ Data are for 2002.

[28] See Keen and Simone (2004) for an international comparison of the level and composition of government revenue performances.

6. Thus, while scope remains for further improvement in non-oil revenues, the main instrument of adjustment in Gabon is probably on the public expenditure side. The aim of this paper is to outline the main medium-term fiscal challenges that Gabon will face under decreasing oil production, and to consider possible areas of adjustment both on the revenue and the expenditure side. The remainder of this paper is organized as follows: Section 2 presents scenarios covering 2005–2023, focusing on (i) the path of oil revenue (oil production and oil prices); (ii) the control of the wage bill; (iii) the use (spending versus saving) of the current oil windfall resulting from higher oil production and prices than originally projected; and (iv) the importance of Gabon's economic diversification. Section 3 discusses policy implications and the last section presents the conclusions.

Figure 3. Gabon: Composition of Current Expenditure, 1990-2004
(In percent of non-oil GDP)

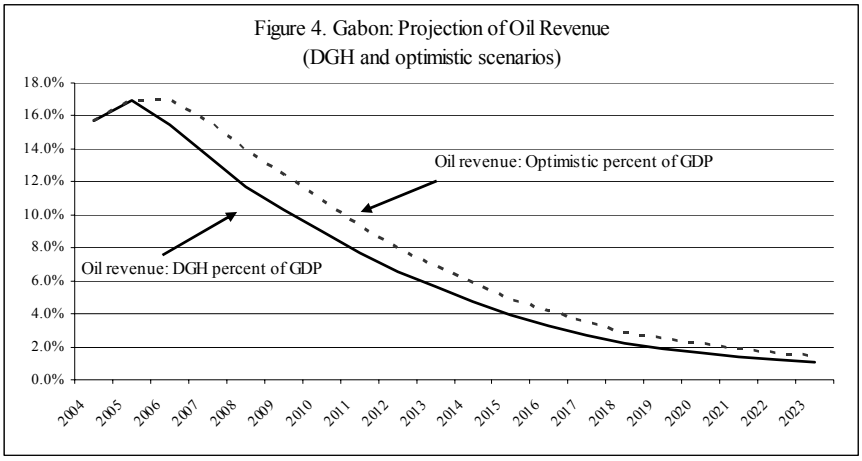


B. Alternative Scenarios[29]

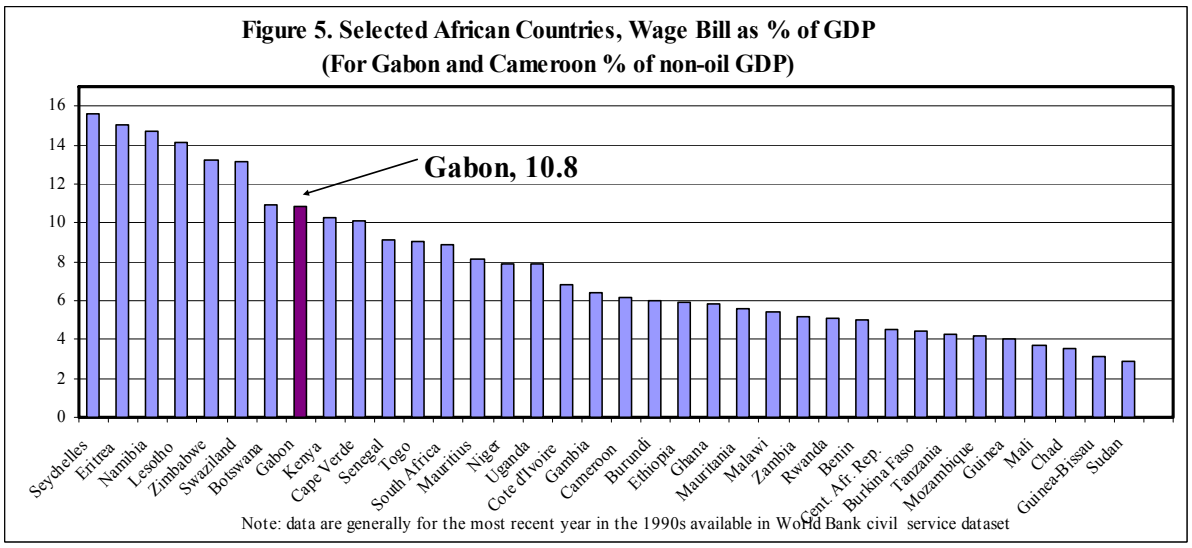
Main assumptions

7. **Oil revenues:** Given the uncertainty about the future path of oil production, two scenarios are considered. The baseline scenario, tables a conservative approach, extending the 2005–2010 oil projections of the DGH (Direction Générale des Hydrocarbures) to 2023. A second, more optimistic scenario maintains oil production broadly at its current level until 2007 (reflecting the views of the major oil companies active in Gabon) followed by a decline thereafter at the same rate as in the baseline (Figure 4). The assumptions for exchange rates and oil prices are those of the WEO (as of March 1, 2005) up to 2010. After 2010, the assumption is that the dollar exchange rate vis-à-vis euro remains unchanged from the 2010 value. The benchmark Brent price of oil is projected to fall from US$48.1 per barrel in 2005 to US$40.2 in 2010. After 2010, the assumption is that the Brent price converges gradually to US$30.0 per barrel. To show the sensitivity of Gabon's economy to the volatility of oil prices, a scenario of oil prices 20 percent lower than the baseline scenario is also considered.

[29] For the traditional debt sustainability analysis and further alternative scenarios, see Appendix IV in the accompanying staff report.



8. **Wage bill:** As shown in Figure 3, the wage bill accounts for a large share of public expenditure. In 2004, the wage bill was 10.8 percent of non-oil GDP placing Gabon's civil service among the most expensive in Africa (Figure 5).[30] Thus, maintaining the control of the wage bill is an important element of fiscal sustainability. To show the importance of wage bill for fiscal sustainability, two scenarios are presented. In the baseline scenario, the wage bill is assumed to remain constant in real term (that is, the wage bill is assumed to increase at the same rate as the non-oil GDP deflator). Then, a second scenario presents a wage bill constant as a share of non-oil GDP (that is, wage bill increases at the same rate as non-oil GDP).



[30] The international comparisons are based on a World Bank dataset from the websitehttp://www1.worldbank.org/publicsector/civilservice/.

9. **Use of oil windfall:** Under the baseline scenario the government is able to maintain both its non-oil revenues and its non-wage primary expenditure constant as a proportion of non-oil GDP. Here, it is implicitly assumed that the current oil windfall—defined as all revenue above US$35 per barrel of Brent (Table 2)—is used to decrease the public debt and increase the assets of the Fund for Future Generations (FGF).[31] Then, in a second scenario, the government is allowed to spend the entire windfall (that is, by increasing the level of non-wage primary expenditure).

10. **Non-oil growth:** In the baseline, non-oil growth is assumed to be approximately 3.8 percent, on average, during the period 2005–23. This is higher than the average non-oil growth over 1990–2003 (2.5 percent). Then two other scenarios are considered: (i) non-oil growth is assumed to be 2 percent lower than in the baseline scenario; (ii) the growth in forestry sector is assumed to be two percent lower than in the baseline scenario.[32]

The main assumptions of all the scenarios are summarized in the Table 3.

Table 2. Gabon: Oil Windfall
(In percent of non-oil GDP) 1/

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
8.0	6.6	4.4	3.0	2.1	1.7	1.0	0.5	0.3	0.1

1/ The oil windfall is defined as the difference between oil fiscal revenues in the baseline scenario and the oil fiscal revenues that would result if Brent prices would be US$35 per barrel.

[31] For the accumulation of assets at the FGF, it is supposed that the law is observed. (See Chapter II).

[32] See Chapter III in this SEI paper for details on the factors limiting/enhancing the growth in the non-oil sector in Gabon.

Table 3. Gabon: Summary of Scenario Assumptions

	Oil production	Oil prices	Wage bill	Non-wage primary expenditure	Non-oil growth
Scenario A (Baseline)	Base DGH	WEO	Constant in real terms (i.e. grows at the same rate as non-oil GDP deflator)	Constant as percent of non-oil GDP	3.8 percent in average over 2005–2023
Scenario B	Optimistic	Same as in A	Same as in A	Same as in A	Same as in A
Scenario C	Same as in A	Same as in A	Constant as percent of non-oil GDP	Same as in A	Same as in A
Scenario D	Same as in B	Same as in A	Same as in C	Same as in A	Same as in A
Scenario E	Same as in A	Same as in A	Same as in A	Oil windfall is spent	Same as in A
Scenario F	Same as in A	Oil prices are lower by 20 percent than in A	Same as in A	Same as in A	Same as in A
Scenario G	Same as in A	Same as in A	Same as in A	Same as in A	2 percent lower than in A
Scenario H	Same as in A	Same as in A	Same as in A	Same as in A	Growth in forestry is 2 percent lower than in A

The results

11. The results for the baseline scenario are reported in Table 4. Under the baseline scenario public debt is sustainable. Gabon's total public sector debt-to-GDP ratio is projected to fall from 61.9 percent in 2004 to 38.5 percent in 2007, 24.4 percent in 2010, and further to 6.8 percent in 2023. Non-oil primary deficit is projected to fall from 7.7 percent in 2004 to 5 percent in 2007, to 4 percent in 2010, and will almost disappear around 2023. The wage bill, as a share of non-oil GDP, is projected to drop from 10.8 percent in 2004 to 9.5 percent in 2007, 8.4 percent in 2010, and further to 5.1 in 2023. Interest payments are projected to fall from 7.1 percent in 2004 to 3.2 percent in 2007, 1.6 percent in 2010, and further to 0.5 percent in 2023.

Table 4. Gabon: Government Finance Under Baseline Scenario 1/
(As a share of non-oil GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2010	2015	2020	2023
Total revenue and grants	65.0	58.7	54.3	51.7	53.0	57.4	52.3	47.3	37.5	29.9	27.2	26.5
Revenue	65.0	58.7	54.2	51.6	52.9	57.2	52.1	47.0	37.3	29.7	27.0	26.3
Oil revenue	43.9	37.7	30.4	28.0	28.5	31.9	26.8	21.8	12.0	4.4	1.7	1.1
Non-oil revenue	21.2	21.1	23.9	23.6	24.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Foreign grants	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure	42.3	53.1	48.3	38.8	39.3	37.0	35.9	33.7	31.1	28.7	27.3	26.7
(excl. interest payments)	30.9	37.9	40.8	31.9	32.2	31.3	30.9	30.5	29.5	28.0	26.8	26.1
Current expenditure	36.3	43.1	34.3	30.2	29.8	27.3	26.1	24.0	21.4	18.9	17.6	16.9
Wages and salaries	11.7	11.0	11.0	11.3	10.8	10.2	9.8	9.5	8.4	6.9	5.7	5.1
Purchases of goods and services	6.9	8.9	7.8	6.1	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Transfers and subsidies	6.3	8.0	7.9	5.8	6.0	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Interest payments	11.4	15.2	7.5	7.0	7.1	5.7	4.9	3.2	1.6	0.7	0.5	0.5
Domestic	1.5	1.7	1.7	1.5	1.5	1.1	0.7	0.5	0.4	0.3	0.2	0.2
External	9.9	13.5	5.9	5.5	5.7	4.6	4.3	2.7	1.3	0.4	0.3	0.3
Capital expenditure	5.7	8.2	6.8	6.4	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Primary balance	34.1	20.8	13.6	19.8	20.8	26.1	21.4	16.7	8.0	1.9	0.4	0.4
Primary non-oil balance (including grants)	-9.8	-16.9	-16.8	-8.2	-7.7	-5.8	-5.4	-5.0	-4.0	-2.5	-1.3	-0.7
Overall balance (on a payments order basis)	22.7	5.6	6.0	12.9	13.7	20.4	16.5	13.5	6.4	1.2	-0.1	-0.1
Overall balance (on a cash basis)	7.8	8.3	6.1	11.1	4.6	18.0	16.5	13.5	6.4	1.2	-0.1	-0.1
Total Public Debt % GDP	--	--	--	--	61.9	48.8	43.2	38.5	24.4	12.0	6.8	6.8
Financing Gap (percent of non-oil GDP	--	--	--	--	0.0	0.0	0.0	-0.1	-1.3	-1.0	-0.3	-0.1

Sources : Gabonese authorities; and staff estimates.

1/ Oil revenues are DGH; wage bill grows at the same rate as non-oil GDP deflator; non-oil revenues and rest of primary expenditures remain constant as percentage of non-oil GDP.

12. For other scenarios (Scenario B-Scenario H), the financial gaps as a percentage of non-oil GDP and total public debt as a percentage of GDP are reported in Figures 6–7 and Figures 8–9, respectively. The main results can be summarized as follows:

- **Gabon's economy remains highly vulnerable to oil revenue (oil production and oil prices).** Because the fiscal path is already sustainable under the baseline scenario, an increase in oil production (optimistic path of oil production) will further improve Gabon's fiscal sustainability (scenario B). However, a drop of oil prices by 20 percent from projected levels will generate financial gaps and public debt becomes unsustainable (scenario F).

- **Maintaining control of the wage bill is an important element of fiscal sustainability, and this even with an optimistic path of oil production.** If government maintains the wage bill constant as a percentage of non-oil GDP (instead of remaining constant, in real terms, at its 2005 level), public debt will be placed on an unsustainable path. Given the high oil prices, the effect of this scenario is more important when oil production and revenues decrease. In the end, the debt dynamics originated in this wage bill policy makes public debt turn unsustainable in the longer term (scenario C). If oil revenues are high on account of higher oil production and, at the same time, the wage bill remains constant as a percentage of non-oil GDP, still

the public debt-to-GDP ratio increases, although the effect of the higher oil revenue dominates through 2014 (scenario D).

- **The use of oil windfall (spending versus saving) is a crucial element of fiscal sustainability.** If government spends the oil windfall, beginning in 2005, this has an immediate effect on fiscal sustainability: under this scenario, the public debt-to-GDP ratio would be approximately 50 percent by 2007, 44.1 percent by 2010 and the debt dynamics caused by the higher expenditures make public debt turn unsustainable (scenario E).

- **The ability to sustain a steady growth in the non-oil sector through diversification is a crucial element of debt sustainability**. A lower growth rate in non-oil sector or in its components, depending on the size of the component, will undermine fiscal sustainability (scenarios G and H). Also a lower non-oil growth would make public debt less sustainable in scenarios B to F.

Figure 6. Gabon: Financing Gap
(As a percentage of non-oil GDP)

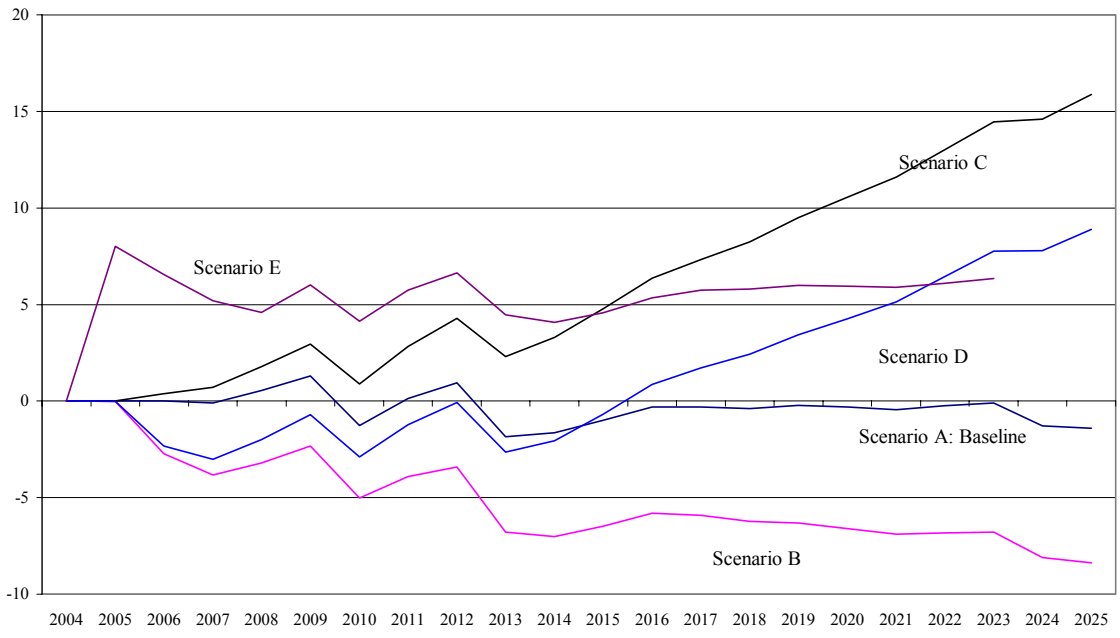
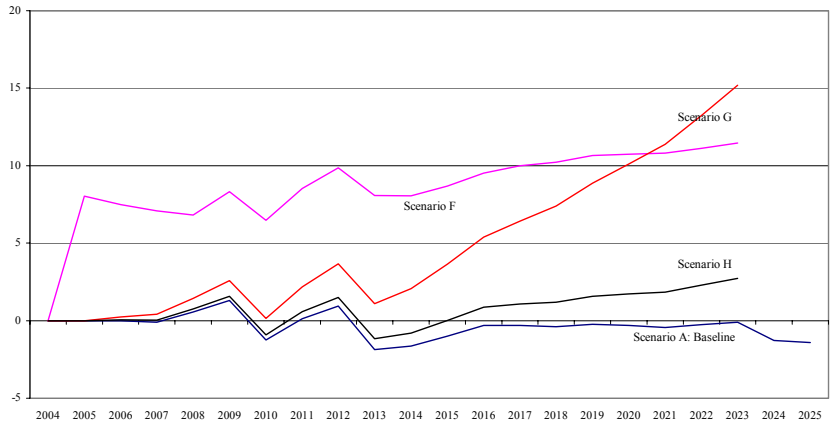


Figure 7. Gabon: Financing Gap
(As a percentage of non-oil GDP)



Sources: Fund staff estimates; and calculations.

Figure 8. Gabon: Total Public Debt
(As a percentage of GDP)

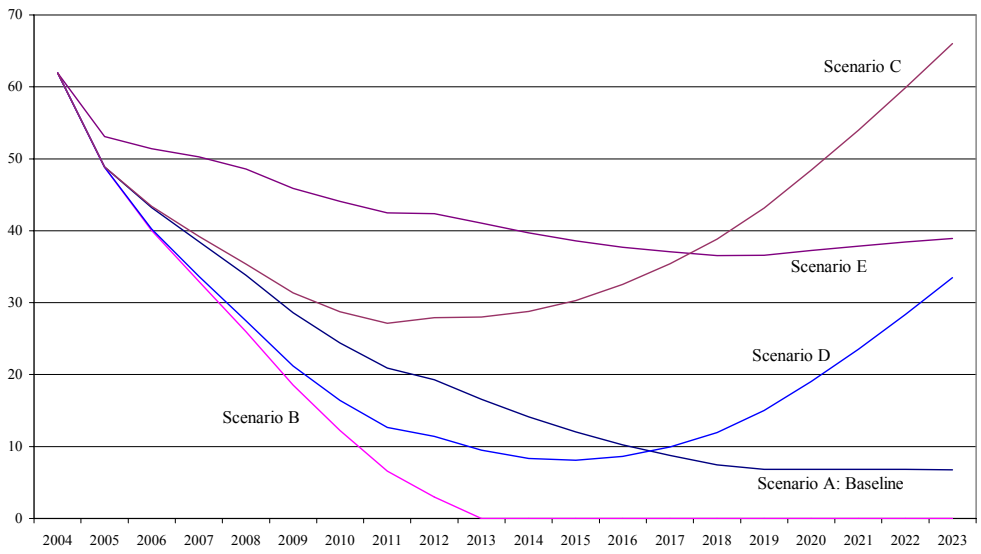
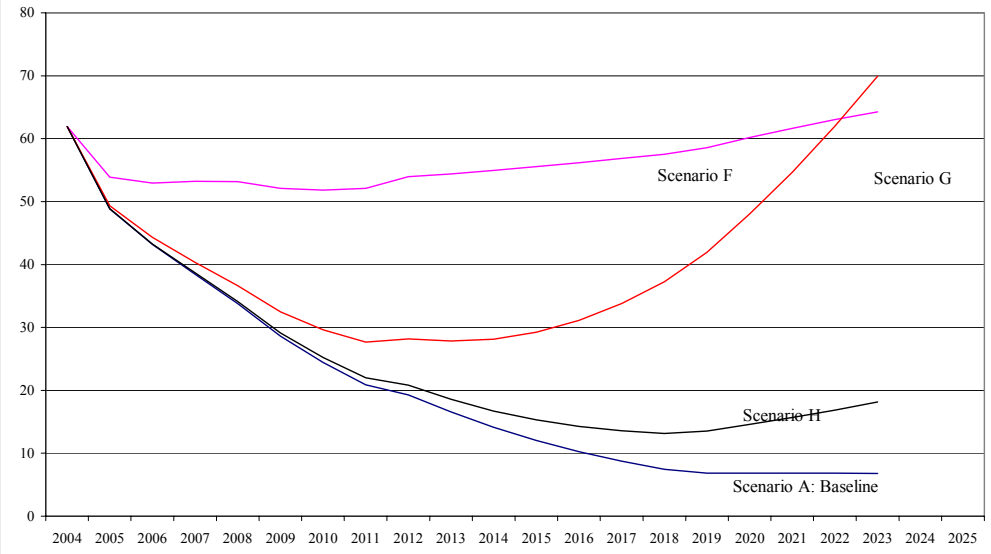


Figure 9. Gabon: Total Public Debt
(As a percentage of GDP)



C. Policy Implications

13. The main policy implications from these simulations are as follows:

- **The use of the windfall: the virtuous circle**

The level of public debt is high in Gabon (over 60 percent of GDP in 2004); this generates high levels of interest payments (about 7 percent of non-oil GDP and almost 30 percent of non-oil revenues in 2004). Higher oil revenue, resulting from higher oil prices and a slower decline of oil production than projected, provides the government with a crucial choice: spending or saving the windfall. The scenarios show that if Gabon maintains its budgetary discipline, and manages its oil windfall prudently, foreign debt can fall by more than half by 2010. This will generate a virtuous circle for the public finances by reducing the heavy burden imposed by public debt. If, on the other hand, Gabon relaxes fiscal policy today, foreign debt will remain at current levels and unsustainable financing gaps will open up. Thus, if the government saves (spends) the oil windfall, it can be a blessing (curse) for Gabon.

- **Wage bill**

A key element for Gabon's fiscal sustainability is to contain the wage bill. The recently promulgated civil service law poses risks for maintaining control of the wage bill. In particular, the creation of five separate civil services could reduce discipline in public sector

hiring and remuneration decisions. To have its full impact, implementing decrees and a number of complementary laws need to be passed. These decrees and laws should provide instruments for the government to contain the wage bill. However, if the new civil service law inflates the wage bill, there would be serious risks for public debt sustainability.

- **Non-oil revenue mobilization**

In the scenarios we assumed that non-oil revenue remains constant as a share of non-oil GDP (that is, it grows at the same rate as the non-oil GDP). This does not mean that there is an unchanged tax effort. Indeed, some non-oil revenues are related to oil activities (e.g., taxes on wages for employees in oil companies; tax revenues from consumption by expatriates working in oil companies, etc). These revenues will decrease with the decline of oil production, raising pressures on other non-oil revenue to be constant as a percentage of non-oil GDP. Thus, government should maintain and enhance its tax effort. In this regard, a fund technical assistance report on tax policy and administration made a number of key recommendations. Many of them still have to be implemented:[33]

(i) streamlining of tax incentives and elimination of discretionary exemptions granted to specific businesses;

(ii) simplifying the structure of VAT and limiting exemptions;

(iii) strengthening the recovery of tax arrears, particularly VAT and forestry taxes; and

(iv) modernizing tax administration, including transferring all tax collection responsibilities from the Treasury to the Direction Générale des Impôts (DGI); increasing the number of tax auditors, and widening the coverage of tax audits.

14. The report also recommended the creation of a Large Taxpayers Unit (LTU). The decree establishing the LTU (Direction des Grandes Entreprises, DGE) in the tax directorate was adopted in September 2004. The DGE will begin its operations in 2005 and is expected to be fully operational during 2006. The task is now to make the DGE effective in enhancing revenue mobilization.

- **Public expenditure management**

Given the limited scope for increasing non-oil revenue, the core of fiscal adjustment is to contain public expenditures and enhance their efficiency. In this regard, a second technical assistance report[34] contains many valuable suggestions that are still to be put into practice,

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[33] Benon, Olivier, Eric Lesprit, Maureen Kidd and Alain Jousten, February 2004, Gabon: "Amélioration du Système Fiscal et Modernisation de la Direction Générale des Impôts" (Washington : International Monetary Fund).

[34] Hélis, Jean Luc, July 2004, "Gabon: Proposition pour une Amélioration de la Gestion Budgétaire," (Washington: International Monetary Fund).

covering budget preparation, budget execution, and sound public accounting practices. Important priorities in the public expenditure management area include:

(i) integration of all special funds in the budget;

(ii) clarification on the division of responsibilities, and separation of functions, between the DGST (Treasury) and the DGCP (General Public Accounting Department);

(iii) enhancing the management of public investment. A large part of capital spending should be integrated into current expenditure. The investment budget needs to focus on true development projects; and

(iv) the establishment, over the medium term, of a medium-term expenditure framework.

D. Conclusion

15. Gabon faces huge medium term fiscal constraints imposed by the expected steady decline in oil production and its depletion in about 25 years. Clearly, a sustainable fiscal path needs (i) to maintain both tax effort and control of public expenditure, and (ii) to foster sustainable growth in the non-oil sector through diversification.

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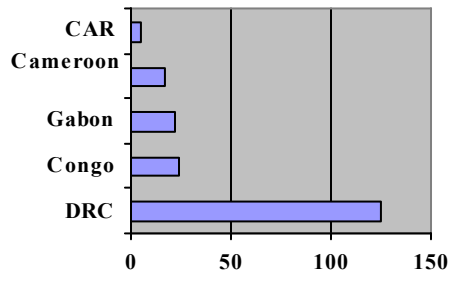
V. Forestry Sector Reform in Gabon[35]

1. Forest products, which include both primary and processed products[36], account for about 3 percent of world GDP. Trade in such products is dominated by the developed countries, and the world exporters and importers are mainly G7 countries. Africa's share of the market for forest products is less than 5 percent of total world trade. However, it has a higher presence in the market of tropical timber,[37] where its share was about 20 percent of the world's exports of tropical timber in 2001. The level of transformation in Africa's exports of forestry products has increased lately, partly reflecting export restrictions and the aim of governments to foster value added in the sector.

A. Gabon and the Congo Basin

2. Forests play an important role in the economy of the Congo Basin. The primary uses of forests are for commercial exploitation, subsistence, and tourism. Forests cover a substantial part of the region, but in the Congo Basin, in contrast to Latin America and Asia, commercial species represent just a small proportion of the stock in the forests[38], which reduces the viability of extensive commercial logging.

Figure 1. Forests
(In millions of hectares)



3. Several countries in the Congo Basin have adopted forestry management plans in recent years and have reformed forestry taxation. However, more remains to be done to place the forestry sector on a sustainable path. Moreover, revenues could be much higher than they actually are the amounts collected.[39] According to the World Bank/ WWF (2003),

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[35] Prepared by Oscar Melhado.

[36] Primary products include logs, sawnwood, panels, and pulp. Processed products comprise paper, furniture, doors, and others. Paper and related products represent about half the value of forest products.

[37] The key countries in the trade and production of tropical timber are Indonesia, Brazil, Malaysia, India, and Thailand.

[38] In Gabon only 5-20 of about 300 species of trees are commercially valuable.

[39] In the DRC, average concessions of 200,000 hectares with a potential market value of US$200 million were paying only US$286 a year.

conservative estimates of forgone revenues resulting from tax evasion and weak collection in the Congo Basin in 2003 could be on the order of US$25 million annually.[40]

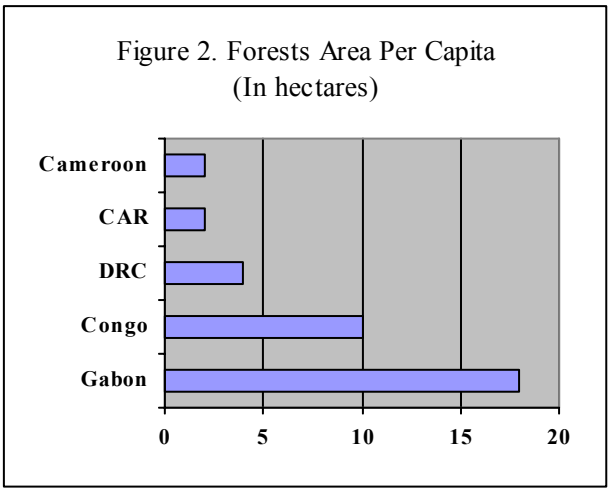

Table 1. Forest Sector Indicators for the Congo Basin Countries in 2001

	Fiscal revenues (Percent of GDP)	Exports (Percent of GDP)	Valued Added (Percent of GDP)	Labor in the formal sector (Number of people employed)	Forest Area (Millions of hectares)
Cameroon	0.4	...	7.0	...	22
Central African Republic	0.9	6.4	8.1	3,500	5
Congo	0.2	3.8	1.5	...	25
DRC	0.6	...	1.0	20,000	125
Gabon	0.9	7.5	2.8	10,149	24

Source: IMF Staff estimates.

4. In Gabon, which has the largest forest area per capita in Africa, 85 percent of the land area is covered by forests. Though forestry sector activities contribute only about 3 percent of GDP, forestry products are the second-largest export after oil, and Gabon is the leading

[40] Conservative estimates for each of the countries are as follows: Cameroon US$5.3 million, Central African Republic US$3.0 million, Congo US$4.2 million, Democratic Republic of Congo US$2.2 million, and Gabon US$10.1 million.

exporter of logs in Africa. It is estimated that about 10 percent of the labor force works in forestry-related activities. Most of the log production is exported, but the government is aiming to foster processing industries and tilting the composition of production to supply the domestic industry. By regional comparisons, the yield of forestry taxation in Gabon is low, for instance, forestry taxes in Cameroon, with a volume of production about 65 percent of that of Gabon, were about CFAF 40 billion in 2003.

Figure 3. Cut and Export of Logs, 1996–2004
(In thousands of cubic meters)

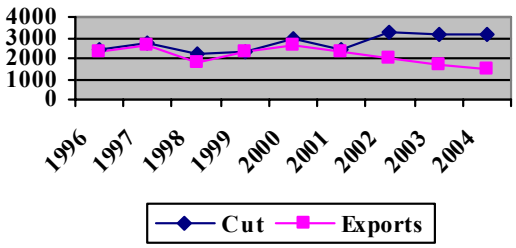

Table 2. Gabon: Forestry Sector Tax Revenues
(In billions of CFAF, unless otherwise indicated)

	2003	2004
Export taxes	29.88	25.31
Okoumé	15.48	10.02
Ozigo	0.28	0.19
Other woods	14.12	15.10
Stumpage taxes	2.04	2.85
Area taxes	.81	4.57
Other taxes	0.60	0.37
Total	33.33	33.10
In percent of total tax revenues	6.96	6.47
In percent of GDP	0.95	0.86

Sources: Gabonese authorities; and staff estimates.

B. Reform Objectives in the Congo Basin

5. The overall objectives of forestry sector reform in the Congo Basin are to make the management of forest resources sustainable; improve the business and investment climate; put in place a tax system that is simple, transparent, and equitable; and ensure an equitable sharing of forestry rents among private entrepreneurs, the government, and local communities. Cameroon is the country that has made the most progress in achieving these objectives. [41]

6. The forestry sector in Gabon, as in most of the Congo Basin countries, is largely undeveloped and, if managed in a sustainable manner, could be a considerable source of growth. Given the increasing demand from international markets for both logs and processed products from the region, the development of the sector should be designed to protect the resource and should address the following issues:

- **Source of fiscal revenues.** Currently, forestry revenues represent a relatively minor proportion of tax revenues. This may be due to inefficiently designed tax systems, weak compliance, and governance problems. Revenues derived in the sector could contribute substantially to the budget. With the adoption of better-designed systems, strengthened tax administration, and reduction of corruption, revenues from the forest sector would contribute to resource mobilization. The area tax, with concessions allocated through a public auction system, is becoming the best practice in the region.

- **Export earnings.** The sector is increasingly positioning itself as the second-largest export after oil in some of the central African countries. Forest products have potentials on account of the increasing demand for tropical logs and processed products from Asian and European markets and the relative abundance of the resource in the region.

- **Labor markets.** The industry is labor-intensive, and a considerable proportion of the labor force is employ in the sector, not to mention the segment of the population that depends on the forest for subsistence. A well-developed sector could become a leading employer not only in logging and processing, but also in forest management and tourism.

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[41] The most important tax in Cameroon is the area tax, followed by the stumpage tax, and tax and surcharges on log exports. Local communities receive a share of US$1.40 per m³ of the area tax. With World Bank assistance, Cameroon reformed the area tax, introducing a system of allocating concession through public auctions. The amount of tax to be paid is the bidding parameter during the auction. The new system based on auctions makes available the information to the public and guarantees that new permit holders adopt management plans.

- **Domestic activity.** A processing industry with additional value added generation could be developed. Most of the governments are aiming to this by adopting bans on the export of logs and taxing logs exports at higher rates. Processing industries are expanding under preferential treatment.

C. Gabon's Forestry Reform Agenda

7. Following many years of almost unregulated exploitation of its forest, Gabon initiated in 2001 a comprehensive process of reform geared towards protection and sustainable management of its forestry resources. To this end, three important measures were implemented, which defined the institutional and legal frameworks, the vision of reform, and guarantee the protection and sustainable use of the forests:

- **The approval in 2001 of a new Forestry Code.** The key objectives of the Code are to place forests under sustainable management plans,[42] to establish a taxation system that provide incentives for the sustainable management of the forests, and to promote a local transformation industry.

- **The creation of a system of national parks.** In 2002, Gabon approved an initiative to establish a system of 13 national parks (3 million hectares, or about 10.6 percent of the country's area).

- **The approval of a letter of development of the forestry sector in 2004.** The letter prepared in consultation with the World bank lays out an agenda for reform, with measures to cope with some of the key obstacles for reaching the objectives of sustainable management.

Sustainable management and concessions

8. **The new forestry Code divides the forestry domain in rural and permanent domain of the state**. The rural domain comprises the community forests and other forests for use of the municipalities and represent about 8 million hectares. Community forests are subject to exploitation for commercial utilization. Though the law establishes simplified mandatory management plans, in practice these have not been enforced. In addition, local communities have been granted preferential treatment, exempting owners of permits in the rural domain from paying stumpage and other taxes.

9. The permanent domain of the state comprises all the areas that are subject to mandatory management plans, which represent about 14 to 16 million of hectares. The

[42] A management plan is a planning program for an area with an horizon of at least 20 years. It establishes a pace of felling to guarantee the sustainability of the resource. It includes an inventory of the stock, a zoning map defining the annual areas for felling and the principal roads, the duration of the rotation, and the delimitation of the exploitation units.

forestry code established end of 2005 as deadline to adopt management plans, which would not be achieved, as of today less than 50 percent of the permanent domain of the state is under forestry management plans.[43] The areas subject to management plan consist of protected areas including recreational areas,[44] where no exploitation is allowed, and the productive areas where most of the logging takes place. The productive areas encompass three type of exploitation and permits associated. First, big forestry concessions under sustainable management (CFAD), where the area under concession is in a range from 50,000 to 200,000 hectares with a limit of 600,000 hectares by owner; in addition, the concessions are associated to a unit of transformation. This concession could be granted to foreign investors, provided the submission of a management plan. Second, medium size concessions or associated forestry permits (PFA), which are granted exclusively to nationals. The maximum area is 15,000 hectares and must be associated to a CFAD; however, if a management plan is submitted the extension could be up to 50,000 hectares. Third, the good faith permits (gré à gré), these are permits allocated only to nationals with relatively small areas, which are managed by the government. Owners of these permits are obliged to sell their production to a transformation industry.

10. A key issue has been the allocation mechanism of the permits. The World Bank in the context of the preparation of the letter of development policy in first half of 2004 advocated (i) a moratorium in the allocation of the gré à gré permits until a transparent mechanism is in place. A decree adopting the moratorium was signed on October 9, 2004; (ii) public information, including information on the holders of the permits, to this end the government published in February 2005 on the web page of the Ministry of Economy and Finance a list of the permit holders; and (iii) a system of auction to allocate concessions. The government is currently assessing how to implement an auction system and is looking at the way it is done in Cameroon.

Forestry taxation

11. Just until recently, Gabon had a cumbersome system of forestry taxation, with at least 20 different taxes and fees burdening the sector activities, particularly exports. In addition, a timber marketing board (SNBG) had the monopoly of the exports of the two principal varieties of timber, Okoumé and Ozigo, and charged a fee on exports to finance its operations. The government took in December 2004 the decision to eliminate the monopoly of the timber marketing board (SNBG)[45] in international commercialization of Okoumé and

[43] Only the big companies, mainly foreign owned have adopted management plans. These include, Compagnie Equatoriale de Gabon (CEB) Thanry, SBL, Rougier Gabon, Leroy Gabon, and SHM.

[44] Includes the system of 13 national parks.

[45] The government had 51 percent of participation and the rest was owned by several producers.

Ozigo. The decree approved establishing a period of transition, in which the SNBG will downsize its operations and will transform itself in an institution with functions of surveillance and control of the forestry sector. With this decision, the fees which amounted to about 10 percent of the sale prices and which were borne by the private sector will be abolished. Following lengthy negotiations between the government and forestry companies, in 2004 a reform reduced the taxes to three:

- **An area tax, based on the size of the concession**. This tax was previously differentiated by zone, with the rate varying accordingly: Zone A CFAF 20 per hectare, Zone B CFAF 12, Zone C CFAF 8, and Zone D CFAF 4. The new tax is based only on the size of the concession and was set at CFAF 600 per hectare. This tax exempts most of the permits in the rural domain. A transitory provision allows concessions under sustainable management plans to reduce their tax obligation by 50 percent.

- **A stumpage tax**, based on the value of the logged timber. The rate varies in a range from 2.6 percent to 7.7 according to the zone in where the tree is located to reflect costs associated with difficulties of exploitation. The incentive is to reduce waste and to facilitate the valuation of the real cost of the activity. The tax exempts the special permits and family exploitations and discriminates between logs for exports (the tax base is calculated by subtracting 15 percent of the price of the log) and logs for domestic processing (the tax base is calculated by subtracting 60 percent of the price of the log).

- **An export tax on logs of 17 percent**, with the rate lowered from the level set in 2002 of 22 percent. Processed exports are exempted.

12. A gradual phasing out of the export tax on logs has been advocated as it distorts incentives, penalizing exports in favor of domestic transformation. The most appropriate instrument for achieving the sustainable management objective is the area tax as the stumpage tax is difficult to administer. The stumpage tax is still far away of its original target of about CFAF 7 to 8 billion annually, and even farther of compensating the export tax revenues. The exemptions of the stumpage tax introduce distortions, which make difficult its consolidation and the phasing out of the export tax.[46]

[46] For instance, if the same base is applied to both taxes the taxation is different on account of (i) the rate of the export tax is 17 percent and the rate of the stumpage tax varies from 3 percent to 9; (ii) permits in the rural domain are exonerated from the stumpage tax but pay the export tax; and (iii) the export tax considers the full value of the log while the stumpage tax has an exemption of 15 percent if the log is exported and 60 percent if the log is used for domestic transformation.

13. **Gabon is currently consolidating the recently implemented tax reform.** Main actions include the recovery of tax arrears from the area and stumpage taxes and the enforcement of the payment of the stumpage tax particularly from logs utilized in domestic processing. In a further stage it is envisaged the gradual phase out of the export tax and the strengthening of the area tax as the main source of revenue.

The bias toward domestic transformation

14. As expressed in the Forestry Code, the government aims to process 75 percent of total production domestically by 2012. This is not new, as over the years Gabon has intended to develop a domestic processing industry. However, with the approval of the Forestry Code, not only the government reassured the intention of developing a domestic processing industry, but also established a set of fiscal benefits that granted more incentives to processing. Those incentives include an exemption of the stumpage tax of 60 percent of the price of the log, a full exemption of the export tax, devolution of the value added tax paid on inputs for processed exports. Furthermore, as explained above, the permits for forestry production are mandatory associated with domestic processing units.

15. Distortions introduced, have indeed increased the rate of domestic transformation, but have generated at least three costs: (i) a revenue losses for the government; (ii) a bias against the export of logs; (iii) efficiency losses in the economy as some new enterprises coming on line could not be competitive.[47]

D. Next Steps

16. The future of the reform for Gabon's forestry sector should take into account the following factors:

- **To ensure the sustainable exploitation of Gabon's forests it is crucial to consolidate the system of national parks and other protected areas; and to enforce the adoption of sustainable management plans in the productive and the rural domains.** The consolidation of the national parks and other protected areas requires approval of the law, [48] which would provide the legal framework for the national parks, protecting the biodiversity of their surroundings and defining new protected areas.

- **Regarding forestry taxation, in the short term the 2004 reform should be consolidated, a second stage of reform should aim at removing distortions and increasing tax revenues.** The consolidation of the tax reform encompasses the recovery of

[47] An indicator that could be associated with some competitiveness problems in the transformation industry is that at end-2004 most of the portfolio of nonperforming loans of the commercial banks were credits to wood transformation industries.

[48] The draft law has received comments from the World Bank.

tax arrears from the area and stumpage taxes and the enforcement of the payment of the stumpage tax, particularly on logs used in domestic processing. The second stage should be geared toward the gradual phase-out of the export tax and the strengthening of the area tax as main source of revenue. The stumpage tax should also be strengthened.

- **New permits should be allocated through an auction system.** The current system for allocating permits lacks transparency. The experiences of other countries have shown that competitive bidding is the easiest method for identifying the proper rents. An allocation system based on auctions would make information available to the public and guarantee that new permit holders adopt management plans.

- **The government should avoid picking winners and losers in the forestry sector.** Developing the sector should be framed in the overall objective of diversifying the economy. To this end, measures to benefit the sector are those that reduce its transaction costs, for instance, eliminating the monopoly of the transport syndicate and eliminating additional surcharges, like the 1.5 percent fee charged by customs for entering information in the computer system. Fiscal incentives should be considered on general treatment to investment across sectors in the economy, for example accelerated depreciation under the corporate income tax.

- **On the transformation of the SNBG, it is important to guarantee that the transformed SNBG,** which is envisaged to have limited control functions, be significantly downsized. The reformed SNBG should not be financed by the private sector and should be limited to reinforce activities of the ministries of forestry, taxes, and customs.

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Gabon: Basic Data

Area, population, and GDP per capita (2004)

Area	257,670 square kilometers
Agricultural land	19.2 percent of total
Population	
Total	1.3 million
Growth rate	2.5 percent
Density	4.8 per square kilometer
GDP per capita	US$5,439

	1998	1999	2000	2001	2002	2003	2004 Est.
National accounts							
GDP at constant 1991 prices	1,895.3	1,726.0	1,693.0	1,727.5	1,728.2	1,770.0	1,794.0
GDP at current prices	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0
			(In percent of GDP)				
Gross investment	39.1	23.9	21.8	25.8	24.4	24.0	24.3
Gross national savings	25.2	32.3	41.5	36.8	31.3	36.0	34.8
External current account balance (including transfers)	-13.8	8.4	19.7	11.0	6.8	12.0	10.5
Prices			(Percentage changes from previous year)				
Consumer price index (average)	2.3	-0.7	0.5	2.1	0.2	2.1	0.4
Terms of trade	-29.0	37.9	-1.6	-10.6	-1.5	24.7	1.6
Central government finance			(In billions of CFA francs)				
Total revenue and grants	912.1	813.6	1,207.6	1,173.6	1,089.9	1,050.3	1,113.6
Total expenditure	1,281.5	779.5	786.1	1,061.9	969.2	789.0	827.1
Current	918.7	660.6	674.8	860.4	687.4	613.5	627.8
Capital	362.8	118.9	105.1	163.6	136.6	130.7	160.0
Primary balance	-167.9	230.0	633.5	415.4	272.0	402.8	437.3
Overall balance (on a commitment basis)	-369.4	34.1	421.5	111.7	120.7	261.3	286.5
Change in arrears (reduction -)	80.9	3.3	-276.1	54.7	1.1	-36.4	-193.7
Overall balance (on a cash basis)	-288.4	37.3	145.4	166.4	121.9	224.9	92.8
Domestic financing	302.6	-32.3	-305.7	46.8	-44.9	-94.2	-186.7
External financing	-14.2	-5.1	160.2	-213.1	-76.9	-130.7	93.9
Of which: debt rescheduling	0.0	0.0	649.5	29.4	1.3	2.0	425.4
debt cancellation	19.0	18.0	17.0	17.0	11.9	11.1	2.6

Gabon: Basic Data (concluded)

	1998	1999	2000	2001	2002	2003	2004 Est.
Money and credit	(In billions of CFA francs)						
Net foreign assets	-46.0	-44.0	177.2	-8.1	36.1	81.6	291.4
Net domestic assets	505.6	491.0	350.1	574.8	562.9	510.2	369.3
Credit to the government (net)	329.1	304.5	128.9	273.6	222.3	231.9	151.5
Credit to the private sector	316.5	319.6	356.9	419.2	455.6	412.8	374.5
Other items (net)	-126.2	-115.3	-105.4	-85.4	-86.9	-112.8	-122.7
Broad money	459.6	447.0	527.3	566.7	599.0	591.8	660.6
Balance of payments	(In millions of U.S. dollars, unless otherwise indicated)						
Trade balance	744.4	1,590.4	2,529.5	1,767.9	1,624.3	2,139.5	2,881.0
Exports, f.o.b.	1,907.6	2,502.1	3,329.7	2,616.2	2,561.5	3,183.8	4,248.6
Imports, f.o.b.	-1,163.2	-911.7	-800.2	-848.2	-937.2	-1,044.3	-1,367.6
Services (net)	-1,311.6	-1,156.5	-1,462.5	-1,171.7	-1,154.1	-1,228.3	-1,930.4
Of which: interest payments due and IMF charges	-305.3	-281.5	-264.7	-359.1	-171.0	-197.6	-231.2
Transfers (net)	-53.4	-43.0	-63.2	-78.4	-131.4	-181.2	-192.1
Current account balance	-620.6	390.9	1,003.7	517.9	338.8	730.0	758.5
Official capital	-276.0	-268.8	-305.6	-366.3	-325.7	-328.1	-293.2
Disbursements	48.9	47.5	31.9	12.7	25.4	26.5	113.4
Amortization due	-324.9	-316.3	-337.5	-379.0	-351.1	-354.6	-406.5
Private capital (net)	130.6	-209.3	-79.2	-92.3	60.6	17.2	224.3
Overall balance	-361.2	-408.6	-95.4	-269.0	-199.2	-92.5	-11.9
Arrears (reduction -)	0.0	0.0	-680.9	83.2	312.6	109.4	-618.8
Fund credit (net)	-2.1	-32.0	8.5	-9.6	-19.4	-20.4	36.3
Debt relief	0.0	29.3	23.9	23.2	17.1	19.1	5.1
Other net assets	-359.1	-405.9	553.0	-365.8	-509.5	-200.7	565.5

Table 1. Gabon: Gross Domestic Product by Sector at Current Prices, 1998–2004

(In billions of CFA francs)

	1998	1999	2000	2001	2002	2003	2004 Est.
Primary sector	961.8	1,310.6	1,973.1	1,660.1	1,640.4	1,681.5	1,935.5
Agriculture, livestock, hunting, and fishing	134.0	134.9	138.4	143.9	148.2	151.7	155.8
Forestry exploitation	51.7	74.5	85.9	76.2	60.0	59.6	58.8
Oil	713.8	1,049.4	1,702.0	1,390.6	1,380.4	1,416.6	1,654.7
Mining	62.3	51.8	46.8	49.4	51.7	53.7	66.3
Secondary sector	365.0	300.3	281.0	333.7	356.8	361.8	363.9
Agro-industry	44.9	40.1	39.6	45.1	47.0	47.0	48.0
Wood industry	16.1	21.9	15.6	21.1	25.3	29.9	31.3
Other industries	87.4	73.7	79.2	91.2	93.6	90.7	91.2
Refinery	16.2	13.0	15.0	15.4	16.4	15.0	18.1
Electricity and water	29.3	32.9	33.6	37.0	45.2	47.0	51.3
Construction and public works	158.8	76.8	53.9	79.8	83.1	78.0	81.2
Research and oil services	12.3	41.9	44.1	44.1	46.2	54.3	42.7
Tertiary sector	1,082.4	1,079.1	1,105.5	1,205.2	1,206.4	1,225.3	1,248.6
Merchant services	804.3	791.2	814.8	912.1	913.0	924.3	940.0
Transport	172.1	160.7	165.8	185.7	191.7	197.6	206.6
Services	362.3	379.9	391.7	450.4	459.9	461.3	475.2
Commerce	250.8	232.5	238.7	256.9	241.1	244.5	238.3
Financial services	19.1	18.1	18.6	19.1	20.4	20.9	20.0
Nonmerchant services	278.1	287.9	290.7	293.1	293.4	301.0	308.6
Government services	278.1	287.9	290.7	293.1	293.4	301.0	308.6
Gross domestic product at factor costs	2,409.2	2,690.0	3,359.6	3,199.0	3,203.6	3,268.7	3,548.0
Indirect taxes	235.8	181.0	258.7	249.5	245.3	250.2	270.0
Gross domestic product at current prices	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 2. Gabon: Gross Domestic Product by Sector
at Constant 1991 Market Prices, 1998–2004

(In billions of CFA francs)

	1998	1999	2000	2001	2002	2003	2004 Est.
Primary sector	726.9	645.0	587.4	569.9	553.8	583.4	592.6
Agriculture, livestock, hunting, and fishing	103.4	97.4	99.4	102.9	105.2	107.5	109.8
Forestry exploitation	33.3	39.5	44.7	45.5	36.1	35.8	35.2
Oil	547.1	483.2	420.9	398.0	388.1	414.8	416.5
Mining	43.1	24.9	22.4	23.5	24.4	25.3	31.1
Secondary sector	321.5	280.4	271.3	299.1	317.4	320.0	321.4
Agro-industry	44.9	41.8	40.6	45.2	46.7	46.7	47.5
Wood industry	11.4	11.4	8.1	10.8	12.9	15.2	15.8
Other industries	65.9	57.3	60.4	68.5	69.7	67.5	67.6
Refinery	33.6	49.1	53.4	47.8	50.0	47.5	49.5
Electricity and water	35.8	37.2	37.7	40.2	48.7	50.6	54.9
Construction and public works	116.3	54.9	41.5	57.0	58.9	55.2	57.2
Research and oil services	13.6	28.7	29.6	29.6	30.5	37.3	28.9
Tertiary sector	757.2	735.3	750.3	769.5	768.1	780.2	792.5
Merchant services	538.0	508.4	522.8	541.3	540.8	547.2	554.8
Transport	121.1	114.1	117.7	121.4	124.3	128.0	133.2
Services	246.7	259.8	267.2	278.9	282.5	283.1	290.2
Commerce	151.4	113.7	116.7	119.3	111.1	112.5	109.1
Financial services	18.8	20.8	21.2	21.7	22.9	23.6	22.4
Nonmerchant services	219.2	226.9	227.5	228.2	227.3	233.0	237.6
Government services	219.2	226.9	227.5	228.2	227.3	233.0	237.6
Gross domestic product at factor costs	1,805.6	1,660.7	1,609.0	1,638.5	1,639.3	1,683.6	1,706.4
Indirect taxes	89.7	65.3	84.0	89.0	88.8	86.3	87.6
Gross domestic product at constant 1991 market prices	1,895.3	1,726.0	1,693.0	1,727.5	1,728.2	1,770.0	1,794.0

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 3. Gabon: Gross Domestic Product, 1998–2004

(Annual percentage changes)

	1998	1999	2000	2001	2002	2003	2004 Est.
GDP at current prices							
Total	-14.9	8.5	26.0	-4.7	0.0	2.0	8.5
Oil sector 1/	-42.5	48.8	59.5	-17.7	-0.5	3.0	15.5
Non-oil sector	4.6	-7.1	5.1	7.6	0.4	1.4	3.4
GDP at constant 1991 prices							
Total	3.5	-8.9	-1.9	2.0	0.0	2.4	1.4
Oil sector 1/	-3.4	-5.6	-10.2	-5.7	-1.4	6.6	-1.0
Non-oil sector	7.0	-10.5	2.1	5.3	0.6	0.8	2.3
GDP deflator							
Total	-17.8	19.2	28.5	-6.6	0.0	-0.4	7.0
Oil sector 1/	-40.5	57.6	77.5	-12.7	1.0	-3.4	16.6
Non-oil sector	-2.2	3.7	3.0	2.2	-0.2	0.5	1.1
Terms of trade	-29.0	37.9	-1.6	-10.6	-1.5	24.7	1.6

Source: Ministry of Economy, Finance, Budget, and Privatization.

1/ The oil sector consists of the oil-extracting industry, refining, research, and oil services.

Table 4. Gabon: Supply and Use of Resources at Current Prices, 1998–2004

(In billions of CFA francs)

	1998	1999	2000	2001	2002	2003	2004 Est.
GDP at market prices	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0
Resource balance	-30.7	617.1	1,312.0	897.9	660.7	849.5	958.7
Exports	1,253.9	1,711.5	2,490.8	2,039.4	1,841.1	1,907.0	2,304.5
Goods	1,125.4	1,538.5	2,364.2	1,916.0	1,781.2	1,847.1	2,244.7
Nonfactor services	128.5	173.0	126.6	123.4	59.9	59.9	59.9
Imports	-1,284.6	-1,094.4	-1,178.8	-1,141.5	-1,180.4	-1,057.5	-1,345.8
Goods	-686.2	-560.6	-568.2	-621.2	-651.7	-605.9	-722.5
Nonfactor services	-598.4	-533.8	-610.6	-520.3	-528.7	-451.6	-623.3
Domestic demand	2,675.7	2,253.9	2,306.2	2,550.6	2,788.2	2,669.4	2,859.3
Consumption	1,641.8	1,566.6	1,516.0	1,662.4	1,945.7	1,826.4	1,930.9
Public	409.1	338.2	344.9	396.6	377.3	353.8	351.5
Private	1,232.7	1,228.4	1,171.0	1,265.8	1,568.4	1,472.6	1,579.5
Investment	1,033.9	687.3	790.3	888.2	842.5	843.0	928.4
Stockbuilding	30.3	0.0	0.0	0.0	0.0	0.0	0.0
Fixed capital formatio	1,003.6	687.3	790.3	888.2	842.5	843.0	928.4
Public	362.8	118.9	105.1	163.6	136.6	130.7	160.0
Private	640.8	568.4	685.2	724.6	705.9	712.3	768.4
Oil sector	356.3	320.7	386.9	363.3	320.7	290.2	324.9
Non-oil sector	284.5	247.7	298.3	361.3	385.2	422.1	443.5

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 5. Gabon: Supply and Use of Resources at Constant 1991 Prices, 1998–2004

(In billions of CFA francs)

	1998	1999	2000	2001	2002	2003	2004 Est.
GDP at constant prices	1,895.3	1,726.0	1,693.0	1,727.5	1,728.2	1,770.0	1,794.0
Resource balance	250.6	325.3	594.6	492.1	413.7	359.3	415.3
Exports	916.4	867.8	1,091.2	948.8	905.2	866.7	1,112.6
Goods	822.5	780.1	1,035.8	891.4	875.7	839.5	1,083.7
Nonfactor services	93.9	87.7	55.5	57.4	29.5	27.2	28.9
Imports	-665.8	-542.6	-496.7	-456.7	-491.5	-507.4	-697.3
Goods	-355.7	-277.9	-239.4	-248.5	-271.3	-290.7	-374.4
Nonfactor services	-310.1	-264.6	-257.3	-208.2	-220.2	-216.7	-323.0
Domestic demand	1,644.7	1,400.7	1,098.4	1,235.4	1,314.5	1,410.7	1,378.7
Consumption	976.7	991.7	698.5	815.5	920.7	1,004.4	912.6
Public	341.7	283.9	275.4	314.7	303.9	306.7	310.3
Private	635.1	707.8	423.1	500.8	616.8	697.7	602.3
Investment	668.0	409.1	399.9	419.8	393.8	406.3	466.1
Stockbuilding	30.3	0.0	0.0	0.0	0.0	0.0	0.0
Fixed capital formation	637.7	409.1	399.9	419.8	393.8	406.3	466.1
Public	274.7	82.4	65.4	98.9	84.9	90.3	115.9
Private	362.9	326.6	334.5	321.0	309.0	316.0	350.2
Oil sector	193.3	181.7	187.1	165.7	152.8	158.5	189.1
Non-oil sector	169.7	145.0	147.5	155.3	156.2	157.5	161.1

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 6. Gabon: Supply and Use of Resources at Current Prices, 1998–2004

(Annual percentage changes)

	1998	1999	2000	2001	2002	2003	2004 Est.
GDP at market prices	-14.9	8.5	26.0	-4.7	0.0	2.0	8.5
Resource balance	-104.0	-2,107.6	112.6	-31.6	-26.4	28.6	12.9
Exports	-37.7	36.5	45.5	-18.1	-9.7	3.6	20.8
Goods	-37.1	36.7	53.7	-19.0	-7.0	3.7	21.5
Nonfactor services	-41.9	34.6	-26.8	-2.5	-51.4	-0.1	0.0
Imports	3.1	-14.8	7.7	-3.2	3.4	-10.4	27.3
Goods	21.2	-18.3	1.4	9.3	4.9	-7.0	19.3
Nonfactor services	-11.9	-10.8	14.4	-14.8	1.6	-14.6	38.0
Domestic demand	13.6	-17.5	8.3	11.2	0.1	-4.3	7.1
Consumption	19.3	-7.4	5.2	10.7	2.7	-6.1	5.7
Public	21.8	-17.3	2.0	15.0	-4.9	-6.2	-0.7
Private	18.5	-4.0	6.2	9.5	5.0	-6.1	7.3
Investment	5.7	-33.5	15.0	12.4	-5.1	0.1	10.1
Stockbuilding	59.5	-100.0	0.0	0.0	0.0	0.0	0.0
Fixed capital formation	4.6	-31.5	15.0	12.4	-5.1	0.1	10.1
Public	3.8	-67.2	-11.6	55.7	-16.5	-4.4	22.4
Private	5.1	-11.3	20.5	5.8	-2.6	0.9	7.9
Oil sector	-4.4	-10.0	20.6	-6.1	-11.7	-9.5	12.0
Non-oil sector	19.9	-12.9	20.4	21.1	6.6	9.6	5.1

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 7. Gabon: Supply and Use of Resources at Constant 1991 Prices, 1998–2004

(Annual percentage changes)

	1998	1999	2000	2001	2002	2003	2004 Est.
GDP at constant prices	3.5	-8.9	-1.9	2.0	0.0	2.4	1.4
Resource balance	-35.6	39.6	-34.3	-10.4	-14.6	-13.1	15.6
Exports	-12.7	-7.2	-12.7	-4.0	-3.6	-4.2	28.4
Goods	-10.4	-4.8	-11.9	-4.2	-3.9	-4.1	29.1
Nonfactor services	-30.7	-32.2	-24.1	-0.2	1.2	-7.6	6.2
Imports	1.4	-25.5	3.2	-1.0	1.1	3.2	37.4
Goods	16.2	-33.3	7.3	9.5	7.2	7.1	28.8
Nonfactor services	-10.9	-17.0	-0.5	-10.9	-6.0	-1.6	49.0
Domestic demand	14.2	-16.4	6.4	4.0	2.0	7.3	-2.3
Consumption	14.1	-1.1	10.1	3.7	5.2	9.1	-9.1
Public	25.2	-16.9	-3.0	14.3	-3.4	0.9	1.2
Private	8.8	7.4	15.6	-0.1	8.7	13.1	-13.7
Investment	14.3	-38.8	-2.2	5.0	-6.2	3.2	14.7
Stockbuilding	59.5	-100.0	0.0	0.0	0.0	0.0	0.0
Fixed capital formation	12.8	-35.9	-2.2	5.0	-6.2	3.2	14.7
Public	30.0	-70.0	-20.7	51.2	-14.2	6.5	28.3
Private	2.5	-10.0	2.4	-4.0	-3.7	2.3	10.8
Oil sector	-5.8	-6.0	3.0	-11.4	-7.8	3.7	19.3
Non-oil sector	13.9	-14.6	1.7	5.3	0.6	0.8	2.3

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 8. Gabon: Savings and Investment Balances, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
	(In billions of CFA francs)						
Total economy							
Gross national savings	667.8	927.7	1,503.0	1,267.5	1,078.1	1,266.5	1,329.1
Gross domestic savings	1,003.2	1,304.4	2,102.3	1,786.0	1,503.2	1,692.5	1,887.1
Investment	1,033.9	687.3	790.3	888.2	842.5	843.0	928.4
Net domestic financial balance (external resource balance)	-30.7	617.1	1,312.0	897.9	660.7	849.5	958.7
Net financial balance (external current account balance)	-366.1	240.4	712.7	379.3	235.6	423.5	400.7
Excluding official transfers	-382.9	226.4	722.3	372.8	257.8	449.9	398.6
Government							
Gross national savings	-6.6	153.0	526.6	275.3	257.4	392.0	446.5
Gross domestic savings	174.2	325.8	713.6	547.5	376.3	280.6	356.3
Investment	362.8	118.9	105.1	163.6	136.6	130.7	160.0
Net domestic financial balance	-188.6	206.9	608.5	383.9	239.7	149.9	196.3
Net financial balance	-369.4	34.1	421.5	111.7	120.7	261.3	286.5
Private sector 1/							
Gross national savings	674.3	774.7	976.4	992.2	820.8	874.5	882.6
Gross domestic savings	829.0	978.6	1,388.7	1,238.6	1,126.9	1,412.0	1,530.8
Investment	671.1	568.4	685.2	724.6	705.9	712.3	768.4
Net domestic financial balance	157.9	410.2	703.5	514.0	421.0	699.6	762.4
Net financial balance	3.2	206.3	291.2	267.6	114.9	162.2	114.2
Oil sector							
Gross national savings 2/	356.3	320.7	386.9	363.3	320.7	290.2	324.9
Gross domestic savings 2/	537.1	821.2	1,412.3	1,164.3	989.7	784.0	654.5
Investment	356.3	320.7	386.9	363.3	320.7	290.2	324.9
Net domestic financial balance	180.8	500.5	1,025.4	801.0	669.0	493.8	329.6
Net financial balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil sector							
Gross national savings 2/	318.0	454.0	589.5	628.9	500.1	584.3	557.7
Gross domestic savings 2/	291.9	157.4	-23.6	74.3	137.2	628.0	876.3
Investment	314.8	247.7	298.3	361.3	385.2	422.1	443.5
Net domestic financial balance	-22.9	-90.3	-321.9	-287.0	-248.0	205.8	432.8
Net financial balance	3.2	206.3	291.2	267.6	114.9	162.2	114.2

Source: Ministry of Economy, Finance, Budget, and Privatization.

1/ Including nonfinancial public sector enterprises.

2/ Owing to data limitations, the split between the savings of the oil and the non-oil private sectors is subject to some uncertainty.

Table 9. Gabon: Savings and Investment Balances, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
	(In percent of total GDP)						
Total economy							
Gross national savings	25.2	32.3	41.5	36.8	31.3	36.0	34.8
Gross domestic savings	37.9	45.4	58.1	51.8	43.6	48.1	49.4
Investment	39.1	23.9	21.8	25.8	24.4	24.0	24.3
Net domestic financial balance	-1.2	21.5	36.3	26.0	19.2	24.1	25.1
Net financial balance	-13.8	8.4	19.7	11.0	6.8	12.0	10.5
Excluding official transfers	-14.5	7.9	20.0	10.8	7.5	12.8	10.4
Government							
Gross national savings	-0.2	5.3	14.6	8.0	7.5	11.1	11.7
Gross domestic savings	6.6	11.3	19.7	15.9	10.9	8.0	9.3
Investment	13.7	4.1	2.9	4.7	4.0	3.7	4.2
Net domestic financial balance	-7.1	7.2	16.8	11.1	6.9	4.3	5.1
Net financial balance	-14.0	1.2	11.6	3.2	3.5	7.4	7.5
Private sector 1/							
Gross national savings	25.5	27.0	27.0	28.8	23.8	24.9	23.1
Gross domestic savings	31.3	34.1	38.4	35.9	32.7	38.4	42.5
Investment	25.4	19.8	18.9	21.0	20.5	20.2	20.1
Net domestic financial balance	6.0	14.3	19.4	14.9	12.2	19.9	20.0
Net financial balance	0.1	7.2	8.0	7.8	3.3	4.6	3.0
Oil sector							
Gross national savings 2/	13.5	11.2	10.7	10.5	9.3	8.2	8.5
Gross domestic savings 2/	20.3	28.6	39.0	33.8	28.7	32.0	35.1
Investment	13.5	11.2	10.7	10.5	9.3	8.2	8.5
Net domestic financial balance	6.8	17.4	28.3	23.2	19.4	23.7	26.6
Net financial balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil sector							
Gross national savings 2/	12.0	15.8	16.3	18.2	14.5	16.6	14.6
Gross domestic savings 2/	11.0	5.5	-0.7	2.2	4.0	6.4	7.4
Investment	11.9	8.6	8.2	10.5	11.2	12.0	11.6
Net domestic financial balance	-0.9	-3.1	-8.9	-8.3	-7.2	-5.6	-4.2
Net financial balance	0.1	7.2	8.0	7.8	3.3	4.6	3.0
Memorandum items:							
Real GDP	3.5	-8.9	-1.9	2.0	0.0	2.4	1.4
Real non-oil GDP	7.0	-10.5	2.1	5.3	0.6	0.8	2.3
GDP per capita (in U.S. dollars)	3,908.0	3,970.6	4,227.8	3,811.3	3,916.7	4,673.0	5,439.0

Sources: Ministry of Economy, Finance, Budget, and Privatization; and staff estimates.

1/ Including nonfinancial public sector enterprises.

2/ Owing to data limitations, the split between the savings of the oil and the non-oil private sectors is subject to some uncertainty.

Table 10. Gabon: Discovered Oil Fields During 1990–2004

Field	Year of Discovery	Operator
Avocette	1990	Elf Gabon
Pingouin Cap Lopez	1991	Elf Gabon
Mandji South/Tchengue South	1991	Elf Gabon
Mandji South/Tchengue Northeast	1991	Elf Gabon
Mokabou Dianongo	1991	Elf Gabon
Remboue Abanga	1991	British Gas
Barbier Biffettee	1991	Elf Gabon
Alonha	1991	Conoco
Limande/Mpira	1991	Agip
Vanneau nord	1991	Elf Gabon
Pomarin Dianongo	1991	Elf Gabon
Maguelou	1992	Conoco
Pélican Est	1992	Elf Gabon
Roussette Ouest	1993	Elf Gabon
Pingouin Est	1993	Elf Gabon
Mayonami	1994	Total Gabon
Vera	1994	Total Gabon
Assala (5)	1994	Elf Gabon
Ozima (5)	1995	Elf Gabon
Sanderlaing 1	1995	Elf Gabon
Mboukou 1	1995	Elf Gabon
Mboukou 1. G.2	1995	Elf Gabon
Sitatounga (5)	1995	Elf Gabon
Tchatamba Marine 1	1995	Marathon
Walt Whitman (5)	1996	Amoco
Kenige (5)	1997	Shell Gabon
Tchatamba Sud	1997	Marathon Gabon
Atora	1997	Elf Gabon
Tchatamba Ouest (5)	1998	Marathon Gabon
Orovinyaré	1998	Marathon Gabon
Tchibala Ouest	1998	Vaalco
Baudoin Marine Nord 8	1999	Elf Gabon
Atora	1999	Elf Gabon
Olowi (5)	2001	Pioneer
Toucan	2001	Shell Gabon
Frambroise	2001	Amerada Hess
Tsiengui	2002	Panafrican
Pilote	2002	Shell Gabon
Ompoyi	2002	Perenco
Bounawiri	2002	Transworld
Orendi	2003	Perenco
Simba	2003	ENI-Gabon (ex AGIP)
Akoum-B	2003	Energy Africa
Koula	2004	Shell Gabon
Damier	2004	Shell Gabon
Avouma	2004	Vaalco
Ebouri	2004	Vaalco

Source: Ministry of Mining, Energy, Petroleum, and Water Resources.

Table 11. Gabon: Production and Export of Timber, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
	(In thousands of cubic meters)						
Production	2,163.9	2,339.7	2,908.2	2,386.1	2,477.5	3,193.1	3,365.5
Okoumé/Ozigo	1,392.7	1,587.3	1,878.5	1,402.9	1,708.5	1,341.1	1,413.5
Other	771.2	752.4	1,029.7	983.2	769.0	1,852.0	1,952.0
Exports	1,763.9	2,292.5	2,629.3	2,311.0	1,927.0	1,536.0	1,360.0
Okoumé	1,026.0	1,559.9	1,694.1	1,485.0	1,205.0	922.0	699.0
Ozigo	47.8	15.0	76.6	36.0	38.0	7.0	1.0
Other	690.1	717.6	858.6	790.0	684.0	607.0	660.0
Consumption by local industries	278.3	113.0	156.0	188.6	200.8	126.7	133.6
Okoumé/Ozigo	278.3	95.4	…	122.4	149.1	101.1	106.6
Other	0.0	17.6	…	66.1	51.7	25.6	27.0
Variation in stock	121.7	-98.8	122.0	75.1	….	….	….
Okoumé/Ozigo	40.6	…	…	…	…	…	…
Other	81.1	…	…	…	…	…	…
Memorandum items:							
Producer prices							
Okoumé	63.4	61.9	64.0	65.8	64.0	62.0	61.0
Ozigo	40.0	39.0	43.0	40.4	40.8	41.0	47.0
Other	…	…	72.0	…	…	…	
Export prices							
Okoumé	71.3	93.0	95.0	88.4	87.6	95.7	97.8
Ozigo	51.5	64.0	66.0	57.7	65.1	78.4	78.3
Other	76.8	109.3	111.0	114.3	94.2	102.8	107.6

Source: Ministry of Economy, Finance, Budget, and Privatization, SNBG.

Table 12. Gabon: Marketing of Timber by SNBG, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
	(In thousands of cubic meters)						
Okoumé							
Purchases in domestic market	922.9	1,124.1	1,692.7	1,250.0	1,006.4	987.0	653.0
Total sales	965.9	1,102.1	1,595.7	1,356.0	1,032.4	927.0	708.0
Exports	962.0	1,090.1	1,583.7	1,345.9	1,032.3	922.0	699.0
Sales in domestic market	3.9	12.0	12.0	10.1	0.1	5.0	9.0
Variation in stock	-43.0	22.0	97.0	-106.0	-26.0	60.0	-55.0
Ozigo							
Purchases in domestic market	40.9	61.5	69.0	28.1	25.0	7.0	1.0
Total sales	49.9	48.5	72.0	31.1	23.0	8.0	2.0
Exports	47.8	47.5	71.0	29.9	23.0	7.0	1.0
Sales in domestic market	2.1	1.0	1.0	1.2	0.0	1.0	1.0
Variation in stock	-9.0	13.0	-3.0	-3.0	2.0	-1.0	-1.0
	(In thousands of CFA francs per cubic meter)						
Average purchase price							
Okoumé	63	62	64	66	64	62	61
Ozigo	40	39	43	40	41	41	47
Average export price							
Okoumé	71	93	96	88	88	96	98
Ozigo	50	64	63	58	65	78	78

Source: Société Nationale des Bois du Gabon (SNBG).

Table 13. Gabon: Production in Agriculture, Livestock, and Fishing, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
			(In thousands of tons)				
Agriculture							
Cassava	227.0	224.0	228.0	225.0	230.0	235.0	240.6
Plantains	274.0	265.0	270.0	268.0	278.0	288.3	295.2
Taro	59.0	57.0	60.0	46.0	55.5	68.3	70.0
Rice	0.0	0.0	…	…	…	…	…
Maize	24.9	25.4	25.9	25.2	24.0	24.5	25.1
Peanuts	16.1	16.2	16.2	16.3	15.0	16.0	16.4
Palm oil	66.3	55.7	45.8	29.9	34.8	…	…
Coffee	0.1	0.2	0.0	0.1	0.0	…	…
Cocoa	0.5	0.5	0.5	0.4	0.4	…	…
Soya	1.0	…	…	…	…	…	…
Sugarcane	191.4	152.1	236.5	242.0	274.1	325.0	332.8
Refined sugar	15.0	13.3	19.8	21.0	23.3	26.0	26.6
			(In thousands of heads)				
Livestock population							
Cattle	23.2	20.6	6.5	15.0	15.0	…	…
Sheep	…	…	…	198.0	198.0	…	…
Goats	…	…	…	91.0	91.0	…	…
Pigs	…	…	…	213.0	213.0	…	…
			(In thousands of tons)				
Industrial fishing	14.0	11.4	11.7	9.5	11.0	12.5	12.8
Fish	11.3	10.1	9.4	7.5	9.0	10.2	10.5
Shrimp	2.6	1.3	2.3	1.9	2.0	2.3	2.3

Sources: Ministry of Agriculture, Livestock, and Rural Development; Ministry of Water and Forests, Fishing and Reforestation, Environment and Protection of Nature; and Ministry of Economy, Finance, Budget, and Privatization.

Table 14. Gabon: Industrial Production, 1998–2004 1/

(Period averages; 1989 = 100)

	Food-stuffs	Tobacco	Wood Products	Printing	Chemical Products	Refining	Cement	Electricity and Water	General Index
1998	112.3	132.3	145.1	170.3	151.1	164.8	172.9	138.4	139.8
I	99.6	114.4	162.2	152.0	144.9	169.5	156.4	139.2	137.3
II	99.5	124.7	155.6	160.8	143.1	145.2	169.6	143.3	136.9
III	131.6	166.6	136.4	166.4	180.2	189.2	215.1	132.1	147.4
IV	118.5	123.6	126.3	201.8	136.1	155.1	150.6	138.8	137.7
1999	101.3	207.7	198.6	179.3	149.9	181.5	141.2	138.4	143.8
I	96.0	218.2	209.0	169.7	122.2	188.8	122.3	141.7	143.2
II	92.1	220.4	245.2	184.7	167.8	164.4	159.6	144.4	148.3
III	126.2	149.3	194.1	202.7	162.4	183.3	172.8	132.4	147.3
IV	90.9	242.9	145.9	159.9	147.2	189.3	110.1	134.9	136.4
2000	107.2	269.4	127.6	201.4	141.3	132.6	144.5	134.6	134.6
I	90.9	221.2	144.3	186.2	98.6	157.8	117.3	135.3	130.3
II	92.2	311.4	140.1	189.2	153.2	157.1	124.0	135.8	136.3
III	143.1	242.6	94.1	190.0	175.3	149.7	184.3	126.8	140.8
IV	102.4	302.5	131.9	240.3	138.2	65.6	152.4	140.4	131.1
2001	122.2	275.9	145.1	233.0	140.1	148.3	209.2	148.0	150.6
I	104.1	309.9	191.8	211.4	135.2	129.3	182.7	148.4	146.8
II	109.5	350.9	165.8	209.5	135.7	120.8	195.6	152.0	148.4
III	151.2	292.7	104.5	206.2	148.0	164.0	246.0	141.1	153.9
IV	124.1	150.1	118.4	305.0	141.6	179.0	212.5	150.6	153.2
2002	121.4	147.3	132.3	265.0	166.7	191.4	224.4	157.0	157.2
I	107.3	150.6	136.1	269.9	152.8	170.7	195.0	157.6	150.3
II	109.8	164.4	135.8	254.6	182.5	170.2	202.9	160.9	153.9
III	154.9	127.8	121.7	246.9	187.6	197.1	284.7	151.5	163.7
IV	113.6	146.4	135.5	288.6	143.8	227.9	214.8	158.0	161.0
2003	117.6	113.3	130.0	297.6	114.9	177.4	228.0	163.4	157.2
I	102.6	107.3	156.6	319.3	116.8	111.6	193.6	164.0	150.3
II	102.5	111.1	128.8	293.0	110.4	166.8	227.5	167.0	153.9
III	163.0	108.4	116.6	264.4	144.0	209.7	282.2	158.6	163.7
IV	102.2	126.5	118.1	313.8	88.4	221.3	208.7	163.8	161.0
2004	106.6	140.4	…	…	…	83.3	237.7	168.2	76.3
I	94.9	107.8	152.9	268.8	93.5	137.0	196.0	169	146.7
II	93.9	143.4	127.7	259.0	114.1	196.0	259.2	171.9	158.3
III	138.5	149.6	…	253.0	…	…	285.4	162.9	…
IV	98.9	160.9	…	…	…	…	210.3	169	…

Source: Ministry of Planning, Development Programming, and Land Development.

1/ Revised index; authorities have provided data through 2000.

Table 15. Gabon: Wood Production and Prices, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
			(In thousands of cubic meters)				
Intermediate consumption of logs							
Total	359.3	136.4	116.3	153.7	189.4	191.3	380.1
Wood peeling	126.4	92.6	54.1	65.4	68.7	58.2	136.1
Sawing	232.9	43.8	62.2	88.3	120.7	133.1	244.1
Production	92.0	98.7	86.6	115.0	130.9	132.8	201.2
Plywood	54.3	64.0	37.4	45.2	44.7	37.8	52.8
Sawed wood	37.7	34.7	49.2	69.8	86.2	95.0	148.5
			(In thousands of CFA francs per cubic meter)				
Production prices							
Plywood	313.7	350.0	345.6	…	…	…	…
Sawed wood	111.5	…	…	…	…	…	…

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 16. Gabon: Production and Distribution of Electricity and Water, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
Electricity	(In millions of kilowatt-hours)						
Production	1,161.1	1,145.2	1,129.0	1,196.7	1,266.0	1,315.0	1,363.7
Libreville	759.4	762.0	771.0	802.5	849.0	865.3	897.3
Port-Gentil	183.7	177.0	165.0	178.7	189.0	203.8	211.4
Franceville	145.9	134.2	131.0	144.6	153.0	165.7	171.8
Other	72.1	72.0	62.0	70.9	75.0	80.2	83.2
Sales and transfers	1,010.8	1,055.5	999.0	986.0	1,066.0	1,118.8	1,160.2
Low voltage	518.9	533.0	521.0	483.1	522.3	548.2	568.5
Medium voltage	453.3	482.0	434.0	463.4	501.0	525.8	545.3
Internal transfers	38.6	40.5	44.0	39.4	42.6	44.8	46.4
Number of subscriptions	104,155	115,245	118,405	125,122	124,862	136,589	141,643
Low voltage	103,661	114,553	117,672	124,334	124,184	135,906	140,935
Medium voltage	494	692	733	788	678	683	708
Water	(In millions of cubic meters, unless otherwise indicated)						
Production	45.9	47.4	49.8	54.0	57.0	59.6	61.8
Libreville	31.2	33.3	34.9	37.9	40.3	41.7	43.2
Port-Gentil	4.7	4.5	5.2	5.7	5.9	6.2	6.4
Franceville	2.4	2.5	5.7	6.1	6.2	4.8	5.0
Other	7.6	7.1	4.0	4.3	4.6	6.9	7.2
Sales and transfers	39.7	41.0	40.9	46.0	48.0	49.7	51.5
Private customers	34.1	35.2	35.2	39.1	40.9	42.3	43.9
Industrial customers	5.2	5.4	5.4	6.3	6.5	6.8	7.1
Internal transfers	0.4	0.4	0.3	0.6	0.6	0.6	0.6
Number of subscriptions	64,925	72,954	72,565	76,484	75,526	81,092	84,092
Private customers	55,903	63,572	60,783	65,994	65,584	69,739	72,319
Industrial customers	9,022	9,382	11,782	10,490	9,942	11,353	11,773
Memorandum items:	(In billions of CFA francs)						
Turnover	61.1	59.2	64.5	71.4	76.0	81.9	84.9
Electricity	51.6	49.8	53.9	59.5	63.3	68.3	70.8
Water	9.5	9.4	10.6	11.9	12.7	13.6	14.1

Source: Société d'Energie et d'Eau du Gabon (SEEG).

Table 17. Gabon: Production and Consumption of Refined Oil Products, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
				(In thousands of metric tons)			
Production of refined products	751.2	786.8	494.4	536.4	661.0	626.0	707.4
Butane	10.6	11.4	8.2	6.9	9.8	8.8	9.2
High-test gasoline	78.3	77.7	48.2	54.1	64.5	64.3	65.9
Regular gasoline	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Naphtha	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kerosene	89.3	96.8	54.0	60.8	79.4	69.7	61.8
Diesel and gas oil	245.9	256.7	164.9	172.9	218.8	198.1	223.0
Fuel oil and asphalt	323.1	344.2	219.0	241.8	288.5	285.1	347.5
Sales of refined products by SOGARA							
Domestic market							
Butane	16.6	17.5	16.8	18.7	18.0	19.6	19.7
Fuel oil and asphalt	30.9	24.9	62.5	48.1	57.6	64.8	57.8
				(In thousands of cubic meters)			
High-test gasoline	62.2	64.4	47.5	47.7	47.5	...	...
Regular gasoline	5.1	0.0	…	…	…	...	...
Refined oil	32.2	34.9	28.1	26.7	30.4	...	...
Kerosene	99.4	89.4	76.2	68.4	74.0	...	...
Diesel and gas oil	347.1	304.7	234.2	256.3	236.6	...	...
				(In thousands of tons)			
Exports 1/							
Fuel oil	210.8	264.7	177.7	148.3	219.2	247.7	264.8
				(In thousands of cubic meters)			
High-test gasoline	13.2	13.6	8.8	7.5	24.0	19.3	26.0
Price structure for premium gasoline							
1. C.I.F. price (Platt's)	…	…	172.0	194.7	191.9	…	…
2. Customs duty and other protection	…	…	20.1	22.8	22.5	…	…
3. Ex-refinery price (1+2)	…	…	192.1	217.5	214.4	…	…
4. Adjustment for transportation, distribution and, other costs	…	…	58.4	57.2	46.4	…	…
5. Value-added tax and other taxes	…	…	94.4	99.0	127.6	…	…
6. Equalization fund	…	…	55.1	56.3	61.5	…	…
7. Retail price (3+4+5+6)	…	…	400.0	430.0	450.0	…	…

Source: Société Gabonaise de Raffinage (SOGARA).

Table 18. Gabon: Transportation, 1998–2004

(In thousands of tons, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004
Railroad transportation							
Number of passengers	215,000	200,998	236,613	275,966	220,188	187,160	209,183
Parcels	…	…	…	…			
Merchandise	3,291	2,821	3,168	2,953	2,966	3,044	2,951
Total	3,291	2,821	3,168	2,953	2,966	3,044	3,017
Merchandise traffic	3,291	2,821	3,168	2,953	2,966	3,044	2,951
Timber	806	933	1,061	969	913	772	894
Clinker	39	26	26	28	25	19	27
Quarry materials	186	…	27	...	...	...	...
Oil	39	26	30	40	44	42	34
Manganese	2,110	1,716	1,885	1,736	1,794	2,044	1,878
Other	111	120	140	178	190	166	118
Number of passengers (thousands)	215	201	237	276	220	187	209
Merchandise traffic in harbors							
Owendo							
In	760	705	783	640	632	600	627
Out	2,906	2,939	3,198	2,946	2,930	2,782	2,906
Total	3,666	3,644	3,981	3,586	3,562	3,382	3,534
Port-Gentil							
In	136	147	141	138	131	139	149
Out	9,793	14,778	13,287	13,047	12,499	13,223	14,238
Total	9,929	14,925	13,428	13,185	12,630	13,362	14,387
Air transportation							
Number of passengers	870,939	806,490	741,733	757,089	865,058	901,665	761,604
Number of flights	44,436	27,536	26,916	27,152	32,487	32,765	33,679
Shipping and mailing	18	15	15	15	17	16	16

Source: Ministry of Planning, Development Programming, and Land Development.

1/ Authorities have provided incomplete data through 2001.

Table 19. Gabon: Salaried Employment in the Formal Sector, 1998–2003

	1998	1999	2000	2001	2002	2003
			(Number of employees)			
Public sector	69,516	66,180	65,827	65,475	67,040	68,974
Civil service	53,620	50,650	50,452	50,346	52,062	53,996
Central government	40,486	40,004	39,944	39,874	41,693	43,639
Local governments	3,758	3,890	3,890	3,890	3,890	3,890
Temporary workers	9,376	6,756	6,618	6,582	6,479	6,467
Public enterprises 1/	15,896	15,530	15,375	15,129	14,978	14,978
Private sector	39,062	40,449	41,507	42,932	42,288	41,147
Total employment	108,578	106,629	107,334	108,407	109,328	110,121
			(Annual percentage changes)			
Public sector	5.8	-4.8	-0.5	-0.5	2.4	2.9
Civil service	8.4	-5.5	-0.4	-0.2	3.4	3.7
Central government	7.4	-1.2	-0.1	-0.2	4.6	4.7
Local governments	0.0	3.5	0.0	0.0	0.0	0.0
Temporary workers	16.8	-27.9	-2.0	-0.5	-1.6	-0.2
Public enterprises 1/	-2.1	-2.3	-1.0	-1.6	-1.0	0.0
Private sector	3.5	3.6	2.6	3.4	-1.5	-2.7
Total employment	5.0	-1.8	0.7	1.0	0.8	0.7
			(In percent of total employment)			
Public sector	64.0	62.1	61.3	60.4	61.3	62.6
Civil service	49.4	47.5	47.0	46.4	47.6	49.0
Central government	37.3	37.5	37.2	36.8	38.1	39.6
Local governments	3.5	3.6	3.6	3.6	3.6	3.5
Temporary workers	8.6	6.3	6.2	6.1	5.9	5.9
Public enterprises 1/	14.6	14.6	14.3	14.0	13.7	13.6
Private sector	36.0	37.9	38.7	39.6	38.7	37.4

Source: Ministry of Economy, Finance, Budget, and Privatization.

1/ Including three public agencies, namely the National Social Security Fund (CNSS), the National Security Guarantee Fund (CNGS), and the International Medical Research Center of Franceville (CIRMF).

Table 20. Gabon: Fiscal Operations of the Central Government, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
	(In billions of CFA francs)						
Total revenue and grants	912.1	813.6	1,207.6	1,173.6	1,089.9	1,050.3	1,113.6
Revenue	912.1	813.6	1,207.6	1,173.6	1,088.0	1,049.1	1,111.5
Oil revenue	498.3	368.6	814.7	752.9	609.0	570.2	600.0
Non-oil revenue	413.8	445.0	392.9	420.8	479.0	478.9	511.5
Direct taxes	107.6	91.6	81.9	96.6	134.2	122.6	137.3
Indirect taxes	72.8	58.2	80.2	70.8	83.5	109.6	115.1
Taxes on international trade	214.5	164.6	214.7	218.4	210.0	200.3	200.5
Import duties	200.8	146.7	186.7	187.8	180.9	171.2	172.9
Export taxes	13.7	17.9	28.0	30.6	29.1	29.1	27.6
Other revenue	18.8	130.6	16.1	35.0	51.3	46.4	58.7
Foreign grants	0.0	0.0	0.0	0.0	1.9	1.2	2.1
Total expenditure	1,281.5	779.5	786.1	1,061.9	969.2	789.0	827.1
Current expenditure	918.7	660.6	674.8	860.4	687.4	613.5	627.8
Wages and salaries	204.9	214.0	216.6	219.6	220.6	229.0	226.3
Purchases of goods and services	204.2	124.2	128.3	177.0	156.7	124.8	125.1
Transfers and subsidies	308.1	126.5	117.8	160.1	158.8	118.3	125.6
Interest payments	201.5	195.9	212.0	303.7	151.3	141.5	150.8
Capital expenditure	362.8	118.9	105.1	163.6	136.6	130.7	160.0
Primary balance	-167.9	230.0	633.5	415.4	272.0	402.8	437.3
Overall balance (on a commitment basis)	-369.4	34.1	421.5	111.7	120.7	261.3	286.5
Change in arrears	80.9	3.3	-276.1	54.7	1.1	-36.4	-193.7
External	97.8	103.5	-201.3	26.2	81.1	32.4	-140.4
Domestic	-16.8	-100.2	-74.9	28.5	-79.9	-68.8	-53.3
Overall balance (on a cash basis)	-288.4	37.3	145.4	166.4	121.9	224.9	92.8
Financing	288.4	-37.4	-145.4	-166.3	-121.8	-224.9	-92.8
External (net)	-14.2	-5.1	160.2	-213.1	-76.9	-130.7	93.9
Drawings	28.9	29.2	22.7	9.3	17.7	8.7	59.9
Project financing	28.9	29.2	22.7	9.3	17.7	8.7	17.8
Program financing	0.0	0.0	0.0	0.0	0.0	0.0	42.1
Amortization	-191.6	-194.5	-242.1	-309.7	-243.6	-198.6	-208.2
Arrears (- = reduction)	129.5	142.1	-271.6	35.0	135.8	46.1	-185.8
Debt rescheduling	0.0	0.0	649.5	29.4	1.3	2.0	425.4
Debt cancellation	19.0	18.0	17.0	17.0	11.9	11.1	2.6
Domestic (net)	302.6	-32.3	-305.7	46.8	-44.9	-94.2	-186.7
Banking system	122.0	-24.6	-175.6	144.7	-51.5	15.8	-86.0
Nonbank sources	180.7	-7.8	-130.1	-97.9	6.6	-110.0	-100.7

Table 20. Gabon: Fiscal Operations of the Central Government, 1998–2004 (concluded)

	1998	1999	2000	2001	2002	2003	2004 Est.
Total revenue (excluding grants)	34.5	28.3	33.4	34.0	31.5	29.8	29.1
Oil revenue	18.8	12.8	22.5	21.8	17.7	16.2	15.7
Non-oil revenue	15.6	15.5	10.9	12.2	13.9	13.6	13.4
Total expenditure	48.5	27.2	21.7	30.8	28.1	22.4	21.7
Total expenditure, excluding interest	40.8	20.3	15.9	22.0	23.7	18.4	17.7
Current expenditure	34.7	23.0	18.7	25.0	19.9	17.4	16.4
Wage bill	7.7	7.5	6.0	6.4	6.4	6.5	5.9
Other current spending	19.4	8.7	6.8	9.8	9.1	6.9	6.6
Interest	7.6	6.8	5.9	8.8	4.4	4.0	3.9
Capital expenditure	13.7	4.1	2.9	4.7	4.0	3.7	4.2
Primary balance (on a commitment basis)	-6.3	8.0	17.5	12.0	8.2	11.4	11.5
Overall balance (on a commitment basis)	-14.0	1.2	11.6	3.2	3.8	7.4	7.5
Non-oil revenue	21.7	25.2	21.2	21.1	23.9	23.6	24.3
Wage bill	10.8	12.1	11.7	11.0	10.9	11.3	10.8
Memorandum items:							
GDP at market prices	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0
Non-oil GDP at market prices	1,902.7	1,766.7	1,857.2	1,998.4	2,005.9	2,033.0	2,102.5
Stock of public debt, incl. domestic debt (in percent of GDP)	104.7	101.1	71.3	81.1	82.8	73.0	61.9

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 21. Gabon: Central Government Revenue and Grants, 1998–2004

(In billions of CFA francs)

	1998	1999	2000	2001	2002	2003	2004 Est.
Total revenue and grants	912.1	813.6	1,207.6	1,173.6	1,089.9	1,050.3	1,113.6
Total revenue	912.1	813.6	1,207.6	1,173.6	1,088.0	1,049.1	1,111.5
Oil revenue	498.3	368.6	814.7	752.9	609.0	570.2	600.0
Non-oil revenue	413.8	445.0	392.9	420.8	479.0	478.9	513.4
Tax revenue	405.8	420.9	384.6	408.9	451.0	454.3	495.4
Direct taxes	107.6	91.6	81.9	96.6	134.2	122.6	147.2
Company taxes	69.2	53.7	55.7	63.4	73.7	63.4	85.7
Individual taxes	38.4	37.9	26.2	33.2	60.5	59.2	61.5
Indirect taxes	72.8	58.2	80.2	70.8	83.5	109.6	110.2
Of which: value-added tax	57.0	44.4	71.9	61.7	64.4	80.3	80.1
Turnover taxes	59.0	44.4	71.9	61.7	64.4	80.3	80.1
Taxes on goods and services	13.8	13.8	8.2	9.1	19.1	29.3	30.1
Of which: taxes on refined oil products	2.5	2.0	3.8	2.4	6.6	17.0	16.3
Taxes on international trade and transactions	214.5	164.6	214.7	218.4	210.0	200.3	205.6
Import taxes	200.8	146.7	186.7	187.8	180.9	171.2	176.1
Of which: tax on domestic turnover and value-added tax	95.4	71.9	83.6	92.0	88.6	83.9	86.3
Export duties	13.7	17.9	28.0	30.6	29.1	29.1	29.5
Other taxes 1/	10.8	106.5	7.8	23.1	23.3	21.8	32.4
Nontax revenue	8.0	24.1	8.3	11.9	28.0	21.3	10.8

Source: Ministry of Economy, Finance, Budget, and Privatization.

1/ For 1999, includes CFAF 94.9 billion (3.4 percent of GDP) in tax arrears recovered as a result of the audit of the domestic public debt carried out by the Ministry of Economy, Finance, Budget, and Privatization during that year.

Table 22. Gabon: Central Government Revenue, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
			(In billions of CFA francs)				
Total revenue	912.1	813.6	1,207.6	1,173.6	1,088.0	1,050.3	1,113.6
Oil revenue l/	498.3	368.6	814.7	752.9	609.0	570.2	600.0
Non-oil revenue	413.8	445.0	392.9	420.8	479.0	478.9	511.5
Taxes on income and net profits	107.6	91.6	81.9	96.6	134.2	122.6	137.3
Taxes on goods and services	72.8	58.2	80.2	70.8	83.5	109.6	115.1
Taxes on international trade	214.5	164.6	214.7	218.4	210.0	200.3	200.5
Other revenue	18.8	130.6	16.1	35.0	51.3	46.4	58.7
			(In percent of total revenue)				
Oil revenue	54.6	45.3	67.5	64.1	56.0	54.3	53.9
Non-oil revenue	45.4	54.7	32.5	35.9	44.0	45.6	45.9
Taxes on income and net profits	11.8	11.3	6.8	8.2	12.3	11.7	12.3
Taxes on goods and services	8.0	7.2	6.6	6.0	7.7	10.4	10.3
Taxes on international trade	23.5	20.2	17.8	18.6	19.3	19.1	18.0
Other revenue	2.1	16.1	1.3	3.0	4.7	4.4	5.3
			(In percent of GDP)				
Total revenue	34.5	28.3	33.4	34.0	31.5	29.8	29.2
Oil revenue	18.8	12.8	22.5	21.8	17.7	16.2	15.7
Non-oil revenue	15.6	15.5	10.9	12.2	13.9	13.6	13.4
Taxes on income and net profits	4.1	3.2	2.3	2.8	3.9	3.5	3.6
Taxes on goods and services	2.8	2.0	2.2	2.1	2.4	3.1	3.0
Taxes on international trade	8.1	5.7	5.9	6.3	6.1	5.7	5.3
Other revenue	0.7	4.5	0.4	1.0	1.5	1.3	1.5
			(In percent of non-oil GDP)				
Non-oil revenue	21.7	25.2	21.2	21.1	23.9	23.6	24.3
Taxes on income and net profits	5.7	5.2	4.4	4.8	6.7	6.0	6.5
Taxes on goods and services	3.8	3.3	4.3	3.5	4.2	5.4	5.5
Taxes on international trade	11.3	9.3	11.6	10.9	10.5	9.9	9.5
Other revenue	1.0	7.4	0.9	1.8	2.6	2.3	2.8
Memorandum items:			(In billions of CFA francs)				
Nominal GDP	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0
Nominal non-oil GDP	1,902.7	1,766.7	1,857.2	1,998.4	2,005.9	2,033.0	2,102.5

Source: Staff estimates

1/ For 1999, includes CFAF 94.9 billion (3.4 percent of GDP) in tax arrears recovered as a result.

Table 23. Gabon: Central Government Expenditure, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
				(In billions of CFA francs)			
Total expenditure	1,281.5	779.5	786.1	1,061.9	969.2	789.0	827.1
Current expenditure	918.7	660.6	674.8	860.4	687.4	613.5	627.8
Wages and salaries	204.9	214.0	216.6	219.6	220.6	229.0	226.3
Goods and other services	204.2	124.2	128.3	177.0	156.7	124.8	125.1
Transfers and subsidies	308.1	126.5	117.8	160.1	158.8	118.3	125.6
Interest payments	201.5	195.9	212.0	303.7	151.3	141.5	150.8
Capital expenditure	362.8	118.9	105.1	163.6	136.6	130.7	160.0
Net lending	0.0	0.0	6.2	37.9	17.1	0.3	0.0
				(In percent of total expenditure)			
Current expenditure	71.7	84.7	85.8	81.0	70.9	77.8	75.9
Wages and salaries	16.0	27.5	27.6	20.7	22.8	29.0	27.4
Goods and other services	15.9	15.9	16.3	16.7	16.2	15.8	15.1
Transfers and subsidies	24.0	16.2	15.0	15.1	16.4	15.0	15.2
Interest payments	15.7	25.1	27.0	28.6	15.6	17.9	18.2
Capital expenditure	28.3	15.3	13.4	15.4	14.1	16.6	19.3
Net lending	0.0	0.0	0.8	3.6	1.8	0.0	0.0
				(In percent of GDP)			
Total expenditure	48.5	27.2	21.7	30.8	28.1	22.4	21.7
Current expenditure	34.7	23.0	18.7	25.0	19.9	17.4	16.4
Wages and salaries	7.7	7.5	6.0	6.4	6.4	6.5	5.9
Goods and other services	7.7	4.3	3.5	5.1	4.5	3.5	3.3
Transfers and subsidies	11.6	4.4	3.3	4.6	4.6	3.4	3.3
Interest payments	7.6	6.8	5.9	8.8	4.4	4.0	3.9
Capital expenditure	13.7	4.1	2.9	4.7	4.0	3.7	4.2
Net lending	0.0	0.0	0.2	1.1	0.5	0.0	0.0
				(In percent of total revenue)			
Total expenditure	140.5	95.8	65.1	90.5	89.1	75.2	74.4
Current expenditure	100.7	81.2	55.9	73.3	63.2	58.5	56.5
Wages and salaries	22.5	26.3	17.9	18.7	20.3	21.8	20.4
Goods and other services	22.4	15.3	10.6	15.1	14.4	11.9	11.3
Transfers and subsidies	33.8	15.5	9.8	13.6	14.6	11.3	11.3
Interest payments	22.1	24.1	17.6	25.9	13.9	13.5	13.6
Capital expenditure	39.8	14.6	8.7	13.9	12.6	12.5	14.4
Net lending	0.0	0.0	0.5	3.2	1.6	0.0	0.0
Memorandum items:				(In billions of CFA francs)			
Nominal GDP	2,645.0	2,871.0	3,618.3	3,448.5	3,448.9	3,518.9	3,818.0
Total revenue	912.1	813.6	1,207.6	1,173.6	1,088.0	1,049.1	1,111.5

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 24. Gabon: Interest Rate Structure, 1998–2004

(In annual percent; end of period)

	1998	1999	2000	2001	2002	2003	2004
Central bank							
Lending operations							
Rates on advances to national treasuries	7.0	7.6	7.0	6.5	6.3	6.0	5.8
Penalty rate on advances to national treasuries	10.5	10.5	10.5	10.5	10.5	10.0	10.0
Auction rate (TIAO) 1/ 2/	7.0	7.6	7.0	6.5	6.4	6.0	5.8
Repurchase rate (TIPP) 2/ 3/	9.0	9.6	9.0	8.5	8.4	7.8	7.5
Penalty rate on lending to banks	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Absorption of liquidity							
Rate on special deposits by national treasuries	2.8	3.2	3.3	3.6	2.7	2.0	1.7
Rate on special deposits by banks	…	…	…	…	…	2.0	1.7
BEAC certificates (TISP) 4/							
7-day maturity	2.8	3.2	3.3	3.6	2.7	2.0	1.7
28-day maturity	2.8	3.2	3.7	3.7	2.8	2.0	2.1
84-day maturity	2.9	3.3	3.7	3.7	2.8	2.1	2.2
Commercial banks							
Maximum lending rate (TDM) 5/	22.0	22.0	22.0	18.0	18.0	18.0	18.0
Minimum deposit rate	4.8	5.0	5.0	5.0	5.0	5.0	5.0

Source: Bank of Central African States (BEAC).

1/ End-of-year data.
2/ The auction rate, which is set by the Governor of BEAC, is derived from the money market auctions and constitutes the reference rate.
3/ Introduced in July 1994 with the adoption of indirect instruments of monetary policy.
4/ The repurchase rate is the basic rate and is set at 1.5 to 2 percentage points above the *taux* d'intérêt sur les appels d'offre (TIAO).
5/ Introduced in February 1996; the rates on certificates with maturities of 28 and 84 days are equal to the rate on the 7-day maturity certificate plus 1/16 and 1/8 of 1 percentage point, respectively.
6/ Effective January 15, 1996, the maximum lending rate (*taux débiteur maximum* , TDM) equals the penalty rate on lending operations to banks plus a fixed margin of 7 percentage points.

Table 25. Gabon: Composition of Exports, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Est.
Petroleum			(In units indicated)				
Volume (thousands of tons)	17,120	14,892	12,999	12,364	11,268	12,416	...
Value (millions of CFA francs)	833	1,143	1,828	1,509	1,430	1,499	1,801
Unit value (CFA francs per ton)	49,145	74,997	139,012	118,989	121,780	114,261	...
Unit value (U.S. dollars per ton)	83	122	196	162	175	197	235
Unit value (U.S. dollars per barrel)	12	17	27	23	24	28	36
Manganese 1/							
Volume (millions of tons)	2	2	2	2	2	2	
Value (millions of CFA francs)	87	88	86	72	101	104	159
Unit value (CFA francs per ton)	42,424	43,743	42,886	43,350	43,393	36,202	61,535
Unit value (U.S. dollars per ton)	72	71	60	59	75	90	112
Uranium							
Volume (tons)	737	358	...	...	0	0	0
Value (millions of CFA francs)	22	22	...	...	0	0	0
Unit value (CFA francs per ton)	22,300	21,800	...	...	0	0	0
Unit value (U.S. dollars per ton)	38	35	...	...	0	0	0
Timber (logs and processed wood) 1/							
Volume (millions of cubic meters)	2	2	3	2	2	2	
Value (millions of CFA francs)	131	251	281	258	203	221	198
Unit value (CFA francs per cubic meter)	69,934	101,355	106,926	111,664	93	109	105
Unit value (U.S. dollars per cubic meter)	118	165	151	152	134	187	195
Other							
Value (millions of CFA francs)	57	54	94	80	48	27	86
Total							
Value (millions of CFA francs)	1,125	1,544	2,288	1,919	1,781	1,850	2,245
Of which: non-oil	291	401	461	410	...	...	...
	(In percent of total exports of goods, unless otherwise indicated)						
Petroleum	74.1	74.0	79.9	78.6	80.3	81.0	81.1
Manganese	7.7	5.7	3.7	3.8	5.6	5.6	6.2
Uranium	2.0	1.4	0.0	0.0	0.0	0.0	0.0
Timber	11.6	16.2	12.3	13.5	11.4	11.9	9.3
Other	4.6	2.6	4.1	5.0	2.7	1.4	3.3
Total	100.0	100.0	100.0	100.8	100.0	100.0	100.0
Memorandum item:							
CFA francs per U.S. dollar (period average)	590.0	614.9	710.0	732.4	696.5	581.1	538.5

Source: Bank of Central African States (BEAC).

1/ Export volumes differ slightly from Tables 11-12 owing to difference in sources.

Table 26. Gabon: Composition of Imports, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
	(In billions of CFA francs)						
Prepared foodstuffs (excluding beverages)	98.3	95.1	114.6	123.5	119.9	121.5	124.8
Beverages	12.7	11.7	11.6	13.3	12.6	11.0	9.5
Base metals and articles of base metals	33.5	27.9	28.2	33.4	51.0	51.8	37.8
Machinery and mechanical appliances	129.0	95.4	121.1	135.3	145.6	106.4	130.8
Machines and electrical appliances	39.4	32.3	64.4	58.4	60.3	49.8	54.3
Vehicles	78.1	41.3	57.6	63.3	64.6	74.4	54.1
Consumption goods (excluding foodstuffs and beverages)	109.6	76.7	90.2	112.3	129.9	98.7	104.1
Intermediary products imported for construction and public works	24.2	15.3	17.2	23.0	20.6	17.1	18.2
Other	190.2	158.8	175.1	174.7	47.1	75.3	115.7
Total	715.0	554.5	680.0	737.1	651.7	605.9	649.3
Of which:							
Value of exempted imports	80.9	81.9	84.6	77.4	113.6	171.0	92.9
	(In percent of total)						
Prepared foodstuffs (excluding beverages)	13.7	17.2	16.8	16.8	18.4	20.1	19.2
Beverages	1.8	2.1	1.7	1.8	1.9	1.8	1.5
Base metals and articles of base metals	4.7	5.0	4.1	4.5	7.8	8.5	5.8
Machinery and mechanical appliances	18.0	17.2	17.8	18.3	22.3	17.6	20.2
Machines and electrical appliances	5.5	5.8	9.5	7.9	9.2	8.2	8.4
Vehicles	10.9	7.5	8.5	8.6	9.9	12.3	8.3
Consumption goods (excluding foodstuffs and beverages)	15.3	13.8	13.3	15.2	19.9	16.3	16.0
Intermediary products imported for construction and public works	3.4	2.8	2.5	3.1	3.2	2.8	2.8
Other	26.6	28.6	25.7	23.7	7.2	12.4	17.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Of which:							
Value of exempted imports	11.3	14.8	12.4	10.5	17.4	28.2	14.3

Source: Ministry of Economy, Finance, Budget, and Privatization.

Table 27. Gabon: Direction of Trade, 1998–2003

(In percent of total)

	1998	1999	2000	2001	2002	2003 Est.
Exports, f.o.b.						
France	11.8	23.5	18.0	22.4	12.6	8.7
Germany	1.0	0.7	0.2	0.3	0.3	0.5
Italy	1.4	0.8	1.0	1.0	1.2	1.4
United Kingdom	0.3	0.2	0.2	0.2	0.3	1.0
Other EU	6.0	4.2	3.7	4.4	3.1	3.7
United States	68.9	58.2	69.3	61.6	72.0	72.6
Japan	1.7	1.2	0.3	0.3	1.1	4.0
African countries	2.5	1.5	1.6	2.0	2.8	2.7
Other	6.4	9.7	5.7	7.9	6.7	5.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
Imports, c.i.f.						
France	41.7	70.4	65.1	62.5	51.5	51.0
Germany	3.4	1.6	2.0	2.0	2.6	2.6
Italy	4.2	2.7	1.9	2.1	3.4	2.7
United Kingdom	3.6	1.8	2.0	3.8	3.6	4.4
Other EU	12.9	7.3	9.4	8.7	13.2	12.8
United States	6.3	3.4	5.1	5.6	6.3	5.1
Japan	3.5	1.5	2.3	2.2	2.7	2.4
African countries	15.6	5.8	5.6	5.8	8.8	10.1
Other	8.8	5.6	6.5	7.3	8.0	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IMF, Direction of Trade Statistics.

Table 28. Gabon: External Public Debt, 2000–04 1/

	2000	2001	2002	2003	2004 Est.
Outstanding debt	2,065.4	2,176.5	2,166.1	1,969.6	1,913.3
Bilateral creditors	1,593.5	1,724.2	1,742.2	1,636.3	1,575.4
Paris Club creditors	1,567.7	1,673.1	1,700.3	1,594.5	1,535.5
Other official creditors	25.8	51.1	41.9	41.8	40.0
Multilateral	400.0	362.3	320.5	242.3	289.3
Commercial banks/other	77.7	110.4	108.0	60.1	48.6
Debt service (accrual basis)	424.4	548.4	403.2	318.8	347.5
Debt cancellation	17.0	17.0	11.9	11.1	2.8
Debt service after debt cancellation	407.4	531.4	391.3	307.7	344.7
Change in arrears (-=reduction)	-483.5	60.9	217.4	63.5	-326.9
Debt rescheduling and deferral 2/	649.1	0.0	1.3	0.0	428.2
Debt service paid	241.8	470.5	172.7	244.2	243.4
Debt-service ratio 3/					
Before debt cancellation	17.0	26.9	21.9	16.7	15.1
After debt cancellation	16.4	26.1	21.3	16.1	15.0
Debt (in percent of GDP) 4/	57.1	63.1	62.8	56.0	50.1
Debt (in millions of U.S. dollars)	2,894.7	3,029.6	3,292.0	3,644.3	3,910.7

Source: Ministry of Economy, Finance, Budget, and Privatization.

1/ End-of-period data, including publicly guaranteed debt.
2/ For 2000 and 2004, Paris Club rescheduling
3/ In percent of exports of goods and nonfactor services.
4/ Including IMF.