

AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF GABON

Country Strategy Paper 2011-2015

Operations Department Centre Region – ORCE

August 2011

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LIST OF ABBREVIATIONS

ADB	:	African Development Bank
ACE	:	Atlantic Connection to Europe
ACR	:	Alliance for Change and Restoration
AEO	:	African Economic Outlook
AFD	:	French Development Agency
ANGT	:	Agence Nationale des Grands Travaux (National Agency for Large-scale Infrastructure Works)
APIP	:	Private Investments Promotion Agency
BD	:	Bidding Document
BEAC	:	Bank of Central African States
BGD	:	Banque Gabonaise de Développement
BOP	:	Programme Objectives Budgeting
CAB	:	Central Africa Backbone
CAN 2012	:	African Nations Cup 2012 Edition
CAPP	:	Central African Power Pool
CBFF	:	Congo Basin Forest Fund
CDC	:	Caisse de Dépôt et de Consignation (Deposit and Consignment Office)
CEDEF	:	United Nations Convention on the Elimination of Discrimination Against Women)
CEMAC	:	Central African Economic and Monetary Community
CFAF	:	CFA Franc
CNPG	:	Confédération Nationale du Patronat Gabonais (Gabon Employers' Confederation)
CODE	:	Committee on Operations and Development Effectiveness
DD	:	Detailed Design
DFI	:	Direct Foreign Investments
ECCAS	:	Economic Community of Central African States
EDF	:	European Development Fund
EGEP	:	Gabonese Poverty assessment and Monitoring Survey
EITI	:	Extractive Industries Transparency Initiative
EPA	:	Economic Partnership Agreements
EU	:	European Union
FCCC	:	(United Nations) Framework Convention on Climate Change
FER2	:	Second Generation Road Maintenance Fund
FLEGT	:	Forest Law Enforcement, Governance and Trade
GAFO	:	Gabon Field Office
GDP	:	Gross Domestic Product
GG	:	Greenhouse Gas
GNI	:	Gross National Income
GPRSP	:	Growth and Poverty Reduction Strategy Paper
HDI	:	Human Development Index
HIV/AIDS Syndrome	:	Human Immune Deficiency Virus/Acquired Immune Deficiency
ICT	:	Information and Communication Technology
IFAD	:	International Fund for Agricultural Development
ILO	:	International Labour Organization
IMF	:	International Monetary Fund

IOP	:	Indicative Operational Programme
LCB	:	Local Competitive Bidding
LM	:	Linear Metre
LOLFEB	:	Organic Law on Finance Acts and Budget Execution
MDG	:	Millennium Development Goal
MIC	:	Middle Income Countries
MTEF	:	Medium-Term Expenditure Framework
MW	:	Mega Watt
NEPAD	:	New Partnership for Africa's Development
NIT	:	New Information Technologies
OECD	:	Organization for Economic Cooperation and Development
OPRAG	:	Gabon Port Authority
PD	:	Preliminary Design
PEA	:	Parallel Executing Agency
PDG	:	Gabonese Democratic Party
PIA	:	Project Impact Area
PIU	:	Project Implementation Unit
PPP	:	Public-Private Partnership
RBCSP	:	Results-based Country Strategy Paper
REG	:	Republic of Equatorial Guinea
REP	:	Regional Economic Programme
RISP	:	Regional Integration Strategy Paper
RN	:	National Highway
RP 1/2	:	Road Programme 1 and 2
SEEG	:	Gabon Energy and Electricity Corporation
SLL	:	Sustainable Lending Limit
SME/SMI	:	Small- and Medium-size Enterprise/Small- and Medium-size Industry
SMIG	:	Minimum Guaranteed Inter-professional Wage
TAF	:	Technical Assistance Fund
TFP	:	Technical and Financial Partnership
U.N	:	<i>Union Nationale</i> (grouping the opposition parties)
UA	:	(ADB) Unit of Account
UA M	:	Million Unit of Account
UNDP	:	United Nations Development Programme
VT	:	Vocational Training
VTE	:	Vocational Technical Education
WTO	:	World Trade Organization

CURRENCY EQUIVALENTS
(June 2011)

Currency Unit	=	CFA Franc (XAF)
UA 1	=	CFAF 729.949
UA 1	=	USD 1.600777
UA 1	=	EUR 1.11280
USD 1	=	CFAF 445.999
EUR 1	=	CFAF 655.957

FISCAL YEAR

1 January – 31 December

KEY DATES

Information gathering mission	:	November 2010 and February 2011
CSP strategy preparation mission	:	May 2011
Report review by country team	:	June 2011
Report review by OPSCOM	:	July 2011
Dialogue mission with Government	:	August 2011
Board consideration (indicative date)	:	September 2011

CSP TEAM

Project Team	M. KANGA, Director, ORCE
	L. ENNAHLI, GAFO Resident Representative (Country Team Manager)
	A. BERNOUSSI, Lead Economist, ORCE
	P. YEMBILINE, Principal Country Economist, GAFO (Task Manager, CSP)
	M. DIAWARA, Young Professional, ORCE (Co-Task Manager, CSP)
Team Members	K. NYAKI-ZANGBULA, Principal Country Programme Officer, GAFO (responsible for portfolio review)
	L. A. OYOUBI, Socio-economist, GAFO/OSHD
	J.F.EDJODJOM'ONDO, Transport Expert, GAFO/OITC
	J.L MOUBAMBA, Agro-economist, GAFO/OSAN
	E. DIRABOU, Investment Officer, GAFO/OPSM
	C. AHOSSI, Chief Regional Procurement Coordinator, CMFO/ORPF
	M. OULD TOLBA, Chief Agricultural Expert, OSAN
	P. HORUGAVYE, Water and Sanitation Specialist, OWAS
	M. El ARKOUBI, Water and Sanitation Specialist, OWAS
	K. BA, Chief Financial Analyst, OWAS
	L. MBONG MBONG, Chief Statistician, ESTA
	N. LETSARA, Statistician, ESTA
	A. YAHIAOU, Chief ICT Officer, OITC
	P. RUGUMIRE, Transport Engineer, OITC
	A. MOUSSA, Power Engineer, ONEC
	A. AMOUMOUN, Governance Expert, OSGE
	C. LIM, Private Sector Development Specialist, OSGE
	C. AMBERT, Strategy Officer, OPSM
	S. BABALE, Financial Analyst, OPSM
	Peer Reviewers	A. DIARRA-THIOUNE, Resident Representative, DZFO
M. DIAGNE, Principal Economist, MLFO	
A. KARANGA, Principal Transport Economist, OITC	
M. NDONG-NTHA, Chief Development Policy Economist, ORPC	

EXECUTIVE SUMMARY

1. This strategy covers the period 2011-2015. Following the death of President Omar Bongo Ondimba in June 2009, who ruled the country for 42 years, early presidential elections were won by Ali Bongo Ondimba. The new President is focusing on political renewal, with a desire for socio-economic development, based on strong, diversified and job-creating growth.
2. Gabon is classified as a Middle Income Country (MIC) with per capita income of around USD 7 370. Yet the poverty level is comparable to that of low-income countries. In 2005, the Gabonese Poverty assessment and Monitoring Survey (EGEP) showed that poverty affects up to one third of the population. This situation, exacerbated by high unemployment, particularly among the youth, highlighted the need for policies and programmes that promote the creation of sustainable jobs and better wealth distribution. The previous strategy 2006-2010 had two pillars: "Enhanced Governance" and "Infrastructure Improvement", both aimed at structural reforms and building basic infrastructure to support the development of alternatives to the oil sector. However, the implementation of this strategy was affected by a combination of several factors, notably, political uncertainties preceding President Omar Bongo Ondimba's death; absence of a structured consultative mechanism between the Government and donors; and weaknesses in preparing operations in the lending programme.
3. Today, social disparities remain a challenge. Achievement of the 13.5% poverty rate target under the Millennium Development Goals (MDGs) by 2015 is unlikely as concluded in the Third National MDGs Monitoring Report (2010). The economy is heavily dependent on oil, which accounts for close to 50% of GDP, 60% of tax revenue and 80% of exports. Based on current proven reserves and the pace of exploitation, Gabon should enjoy oil rents for the next 30 years. However, the non-renewable nature of the resource compels the country to identify other sources of long-term growth. In this context, the Government plans to lay the foundations of a diversified economy that will promote wealth redistribution.
4. Economic growth declined in 2008 and 2009, in a context of the global crisis and the uncertainties surrounding the political transition. In 2010, economic growth is estimated at 5.5%, compared to -1.4% in 2009. With favourable medium-term forecasts, real GDP growth is expected to reach 4.2% and 4.9% in 2011 and 2012, respectively. The budget balance showed a surplus of about 3.7% of GDP in 2010. In contrast, the primary balance deficit, excluding oil resources, exceeded 14% of GDP. This is mostly attributable to the substantial increase in public investments emanating from the political will to reduce the infrastructure deficit. Debt management remains prudent. In terms of currency, the country enjoys the stability it derives from belonging to the CEMAC zone, whose policy is regulated by the Bank of Central African States (BEAC).
5. The national development strategy is set forth under the "Gabon Emergent" strategic plan being finalized. As defined in the President's Framework Letter of April 2010, the thrusts of the plan is to achieve a strong, sustainable and diversified inclusive growth, based on the development of the energy, mining, forest, tourism and agro-industrial potential. Although the country has enormous potential – thanks to its abundant natural resource endowment, it continues to face major challenges, particularly the need to improve the business climate for private sector development. Gabon has a narrow domestic market, which calls for a higher level of sub-regional integration. The ECCAS market to which the country belongs, offers it business opportunities, subject to improvement of the regional energy, transport and telecommunications infrastructure.

6. Based on the national priorities, the country's challenges and lessons from implementing previous strategies, the current strategy is more selective, with a focus on policy reforms and the development of infrastructure that foster a conducive business climate. The purpose is to promote the private sector as an engine for diversified growth.

7. The strategy followed a participatory process including sustained dialogue with national counterparts, the private sector and the civil society. It has two complementary pillars, namely: (i) improvement of the business climate for private sector development; and (ii) strengthening infrastructure to support the non-oil growth sectors. The two pillars will promote competitiveness and contribute to developing alternatives to the oil sector.

8. The first pillar aims to remove one of the major constraints facing SME/SMI development: access to medium- and long-term finance. It will support the Government's actions to better match employment with training and skills improvement. The Bank will continue to support on-going initiatives to promote public-private partnerships. The second pillar will focus on: (i) strengthening the road infrastructure on the segments of the highway linking Gabon to Congo (part of the Tripoli-Windhoek corridor); (ii) rehabilitating the transport and marketing infrastructure in the rural areas for enhanced access to productive areas; and (iii) upgrading the energy and communications infrastructure. These will help to support economic diversification and processing of local content, and to better integrate Gabon within Central Africa. In addition, studies to be conducted in the agribusiness, timber, informal and telecommunications sectors will contribute to improve the design of national policies and strategies in these areas.

9. The Bank is Gabon's lead donor in terms of portfolio volume. Following satisfactory performance improvement in the last three years, the portfolio, as at 31 May 2011, comprised eight operations for a total commitment of UA 339.4 million. The Bank also plays an active role in the donor community and, through the GAFO Field Office, leads the thematic group on aid harmonization.

1 INTRODUCTION

1.1 The Boards of Directors approved the previous Country Strategy Paper (CSP 2006-2010) on 24 January 2007. CODE endorsed the mid-term review on 27 January 2009. Finalized in September 2010, the completion report confirmed the relevance of the two CSP pillars, namely “Enhanced Governance” and “Infrastructure Improvement”. The current CSP covering the 2011-2015 period has two complementary pillars, namely: (i) improvement of the business climate for private sector development; and (ii) strengthening infrastructure to support the non-oil growth sectors. Its preparation was the subject of wide consultation with Gabonese stakeholders, especially during the conduct of preliminary studies and the three data collection/dialogue missions. This process is taking place in a new environment marked by change at the helm of State. The new authorities in place since August 2009 have expressed their determination to intensify reforms and investments necessary to accelerate the pace of economic development in order to make Gabon an “emerging country” by 2035.

2 CONTEXT AND PROSPECTS

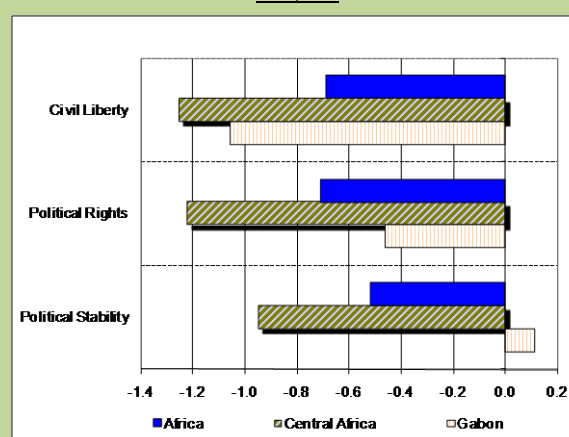
2.1 Political, Economic and Social Context

Political Situation

2.1.1 **The political situation is marked by the relative stability of institutions, strengthened by the respect of the constitution and the country’s electoral calendar, following the death of the late President. This provides a framework conducive to the continuation of reforms.** Gabon went one step further in its history with the early presidential elections following the death of President Omar Bongo Ondimba in June 2009, after a 42 year rule. Mr. Ali Bongo Ondimba was elected President of the Republic at the end of the elections organized in August 2009. The power structure is defined by the Constitution revised in 2003, which guarantees the separation of executive and legislative powers, as well as basic freedoms. The President of the Republic is elected for 7 years without a mandate limitation. The President shares executive power with the Prime Minister (Head of Government). The Senate played a crucial role in managing the political transition, with the transfer of power to its Speaker following the death of President Omar Bongo Ondimba. The Gabonese Democratic Party (*Parti Démocratique Gabonais*, PDG), in power since 1968, has the majority in the National Assembly (100 of the 120 members) and wields considerable influence over the country’s socio-political life.

2.1.2 In the wake of the 2009 presidential elections, some senior PDG executives left the party to join the National Union (*Union Nationale*, UN) and Alliance for Change and Restoration (*Alliance pour le Changement et la Restauration*, ACR) parties. According to the electoral schedule, the next presidential elections will be held in 2016. Legislative elections scheduled for end 2011 will be a crucial test for reconfiguration of Parliament in particular, and the country’s political landscape, in general. The Government has initiated dialogue with the country’s institutions and opposition leaders with a view to introducing biometrics into

Chart 1 – Political situation, 2009 Score -4 (less good) to 2.5 (best)

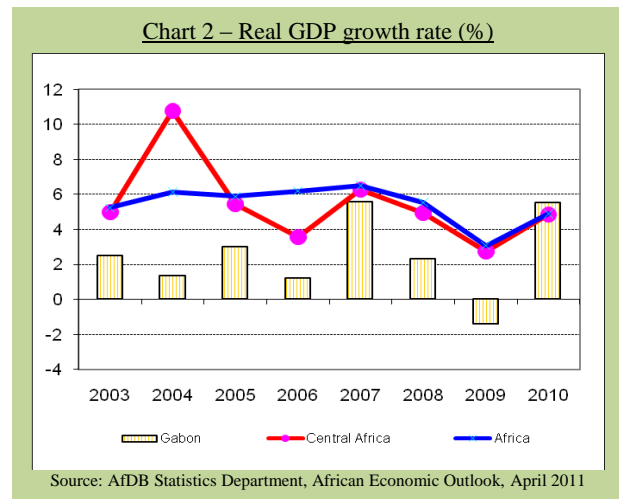


Source: AfDB Statistics Department using data from the WEF, 2010

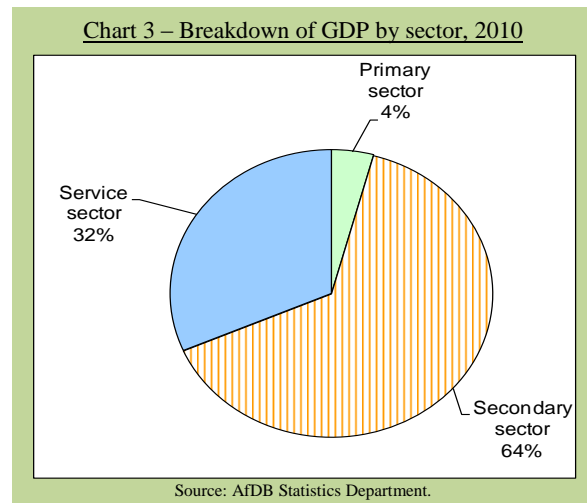
the electoral system, thereby guaranteeing transparency of the results. The controlled management of a sensitive transitional period and the relative stability of Gabonese institutions offer the Executive an appropriate framework to implement often-postponed structural reforms, especially in the area of governance.

Economic Situation

2.1.3 The economy recorded an average growth of 3% between 2006 and 2008, largely sustained by the performance of the oil sector, which is barely integrated into other sectors of the economy. Growth faltered in 2009, resulting in a 1.4% drop of GDP under the combined effects of the international financial crisis that led to a fall in demand/price of oil and timber (representing 90% of total exports), and the uncertainties linked to a historic political transition. The recovery observed in 2010, with a growth rate estimated at 5.5%, stems from oil activity, sustained by the average price of Gabonese crude, up by 13.5%. In the medium term, this favourable trend should be maintained with growth projections of about 4.2% and 4.9% in 2011 and 2012¹, respectively. Government's objective is to achieve double-digit growth from 2016 by boosting the key sectors of the economy, notably the mining, hydrocarbon (non-oil) and forestry sectors.



2.1.4 The Gabonese economy is undiversified and largely dependent on world demand for oil, wood and manganese - the core engines of growth. *In the primary sector*, the share of the agricultural sector has decreased slowly but significantly since independence due to the dynamics of oil, rural migration and difficulties in transporting and marketing agricultural products, due to an undeveloped road infrastructure. As a result of this trend, nearly 85% of food products consumed are imported. *In the industrial sector*, oil is the engine of the national economy and accounted for about 50% of GDP, 60% of tax revenue and 80% of goods exported in 2008-2010. Concentrated in the Port-Gentil region, oil activity peaked in 1997 with 18.5 million tonnes (currently around 12 million tonnes per annum). **Given this structural drop in oil activity, the Government has had to rethink the real sector of the economy by giving more attention to diversification.**



2.1.5 Although the wood sub-sector represents barely 3.5% of GDP and 10% of exports, it remains the leading employer in the private sector (22%). Log evacuation and processing is made difficult by the often long distances, the poor state of the road network and the irregular power supply. Since 2007, the *services sector* (especially transport and telecommunications)

¹ 2011 Economic Outlook (ADB/OCDE)

has recorded an upswing, thanks to telephony, catering business and hotel trade. Services should experience a boom in 2011/2012, thanks to the joint organization of the forthcoming African Cup of Nations (CAN) tournament with Equatorial Guinea.

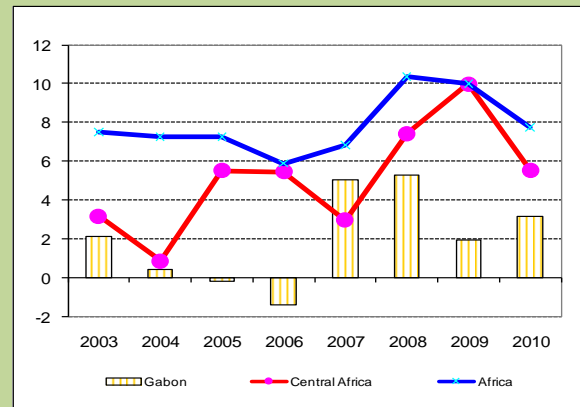
Macro-economic Management

2.1.6 **The prudent regional monetary policy pursued by BEAC has helped to maintain price stability.** The average inflation rate over the period 2006-2010 was moderate at about 3.2%, but the impact of the oil rent on revenue formation and the cost of inputs pushed up the cost of living. The imbalances induced by the oil rent, exacerbated by the few spin-off effects on the other sectors of the economy, are a handicap not only to the purchasing power of households but also to economic competitiveness.

2.1.7 In public finance, **the increase in oil prices over the 2004-2008 period helped to generate substantial budget surpluses. Despite dropping significantly in 2009, the budget balance remained in surplus and rose in 2010 to above 3% of GDP.** In contrast, the primary budget balance, *excluding oil resources*, is in deficit (above 14% of GDP in 2010), mainly due to the expansionist budgetary policy initiated by the Government. This brought the capital expenditure rate to 10% of GDP in 2010 and 2011, compared to the usual level below 5%, to support infrastructure sector investments and prepare CAN 2012. This policy could bring the non-oil deficit to 22% of GDP at end 2011. The Government considers that this rise is temporary and has fixed for itself the objective of reducing the deficit to 14% of GDP in 2015 by cutting back on recurrent expenditures that represented 31.1% of GDP in 2009.

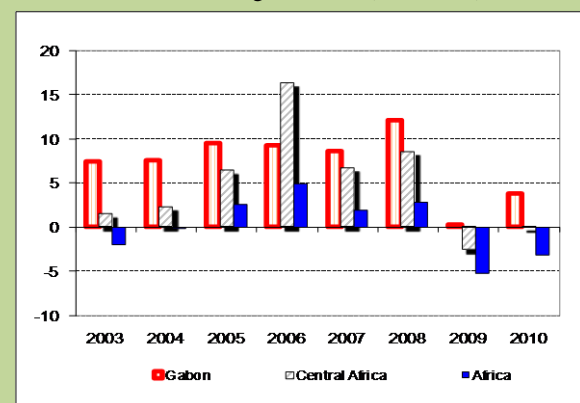
2.1.8 **The country's external position is sustainable.** Current account remained in surplus over the 2006-2010 period and international reserves represented more than 7 months of goods and services imports in 2010, and should be consolidated in 2011.

Chart 4 – Consumer price index (%)



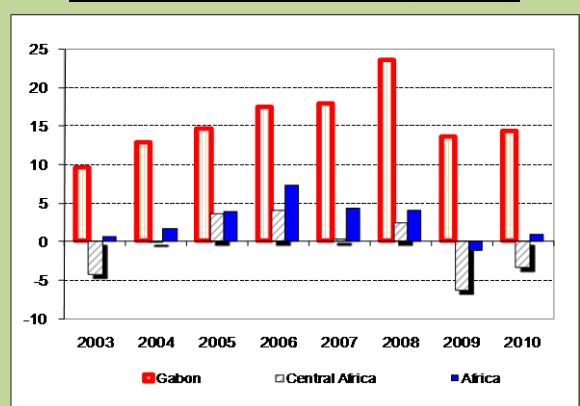
Source: ADB Statistics Department, PEA April 2011

Chart 5 – Budget balance (% of GDP)



Source: AfDB Statistics Department, African Economic Outlook, April 2011

Chart 6 – Current account balance (% of GDP)



Source: AfDB Statistics Department, African Economic Outlook, April 2011

2.1.9 The outstanding foreign debt is estimated at 18.8% of GDP at end 2010 and projected at 11.7% in 2015. Debt services represent 7.3% and 15.7% of 2010 exports and tax revenue, respectively. The Government has also drawn up a domestic debt arrears settlement plan.

Governance

2.1.10 **The corruption perception index remains high. The country is ranked 110th out of 178 in the Transparency International 2010 Global Corruption Report.** Furthermore the Mo Ibrahim Governance Index shows that in 2009, Gabon ranked 27th out of the 53 African countries included in the classification, i.e. two places behind, compared with 2008, due to the deterioration of the corruption and accountability indicators. As a result, the new authorities in 2009/2010 adopted measures, among which: (i) the civil service audit which highlighted the existence of ghost government employees; (ii) the effective application of the assets declaration principle by members of government and officials; and (iii) the announcement in April 2010 of the conduct of an oil sector audit to better determine financial flows from the industry. The country has made progress since it became a member of the Extractive Industries Transparency Initiative (EITI). Gabon attained “close to compliance” country status based on a validation report submitted to the EITI Board of Directors in October 2010.

2.1.11 **Public finance management suffers from weaknesses in budget programming, execution and control, as well as in government procurements.** In July 2010, the Government adopted the Organic Law on the Finance Act and Budget Implementation. The purpose of this law is to reform budgetary planning and improve public expenditure effectiveness and transparency through Programme Objectives Budgeting (BOP). Besides the BOP, the Medium-Term Expenditure Framework (MTEF) that is being prepared should allow for multi-annual budget management. The International Monetary Fund (IMF) conducted a public finance management diagnosis in July 2010. Following the diagnosis, technical assistance was programmed in collaboration with the World Bank, to strengthen budget management and improve the potential for mobilizing non-oil budget resources.

2.1.12 **Measures taken by the Government, notably limiting directly negotiated contracts and establishing a one-stop shop to expedite administrative procedures, had limited impact.** In the first quarter of 2011, the Bank undertook an in-depth review of Gabon’s local procurement procedures and local competitive bidding (LCB) documents. According to the interim results of the study, there are similarities between the national and the Bank’s procurement procedures. Therefore, it is necessary to continue the reforms in order to remedy certain institutional, organizational, legislative and regulatory weaknesses. The results of this review should foster dialogue with the General Directorate of Procurement (DGMP) to implement actions to promote the use of the national procurement systems.

2.1.13 Lastly, concerning **democratic governance**, civil society is still inadequately structured and hampered by its relatively weak technical and organizational capacity. However, holding cabinet meetings in the provinces, broad political consultations on certain issues of public interest, use of modern communication tools to widely disseminate information on reforms undertaken and actions implemented under the National “Emergence” Project are among the initiatives that contribute to strengthening national dialogue.

The Business Climate

2.1.14 The business climate offers little incentive for private investment. While the country is ranked first out of the ten ECCAS countries in terms of starting a business², its world ranking of 156th out of 183 economies reflects a poor perception of the local business climate. This is also reflected in Gabon's classification in the *Economic Freedom*³ Index, which ranks the country 110th out of the 179 economies with a score below the world average (56.7, compared to an average of 60) - particularly low in terms of corruption. As underscored by the private sector development study conducted in Gabon by the Bank in 2010⁴, the obstacles to private sector development are numerous.

Box 1 – Major Obstacles to Private Sector Development

The major obstacles to private sector development identified by the study are: bureaucracy, proliferation of parafiscal tax, transaction costs induced by corruption, the weak legal framework, the complex land tenure system and low competitiveness due to high input cost, inadequate skilled labour and weak capacity to promote Public-Private Partnership. Furthermore, **the financial system is poorly developed and inaccessible to SMEs/SMIs.** The market penetration rate by the banking sector is very low and does not exceed 10%. Private sector credit is far below the average for oil exporting countries in sub-Saharan Africa⁵. Although the banking system is rich in short-term liquidity, it strains to meet the needs of businesses that require long-term resources to finance their capital expenditure. Local financing is handicapped by weaknesses related to the quality of information on businesses, guarantees, long-term resource mobilization and the institutional environment as a whole.

2.1.15 The Gabonese private sector is dominated by multinational enterprises operating in the mining and hydrocarbon sectors, and by quasi-monopoly companies in the forestry, agribusiness and trade sectors. Although the country enjoys a liberal economic policy that is open to the establishment of businesses and investment, the contribution of foreign direct investments (FDI) to GDP is very limited (0.3% in 2009). **Private sector participation in public-private partnerships (PPP) is also limited.** Despite the opportunities offered in various sectors (water, energy, transport, agribusiness, etc.), PPP is handicapped by the weak capacity of the public administration in planning, negotiation and PPP project management, in light of best international practices.

2.1.16 Faced with these business climate-related obstacles that hamper private sector development, the authorities have embarked on a series of reforms. Recognizing the capital role that the financial system plays in developing Gabon's economy, the Government in April 2010 initiated the restructuring of business guarantee and development funds, and of the *Banque Gabonaise de Développement* (BGD). Thus, BGD saw its mission re-focused on SME/SMI development and management of public funds being restructured. Regarding the supervision of businesses, the Private Investment Promotion Agency (APIP) is in liquidation, (APIP's operations were ineffective on several levels) following the establishment of a Business Development Centre in April 2011. The Chamber of Commerce is being revitalized following the Government decision to put an end to the political appointment of the Chamber President. Concerning PPPs, Government's growing interest in this form of partnership in the productive sectors and in infrastructure, has led to the on-going drafting of a bill establishing the PPP legislative framework.

² Regional Doing Business Ranking, ECCAS

³ The Heritage Foundation, 2011 Classification

⁴ ADB/BD/IF/2010/163

⁵ International Monetary Fund, Article IV, May 2011

Key Competitiveness Factors

2.1.17 **The high electricity cost and the return of selective power cuts in 2010 and 2011, resulting from increasingly poor supply, highlighted the urgent need to improve the power production and distribution infrastructure. Furthermore, drinking water supply is characterised by supply shortfall, aggravated by significant technical losses and regular water cuts.** The prospect of increased local processing of natural resources and industrial development within the three special economic zones under construction necessitates a quick response to the technical and institutional constraints on the energy and water sectors. Faced with such challenges, the Government in 2010 established a Water and Energy Sector Regulatory Agency, now in the operationalization phase. Government's ambition is also to increase the current energy production capacity of 373 MW⁶ to 1200 MW by 2020 to meet the demand estimated at about 1039 MW, by prioritizing hydroelectric power, of which Gabon's potential is estimated at 5000 to 6000 MW. The success of the economic diversification policy is contingent on the existence of adequate water and power supply planning that could benefit from PPP investments.

2.1.18 **The road network (9170 km) is inadequately developed with less than 11% of asphalted roads (1055 km) and 8115 km of unpaved roads. Generally in a state of advanced degradation, less than 20% of the unpaved network is in good condition.** These conditions weigh heavily on the development of economic activities in the production areas, handicap regional trade and inhibit tourism development. The resources of the second generation Road Maintenance Fund (RMF), created in 2007, and those granted by the Technical and Financial Partners (TFP) have been the major sources of financing used in mitigating the weaknesses noted above.

2.1.19 **Maritime transport** hinges on two relatively specialized ports in Libreville-Owendo (goods) and Port-Gentil (oil). The decrepit installations and equipment at both ports contributes to increasing transport costs. A management agreement was signed in November 2010 between the Gabon Ports Authority and the Singapore Ports Authority to improve the capacity of Gabonese ports and position them in the sub-region and Africa. The on-going projects concern the Mayumba Deep Water Sea Port, the Santa Clara Sea Port and the Lambaréné River Port.

2.1.20 The 658 km long **rail network** linking Libreville to Franceville facilitates forestry and mining activities, although it still exposes the users to numerous risks. A second rail line, providing the south of the country with access to Mayumba Port, is among the infrastructure projects planned by the Government.

2.1.21 In **telecommunications**, the fixed and mobile phone penetration rates stand at nearly 5% and 90%, respectively; 5.76% of the population uses the internet, and high-speed access is barely developed (1.8%). Better telecommunication network efficiency is contingent on the installation of an optical fibre telecommunications network nationwide. In the near future and with TFP support, Gabon should benefit from a trans-ocean optical fibre cable connection linking the West coast of Africa to Europe (the Atlantic Connection to Europe-ACE Project). This project should open the way to a nationwide rollout of the optical fibre network and favour interconnection with countries of the sub-region hooked to the sub-regional high-speed telecommunications network (*Central Africa Backbone, CAB*).

⁶ 45% of the production comes from fossil fuel thermal power plants, notably derived from oil and gas.

2.1.22 **Labour** cost in Gabon is comparatively higher than in most of the CEMAC countries. The Minimum Guaranteed Inter-occupational Wage (SMIG) of CFAF 80,000 in 2006 rose to CFAF 150,000 in 2010, i.e. an 87.5% increase. This wage level could affect the country's competitiveness in a context where the Government's ambition is to make Gabon a value-added commodities export country. Furthermore, skilled labour is lacking in the sectors where diversification is planned.

Regional Integration and Trade

2.1.23 Guided by the development strategies of the African Union and NEPAD, the Bank prepared a regional strategy that served as a basis for the 2011-2015 Regional Integration Strategy Paper (RISP⁷) for Central Africa which comprises the ten ECCAS countries, including Gabon. Because of its geographical position and its potential, Gabon is expected to play an important role in strengthening regional integration. This potential should also be used to benefit from a market of over 120 million people within ECCAS. However, sub-regional integration remains limited. Indeed, Gabon's trade with the countries of the sub-region is low and dominated by imported food products.

2.1.24 The RISP for Central Africa, which focuses on regional infrastructure development and capacity building, will help Gabon and the other countries of the region to have the right foundations for building an integrated economic space. Under the RISP, Gabon will benefit from regional operations identified in the Central Africa Power Pool (CAPP) programme, notably the Cameroon-Gabon-REG Power Interconnection Project. Gabon is also expected to take an active part in implementing the Central African Consensual Transport Master Plan adopted by the ECCAS Heads of State in 2004 as well as in facilitating transport on the NEPAD Yaoundé-Libreville-Brazzaville corridor, especially on the Doussala (Gabon) - Dolisie (Congo) road segment.

2.1.25 Finally, Government's policy to encourage local processing of natural resources will offer inter-regional trade opportunities, facilitated by the Bank-supported *Aid-for-Trade Initiative* in Central Africa.

Social Situation

2.1.26 **Despite a per capita GNI higher than those of most sub-Saharan African countries, Gabon's poverty level is comparable to that of low income countries.** The Gabonese population has two major characteristics: the large percentage of youth (35.6% of the population is under 15) and a high urbanization rate (close to 86% of the population lives in urban areas). According to a poverty assessment and monitoring survey (EGEP 2005⁸), one third of the Gabonese population is believed to live below the poverty line. There are wide disparities in wealth distribution; achieving the 13.5% poverty rate target by 2015 under the MDGs is highly unlikely. In human development, although progress was made in increasing the HDI to 0.648⁹ in 2010 (as against 0.628 in 2005), Gabon's classification (93rd out of 169) is well below that of countries in its category in terms of per capita income. The job situation is relatively precarious since the oil sector has only a marginal impact on employment. Estimated at over 20%, the unemployment rate is cause for concern. Unemployed youth are believed to represent 60% of the unemployed.

⁷ ADB/BD/WP/2009/209/Rev.2

⁸ The EGEP 2005 survey represents the most recent source of reliable data on poverty in Gabon. This survey has not yet been updated. However, the 2010 report on MDGs is available and shows a worrying poverty trend.

⁹ Human Development Report, UNDP, 2010

2.1.27 Faced with this situation, the Government took measures aimed at increasing workers' purchasing power, raising the minimum monthly wage to CFAF 150 000 in 2010 and creating a solidarity allowance for very low-income workers. However, these measures inadequately address the unemployment problem. The challenges are enormous and require long-term actions that place human capital at the heart of the economic growth dynamics.

2.1.28 Under **gender**, Gabon ratified the United Nations Convention on the Elimination of all forms of Discrimination against Women (CEDAW). It also adhered to the Beijing Platform for Action (1995) as well as the Protocol on the Rights of Women in Africa adopted by the Conference of African Union Heads of State in Maputo (2003). In 2010, Gabon adopted the National Gender Equality and Equity Policy. However, if women are not subjected to discrimination in theory, in practice disparities subsist to their detriment. On average, women are poorer and more exposed to unemployment than men¹⁰. In the National Assembly, women are largely in the minority with a percentage of 16.1%, albeit higher than that of countries in the sub-region¹¹.

2.1.29 In **education**, Gabon is on the right track to achieving the MDGs, especially access to education for all by 2015. The primary enrolment ratio was 94.7% in 2010 (92.44% and 88.38% in 2005 and 1990, respectively), with near-perfect gender parity. However, the repeat and dropout rates are high: there is need to strengthen education structures and quality. In **health**, malaria remains the leading cause of mortality in Gabon with a prevalence rate estimated at 66%. For HIV-AIDS, the trend indicates a stabilization of the epidemic, although it remains high with a prevalence of 5.2% in 2009 (5.9% in 2007). The national drinking water access rate is relatively high, with an average of 74%. However, wide disparities persist between the urban (94%) and rural (45%) areas. The population with access to sanitation ranges from 25% to 53% in the urban areas, depending on the district urbanization level. Confronted with this situation, the ambition of the new authorities is to achieve 100% access to water and sanitation from 2016.

Environment and Climate Change

2.1.30 Gabon is one of the 11 countries covered by the Congo Basin, the second largest tropical forest after the Amazon Basin, with its area of 250 million hectares. Close to 85% of Gabonese territory is covered with naturally rich and diversified forests. Gabon has wide biodiversity and 13 national parks (classified as protected areas) that offer an enormous ecotourism development potential. Gabon also has a rich potential for additional carbon sequestration and greenhouse gas (GHG) reduction¹².

2.1.31 The country's commitment to natural resources development led to the signing in 1998 of the UN Framework Agreement on Climate Change and the ratification in December 2005 of the Kyoto Protocol. The new authorities have demonstrated a firm determination to position Gabon as one of the forerunners of sustainable development in Africa. A National Council on Climate Change was established in 2010 to draw up a National Climate Plan. One of Government's objectives is to establish, with AFD support, a satellite image processing station - a regional pilot project to ensure better monitoring of the Basin's forest cover. Furthermore, the country should benefit from EU support to set up necessary mechanisms for

¹⁰ Women's unemployment rate is estimated at 27% compared to the 16% average among men.

¹¹ Human Development Report, UNDP, 2010: Cameroon (13.9%), DRC (7.7%), Chad (5.2%), Congo (9.2%), REG (6%) and CAR (10.5%)

¹² In 2006, Gabon benefited from a support of the UN Environmental Fund (UNEP) for "Developing the Strategy for Seizing the Opportunities of Emerging Markets in the Areas of Green-house Gas Emission (GES) and Carbon Credits Reduction".

achieving compliance with the FLEGT Initiative¹³. Lastly, Gabon recently benefited from Congo Basin Forest Fund (CBFF) assistance to finance the Sustainable Forest Resource Management Support Project.

2.2 Strategic Options

2.2.1 Strategic Framework

2.2.1.1 The political platform (“*Future with Confidence*”) on the basis of which the current Head of State was elected, is founded on a long-term development vision aimed at making Gabon an *emerging* country by 2035. This vision is based on three concepts: (i) *Gabon industry*, focused on the local processing of forest and mining resources; (ii) *Gabon services* for the development of high value-added services; and (iii) *Green Gabon*, which aims at developing environmental and agricultural resources. The Head of State’s April 2010 Framework Letter 2010 defined the priority thrusts and strategic objectives that should underpin Government’s economic and social policies in the coming years.

2.2.1.2 The “Gabon Emergent” strategic plan being finalized, will translate the first phase of the *emergent* vision into action. It will hinge on 3 main thrusts: (i) *Promotion of strong, sustainable and diversified growth* through the development of the energy, mining, forest, tourism, agricultural and agro-industry potential; (ii) *Strengthening the key factors of global competitiveness*, by improving the business climate, developing human capital, modernizing infrastructure and supporting the local private sector; and (iii) *Equitable and fair sharing of the fruits of growth* by facilitating access to basic social services and combating insecurity and social exclusion. These three thrusts form the basis of the pillars proposed in the Bank strategy and are also based on the existing sector plans.

2.2.2 Challenges and Weaknesses

2.2.2.1 **Challenges:** Gabon has a per capita income of USD 7 370, comparatively high in relation to most sub-Saharan African countries. Yet, the economy functions more as a low-income country. Distribution inequalities and poverty are persistent. The Gabonese population is relatively young and requires vocational integration into the job market. At the same time, the Government is confronted with declining oil production¹⁴ - the one commodity that has structured the life of the country since independence. In this regard, Gabon faces a major challenge of creating a diversified economic fabric based on natural resource development and the vocational integration of a relatively young population. The private sector is regarded as the driving force to meet this challenge. However, attracting private investments requires a business environment with incentives, market opening, facilities for production and transportation at reasonable costs, as well as skilled labour.

2.2.2.2 **Weaknesses:** The major constraints on the country’s development are:

- ***Poor diversification of the productive base induced by the oil rent (Dutch syndrome).*** The oil sector is hardly integrated with other branches of the market economy owing to the capitalistic nature of its operation. Its impact on employment is marginal (below 3% of the population).

¹³ European Initiative on Forest Law Enforcement, Governance and Trade.

¹⁴ According to British Petroleum Statistical Review of World Energy, 2010, Gabon’s proven oil reserves are estimate at 3.7 billion barrels.

- ***The weak infrastructure (energy, water, transport and NTI, all of which are indispensable to sustain growth).*** The recommended intensification of natural resource processing activities comes up against the institutional and technical weaknesses that plague the energy industry, as well as the poor transport and NTI network.
- ***Inadequate skilled labour and relatively high labour costs.*** Although the January 2010 increase of the minimum guaranteed inter-occupational wage meets the requirement to maintain purchasing power, it could penalize diversification since factoring the labour cost into the production cost has a direct impact on the competitiveness of the economy.
- ***Inadequacies in the business climate*** stemming from constraints linked to the proliferation of parafiscal tax, transaction costs induced by corruption, bureaucracy, poor quality of state services, lack of an organized consultative framework and partnership between the public and private sectors, procurement problems.
- ***Weak SME/SMI financing system.*** Bank financing is almost out of reach for SMEs/SMIs, less than 3% of which have access to loan resources for long-term investment.

2.2.3 Strengths and Opportunities

2.2.3.1 Gabon's strengths lie in: (i) *the relative stability of its political institutions*, which offers the executive a favourable framework for implementing structural reforms indispensable for diversifying the economy; (ii) *the country's membership of the CEMAC zone* where the regional monetary policies offer long-term monetary stability; (iii) *the existence of a young work force*, which however requires appropriate training to meet the imperatives of economic development, particularly in the manufacturing sector; and (iv) *its strong natural resources endowment*, the development of which offers numerous opportunities under the ECCAS market and emerging countries' demand for commodities. Nevertheless, the development of alternative sector growth poles is indispensable for seizing these opportunities:

- **The mining, oil and gas sector** offers an opportunity for **natural gas exploitation**, around which a petrochemical complex could be built in the Port-Gentil region, but also the development of **mineral resources**, through the Bélinga sector iron deposits.
- **The forest sector is considered one of the major rapid responses to the gradual exhaustion of oil production in approximately thirty years.** At the beginning of 2010, the Government raised the wood processing target to 100%, compared to the original target of 75% in 2012. The obligation to fully process wood locally should create an opportunity for redistribution of the value-added in favour of Gabon, particularly through employment and redistribution of the profit margin.
- **The agro-processing industry sector is also a source of employment near urban or peri-urban centres.** This source of employment is based on developing the land heritage into arable lands. The country has opportunities to develop the sector for import substitution and promote the export of processed commodities to the sub-region. Industrial fishing also offers job opportunities with a potential estimated at 300 000 tonnes per annum.

- **Gabon's tourism potential is considerable in view of its rich biodiversity and number of national parks.** The entire territory is suitable for multiple activities falling under seaside tourism and safari, even if a whole image is to be engineered as Gabon is not on the programme of most tour operators.
- **Estimated between 5000 and 6000 MW, the country's hydroelectric potential places Gabon in the 5th position among countries of the continent.** The hydroelectric dams under construction (Ivindo; Grand Poubara) and the prospects of sub-regional interconnection should enable Gabon to export surplus power towards the sub-region in the long term.

2.3 Aid Coordination and Harmonization

2.3.1 Given its position as an upper MIC, Gabon does not have a long tradition of implementing and monitoring official development assistance (ODA) donor disbursements of which totalled USD 140 million in 2010, i.e. less than 1% of GDP and 3% of that year's fiscal revenue. The Paris Declaration to which the country adhered and advocacy by TFPs, led to the significant strengthening of dialogue with the national party in April 2010. A joint Government/TFP Committee, whose upper tier is chaired by the Prime Minister, has been set up. Six thematic groups covering all TFP intervention sectors are operational and offer an appropriate consultative framework. Through its field representation and notably its role as Leader and Co-leader of the Aid Harmonization and Governance thematic groups, the Bank is actively involved in dialogue. The Bank is Gabon's lead donor in terms of portfolio volume.

2.3.2 Overall, donors' support ensures good coverage of the central sectors of the economy (energy, roads, water, sanitation and telecommunications) (see Annex II). Furthermore, there is growing TFP involvement in activities aimed at diversifying the economy through private sector development.

2.4 Bank Group's Positioning in Gabon

2.4.1 **Since it started operations in Gabon in 1974, the Bank has approved forty-one (41) operations for a net commitment of UA 883 million,** financed essentially from the ADB window. The key sectors covered by this financing include: transport (40%), multi-sector (20%), social (17%), agriculture (17%), industry and mining (2%); telecommunications (2%), water and sanitation (1%), energy and social development (1%). Among these operations, the Bank financed only one project in the private sector (SIAT Gabon) for UA 9.14 million. The Bank's portfolio in Gabon counts eight operations (excluding the 100% disbursed private sector loan) for a total commitment of UA 339.4 million: UA 335.95 million for project loans and UA 3.45 million for non-lending operations. The transport sector represents 64% of the total commitment volume, followed by the social and agricultural sectors (29% and 7%, respectively) (see Annex IV).

2.4.2 *Portfolio performance.* The portfolio disbursement rate stood at 26.88% as at 31 May 2011, for an average age of 2.3 years and an average size of UA 43.51 million per project. With a score of 2.09 over 3, the Bank portfolio performance in Gabon has improved. The score was 1.93 in 2007 for an average age of 3.58 years and a disbursement rate of about 2%. All portfolio improvement actions recommended following the 2007 review were

implemented. The current portfolio has no old project whereas in 2007, there was one (Education III Project, closed in December 2010). However, the Education IV Project, approved in 2009 and not yet effective, and the Fisheries and Fish Farming Sector Support Project with a disbursement rate of 22.4% at age 6 are likely to fall in the status of potentially problematic projects (PPP). This could affect the portfolio performance.

2.4.3 *Portfolio problems:* The portfolio review and the OPEV evaluation of Bank assistance in Gabon over the period 1996-2008 have highlighted the main difficulties affecting operations implementation, namely: (i) delay in loan effectiveness, with an average slippage of 9.5 months; (ii) low quality at entry of infrastructure projects and projects of other sectors with infrastructure components (absence of preliminary design and detailed design); (iii) weak PIU capacity, which is at the root of the long procurement process and unsatisfactory financial management; (iv) low project ownership by the technical ministries mainly owing to internal coordination problems; (v) weak performance of certain contractors allocated works contracts; (vi) bureaucracy that affects the contract signature deadline; and (vii) delay in the effective provision of the counterpart contribution. The OPEV evaluation is further discussed in section 2.5.

2.4.4 *Portfolio Improvement Plan:* A number of measures were agreed upon with the Government, through the national office (GAFO), to improve portfolio performance. These measures, detailed in Annex V, will serve as a filter to ensure quality at entry of the operations conducted in Gabon and will also facilitate their implementation. In addition, the strengthening of the decentralization process will allow GAFO to play an increased role in conducting Bank's activities.

Box 2 – Decentralization, Case of the Gabon Field Office

GAFO plays a key role in leading Bank operations in Gabon. The office has significantly contributed in fostering dialogue with Government and nurturing the Bank's position as Gabon's lead donor. The local presence of the Bank is also key to ensure the overall quality of the portfolio and allow better responsiveness with the field-based multidisciplinary team. In addition, analytical work on diversification of the economy (2008) and private sector development (2010), carried out in close collaboration with ORCE, has benefited from the longstanding local experience of the resident team. The office leadership is also evident from the actions taken to prepare the CSP 2006-2010 completion report concluded in 2010, the portfolio review of Bank operations in Gabon (2010) and the current CSP. During CSP implementation, GAFO with the support of sector departments and ORCE will take an active part in all project preparation and appraisal missions to guarantee quality at entry. The office will ensure the proper launching of new projects. It will strengthen training activities in favour of project managers as well as portfolio monitoring to reduce delays in satisfying loans conditions. Building capacities of PIUs will help reduce fiduciary risks and improve disbursement rates. Undertaking at least two supervisions per year and per project will also contribute to reach these objectives. GAFO will take the lead on 50% of the planned economic and sector work and expects to increase the percentage of the portfolio entirely managed by the office staff from 50% to 60%. In collaboration with ORRU, ORCE and the relevant social departments, it will deploy the necessary effort to mobilize the resources needed for joint project financing.

2.5 CSP 2006-2010 Outcomes and Implementation Lessons Learned

The CSP 2006-2010 completion report reconfirmed the relevance of the strategy, though it concluded that the outcomes were not achieved. In general, implementation was beset by weaknesses in preparing the operations under the lending programme, lack of a structured consultative mechanism between the Government and donors, and uncertainties surrounding the historic political transition. Out of the six operations programmed, only two were

submitted to the Board for approval¹⁵. Overall, the key lessons from the completion report on the 2006-2010 strategy and the evaluation report on Gabon's cooperation with the Bank over the period 1996-2008¹⁶ are given below, as well as the related measures taken to further good ownership and performance of the current strategy.

Box 3 – What Measures to Ensure Smooth Implementation of the 2011-2015 Strategy?

Themes	Lessons from ADB-GABON Cooperation	Factors Favouring a Satisfactory Implementation of CSP 2011-2015	
Strategic selectivity	Lack of selectivity in terms of support to reforms	Support to sector governance-based reforms	The targeted reforms are more consistent with the operational sectors selected and are in line with the continuity of measures recently taken at Government's initiative to promote private sector development (on-going preparation of the PPP legislative framework, restructuring of SME/SMI supervision institutions and private investment promotion, etc.).
Operational synergy	Inadequate inter- and intra-pillar synergy	More synergy in the activity programme	Internal consultation with and between the sector departments and the departments in charge of financing private sector operations engendered an integrated activity programme that will in the long run promote private operator financing by the Bank.
Quality at project entry	Delays in conducting studies, resulting in low programme implementation rate.	Better preparation of operations	The operations selected under the strategy are supported by the targeted analytical work conducted in 2008 and 2010. Furthermore, the sector work on-going or already completed will facilitate the start of programme activities within the timeframe.
Capacity improvement	Inadequate training of the ministries and PIUs for a good ownership of the projects and programmes.	Better account taken of the preparation of public and para-public departments	The capacity of public and para-public structures involved in implementing the operations scheduled under this strategy will be systematically strengthened (short-term and continuing trainings in the areas of required expertise), thereby contributing to better ownership by the ministries and PIUs.
Consultation between the Government and TFPs	Lack of formal and structured high-level consultation with the Government	New consultative framework: Government/TFP committee	The new consultative framework with the Government, operational since April 2010, is a strong sign of the political commitment to foster cooperation with donors and to better own the support programmes. Already, this framework promotes communication on factors that hamper project implementation. Discussions on measures aimed at enhancing TFP portfolio performance, are in progress (to date, three committees have already met).
Monitoring/evaluation	Monitoring mechanism not functional	Technical assistance for monitoring/evaluation	The improvement of the 2012 technical, institutional and monitoring/evaluation mechanism (not functional under the previous strategy) will promote the implementation of the "Gabon Emergent" strategic plan and CSP 2011-2015.

3 BANK GROUP STRATEGY FOR GABON

3.1 Rationale for Bank Group Strategy

3.1.1 **The Bank's strategy aims to promote private sector development, considered the engine of growth and key driver of economic diversification.** The areas of intervention retained in the current strategy are founded on the following selection criteria: (i) consistency with the Government's priority strategic orientations; (ii) the Bank's strategic priorities and comparative advantage; (iii) outcomes of the analytical work conducted in response to national development priorities; (iv) lessons from cooperation with Gabon; and (v) division of labour and complementarity of actions with the development partners.

¹⁵ Road Project Phase I and Education Project IV

¹⁶ Evaluation of Bank Assistance 1996-2008, Operations Evaluation Department (OPEV) – February 2011

3.1.2 **Consistency with national priorities:** The two pillars of the current strategy are in line with the second thrust of the national strategic plan defined in the Framework Letter issued by President Ali Bongo Ondimba. These pillars aim to strengthen Gabon's overall competitiveness by improving the business climate, developing the human capital and modernizing infrastructure to support the emergence of the private sector.

3.1.3 **Bank's comparative advantage and operational priorities.** The strategy proposed takes advantage of the local experience developed by the Bank in infrastructure, which has historically represented over 40% of the country's allocation. Therefore, the current strategy is based on the Bank's priority areas of intervention, namely strengthening infrastructure and developing the private sector as defined in the 2008-2012 Medium-Term Strategy. It also hinges on the Bank's strategic framework for supporting MICs¹⁷ and the integration strategy (RISP 2011-2015), which emphasise competitiveness and the expected regional benefits. The Bank's Governance Strategic Directions and Action Plan¹⁸ and the Private Sector Strategy (2008) also influenced the current strategy.

3.1.4 **Lessons from cooperation with Gabon:** In light of lessons from cooperation with Gabon, the current strategy has been designed to ensure greater selectivity of reforms and lay emphasis on those that are consistent with the recommended sector operations. Furthermore, it pays particular attention to building the institutional capacity of public and semi-public departments - a concern often raised by the technical structures of ministries during consultations.

3.1.5 **Outcomes of the analytical work:** The study on diversification of sources of economic growth (2008) and the study on private sector development (2010) underscored the sectors of the Gabonese economy capable of sustainably generating growth (agriculture, forestry, mining, oil and gas) as well as obstacles to attracting private investments, especially in the sectors mentioned. Thus, the road map resulting from this analytical work, including the diagnosis and recommendations that were confirmed through participatory discussions and dialogue with the country and the development partners, guided the choice of operations retained in this strategy.

3.1.6 **Division of labour and complementarity of actions with development partners:** In defining Bank operations, the medium-term actions recommended by TFPs on public finance management and sector governance were taken into account. With specific regard to the business climate, the analytical work conducted by the Bank helped to shed light on the operations of development partners and the division of labour, with a view to reducing various obstacles to private sector development. In infrastructure, there is complementarity mainly between the World Bank and AFD on energy development and transport facilitation in production areas.

Box 4 – The participatory approach adopted for this CSP

The participatory approach adopted for the current CSP began with the preparation of the two economic and sector studies and the consultations held to validate their findings. This approach placed great emphasis on dialogue with high Government authorities, the public and quasi-public sectors, development partners, private sector and civil society. To this end, a workshop was organized and discussions were held with related parties, specifically on the country's constraints and challenges as well as the axes of the Bank's proposed strategy. An additional forum for discussion has been organized specifically for the private sector, which saw strong participation of SMEs/SMIs and banks, providing the opportunity to understand the sector's challenges and constraints. These workshops were successful in agreeing on common objectives, as reflected in the current strategy.

¹⁷ African Development Bank Strategic Framework for Supporting MICs, 2008

¹⁸ Governance Action Plan of the African Development Bank, 2008-2012

3.1.7 At the end of the participatory process and high-level dialogue between the Bank and members of the administration, two pillars were selected to form the basis of Bank strategy over the period 2011-2015:

- *Improvement of the business climate for private sector development; and*
- *Strengthening Infrastructure to support non-oil growth sectors.*

3.1.8 Through these two pillars, the Bank's strategy is to improve the competitiveness of production factors by improving the environment for non-oil businesses. In this regard, the operations undertaken will promote women's entrepreneurship and pay close attention to environmental protection. Drawing from previous lessons and in order to increase the chances of success of the current strategy, activity programming has been restricted to the 2011-2013 period. The mid-term review scheduled for 2013 will help to draw up an initial implementation scorecard on operations programmed. It will also offer the opportunity to reinforce the strategy through complementary operations, based on the outcomes of studies and surveys planned between now and 2013. Furthermore, this approach is more consistent with the opportunistic nature of private sector operations identified until the mid-term review.

The Indicative Lending Program (Annex I)

Pillar I: Improvement of the Business Climate for Private Sector Development

3.1.9 **To promote SME/SMI development for more inclusive growth, the Bank will, among others activities, strengthen the role played by the local banking sector by providing financial and technical resources.** Through its private sector window, the Bank will mobilize medium- and long-term financial resources to support rapid SME/SMI development, especially in the productive sub-sectors that need substantial investment expenditures. Bank interventions will be in the form of lines of credit to reduce the financing constraints affecting SMEs/SMIs. Rapid SME/SMI development should, in turn, promote job creation and lead growth. To improve the inadequate quasi-public mechanism for supervising businesses, the Bank will explore ways of combining support to the existing SME/SMI supervision mechanisms with lines of credit to facilitate their access to long-term resources. The planned Bank operations will complete the EU and AFD (PROPARCO) programmes aimed at improving the institutional mechanism for establishing business as well as financing and guarantee mechanisms.

3.1.10 **The Bank will also support human capital development to meet the pressing need for a skilled and quality work force that responds to the demands of a diversified market economy.** In this regard, it will accompany Government's effort to better match employment with training. Specifically, the Bank will support the development of policies and strategies aimed at increasing job readiness as well as the professionalization of growth-generating sub-sectors to create real trades. The Project to Support Labour Productivity and Employment that will be prepared will draw from the outcomes of the on-going employment and unemployment survey financed by the Bank. The operations will pay particular attention to youth employment, in coordination with AFD, EU, UNDP and the International Labour Organization (ILO).

3.1.11 **Lastly, to support the diversification of the Gabonese economy, which is contingent on improved natural resource management,** the Bank will improve the capacity of the administration to organize public-private partnerships (PPPs) with national and international operators, by strengthening the legislative framework of the PPP being finalized. The Bank's entry point (an institutional support project aimed at backing public administration in PPP activity sectors) will give real impetus to economic diversification. In synergy with Pillar 2, Government support in the PPP sector will primarily be directed towards putting necessary investments in place to meet the growing demand for energy and water by promoting the entry of independent producers and effective regulation in these sectors. Apart from the civil service, the Bank plans to support structures capable of fostering public-private partnerships, such as the Chamber of Commerce and/or the Business Development Centre.

Pillar II: Strengthening Infrastructure to Support Non-oil Growth Poles

3.1.12 **In the electricity sector,** the Bank will support Government's new energy development strategy, in coordination with the World Bank. Through its public sector window, the Bank will co-finance a transmission network to transport power that will be produced in the *Impératrice* and *FE2* dams to Libreville and connect a number of towns, industrial areas and private enterprises. Through its private sector window, the Bank will co-finance the electricity production facility in the said dams; specifically, the design, construction and operation by the private promoters of the two power stations on the *Impératrice and FE2 Falls* (56 MW and 36 MW, respectively). These operations will enable the Bank to accompany the Government in putting public-private partnerships in place.

3.1.13 **In the rural and agricultural infrastructure sector, and in connection to the transport network being developed,** the Bank will, in coordination with IFAD and AFD, contribute to rural infrastructure improvement in the Woleu-Ntem Region which has a high agricultural potential (Northern Gabon). The objective is to open up large production areas to promote local development in the agricultural, fisheries and wood sub-sectors, given the considerable forest cover in the region. Rural infrastructure improvement will stimulate agricultural production that is currently declining for lack of adequate transportation and marketing facilities. The Bank is already contributing to the development of this sector through the Fisheries Sector Support Project.

3.1.14 **In transport infrastructure,** the Bank, through Road Programme 1 (RP1), already supports the national programme named "Road Network Development Programme" (PARR). The aim of PARR is to rehabilitate and construct 2,579 km of roads, including regional roads, to link up the neighbouring countries (Cameroon, Congo and Equatorial Guinea). The purpose of the Bank's operation under the current strategy is to extend and strengthen ongoing works through Road Programme 2 (RP2) on a total road length of 245 km. RP2 is an indispensable segment of the regional integration highway linking Gabon to Congo, and represents an essential segment of the Tripoli-Windhoek Corridor. Besides road transport, RP2 will include the rehabilitation and improvement of river wharfs and related activities to promote access to basic services, especially the construction of rural earth roads and the rehabilitation of health and education facilities along the road.

3.1.15 **In the Information and Communication Technologies (ICT) sector,** the Bank will consider the possibility of supporting the deployment of a national high speed telecommunications network with optical fibre cable to increase the bandwidth, so that the best quality services (telephony, Internet, data, etc.) will be provided to the population, public

and private businesses, and the administration. This operation will give priority to the PPP approach. Through the operation, the Bank also intends to improve the quality of trade with the sub-regional countries participating in the CAB project.

3.1.16 The private sector: Besides operations already programmed in the energy and finance sectors in synergy with the reforms scheduled under Pillar 1, the Bank will selectively pursue the identification of projects with or without Government guarantees. The mid-term review will offer the opportunity of confirming potential operations for the 2014-2015 period. In keeping with its private sector strategy and depending on the Bank's investment potential in Gabon, the priorities will focus on support to private businesses and development of public-private partnership for setting up competitive infrastructure in the special economic zones currently being built. Special attention will be given to regional projects and businesses.

3.1.17 In line with the RISP lending programme, **regional operations** will focus on the construction of the Doussala (Gabon) - Dolisie (Congo) Road and the Gabon-Cameroon-Equatorial Guinea Power Interconnection Project. Furthermore, the Bank will strengthen the role played by institutions in charge of the ECCAS regional integration agenda, through institutional support to ensure smooth implementation of regional projects in which Gabon is a stakeholder.

Non-lending Operations

3.1.18 The Bank will continue to fully play its role of Knowledge Bank during 2011-2015. Its diversified expertise will help support the Government in designing development policies and strategies. To achieve this, the Bank will put more emphasis on technical assistance and analytical work so as to strengthen its role of partner and advisor to Gabon (Annex I). This approach is in line with the previous CSP framework under which three key studies and surveys were conducted.

Box 5 – Deepen Knowledge to Better Promote Diversified Growth

To contribute to the diversification of the Gabonese economy and promote a more inclusive growth, the Bank plans to conduct targeted analytical work on the timber and agribusiness sub-sectors. To support the development of the timber sub-sector, the Bank intends to conduct a study aimed at further analysing the economic, technical and environmental consequences to process timber locally. This study will inform the preparation of national development policies and strategies in the timber sub-sector, which offers considerable job creation opportunities. In the same perspective, a thorough analysis of the agribusiness sub-sector will be conducted to throw light on the National Agricultural Sector Development Policy. Also, to support Government efforts, to move towards a shared growth, the Bank will conduct a survey on the informal sector, which will supplement the on-going unemployment and employment survey. Finally, a regional study on the constraints to private sector investments in the ten ECCAS countries, including Gabon, will inform the national and regional policies and strategies for promoting private sector investments.

3.1.19 To improve Gabon's interconnection with sub-regional countries and the wider world, the Bank plans, along with the TFPs, to support telecommunications development. In this regard, it intends to support the Government right from the preparatory phase of the National High Speed Telecommunications Network Deployment Project, by helping it to conduct engineering studies. Lastly, in view of lessons from the previous strategy, the Bank will furnish technical assistance to provide "Gabon Emergent" with a better monitoring and evaluation framework.

3.2 Expected Output and Targets

Details of the outputs expected from operations under this strategy are given in the Output Matrix (Annex III). The expected contribution of the operations programme to Gabon's development objectives by 2015 is as follows:

- Increase in resources and the number of viable SME/SMI with high expansion prospects, particularly in the productive sub-sectors with high job creation potential.
- The studies and surveys on the development of the sub-sectors and the informal sector to support the Government in designing development policies and strategies, with a view to diversified and inclusive growth.
- Skills related to the needs of the economy are strengthened;
- The capacity of public administration to organize and manage PPPs and the capacity of structures charged with promoting PPPs is enhanced, thereby furthering the growth of private investments, especially in the energy and water sector on which particular emphasis is placed;
- The power system is strengthened and better equipped to support diversified growth. Energy production is significantly increased and more reliable, and the active role played by the independent power regulation authority, henceforth operational, contributes to the smooth functioning of markets;
- Commercial activities are intensified in the key impact areas of road and agricultural infrastructure projects. Furthermore, access to basic social services increases, leading to improved living conditions for the population.

3.3 Resource Allocation Issues

The indicative lending programme amounts to UA 542 million, i.e. 4% of GDP in 2010, and should not affect the sustainability of the country's debt in the long run (the outstanding part of the debt will vary between 11% and 18% of GDP over the period). The strategy will be implemented through public and private sector project loans and institutional support from the ADB window and/or use of trust funds and the MIC Technical Assistance Fund. Final resource allocation will depend on the results of simulations by the Bank's Financial Management Department (FFMA), based on the country's allocation criteria. As with the previous CSP 2006-2010, the strategy will generate a portfolio for infrastructure development, which will absorb over 80% of the allocation.

3.4 Monitoring and Evaluation

The participatory approach that helped to better anchor this strategy will be proactively intensified to achieve sustainable outcomes. CSP 2011-2015 monitoring will be based on statistical surveys scheduled under the new Government statistics development strategy. The Bank will provide assistance to support the monitoring and evaluation system. Annex III on the CSP Results Framework provides a management tool for monitoring and implementing the strategy. It will help to track the progress made in implementing the CSP and to make necessary adjustments to better channel operations towards tangible results. Strategy monitoring will also be strengthened by the recent posting of a private sector specialist to GAFO.

3.5 Dialogue with the country

Taking into account the difficulties encountered in implementing the previous Bank strategy and the determination of the new authorities to make it an emerging country, issues for discussion and consultation with the Government under CSP 2011-2015 should focus on the following key areas:

- **Ownership and improvement of portfolio operations performance:** the 2010 portfolio review and evaluation of Bank assistance over the period 1996-2008 will continue to frame dialogue with the Government. The recent creation of the Joint Government/TFP Committee offers an appropriate framework to discuss issues concerning delays in ratifying and mobilizing counterpart funding.
- **Improvement of the business climate:** (i) the outcomes of the evaluation of procurement procedures will underpin the dialogue on measures to promote transparency in procurement and the use of national systems by the Bank; (ii) the outcomes of the studies and surveys on employment and unemployment as well as on the informal sector, will promote dialogue on inclusive growth; and (iii) the planned resource allocation to the banking sector will offer an opportunity to deepen dialogue on reforms initiated in the financial sector.
- **Sustainability of investments:** The reaffirmation of continued Bank investments in national and regional infrastructure will offer the opportunity of entering into deep dialogue on sustainability of investments, especially with regard to servicing and maintenance.
- **Environmental conservation** will be an integral part of the dialogue to support Government's willingness to play a leading role in this sector. The CBFF fund for the conservation of the Congo Basin forest ecosystems, the analytical work on developing the timber and agricultural sectors, and the operations scheduled in the energy sector will promote this dialogue.
- **The Bank role as a partner and advisor:** a permanent dialogue will be established with Government to identify opportunities to increase Bank contribution to the country's development policies and strategies.
- **Crosscutting issues,** especially regional integration and gender under the "Emergent Gabon" policy, are important aspects of the dialogue.

3.6 Potential Risks and Mitigative Measures

3.6.1 **Oil dependence.** Despite the on-going diversification efforts, oil's predominant role in the economy will continue in the medium term. The volatility of world prices could create instability as regards budgetary income from oil, thereby reducing the country's ability to finance its ambitious development programme and provide the counterpart financing for Bank projects. However, the moderate global economic recovery, particularly in emerging countries, is encouraging. It is driven by a modest increase in consumption and production in the medium-term for commodity demand and prices.

3.6.2 **Weak capacity.** This is one of the risks affecting the level of ownership. The Government's proactive policy could quickly run out of steam for lack of an administrative capacity to translate its vision into programmes/projects and implement it effectively. To mitigate this risk, the Government established a National Large Scale Infrastructure Agency

(ANGT), which receives international technical assistance to support ministries in implementing major infrastructure projects and programmes. All the projects included in the CSP indicative lending programme will have a component devoted to building the capacity of beneficiary structures.

3.6.3 Political risk: The Government has undertaken an ambitious public investment and reform programme aimed at making Gabon an emerging country, the results of which can only be achieved in the long term. These actions could have a short-term cost and constitute a political risk, given the population's expectations. To mitigate this risk, the Government has opted to broadly inform and consult various political actors and the civil society on the different reforms undertaken.

3.7 Conclusion and Recommendations

3.7.1 The current strategy covers a period of critical political change in Gabon. The new authorities have demonstrated the political will to prepare the country to face new challenges, in particular, declining oil production. The Bank's strategy is an opportunity to support the Government in its efforts to modernize and diversify the economy; to reform the business climate; and to build infrastructure vital for economic transformation, inclusive growth and job creation.

3.7.2 The Board is requested to consider and approve this Country Strategy Paper (2011-2015) for Gabon.

INDICATIVE LENDING PROGRAMME AND NON-LENDING OPERATIONS FOR 2011-2015 STRATEGY

	DPT/DIV	SOURCES	2011	2012	2013	2014	2015	TOTAL
Pillar I: Improvement of the business climate for private sector development								
Project to support reforms and improve the business climate (PARACA)	OSGE	ADB		10				10
Project to support the improvement of labour productivity and employment	OSHD	ADB		10				10
Lines of credit to finance SMEs/SMIs	OPSM	ADB		15				15
Sub-total Pillar I			0	35	AD*	AD	AD	35
Pillar II: Strengthen infrastructure to support non-oil growth poles								
National operations								
Road programme Phase II	OITC	ADB	230					230
Project to build hydroelectric stations on Impératrice and FE2	OPSM	ADB	53					53
Project to build power transmission lines associated with the hydroelectric stations	ONEC	ADB		130				130
Woleu-Ntem rural infrastructure rehabilitation support project	OSAN	ADB	44					44
National optical fibre network deployment project	OITC	ADB			50			50
Sub-total Pillar II			327	130	50	AD	AD	507
TOTAL ADB LOAN			327	165	50	AD	AD	542
Non-lending activities (to finance with trust funds or TAF/MIC)								
Support for implementation of the "Gabon Emergent" strategic plan monitoring/evaluation mechanism	ORCE/GAFO	Trust Funds		0,5				0,5
Feasibility studies on development projects in the agribusiness and timber sub-sectors	OSAN/ORCE/GAFO	Trust Funds			1			1
Informal sector survey	OSHD	TAF/MIC	0,5					0,5
Preparatory studies on the National optical fibre network deployment project	OITC	TAF/MIC		1				1
Sub-total non-lending activities			0,5	1,5				3

*AD: to be determined during the mid-term review

ONGOING COMMITMENTS AND MAJOR MEDIUM AND LONG-TERM TFP OPERATIONAL AREAS

ENGAGEMENTS EN COURS DES PTF								
	BM	AFD	FR	UE	JAPON	BAD	TOTAL	En % du Total
Agriculture		13.9					13.9	2%
Pêche					9.1	15.2	24.3	4%
Forêt et Environnement	15.9	16.3	1.0		10.8		44.0	7%
Diversification des sources de la croissance/climat des affaires	6.2			2.6			8.9	1%
Gouvernance économique et financière/macroéconomie				19.4			19.4	3%
Gouvernance démocratique/justice			3.1				3.1	0%
Société civile							0.0	0%
Développement humain	1.2	19.2	10.3	3.8	1.5	100.8	136.8	21%
Culture			1.2		0.3		1.5	0%
Energie					5.2		5.2	1%
Routes et transports	4.1	68.9		11.9		221.9	306.8	46%
Telecommunications							0.0	0%
Eau / Assainissement	4.1	96.3				1.5	101.9	15%
Montant indicatif des engagements en cours (en millions d'UC)	31.5	214.6	15.6	37.8	26.9	339.4	665.7	100%
Montant indicatif des engagements en cours (en millions de dollars US)	50.4	343.5	24.9	60.6	43.0	543.3	1317.5	
En % du total	5%	32%	2%	6%	4%	51%	100%	

* Exclut les opérations non encore approuvées. Taux de changes au 31 mai (1UC=1.14719 EUR; 1UC=1.60077USD; 1UC=129.216Yen)

** Appuis au secteur privé à travers la SFI et Proparco

Key Areas of Intervention of TFPs in the Medium/Long Term		
World Bank	2011-2015	Road and energy infrastructure ICT, environment, public finance management support
European Union	2008-2013	Road maintenance, sanitation, education and vocational training, forest/environment, economic and financial governance, health
AFD	2011-2014	Road infrastructure, water and sanitation, forest/environment, education and vocational training, health, urban and semi-urban agriculture
UNDP	2012-2016	Economic and democratic governance, Social development
Japan	2009-2014	Clean energy, fisheries, education, health

N.B. Collaboration between Gabon and the IMF has been under discussion since the end of the standby arrangement in 2010. However, an IMF technical assistance covering various areas, including public debt management and taxation, is in place.

<p>Increase and diversify higher training and vocational technical education to leverage the diversification of sources of economic growth.</p> <p>Increase access to scientific and technical training to improve the quality of labour in the alternative booming sectors.</p>	<p>1. Shortage of trainers, training structure and equipment in growth-generating sectors. 2. Inefficiency of the current education system and low enrolment in E.T.P. 3. Lack of frame of reference and curricula adapted to economic diversification needs.</p>	<p>1 Availability of skills for the needs of a diversified economy 2. 20% increase in the ETP and FP enrolment rate (compared to 8% in 2010) and 30% reduction in the current scholarship budget of CFAF 50 billion 3. Labour quality improvement through continuing education.</p>	<p>1. About 50 higher education and 460 ETP teachers trained and 40 teachers retrained in growth-bearing sectors. 2. Extension of the existing structures and construction of university and technical infrastructure 3. Laboratory teaching equipment and workshops. Construction of 5 ETP and 6 rural vocational training centres.</p>	<p>NA</p>	<p>NA</p>	<p>Higher education and vocational training service quality improvement support project:</p> <p>OUTSTANDING DEBT: Approved in July 2009; UA 98.5 million</p>
Support to reforms to promote private investments						
<p>Increase foreign direct investments in PPP form to strengthen the country's energy infrastructure</p>	<p>1. Weak strategic planning of the energy sector (including renewable energy) 2. Weakness of the legal framework for public-private partnership for the said sectors. 3. Weak procurement system. 4. Lack of regulation of the energy and water sector.</p>	<p>1. The Ministry has strategic tools that help to develop the sector (while increasing the share of renewable energy in the total electricity production), with good risk control and management, including PPP-related risks. 2. PPPs are negotiated and structured in accordance with the regulation. 3. The PPP contract award process is competitive and transparent, and offers the local enterprises opportunities 4 The independent regulatory agency for the water and energy sectors has the technical and human resources to correctly evaluate operator performance and negotiate tariff adjustments.</p>	<p>1. A strategic sector framework that integrates the development of renewable energies and PPPs is available. A reliable energy information system has been put in place. 2. PPP regulatory framework of the sector is designed and implemented. 3. The procurement mechanism at the Ministry is strengthened in terms of human and technical resources. 4. The tools required to conduct the terms of reference of the regulator are operational. The agency has a business plan and an</p>	<p>1. Staff of the Ministry benefit from continuing education in planning. 2. The PPP capacity of the Ministry is strengthened. 3. The team of the technical Ministry in charge of bid preparation is formed. 'Mapping' of local skills is conducted. 4. All the technical and executive staff of the Agency are recruited and trained.</p>	<p>1..Technical assistance is operational 2..Technical assistance is operational 3.. Technical assistance is operational 4. Texts establishing the organization and operating modalities of the regulatory agency exist. The organization chart has been prepared.</p>	<p>Reforms and business climate improvement support project (PARACA)</p> <p>Sub-project 1 Strengthen the regulator</p> <p>Sub-project 2 Strengthen strategic planning</p> <p>Sub-project 3 Develop a PPP legal framework.</p> <p>Sub-project 4 Strengthen PPP procurements PROPOSED: Board presentation in 2015; UA 10 million from ADB Fund and/or trust funds</p>

			adequate governance device. Their staffs are operational.			
PILLAR II - Infrastructure improvement to sustain non-oil growth poles						
Opening up production areas						
<p>Promote regional integration by reducing the internal and external isolation.</p> <p>Reduce poverty by improving the living conditions of the population.</p> <p>Improve the living conditions of the population.</p> <p>Improve the movement of goods and persons.</p>	<p>1. Deterioration of the existing network, thereby depriving whole regions of access to development</p> <p>2. More poverty in the rural area hard hit by urban migration.</p> <p>3. Difficulties of access to basic social services</p> <p>4. Weak institutional management capacity of the sector and inadequate technical staff at MEIAT.</p>	<p>1.1-The asphalted national road network increases from 11% in 2010 to 16%, i.e. 1 489 km, with a time gain of about 40% on the LBV-TCH road.</p> <p>2.1-20% increase in the average household income in ZIP and 600 temporary jobs created.</p> <p>3.1- The rural population's access to socio-educational and health facilities increased by 30%</p> <p>4.1 –Institutional capacity of the Ministry strengthened.</p>	<p>1.2 434 km of road asphalted with reservation for optical fibre, on the Mouila-Ndendé-Tchibanga, and Port Gentil-Mandorové road.</p> <p>2.2 124 km of related earth roads improved.</p> <p>3.2 25 schools and 28 health centres rehabilitated, 85,000 persons sensitized on HIV/AIDS and environmental protection, 5 boreholes drilled.</p> <p>4.2-198 MTPEC staff trained.</p>	<p>1.3 Reduction of travel time on the Libreville-Tchibanga stretch from 13 hours in 2010 to 10 hours in 2015</p> <p>2.3 Opening up of the rural production areas and rise in average household income in the project impact area (PIA)</p> <p>3.3 Improved access to social services.</p>	<p>1.4 245 km of road asphalted; 30A built and 60A rebuilt on the Mouila-Ndendé-Tchibanga road.</p> <p>2.4 50 km of rural roads improved, agricultural implements supplied to 80 rural women's associations (wheelbarrows, cane presses and cassava mills) and 300 temporary jobs created.</p> <p>3.4 35000 persons sensitized on environmental hygiene and AIDS prevention;</p> <p>4.4 About 272 km of roads studied for better sector strategic planning.</p>	<p>Road programme 1 (RP1):</p> <p>OUTSTANDING DEBT: Approved in September 2007 for UA 221.9 million</p> <p>Road Programme 2 (RP2)</p> <p>PROPOSED: Board presentation in 2011; UA 230 million</p>
Development of the productive sectors						
<p>Increase the contributions of the agricultural, fisheries and fish farming sectors to GDP with a target of 10% in 2015, compared to 5.5% in 2010</p> <p>Increase the availability of local production through 30 to 35% increase in agricultural and fishery products by 2015.</p>	<p>1. The isolated nature of the production area; (ii) the weak operating capacity of public services.</p> <p>2. Poor organization of farmers and their low technical qualification.</p> <p>3. Limited channels for marketing agricultural produce</p> <p>4. Lack of an effective rural financing system.</p>	<p>1.1-Contribution to GDP increases from 5.5% to 10% in 2016, thanks to 30% increase in fish production and 35% in food production (cassava, plantain and groundnuts).</p> <p>2- Creation of about 400 permanent jobs and 800 temporary jobs.</p> <p>3- Improvement of female traders' incomes by about 70%</p> <p>4-The capacity of the public department in charge of the sector is improved.</p>	<p>1- 500 km of rural roads rehabilitated in Woleu Ntem Province</p> <p>2- 15 Markets and warehouses rehabilitated.</p> <p>3- Training of 200 government executives and workers</p> <p>4- Training and sensitization of 4,500 group members</p> <p>5- Training of 20 works SMEs, 100 rural road maintenance committees and 20 market management and maintenance committees.</p>	<p>Contribution to GDP increases from 5.5% to 7% in the economic data profile from 2013</p> <p>Fish production increases from 45,000 T and stabilizes at about 65,000 T</p> <p>Training of DGPA staff and installation of knowledge management tools, fishery resource monitoring and protection facilitating the improvement of DGPA operating capacity.</p>	<p>Construction and rehabilitation of 8 Inspectorates, 7 fisheries and fish farming brigades, 5 fish-farming stations, 5 landing points, 2 bund walls of the community fishing centres. Supply of 9 patrol craft, 15 vehicles, 32 motorcycles, one laboratory and one fisheries observatory.</p> <p>Training and sensitization of 250 Government agents, 1500 fishermen and 500 fish-farmers</p>	<p>Fishery and aquaculture sector support project (PSPA)</p> <p>OUTSTANDING DEBT: Approved in July 2005 for an amount of UA 14.8 million</p> <p>Woleu-Ntem rural infrastructure rehabilitation project:</p> <p>PROPOSED: Board presentation in 2011 for UA 44 million</p>
Increase in energy supply						

<p>1. Sustain growth and economic diversification through power supply in adequate and reliable quantity and at lower cost.</p> <p>2. Improve the living standard of the population</p>	<p>1. Electricity supply is structurally in deficit owing to under-exploitation of the country's hydroelectric potential and lack of infrastructure.</p> <p>2. The rural electricity access rate is low.</p> <p>3. Weakness and inadequacy of the institutional mechanism.</p>	<p>1. 30% increase in the current installed capacity.</p> <p>2. Security and greater reliability of electricity supply through interconnection of various existing networks. Improvement of the population's electricity access rate through a rural electrification programme.</p> <p>3.Reduction of the electricity tariff from 70 F/kWh in 2011 to 50 F/kWh in 2015 Improvement of DGE's capacity.</p>	<p>1. Extension of the Impératrice falls hydroelectric site from 56 to 84 MW</p> <p>2. Construction of over 630 km of high voltage (HV) lines, 6 HV posts and 600 km of rural electrification networks. Interconnection of the Gabon-Cameroon-Equatorial Guinea power grid</p> <p>3. <i>Société Gabonaise de Transport d'Energie</i> (Gabon Power Transmission Company) established. Training and technical assistance to the General Directorate of Energy (DGE) and <i>Société Gabonaise de Transport d'Energie</i> (SGTE).</p>	<p>1. Increase in the country's power supply through over 10% increase in the current installed capacity.</p> <p>2. Improvement of the reliability and availability of power supply and reduction of down time.</p> <p>3. DGE and SGTE capacity improvement</p>	<p>1. The Fé2 and Impératrice hydroelectric stations (36 MW) are built.</p> <p>2. 350 km of HV lines,, 03 HV transformer stations and 300 km of medium- and low - voltage grid for rural electrification are built. Electrification of new communities.</p> <p>3. The Electricity Sector Independent Regulatory Authority (<i>Autorité indépendante de régulation du secteur de l'électricité</i>) established and the capacity of the Energy Ministry strengthened.</p>	<p>The Impératrice and Fé2 hydroelectric station construction project:</p> <p>PROPOSED: Board presentation in 2011 for UA 45 million</p> <p>Energy transport lines combined with the Fé2 and Impératrice hydroelectric development project:</p> <p>PROPOSED: Board presentation in May 2012 for UA 130 million (ADB)</p>
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NB: The outputs and outcomes of the new proposed projects are indicative and may be fine-tuned/adjusted during the project appraisal phase and/or CSP mid-term review scheduled for 2013

PORTFOLIO OF ONGOING OPERATIONS (MAY 2011)

Project Name	Approval	Amount (Million UA)	Signature Date	Effectiveness	Closing Date	Amount Disbursed (UA million)	Age	% Disbursed	Performance Indicator
TRANSPORT		221.9						36.05	2.1
RP 1	Sept. 07	221.9	Oct. 07	Sept. 08	Dec. 12	80	4	36.05	
AGRICULTURE		23.89						52.11	2.08
Fisheries and Fish Farming Sector Support Project -PSPA	July 05	14.75	Oct. 05	Sept. 06	Dec. 11	3.31	6	22.41	
SIAT Gabon	12-Sept.-2007	9.14	Feb. 08	Feb. 08	Dec. 10	9.14	4	100	
Agricultural Production Infrastructure Development Study	January 2011	0.47	March 11	-		-	0.5	-	
SOCIAL		102.28						1.11	
Education IV	July 09	99.3	March 10	-	Dec. 15		2	-	
National Employment and Unemployment Survey	June 09	0.5	Jan. 10	Jan. 10	Dec. 11	0.29	2	57.34	
CNAMGS Improvement Study.	15-Oct.-2010	0.5	Feb. 11	-	Dec.11	-	0.75	-	
Population and Health Survey	2-Feb. -2011	0.5	-	-	Dec.12	-	0.33	-	
Study on Three Catchment Areas	June 09	1.48	Feb. 10	Feb. 10	Dec. 11	0.85	1	52.7	
TOTAL		348.54				93.59		26.88	2.09
Private sector		9.14				9.14		100	
Public sector		339.4				84.45		24.92	

COUNTRY PORTFOLIO IMPROVEMENT PLAN (CPIP) 2011

I. LOW QUALITY AT PROJECT ENTRY			
PROBLEMS IDENTIFIED	ACTIONS REQUIRED	RESPONSIBILITY	TIMEFRAME
1.1 Many project implementation difficulties arising from lack of preliminary draft and final draft studies, and errors and omissions contained in the project dossiers.	1.1.1 Country team meetings should ensure that infrastructure planned under projects proposed for Bank financing have feasibility studies and detailed design.	1.1.1 Country/Sector/ Government Team	Immediate and continuous
	1.1.2 The Bank should devote enough time for preparing and appraising its projects by multi-disciplinary teams	1.1.2 Sector Departments	Immediate and continuous
II. LOAN EFFECTIVENESS			
PROBLEMS IDENTIFIES	ACTIONS REQUIRED	RESPONSIBILITY	TIMEFRAME
2.1 Considerable slippage on loan effectiveness and fulfilment of conditions precedent to first disbursement.	2.1.1 The law ratifying the loan should be drafted by the Government for review during loan agreement negotiations.	Government/Sector Departments	Immediate and continuous
	2.1.2 Sector departments should programme Board presentation of projects within the month preceding the opening of the ordinary session of the National Assembly.	Sector Departments/GAFO	Immediate and continuous
	2.1.3 Authority to sign loan agreements should be delegated to the Resident Representatives to shorten the time between approval and loan signature.	OSVP/OIVP	Immediate and continuous
	2.1.4 GAFO should regularly monitor the loan agreement ratification process with the Government.	GAFO/GOVT	Immediate and continuous
	2.1.5 The sector Departments should propose practical conditions precedent to first disbursement.	Sector Departments/Government	Immediate and continuous
III. PROCUREMENT			
PROBLEMS IDENTIFIED	ACTIONS REQUIRED	RESPONSIBILITY	TIMEFRAME
3.1 Unsuitable procurement methods used	3.1.1 ORPF.1 should participate in project preparation and appraisal missions to deepen the analysis of the contract terms and allow better choice of the appropriate procurement methods.	Sector Departments/ORPF /GAFO	Immediate and continuous
3.2 Long procurement process owing to low PIU capacity.	3.2.1 Immediately following project approval, the Bank should organize a satisfactory training of project managers in the executing agencies.	ORPF/GAFO/ Government	Immediate and continuous
	3.2.2 The procurement officer in GAFO should lend permanent support to the PIUs in preparing BD//DDP.	GAFO/Government	Immediate and continuous
3.3 Delays due to Bank “non-objection” timeframe	3.3.1 Delegate more powers to the field office and the regional procurement coordinator.	ORPF/GAFO	Immediate and continuous

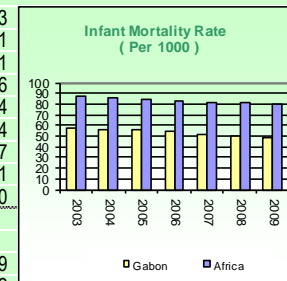
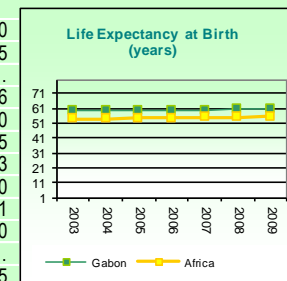
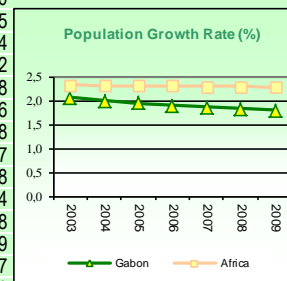
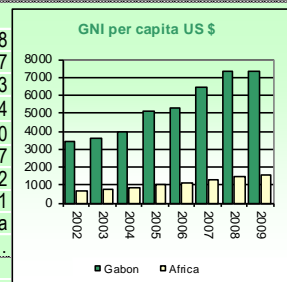
	3.3.2 Improve the weekly monitoring of dossiers pending at the Bank.	GAFO/ORCE	Immediate and continuous
3.4 Weak performance of the successful bidding contractor.	3.4.1 Resort more to post-qualification for the final award of work contracts to contractors.	ORPF/Sector Departments	Immediate and continuous
IV. FINANCIAL MANAGEMENT AND DISBURSEMENT			
4.1 The resources of the revolving fund are often utilized to incur ineligible expenditures	4.1.1 A qualified accountant should be recruited and satisfactorily trained in financial management rules prior to project start up.	Government/Sector Department/ORPF	Immediate and continuous
	4.1.2 An administrative and financial procedures manual should be prepared and finalized prior to project presentation to the Board.	Sector Department/Government/ORPF/GAFO	Immediate and continuous
	4.1.3 Develop an internal control system.	Sector Department/PIU/ORPF/	Immediate and continuous
4.2 Delays arising from the preparation of financial and accounting statements	4.2.1 Develop a deadline monitoring system for the production of financial reports.	GAFO/PIUs	Immediate and continuous
V. COUNTERPART FINANCING			
5.1 Irregularity and lack of transparency in the payment of the counterpart contribution.	5.1.1 Monitor the mechanism for paying deposits into the account intended to receive counterpart resources.	GAFO/Sector Department	Immediate and continuous
VI. PROJECT IMPLEMENTATION MONITORING			
6.1 Poor ownership of projects by departments, leading to delays in decision-making.	6.1.1 Put in place a team of the technical ministry to participate in each project's preparation and appraisal missions.	Sector Department/GOVT	Immediate and continuous
	6.1.2 Abandon the use of parallel executing agencies (PEA) in order to entrust project management and implementation to government departments.	Sector Department/GOVT	
	6.1.3 Conduct an annual portfolio review by associating all stakeholders.	GAFO/Sector Department/PIUs	Immediate and continuous

KEY SOCIAL INDICATORS

Gabon

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Gabon	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		268	30 323	80 976	54 658
Total Population (millions)	2010	1,5	1 031,5	5 659	1 117
Urban Population (% of Total)	2010	86,0	39,9	45,1	77,3
Population Density (per Km ²)	2010	5,6	34,0	69,9	20,4
GNI per Capita (US \$)	2009	7 370	1 525	2 968	37 990
Labor Force Participation - Total (%)	2010	48,8	40,1	61,8	60,7
Labor Force Participation - Female (%)	2010	46,9	41,0	49,1	52,2
Gender -Related Development Index Value	2007	0,748	0,433	0,694	0,911
Human Develop. Index (Rank among 169 countries)	2010	93	n.a	n.a	n.a
Popul. Living Below \$ 1 a Day (% of Population)	2005-08	4,8	42,3	25,2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2010	1,8	2,3	1,3	0,6
Population Growth Rate - Urban (%)	2010	2,3	3,4	2,4	1,0
Population < 15 years (%)	2010	35,6	40,3	29,0	17,5
Population >= 65 years (%)	2010	5,1	3,8	6,0	15,4
Dependency Ratio (%)	2010	66,4	77,6	55,4	49,2
Sex Ratio (per 100 female)	2010	99,9	99,5	93,5	94,8
Female Population 15-49 years (% of total populatic	2010	25,8	24,4	49,4	50,6
Life Expectancy at Birth - Total (years)	2010	61,3	56,0	67,1	79,8
Life Expectancy at Birth - Female (years)	2010	62,5	57,1	69,1	82,7
Crude Birth Rate (per 1,000)	2010	26,6	34,2	21,4	11,8
Crude Death Rate (per 1,000)	2010	9,3	12,6	8,2	8,4
Infant Mortality Rate (per 1,000)	2010	47,2	78,6	46,9	5,8
Child Mortality Rate (per 1,000)	2010	73,3	127,2	66,5	6,9
Total Fertility Rate (per woman)	2010	3,2	4,4	2,7	1,7
Maternal Mortality Rate (per 100,000)	2008	260,0	530,2	290,0	15,2
Women Using Contraception (%)	2005-06	...	...	61,0	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004-09	29,0	58,3	109,5	286,0
Nurses (per 100,000 people)*	2004-09	467,3	113,3	204,0	786,5
Births attended by Trained Health Personnel (%)	2005-07	...	50,2	64,1	...
Access to Safe Water (% of Population)	2008	87,0	64,5	84,3	99,6
Access to Health Services (% of Population)	2004-09	50,2	65,4	80,0	100,0
Access to Sanitation (% of Population)	2008	33,0	41,0	53,6	99,5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	5,9	4,9	0,9	0,3
Incidence of Tuberculosis (per 100,000)	2009	501,0	294,9	161,0	14,0
Child Immunization Against Tuberculosis (%)	2009	71,0	79,9	81,0	95,1
Child Immunization Against Measles (%)	2009	63,0	71,1	80,7	93,0
Under eight Children (% of children under 5 years)	2005-07	...	30,9	22,4	...
Daily Calorie Supply per Capita	2007	2 755	2 465	2 675	3 285
Public Expenditure on Health (as % of GDP)	2008	4,1	5,7	2,9	7,4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2004-09	134,3	102,7	107,2	101,3
Primary School - Female	2004-09	133,9	99,0	109,2	101,1
Secondary School - Total	2005-08	...	37,8	62,9	100,1
Secondary School - Female	2005-08	...	33,8	61,3	99,6
Primary School Female Teaching Staff (% of Total)	2004-09	44,7	47,0	60,5	81,4
Adult literacy Rate - Total (%)	2008	87,0	64,8	80,3	98,4
Adult literacy Rate - Male (%)	2008	90,9	74,0	86,0	98,7
Adult literacy Rate - Female (%)	2008	83,2	55,9	74,8	98,1
Percentage of GDP Spent on Education	2005	...	4,6	3,8	5,0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2008	1,3	7,8	10,6	10,9
Annual Rate of Deforestation (%)	2005-09	...	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2005-09	...	10,9	...	...
Per Capita CO2 Emissions (metric tons)	2009	3,1	1,1	2,9	12,5



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; last update : May 2011

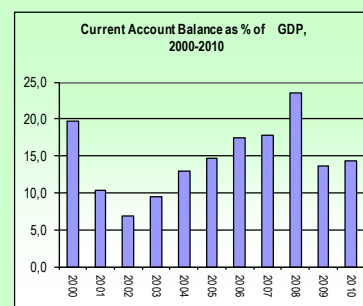
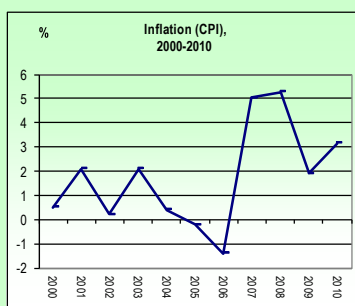
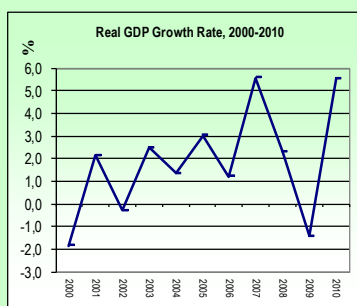
UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available.

KEY MACRO-ECONOMIC INDICATORS

Gabon
Selected Macroeconomic Indicators

Indicators	Unit	2000	2005	2006	2007	2008	2 009	2010 (e)
National Accounts								
GNI at Current Prices	Million US \$	4 289	7 708	7 902	10 044	12 364	9 549	...
GNI per Capita	US\$	3 080	5 120	5 300	6 450	7 320	7 370	...
GDP at Current Prices	Million US \$	5 069,1	8 660,4	9 542,1	11 441,5	14 444,2	10 887,9	13 005,8
GDP at 2000 Constant prices	Million US \$	5 069,1	5 525,3	5 591,6	5 902,6	6 039,4	5 953,7	6 283,6
Real GDP Growth Rate	%	-1,9	3,0	1,2	5,6	2,3	-1,4	5,5
Real per Capita GDP Growth Rate	%	-4,1	1,0	-0,7	3,6	0,5	-3,2	3,7
Gross Domestic Investment	% GDP	22,6	23,2	24,2	23,6	21,1	24,9	21,1
Public Investment	% GDP	5,0	5,8	6,4	6,2	5,7	6,6	4,2
Private Investment	% GDP	17,6	17,4	17,7	17,4	15,4	18,2	16,9
Gross National Savings	% GDP	40,1	44,2	40,6	41,6	44,2	37,3	39,3
Prices and Money								
Inflation (CPI)	%	0,5	-0,2	-1,4	5,0	5,3	1,9	3,2
Exchange Rate (Annual Average)	local currency/US\$	712,0	527,5	522,9	479,3	447,8	472,2	495,3
Monetary Growth (M2)	%	18,3	27,5	16,4	6,9	9,1	2,1	4,9
Money and Quasi Money as % of GDP	%	14,6	18,4	19,6	19,1	17,6	22,7	19,0
Government Finance								
Total Revenue and Grants	% GDP	33,5	29,8	31,7	29,9	32,2	25,0	24,8
Total Expenditure and Net Lending	% GDP	21,8	20,4	22,5	21,3	20,1	24,8	21,1
Overall Deficit (-) / Surplus (+)	% GDP	11,7	9,4	9,2	8,6	12,1	0,2	3,7
External Sector								
Exports Volume Growth (Goods)	%	-5,5	-4,2	-10,0	3,5	0,3	0,9	-2,3
Imports Volume Growth (Goods)	%	-25,6	-2,5	20,3	5,0	7,1	-13,2	17,5
Terms of Trade Growth	%	19,3	20,9	30,4	8,5	17,2	-33,8	52,8
Current Account Balance	Million US \$	1 000,8	1 265,5	1 659,0	2 044,7	3 393,8	1 484,9	1 861,8
Current Account Balance	% GDP	19,7	14,6	17,4	17,9	23,5	13,6	14,3
External Reserves	months of imports	1,1	2,3	3,0	2,6	3,4	...	...
Debt and Financial Flows								
Debt Service	% exports	15,5	8,8	10,8	10,4	25,4	7,4	6,7
External Debt	% GDP	58,3	39,4	32,7	35,3	15,7	18,7	14,9
Net Total Financial Flows	Million US \$	76,3	-68,2	166,4	580,5	-359,2	-277,1	...
Net Official Development Assistance	Million US \$	11,7	60,4	29,1	51,2	62,1	77,6	...
Net Foreign Direct Investment	Million US \$	-42,6	242,3	267,8	269,3	209,0	32,8	...



Source : ADB Statistics Department; IMF: World Economic Outlook, October 2010 and International Financial Statistics, April 2011;
ADB Statistics Department: Development Data Platform Database, April 2011. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations

Last Update: May 2011

MDG IMPLEMENTATION AND MONITORING STATUS

Gabon

PROGRESS TOWARD ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

Goal	1990 ¹	2000 ²	2010 ³
Goal 1: Eradicate extreme poverty and hunger			
Employment to population ratio, 15+, total (%)	58,1	58,6	58,2
Malnutrition prevalence, weight for age (% of children under 5)	...	8,8	...
Poverty headcount ratio at \$1,25 a day (PPP) (% of population)	...	...	...
Prevalence of undernourishment (% of population)	5,0	5,0	...
Goal 2: Achieve universal primary education			
Literacy rate, youth female (% of females ages 15-24)	92,1	95,6	96,4
Literacy rate, adult total (% of people ages 15 and above)	72,2	83,8	87,0
Primary completion rate, total (% of relevant age group)	70,3	69,5	...
Total enrollment primary (% net)	...	80,3	...
Goal 3: Promote gender equality and empower women			
Proportion of seats held by women in national parliaments (%)	13,0	9,0	16,7
Ratio of female to male primary enrollment	99,5	97,8	...
Ratio of female to male secondary enrollment	89,2	86,3	...
Goal 4: Reduce child mortality			
Immunization, measles (% of children ages 12-23 months)	76,0	37,0	63,0
Mortality rate, infant (per 1,000 live births)	59,4	56,5	47,2
Mortality rate, under-5 (per 1,000)	96,0	87,7	73,3
Goal 5: Improve maternal health			
Births attended by skilled health staff (% of total)	...	85,5	...
Contraceptive prevalence (% of women ages 15-49)	...	32,7	...
Maternal mortality ratio (modeled estimate, per 100,000 live births)	260,0	260,0	260,0
Goal 6: Combat HIV/AIDS, malaria, and other diseases			
Incidence of tuberculosis (per 100,000 people)	153,0	296,0	501,0
Prevalence of HIV, female (% ages 15-24)	...	...	3,9
Prevalence of HIV, male (% ages 15-24)	...	...	1,3
Prevalence of HIV, total (% of population ages 15-49)	...	7,7	5,9
Goal 7: Ensure environmental sustainability			
CO2 emissions (kg per PPP \$ of GDP)	1,3	0,9	0,8
Improved sanitation facilities (% of population with access)	76,0	36,0	33,0
Improved water source (% of population with access)	67,0	88,0	87,0
Goal 8: Develop a global partnership for development			
Net total ODA/OA per capita (current US\$)	141,7	29,7	52,6
Internet users (per 1000 people)	...	29,8	67,0
Mobile cellular subscriptions (per 1000 people)	0,3	364,5	931,1
Telephone lines (per 1000 people)	22,4	28,8	18,0

Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports,

last update : May, 2011

Note : n.a. : Not Applicable ; ... : Data Not Available,

¹ Latest year available in the period 1990-1995; ² Latest year available in the period 2000-2004; ³ Latest year available in the period 2005-2010