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**COUNTRY PARTNERSHIP STRATEGY
(FY2012-FY2016)**

**FOR
THE GABONESE REPUBLIC**

February 23, 2012

**Gabon Country Management Unit
Africa Region
International Bank for Reconstruction and Development
International Finance Corporation**

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CURRENCY EQUIVALENTS

Currency Unit = CFA Franc (CFAF)
US\$1.00 = 500.23CFAF (March 6, 2012)

FISCAL YEAR

January 1- December 31

ABBREVIATIONS AND ACRONYMS

AAA	analytical and advisory activities		Reconstruction and Development
ACE	Africa Coast to Europe (fiber optic cable)		
AFD	Agence Française de Développement (French Development Agency)	ICT	information and communications technologies
BVMAC	Bourse des Valeurs Mobilières d’Afrique Centrale	IDF	Institutional Development Fund
CAB	Central African Backbone Project	IFC	International Finance Corporation
CAS	country assistance strategy	IMF	International Monetary Fund
CASCR	Country Assistance Strategy Completion Report	MIGA	Multilateral Investment Guarantee Agency
CEMAC	Communauté Economique et Monétaire d’Afrique Centrale (Economic and Monetary Community of Central Africa)	MDGs	Millennium Development Goals
CFAA	Country financial accountability assessment	MTEF	Medium-Term Expenditure Framework
CPS	Country Partnership Strategy	NGO	nongovernmental organization
DPL	development policy loan	NRM-DPL	natural resource management- development policy loan
ECCAS	Economic Community of Central African States	OHADA	Organization for the Harmonization of Business law in Africa
EITI	Extractive Industries Transparency Initiative	ONE	Office National de l’Emploi (National Employment Office)
EU	European Union	PER	Public Expenditure Review
FDI	foreign direct investment	PEMFAR	Public Expenditure and Financial Accountability Review
FIAS	Foreign Investment Advisory Service	PDIL	Projet de Développement des Infrastructures Locales (local infrastructure project)
FSC	Financial Supervision Commission	PFM	public financial management
FY	fiscal year	PPIAF	Public-Private Infrastructure Advisory Facility
GDP	gross domestic product	PPP	public-private partnership
GEF	Global Environment Facility	PSD	private sector development
GGFR	Global Gas Flaring Reduction	PSGE	Plan Stratégique Gabon Emergent (Strategic Plan for Gabon as Emerging Market)
GPRSP	Growth and Poverty Reduction Strategy Paper	PRSP	Poverty Reduction Strategy Paper
IBRD	International Bank for	REDD	Reducing Emissions from Deforestation and Forest Degradation

RTA	reimbursable technical service agreement	UN	Union Nationale Party
SEEG	Société d'Électricité et d'Eau du Gabon (Water and Electricity Utility Society)	UN	United Nations
SEZ	special economic zone	UNDP	United Nations Development Programme
SME	small and medium enterprise	WB	World Bank
SNBG	Société Nationale de Bois Gabonais (National Timber Marketing Company)	WBG	World Bank Group
TA	technical assistance		

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THE GABONESE REPUBLIC
COUNTRY PARTNERSHIP STRATEGY FY2012-FY2016

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THE GABONESE REPUBLIC
COUNTRY PARTNERSHIP STRATEGY FY2012-FY2016

EXECUTIVE SUMMARY

- i. **Since the World Bank Board of Directors last discussed a country assistance strategy (CAS) for Gabon in May 2005, significant changes have occurred in Gabon's political landscape.** The death of President Omar Bongo Ondimba in June 2009, after 42 consecutive years in power, led to political and social uncertainty. Civil unrest erupted when Ali Bongo Ondimba, the late president's son, won the August 2009 presidential elections. Gabon now appears to have passed through its transition period and is likely to remain one of the region's most stable countries. However, there are still underlying tensions as reflected in the opposition's boycott of the December 2011 legislative elections.
- ii. **Gabon is the fifth-largest oil producer in Sub-Saharan Africa and the second-largest exporter of manganese.** Gabon's oil production over the past 40 years has transformed it into a middle-income country, with a 2010 gross domestic product (GDP) per capita of US\$8,643 and a current output rate of 235,000 barrels per day. As such, Gabon is one of the few IBRD countries in Sub-Saharan Africa.
- iii. **However, Gabon's human development indicators are well below those of countries with similar GDP per capita, and income inequality remains high.** Gabon is ranked 106 out of 187 countries in the 2011 United Nations Development Programme (UNDP) Human Development Index. Many targets of the Millennium Development Goals (MDGs), including those relating to infant and maternal mortality, are unlikely to be achieved. The prevalence of HIV-AIDS, although it has declined in recent years, still remains at a high level (5.4 percent in 2010).
- iv. **While economic prospects are broadly favorable, Gabon's economy is vulnerable to external shocks.** Gabon is recovering from the global financial crisis (2008–09), thanks largely to a rebound in international demand for raw materials and an expansionary fiscal policy. However, its dependence on oil makes the economy vulnerable to external shocks. Given the forecast decline in oil production, Gabon's plans to compete globally will depend largely on efforts to diversify economic growth. In the short term, due to the limited integration of Gabon's financial systems with Europe, the country is not expected to be significantly affected by the euro zone crisis. However, a protracted crisis might hold significant downside risk.
- v. **It is no longer business as usual in Gabon.** In 2009, the government introduced its economic development plan, the Plan Stratégique Gabon Emergent (PSGE), with the stated goal

of transforming Gabon into an emerging economy by 2025. In 2010, the government decided to triple expenditure to accelerate investments in infrastructure and to improve the investment climate. However, the PSGE does not clearly specify how poverty will be addressed and lacks sufficient analytical underpinnings in this regard. Weak public financial management and institutional capacity also impede progress.

vi. **Governance is at the heart of the development challenge for Gabon.** The government recognizes that improvements in transparency and accountability are critical if Gabon is to compete on a global scale. Important initiatives are under way, including efforts to reform public procurement. Nevertheless, indexes relating to the perception of corruption remain high.

vii. **While a number of important results were achieved under the former CAS period (FY05-FY09), the presidential transition resulted in uncertain future engagement with the World Bank Group (WBG).** The vacuum in leadership at the end of the CAS period resulted in a small portfolio supporting two sectors, natural resource management and local infrastructure. In line with the formulation of the government's new PSGE, however, the new CPS builds on renewed dialogue and engagement as the WBG seeks to support Gabon's ambition to become an emerging economy.

viii. **The CPS is selective and provides a framework for WBG support to Gabon's effort to transition from a highly oil dependent economy to a diversified one that harnesses inclusive private sector growth and makes progress in poverty reduction.** Consistent with the new World Bank Africa Strategy, the Gabon CPS is built around two strategic themes: (1) increasing Gabon's competitiveness and employment by promoting economic growth and diversification; and (2) providing greater opportunities for all by focusing on vulnerability and resilience and on building a foundation for good governance and public sector capacity. Gender equity is the cross-cutting theme. The CPS will contribute to poverty reduction by improving the investment climate for small and medium enterprises (SMEs) and by filling the outstanding knowledge gaps and analytical underpinning needed by the government as a basis for broader debate and policy dialogue.

ix. **The CPS is innovative in that it will combine partnerships, knowledge, and IBRD financing with a reimbursable technical service agreement (RTA) of up to US\$2 million for 2012.** As requested by the government, much work under the RTA is designed to improve governance, including strengthening public financial management. Efforts will be undertaken to deepen cooperation with a wide range of partners, including on a regional basis with the Economic and Monetary Community of Central Africa (CEMAC). The CPS will work closely with the World Bank Institute (WBI) to facilitate effective relations with civil society and with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to improve the investment climate and attract private sector investments. The CPS will

develop its role as a knowledge provider to support the government in its fight against exclusion and vulnerability. Finally, the new lending program is more ambitious than the previous one, with an expected portfolio of around US\$250 million over the next four years.

GABON – COUNTRY PARTNERSHIP STRATEGY FY2012-FY2016

I. INTRODUCTION

1. **This note presents the context and main building blocks for the World Bank Group’s Country Partnership Strategy (CPS) for Gabon over the period FY12–FY16.** The proposed CPS follows the World Bank Group’s last country assistance strategy (CAS) that was discussed by the Board in May 2005 (Report No. 31882-GA). It comes at a time when the Bank and Gabon are reenergizing their relationship, and the government is committed to instituting major strategic reforms and to becoming an emerging economy. Lessons learned during the past CAS period have been taken into account in preparing the present CPS (see the *Completion Report* in annex 9).

2. **The Country Partnership Strategy reflects a demand-driven partnership, a transformative program that is intended to be flexible and responsive to changing client needs.** The WBG’s convening power and role as a knowledge broker is expected to be essential, including plans to deepen cooperation with a wider range of traditional and nonconventional partners at the national, regional, and global levels. The strategy is innovative in its combination of IBRD financing and knowledge with a reimbursable technical services agreement (RTA) plan of up to US\$2 million.¹ IFC has also explored investment opportunities in infrastructure, forestry, mining, and financial markets, and MIGA will also be active in the agriculture sector. The rationale for this renewed dialogue and engagement between Gabon and the WBG reflects the recognition, on both sides, of the great value that the WBG can provide to support Gabon in its ambition to become an emerging economy. The renewed relationship will also elevate WBG impact and relevance, which have been relatively weak to date within Gabon compared to other development partners.

II. COUNTRY CONTEXT

A. Political Developments

3. **Gabon is a resource-rich country, well endowed with arable land, forest, and mineral resources.** It has extraordinary biodiversity as well as rich deposits of magnesium and iron ore. It is the fifth-largest oil producer in Sub-Saharan Africa and the second-largest exporter of manganese. With a gross domestic product (GDP) per capita estimated at US\$8,643 in 2010, it

¹ In June 2010, the Government also signed a Reimbursable Technical Service Agreement (RTA) with the IFC for US\$330,000 for support to improve the investment climate.

is one of Africa's few middle-income countries. Eighty percent of its population lives in urban areas, predominantly in Libreville (the capital), Port-Gentil (the economic capital), and Franceville (the mining region). The Gabonese population is young, with 50 percent under 19 years of age.

4. **Two years after the death of President Omar Bongo Ondimba in June 2009, after 42 consecutive years in power, Gabon has come through a period of transition.** The immediate period after the president's death was characterized by political and social uncertainty. Defeated presidential candidates rejected the results announced by the electoral commission after the August 2009 election, and significant social unrest ensued. A poll recount, requested by the Constitutional Court, upheld the victory of the ruling party's candidate, and Ali Bongo Ondimba, the former president's son, was sworn in as the third elected president of the republic on October 16, 2009. There has been limited support for Mr. Mba Obame and his self-proclaimed presidency (as former leader of the Union Nationale party). However, some members of the opposition still contest the legitimacy of Ali Bongo Ondimba's presidency and decided to boycott the December 2011 legislative elections, which resulted in the president's gaining 114 of the 120 seats of the National Assembly. Election observers noted a particularly high abstention rate, approaching 80 percent, in Libreville and Port-Gentil.

5. **Gabon plays an important economic role in Central Africa.** It is an active member of the Economic and Monetary Community of Central Africa (CEMAC), as well as the Economic Community of Central African States (ECCAS). Gabon has promoted regional initiatives to boost the economic interrelationships among the member states of the zone, including reducing tariffs and removing quantitative restrictions. Since 2003, there has been some tension between Gabon and Equatorial Guinea in relation to a territorial dispute over three small islands in Corisco Bay (Mbagne, Cocotiers, and Congas), with potentially rich oil reserves.

6. **Beyond the region, the country is building strong links with international partners including China, France, and Singapore.** Gabon has continued to maintain its strong ties with France since independence. It remains the main source of Gabon's imports, and Gabon also hosts France's military base in the region. At the same time, China has become an increasingly important partner of Gabon as well as with other emerging economies in Asia. In 2010, the government signed a strategic agreement with Singapore-based OLAM International, an agricultural products processor, to jointly develop a special economic zone (SEZ) at Nkok (25 kilometers from Libreville). Over the coming years, OLAM is expected to invest over US\$200 million in initiatives linked to wood processing, palm oil plantations and a fertilizer plant.

Box 1: The Special Economic Zone of Nkok

This new SEZ, inaugurated in September 2011 and situated 25 kilometers east of Libreville, is expected to become the largest of its kind in central Africa. The objective of the SEZ, jointly developed by the government of Gabon and the Singaporean firm Olam International (a global supply chain manager and processor of agricultural products), is to add value to the local forestry industry, the second driver of growth after oil. The SEZ will focus primarily on timber processing, allowing firms to gain competitive advantage for the Gabonese wood-processing industry for second- and third-level transformation, with a view to exporting high value-added timber products. Currently in its second phase of construction, when complete in 2014, the zone will include a processing capacity of a million cubic meters of timber per annum, industrial spaces equipped with appropriate infrastructure, residential and commercial zones, parks, hotels, a railway, and logistics. Through special incentives, the Gabonese government is expecting to attract several hundred million dollars of investments annually into the SEZ and to create nearly 9,000 direct jobs. Companies that establish themselves at Nkok will benefit from various fiscal incentives, including tax exemptions on profits for a decade.

B. Poverty Profile, Millennium Development Goals, and Gender

7. **Gabon's human development outcomes fall short of countries with similar per capita income.** Oil production over the past 40 years has transformed Gabon into a middle-income country, with a 2010 GDP per capita of US\$8,643, which ranks Gabon 56th in the world. However, income inequality is high. The richest quintile of the population receives half the national income; yet one-third lives in poverty. Gabon is ranked 106 out of 187 countries in the 2011 UNDP Human Development Index, well below countries with similar GDP per capita. The latest national household survey, completed at the end of 2005 with WBG support, revealed an increase in the proportion of Gabon's population living below the poverty line from 25 percent in 1997 to 33 percent in 2005. Specific zones in the southern and the northern regions register the highest poverty rates (54 and 44 percent, respectively), followed by Port-Gentil, where the deteriorating poverty rate is linked to the decline in oil production (44 percent). Libreville, with over 50 percent of the population, has the lowest poverty rate (23 percent). Large households with low levels of education and weak labor skills are the poorest. Households headed by females, which account for 20 percent, are also more likely to be living below the poverty line than households headed by males.

8. **Despite its wealth, Gabon is unlikely to meet a number of the Millennium Development Goals by 2015.** The third national MDG progress report, published in 2010, concluded that MDG targets relating to poverty reduction, infant and maternal mortality, and the prevalence of HIV/AIDS are unlikely to be achieved. With respect to education, Gabon has succeeded in making primary education available to all (net enrollment has increased from 88 percent in 1990 to 91 percent in 2005), but the quality and the need for qualified teachers and classrooms remain a concern. The rates for infant mortality dropped from 155 per 1,000 in 1990 to 52.7 per 1,000 in 2010, but it will be difficult to reach the target of 31.5 per 1,000 by 2015.

Although maternal mortality fell from 600 deaths per 100,000 live births in 1990 to 420 deaths in 2010, it is also unlikely that the target of 150 deaths per 100,000 births will be achieved by 2015.

9. **Concerted efforts will be required for Gabon to significantly improve its social indicators.** While efforts were made to prioritize the health and education sectors under the former Growth and Poverty Reduction Strategy Paper (GPRSP), the recent Bank-prepared Public Expenditure Review (PER) indicates that spending on health and education was lower than planned and was lower than that in Gabon's neighboring countries.² Slow implementation also points to the weak public finance management system that currently prevails. Other factors relate to outdated statistical information (the last household survey was undertaken in 2005) and weak skills in the health workforce.

10. **The rate of HIV/AIDS, which had risen dramatically from 0.7 percent in 1990 to 8.1 percent in 2005, has significantly declined in recent years but remains high (5.4 percent in 2010).** Although many actions have been taken over the past years, further efforts will be required both by the government and by the international community to reduce the pandemic and monitor the particular impact HIV/AIDS is having on the economically active population and the economy.

11. **Gabon's constitution recognizes gender equality and the government has ratified the Convention on the Elimination of All Forms of Discrimination against Women.** However, as highlighted by studies conducted by the United Nations Population Fund, several discriminatory provisions exist in the civil and penal codes that pertain to the minimum age of marriage, divorce, custody of children, equal inheritance rights of widows, and recognition of polygamy. Gabon also lacks specific legislation to eliminate violence against women, particularly domestic violence. Women in Gabon have few rights in the area of family matters. The minimum legal age of marriage is 15 years for women and 18 years for men, and the incidence of early marriage is high. (A 2004 United Nations report estimated that 22 percent of girls between 15 and 19 years of age were married, divorced, or widowed.) There is strong discrimination in access to employment: women represent only 29 percent of wage and salary workers but 63 percent of vulnerable employment. The female unemployment rate is 27 percent compared to 16 percent for males. In the health sector, the situation is more mixed for women. On the one hand, one-third of girls below the age of 19 have had children, and the lack of a national strategy for ensuring the availability of reproductive health products results in frequent shortages. On the other hand, 95 percent of pregnant women receive prenatal care, and 86.7 percent receive skilled assistance at delivery. Concerning access to education, the government has used oil revenues to improve the enrollment of girls in primary and secondary schools and has succeeded in making primary education available to all. The proportion of women in political functions remains weak,

² The recent PER (2011) indicates that the execution rate of public expenditures on human development was between 50 and 70 percent less than planned.

however. They represent only 18.6 percent of senators and 17 percent of members of the National Assembly. Five out of 30 cabinet members are women.

12. **In 2009, the government launched its national strategy for gender equity (Stratégie Nationale d'Égalité et d'Équité du Genre), following extensive consultations and research that was supported by the United Nations Development Programme and the United Nations Population Fund.** In accordance with Gabon's long-term strategic goals, the MDGs, and the GPRSP, six strategic goals were articulated: (i) adopting principles of equality and gender equity by all relevant stakeholders; (ii) strengthening female autonomy by improving labor productivity in sectors largely dominated by female workers; (iii) improving access to services for labor-related activities for women and girls; (iv) improving access to social services for women and girls; (v) promoting equal participation and access to justice with respect to human rights and suppressing violence; and (vi) redefining the role of the ministry responsible for gender equity.

C. Economic Context

13. **Gabon is recovering from the global financial crisis.** As indicated in table 1 below, in 2008–09 economic activity, owing to low prices and weak demand for commodities, shrank the current account and fiscal surpluses in 2009 and turned growth moderately negative (-1.4 percent) for the first time since 2000. However, in 2010 the economy recovered rapidly, thanks to a rebound in international demand for raw materials and the expansionary fiscal policy established by the government through the implementation of large infrastructure projects. Real GDP growth increased at a yearly average rate of 3 percent from 2005 to 2011. (GDP growth reached 6.6 percent in 2010.) The nonoil GDP growth rate grew particularly fast from 2.3 percent in 2004 to 6.1 percent in 2007, reflecting the increased investment in rubber production, forestry, and mining as well as the expansion in the agribusiness and telecommunications sectors. It continued to grow faster than overall GDP in 2008–10.

Table 1: Key Macroeconomic Indicators for Gabon, 2007–15

(as % of GDP, unless otherwise indicated)

	2007	2008	2009	2010	2011*	2012*	2013*	2014*	2015 ^a
Growth and prices									
Real GDP (% change)	5.6	2.3	-1.4	6.6	4.8	5.6	2.1	2.7	2.6
Oil GDP (% change)	3.4	-1.4	-4.5	9.8	1.0	0.9	-5.5	-0.4	-0.6
Nonoil GDP (% change)	6.2	3.4	-0.5	5.7	5.9	6.9	4.1	3.5	3.4
Inflation (CPI, period average, % change)	5.0	5.3	1.9	1.4	1.2	2.3	3.1	3.0	3.0
Savings and investment									
National savings	41.9	45.6	33.1	36.5	42.0	39.9	34.8	32.7	30.3
Investment	24.7	21.6	27.0	27.2	27.0	26.6	26.8	26.0	25.5
Public sector	4.5	4.6	6.0	9.2	10.7	9.5	8.3	7.7	7.0
Private sector	20.2	17.0	21.0	18.0	16.3	17.0	18.5	18.3	18.6
Government finance									
Revenues and grants	29.5	31.9	32.6	28.1	28.1	27.0	28.0	28.3	28.4
Expenditure and net lending	21.0	20.5	26.1	25.6	27.2	28.2	28.4	28.9	29.5
Nonoil primary fiscal balance (% of nonoil GDP)	-11.3	-13.3	-13.8	-21.0	-28.5	-28.5	-22.8	-21.3	-20.2
Overall fiscal balance	8.5	11.4	6.5	2.5	0.9	-1.2	-0.5	-0.6	-1.1
Public debt									
External debt	43.2	20.9	26.4	25.0	20.4	18.3	18.1	18.0	17.7
External debt	34.9	15.6	18.8	16.6	13.5	12.6	12.5	12.4	12.2
Domestic debt	8.3	5.3	7.6	8.5	6.9	5.8	5.6	5.6	5.5
External sector									
Current account balance	17.0	24.0	6.0	8.9	12.3	10.3	6.3	5.8	4.6
Oil	27.4	32.9	28.6	27.7	31.5	29.9	26.7	25.0	23.8
Nonoil	-10.4	-8.9	-22.7	-18.9	-19.2	-19.6	-20.4	-19.3	-19.2
Foreign direct investment (US\$ billion)	0.78	0.77	0.59	0.57	0.85	0.90	0.90	0.78	0.71
Gross official reserves (US\$ billion)	1.2	2.1	2.0	1.5	1.4	1.0	0.8	0.7	0.7
Memorandum item									
GDP (US\$ billion)	11.6	14.5	10.9	13.2	16.2	17.0	17.0	17.1	17.4

Source: Gabonese authorities and IMF and World Bank estimates.

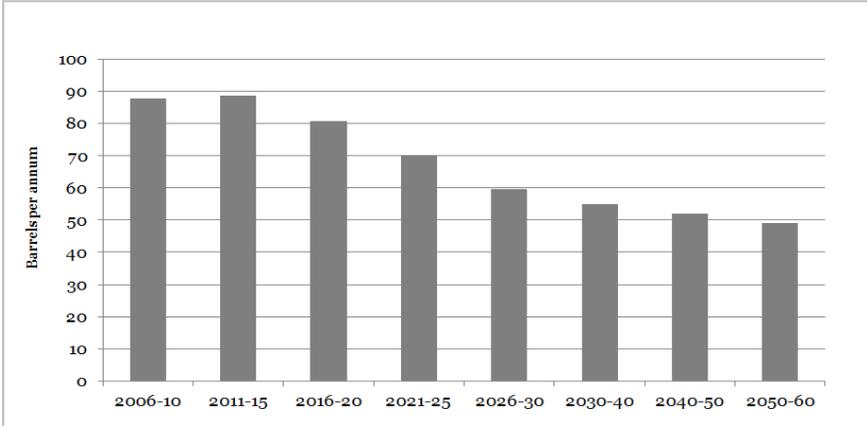
a. Projected.

14. **Economic prospects should remain favorable in the medium term.** The Gabonese economy is expected to continue to benefit from relatively high commodity prices and the government’s expansionary fiscal policy. Nonoil GDP is expected to grow 4.5 percent on average in 2012–15, reflecting increased manganese production, a rebound in wood-processing activities, a boom in public works, and a strong expansion of services and domestic trade. In the absence of major discoveries, oil production is projected to decline slightly (by 1.4 percent). Overall, real GDP is projected to grow at least 3.3 percent.

15. **In the medium term, uncertainties related to the ongoing crisis in the euro zone imply some downside risk.** In the short term, any negative impact is expected to be limited, given the modest integration of the country’s financial system and only marginal remittances. However, should the crisis be protracted and spread to other parts of the world (especially Asia), Gabon could be affected by a decline in world demand for its mineral resources, mainly oil and manganese. In this case, having a lower debt burden, Gabon could rely on external financing, mainly foreign direct investment (FDI) and concessional loans from countries such as China and Singapore that have been active in the country over the last years.

16. **With oil reserves depleting, reforms are critical for promoting and diversifying private sector nonoil growth.** Efforts to diversify the economy have not yet succeeded in reducing Gabon’s dependence on oil. Over the past five years, the oil sector has accounted, on average, for 81 percent of exports, 45 percent of GDP, and 60 percent of government revenue. In the near term, 2012–16, the Gabonese economy is expected to continue to benefit from relatively high oil prices. However long-term prospects for oil production are declining. Estimates include reserves of about 3.5 billion barrels, which could be exhausted in 40–50 years (see figure 1).

Figure 1. Forecast of Gabon’s Petroleum Production, 2010–60
millions of barrels per annum



Source: WBG Public Expenditure Review (2011).

17. **With oil production expected to decline gradually, fiscal sustainability will remain a key challenge for Gabon.** Higher oil prices allowed the authorities to maintain a large positive fiscal balance at an average rate of 7.8 percent of GDP from 2005 to 2010. The nonoil primary deficit, however, has significantly deteriorated from 13.8 percent in 2009 to 21.0 percent of nonoil GDP in 2010, reflecting the government's decision to triple capital expenditure and the recent wage increases. According to the permanent income approach, medium- and long-term fiscal sustainability would be ensured with a nonoil fiscal deficit of 8 percent of nonoil GDP compared to the current rate. Medium-term fiscal consolidation is vital to ensuring fiscal sustainability and external competitiveness as oil production dwindles over time.

18. **Regular debt servicing to creditors has not been consistent over the past two years, even though debt levels are manageable.** According to the latest debt sustainability analysis carried out by the International Monetary Fund (IMF) in 2010, Gabon's external debt remains below the critical range of 40 percent of GDP. The ratio of public debt to GDP was radically reduced in 2010 to 16.6 percent (from 82 percent in 2002), following the authorities' decision to direct additional revenues from the rise in petroleum prices to reduce external debt. In addition, in December 2007, for the first time, Gabon issued a US\$1 billion Eurobond on the CEMAC market to prepay 86 percent of its debt to the Paris Club members. Nevertheless, local and Paris Club creditors have criticized the accumulation of arrears and have pointed to the tendency toward erratic repayments, stemming from weak planning and coordination between the Treasury and the Debt Department. Going forward, the authorities are hoping to enhance their reputation in international capital markets. Efforts include improved debt management and the injection of US\$50 million into an investment management account to buy Gabonese debt in secondary markets in order to repay the bond by 2017.

19. **Currently, Gabon does not have a program with the IMF.** The three-year stand-by arrangement with the IMF expired in May 2010, with only the first three reviews completed, and no IMF-supported program is currently planned. The latest IMF Article IV review, which took place in November 2010, recommended continued improvement of public financial management, particularly a closer link between the budget and a credible medium-term development plan and the need for a more efficient public investment program. The IMF also stressed the importance of maintaining long-term fiscal sustainability, improving the investment climate, and strengthening the financial sector.

20. **Gabon's overall investment climate is challenging, with a variety of administrative barriers hampering business operations in many industries.** Gabon is ranked 156 out of 183 economies in the 2011 Doing Business report. The main factors that constrain private sector development are red tape and costs involved in starting a business, high labor costs and rigid labor legislation, poor enforceability of contracts, and inadequate legislation to protect investors' interests.

21. **The poorly diversified economy, the skills mismatch, and the weakness of policies that promote job creation are important factors contributing to Gabon's high unemployment rate.** Strong economic growth recorded over the past decade has not been able to absorb the estimated 10,000–15,000 people that enter the labor market each year, and unemployment is rising. The National Employment Office (Office National de l'Emploi, or ONE) estimates that the unemployment rate of young people (those younger than 30) is 30 percent, while the overall unemployment rate is 16 percent. One of the main contributing factors is a mismatch between the skills offered by job seekers and those required by the productive sector: 54 percent of the job offers recorded by ONE required technical skills, whereas 64 percent of the registered applicants do not have any vocational training. At the same time, the provision of technical and vocational education and training is limited and does not cover some of the priority sectors, including fisheries and mining. The ones that do exist for agriculture, forestry, and tourism do not provide training on all required profiles and also suffer from weak quality. This lack of high-quality higher educational opportunities has led the government to fund the enrollment of an increasing number of students in foreign universities, including those in Europe and the United States. The increased costs, however, have had little visible result.

D. Sector Context and Challenges

22. **Governance.** Gabon must improve its transparency and accountability if it is to become an emerging economy and compete successfully on a global scale. While progress has been slowed because of resistance from vested interests, militant trade unions, and the opposition, Gabon's citizens now recognize that their country is more open than it was under the previous regime, with more visible attempts to address corruption and increase government transparency through such measures as traveling public cabinet meetings and improvements in both political culture and civil liberties. Examples of anticorruption initiatives and other governance issues being undertaken include: (i) implementing public procurement reform; (ii) creating a commission mandated to fight corruption, the illicit diversion of funds, and capital flight (Commission Nationale de Lutte contre l'Enrichissement Illicite); (iii) hiring an independent auditor to assess the oil companies' performance vis-à-vis the stated agreements and ensuring that those agreements are in fact beneficial to Gabon; and (iv) procuring WBG advice and technical assistance through RTAs to strengthen areas such as public financial management, debt management, and taxation systems as well as the petroleum and mining codes.

Box 2: Public Procurement Initiatives

Gabon is implementing a range of public procurement reforms with ambitions to comply with international standards and institute appropriate institutional and legal frameworks to pave the way for a better relationship with the private sector. Key innovations relate to: (i) better public procurement planning through alignment with the ministries; (ii) more transparency and accountability in the procurement process through systematizing the competitive bidding process; (iii) decentralizing the Directorate of Public Procurement to streamline processing; and (iv) creating a procurement regulatory agency made up of the government, the private sector, and civil society. Once these measures are formally adopted by the government, additional challenges—including training of key stakeholders and developing tools and systems—will be undertaken for monitoring and enforcement.

23. **Corruption.** In spite of these efforts, perceptions of corruption remain high. Gabon became a candidate for the Extractive Industries Transparency Initiative (EITI) in March 2005 and has since published three EITI reports, but the country has yet to reach compliant status. In June 2011, the EITI international board decided to renew Gabon's EITI candidate status for 18 months (until December 2012). During this time, Gabon will have to complete an EITI validation. While Gabon has improved since 2010 (it now ranks 110 out of 178 countries), it still ranks 100 out of 182 in the *Transparency International 2011 Global Corruption Report*. In addition, according to the Mo Ibrahim Governance Index, in 2011, while ranking highest in the Central Africa region, Gabon ranked 27th out of the 53 African countries included in the classification, with no change in its 2010 ranking in relation to its corruption and accountability indicators.

24. **Public Finance Management.** Gabon's weak public finance management (PFM) hampers its efforts to execute its budget efficiently. In PFM, Gabon has adopted a new organic budget law, purging ghost workers in the civil service and imposing salary ceilings for managers of public enterprises to help control wage bills. However, there are concerns regarding the government's ability to execute the capital budget efficiently (only 55 percent of the 2010 capital budget was executed). The recent Bank-prepared Public Expenditure Review highlights weak PFM, misalignment between public spending and development goals, and low spending on priority sectors (for example, Gabon's 5.6 percent annual average expenditure in the health sector during 2005–09 compared to the 8.3 percent average for Sub-Saharan Africa). This budget imbalance is likely to be exacerbated, given pressures to maintain the expansionary fiscal policy and accelerated investments related to hosting the 2012 African Cup of Nations.³ While steps are being undertaken to reform the legal framework, capacity within sectoral ministries needs to be strengthened with regard to: (i) preparing feasibility studies; (ii) managing procurement; (iii) implementing budget controls; and (iv) simplifying accounting and payment procedures.

25. **Energy.** Gabon has the third-largest hydroelectric potential in Central Africa (over 8,000 megawatts and over 76 terawatts) but very low current capacity, and only 30 percent of the population, mostly in urban areas, has access to electricity. Access to electricity in rural areas is particularly challenging because of the low density of the population and difficult access. Electricity has been generated mainly by hydroelectric power stations, but in recent years, given the rapid growth of demand, the share of thermal generation using liquid fuels has increased significantly. This trend has increased the average cost of electricity and challenges the financial sustainability of the sector. The government has set new goals to reach an installed capacity of 5,000 megawatts, representing more than 12 times the current capacity, and to establish a 100 percent national electrification rate. Greater capacity will be achieved through further development of: (i) the country's hydroelectric potential, namely, the construction of three dams (in Poubara, in Ngounié, and in the north of the country); (ii) gas for electricity generation; and

³ The 2012 African Cup of Nations took place January 21–February 12, 2012.

(iii) renewable energies like biomass and solar. According to the concession contract signed with the government, the Gabonese electricity and water utility is expected to invest a minimum of US\$200 million in equipment renewal throughout the concession period (1997–2017).

26. **Financial Sector.** The Gabonese financial sector is dominated by banks, it remains concentrated, and links to international markets are limited. Gabon’s bank penetration rate is estimated at 15 percent, which seems low but in fact is relatively high compared to the average in the CEMAC region where the average is only 3 percent. Microfinance institutions, which extend financial services to the informal sector, have yet to make an impact in Gabon. The country scored poorly on the “getting credit” indicator in the 2011 Doing Business report, ranking 138 out of the 183 countries surveyed. A small regional stock exchange with headquarters in Libreville, the Bourse des Valeurs Mobilières d’Afrique Centrale, was set up by the six countries of CEMAC in 2003, but trading started only in late 2007 with the issuance of a domestic bond by the Gabonese government.

27. **Accounting Profession and Standards.** The development of the Gabonese private and financial sector also suffers from the lack of a well-established accountancy profession. As indicated in the World Bank’s *Report on the Observance of Standards and Codes: Auditing and Accounting*, published in April 2011, there is no accountancy body regulating the profession, providing institutional support to the private and financial sector, and influencing the tax policy reforms undertaken by the authorities. Once the government passes its proposed bill to formalize the accounting profession in Gabon, technical assistance will be needed to ensure adherence to regional and international auditing and accounting standards.

28. **Transport.** The transport network remains inadequate, owing to poor planning, low population density, and difficult forested or waterlogged terrain near many urban areas. Gabon has only 1,200 kilometers of paved roads, no road connects Port-Gentil (the economic capital) with Libreville, and links with neighboring countries are poor. Gabon’s road density compares unfavorably with that of its poorer neighbors such as the Republic of Congo and Cameroon and is comparable only with conflict-torn Chad and the Central African Republic. A 697-kilometer rail line linking Libreville to Franceville will facilitate forestry and mining activities, although it is still not adequate. The country counts two ports: one in Libreville-Owendo, which is dedicated mainly to transactions of commercial goods, and the other in Port-Gentil, which is used for oil trade transactions. The decrepit installations and equipment hamper the capacity of both ports and increase transport costs. A new deep sea extension to the Mayumba port in the south is planned and will serve primarily to export minerals. Under the previous CAS, the World Bank had planned a US\$75 million road infrastructure project to improve transportation around Libreville, given that only one road leads in and out of the city. This support was not provided, however, following the authorities’ decision to advance its plans to resettle an estimated 10,000 persons during the period immediately preceding the 2012 African Cup of Nations.

29. **Telecommunications.** Access to international connectivity in Gabon is very costly and lies beyond the reach of the majority of the population. Current access from the Libreville submarine cable landing station is rationed; it is at full capacity, with no possibility for upgrades to meet the exponential increase in demand linked to the use of Internet services. The fixed broadband market is underdeveloped, with merely 9,500 broadband customers as of December 2010 (a penetration of 2.6 percent). Mobile Internet is also poorly developed, despite a high mobile penetration rate. Against this background, the country has developed a three-year plan called Digital Gabon (Gabon Numérique) to connect all nine provincial capitals, all regional (“departments”) capitals, and the borders of the country. In the short term, the main objectives are to develop new international capacity in Libreville via the ACE (Africa Coast to Europe) submarine cable and to create new national capacity to Port-Gentil and Franceville, as well as to connect to the Republic of Congo. The recently established National Agency for Digital Infrastructure and Frequencies is tasked with leading the government's connectivity agenda.

30. **Natural Resource Management.** As part of its diversification agenda, Gabon will give considerable attention to the sustainable management of natural resources, which constitute the foundation of the Gabon Vert pillar of the PSGE. This pillar includes the forestry, biodiversity and environment, agriculture, fisheries, and mining sectors.

31. **Forestry.** Gabon has a rich endowment in forest resources with a total area of tropical forest amounting to around 21 million hectares, or almost 80 percent of the country's surface. The forest sector is the country's second-largest employer, and exports are estimated at US\$450 million per year, over 60 percent of which go to China. Of Gabon's 21 million hectares of rain forest, around 10.7 million hectares are allocated as concessions for commercial timber production. The government considers the country's forests a strategic economic resource; recent reforms have resulted in: (i) a large expansion of areas under sustainable management (more than 85 percent of the productive areas engaged in sustainable forest management); (ii) a more transparent and competitive award process for concessions; (iii) public disclosure of all holders of logging contracts and their status with respect to fiscal and other contractual obligations; and (iv) the elimination of the monopoly of the national timber marketing company (Société Nationale des Bois Gabonais). Forest taxation recovery has also been enhanced, resulting in an 80 percent collection rate of tax revenues, compared to 30 percent in 2005. As a result of these reforms, the contribution of the forestry sector to the national GDP grew from 2.5 percent in 2004 to 4.7 percent in 2009. In December 2010, the government banned the export of all raw unprocessed timber in an effort to stimulate in-country processing of timber, setting the stage for the special economic zone of Nkok (see box 1).

32. **Biodiversity and Environment.** Gabon is endowed with rich faunal and floral wildlife and a variety of landscapes, including an 800-kilometer coastline. Gabon belongs to the Congo Basin rain forest ecosystem, the world's second-largest area of contiguous rain forest. However, ecotourism remains constrained by limited investments in hotels, services, marketing, and

infrastructure. Since 2004, the government has worked to improve biodiversity and the environment in several ways: (i) by adopting new legislation on national parks; (ii) by establishing adequate institutional capacity to manage national parks; (iii) by settling situations where logging and mining concessions overlap with national parks; and (iv) by identifying additional areas for biodiversity conservation and ecotourism to meet the national target of 4 million hectares under protection status.

33. **Fisheries.** Fish and fisheries' products are a valuable resource for Gabon and contribute roughly 3 percent of GDP. However, the development of the fisheries sector in Gabon is constrained by significant governance issues, including the ability to adequately control fishing activity. The government has indicated its readiness to embrace an ambitious reform similar to the one already under way in forestry and biodiversity. Progress made under the recently closed Bank-supported development policy loan in natural resources management (NRM-DPL) includes regular disclosure of the fishing licenses and improved tax collection.

34. **Mining and Petroleum.** The revitalization of the mining sector is an important priority in the government's diversification agenda. Gabon is the world's second-largest producer of manganese dioxide, possesses considerable iron deposits, and has the potential to produce up to 15 percent of global niobium. Gabon also produces some gold and diamonds. Along with working to improve the policy and regulatory framework in the mining sector, the government is currently focused on building institutional capacity for strategy, negotiation, and monitoring; on implementing a mining cadastre; on establishing a national mining company (Compagnie Equatoriale des Mines); on pursuing EITI compliance and an audit of the Kimberly Process; on developing an environmental management framework; and on supporting artisanal and small-scale mining. Priorities in the petroleum sector include enacting a new petroleum law; establishing a legal and regulatory framework for reducing gas flaring; assessing the national gas utilization plan, which includes gas for power plants and liquefied natural gas; and operationalizing the national oil company (Gabon Oil Company) established in 2010.

35. **Agriculture.** Owing to the density of the tropical rain forest, only a small proportion of land area is suitable for agricultural activity and cultivation. Furthermore, with over 85 percent of the population living in towns and poor road infrastructure, the contribution to GDP of the agriculture, forestry, and fishing sectors is very modest compared to such contributions in neighboring countries. The country lacks self-sufficiency in staple crops, and over 80 percent of food requirements must be imported. Many people have expressed frustration at seeing even the basic elements of their food (bananas, peppers, and cassava) imported from neighboring countries. Cocoa, coffee, palm oil, and rubber are cultivated for export. Strategic areas of Gabon's agricultural policy include rehabilitating centers for the development of improved seeds, training for farmers, strengthening farmers' organizations, and improving research centers.

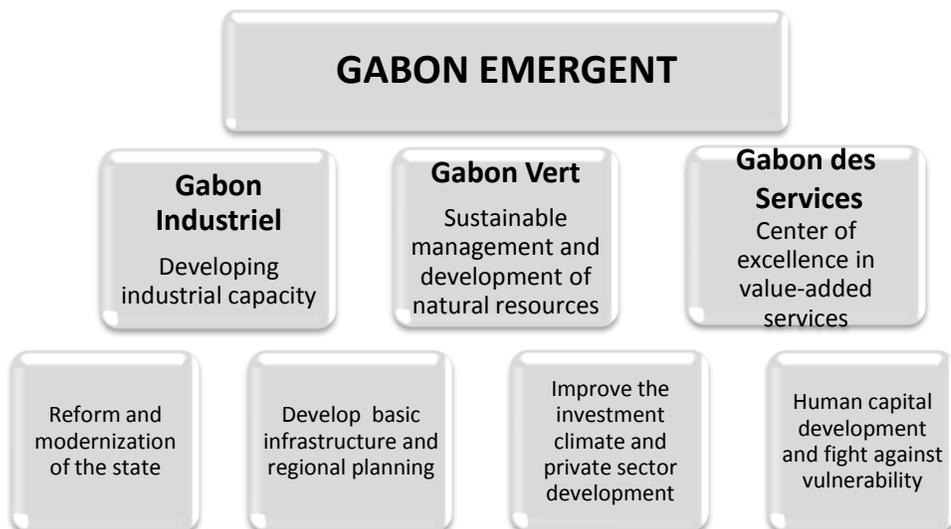
III. THE GOVERNMENT’S STRATEGIC PLAN

36. **Since the 1990s, the government has engaged in a process aimed at accelerating growth and reducing poverty.** In 1995, it defined its long-term vision, the Prospective Vision Gabon 2025; in 2003, Gabon approved an economic and social development orientation law and then in 2006 finalized a GPRSP. That strategy, developed through a participatory process, was designed around four pillars: promoting strong and sustainable pro-poor growth, improving infrastructure, improving basic services, and improving governance.

37. **In 2009, the new government presented a new economic vision—Gabon Emergent—which aims at modernizing the country and turning it into an emerging economy by 2025.** This strategy is still based on accelerating growth and reducing poverty but now looks to capitalize on Gabon’s comparative advantages in the regional and global landscapes (see figure 2). The strategy is built on three pillars:

- *Gabon Industriel* aims to develop Gabon into a metallurgic and industrial pole of reference (optimizing oil and mining and support to industries through construction, building materials, and agro-industrial transformation).
- *Gabon Vert* has three major goals: instituting sustainable forest management and transforming Gabon into a global leader in certified tropical timber production, developing agriculture and livestock farming to improve food security, and creating sustainable and responsible fisheries.
- *Gabon des Services* has the objective of making Gabon a center of excellence in business, ecotourism, and value-added services, such as higher education and research, health, media, and information technologies (IT).

Figure 2. Gabon Emergent Framework



38. **The immediate challenge for the Gabonese authorities is to translate the new and ambitious economic vision into practical, fully costed sector strategies with visible impact, including poverty reduction, in the short to medium term.** The PSGE is based on four building blocks representing the reforms that need to take place before the vision can be fully realized. However, the strategy still lacks sufficient analytical underpinnings, including sector costing, prioritization, and national consultation, before it can be fully adopted by the respective ministries and successfully executed. These four building blocks include:

- *Reforming and modernizing the state:* Reforming each ministry and the president’s office by strengthening the capacity of the ministries, improving public financial management, and developing e-government applications.
- *Infrastructure development and regional planning:* Ensuring that basic infrastructure—notably, energy, telecommunications, and transportation—are adequate for all.
- *Improving the investment climate and private sector development:* Implementing reforms to streamline the investment process and support the development of national SMEs.
- *Human capital development and fighting against exclusion and vulnerability:* Ensuring education for all and an alignment between the supply of and demand for skills in the labor market.

IV. WORLD BANK GROUP – GABON PARTNERSHIP STRATEGY

A. Lessons Learned from Previous CAS and Stakeholder Feedback

39. **In spite of the uncertainty arising from the presidential transition, a number of important results were achieved during the former CAS period.** Good progress was noted in public finance management, natural resource management, and urban infrastructure. Structural reforms—including privatization, implementation of the Extractive Industries Transparency Initiative, budgetary capacity improvements, and strengthening the investment climate—are progressing. Results obtained under the NRM-DPL are particularly striking in the forestry sector where short-term rent-seeking behaviors were widespread. Finally, in urban infrastructure, 52,000 people in target areas now have access to all-season roads within a 500-meter range, from a baseline of 1,000 people in 2006. Other key results include an additional 65,000 people who are now benefiting from improved sanitary conditions, compared to a baseline of 500 in 2007.

40. **At the same time, the former CAS portfolio performance experienced significant challenges, including effectiveness and implementation delays, lack of counterpart funding, problems with ownership, and resistance to reform.** For example, with respect to the NRM-DPL, reforms were delivered up to 30 months later than originally planned, because of risks

associated with certain reforms that generated strong opposition from some of the respective line ministries (forestry, fisheries, and mining). Effectiveness could be achieved only after an inter-ministerial coordination unit was established by the prime minister's office. In addition, some of the fiduciary elements were confusing for the borrower. The need to provide complementary technical assistance to strengthen implementation capacity caused further implementation delays. Similarly, the RTA, signed in August 2010 but not initiated until late 2011, reflects an incomplete consensus among the ministries about the type of technical assistance and reform support to be provided by the Bank.

41. **Four key lessons stand out from the previous CAS.** First, future assistance programs should be based more on a systematic analysis of the government's priorities and be more closely aligned to major stakeholders' goals and objectives. Gabon is a middle-income country, and a demand-driven, flexible approach is the most effective strategy. In addition, previous experience points to delays in implementation due to insufficient understanding of the political economy and the potential resistance to reforms. Second, Gabon's weak institutional capacity has adversely affected project implementation as well as the timeliness of debt repayments. Recognizing this inadequacy, the WBG should also provide appropriate and tailored support that strengthens both the capacity of government institutions and project-specific implementation skills. Third, simpler project design and clear coordination and accountabilities—preferably assigned to one ministry—facilitate timely project implementation. Alternatively, multi-sectoral projects need high-level coordination. Fourth, to bring about impact and transformative change, the WBG must scale up its engagement, focusing on broader representation in sectors that will further complement the government's reform program, including access to infrastructure services, improving the investment climate, and strengthening vocational skills.

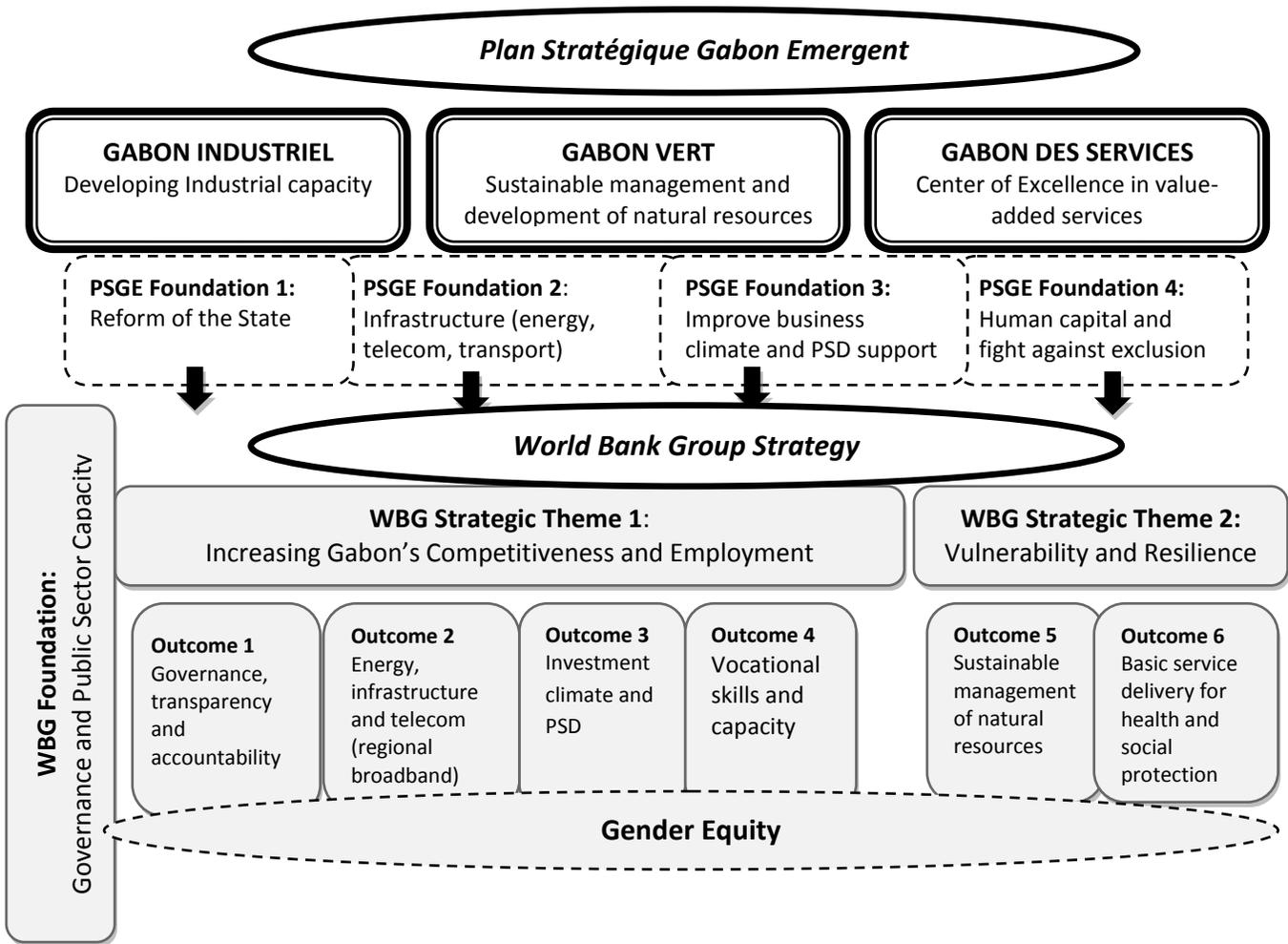
42. **Feedback received from the April 2011 client survey also points to the need for the WBG to fundamentally change its engagement with Gabon.** Stakeholders appear to have a good sense of the road map for development in Gabon and the areas requiring emphasis. Respondents indicate that Gabon's key development priorities have clearly shifted since FY05. In 2005, poverty was identified as the top development priority, followed by corruption and government effectiveness. In 2011, poverty was rated fifth, with government effectiveness identified as the top priority, followed by infrastructure, public financial management, and diversity of the economy. Respondents see a clear role for the WBG well beyond the financial resources that it provides. Knowledge is seen as the greatest value the WBG brings, followed by technical, policy, and economic advice. With respect to the WBG's effectiveness, some ratings have declined since FY05, particularly those touching on the direction and sustainability of its strategies related to the changing external environment. Nevertheless, 80 percent of respondents affirmed that the WBG should be more involved in the development of Gabon, and there is a strong view that the WBG should play a significant role in the future.

43. **CPS preparation involved substantive discussions with Gabonese government officials, civil society, private sector actors, legislators, other donors, and citizens to obtain a consensual vision of WBG activities over the CPS period.** The consultations consisted of several meetings and workshops in six cities in Gabon during a three-week period in November 2011. This activity involved over 600 participants in discussion and agreement on the major directions and prospective themes for the CPS. The proposed CPS strategy received strong support, with participants requesting an increased Bank presence in Gabon. In addition, there were requests for continued support in (i) urban infrastructure, particularly in areas covered by the Bank's local infrastructure project, with demands from all mayors and beneficiaries that the work continue; (ii) agriculture and rural development, particularly in relation to extension services, roads to transport produce from the rural areas to the cities, and direct investments in other potential agriculture projects, including banana farming and a winery in Franceville; and (iii) requests that the Bank continue to assess the impact of its work on beneficiaries.

B. Country Partnership Strategy FY2012–FY16

44. **The CPS aims to set in motion a process of transformative change that will support the government in delivering the foundations for medium-to-long-term sustainable economic growth (see figure 3).** In accordance with the new World Bank Africa Region Strategy, the CPS will provide support to Gabon's PSGE according to two strategic themes: first, increasing Gabon's competitiveness and employment and, second, supporting vulnerability and resilience. The underlying foundation of governance and the cross-cutting theme of gender equity will contribute to both areas. This approach is expected to contribute to six outcomes during the period: (i) improved governance, transparency, and accountability in the management of the national budget, debt management, and mining resources; (ii) improved access to infrastructure services (electricity and telecommunications); (iii) improved investment climate and private sector development; (iv) improved vocational skills and capacity; (v) more transparent and sustainable management of natural resources; and (vi) improved knowledge of basic service delivery for health and social protection.

Figure 3. The CPS Results Chain



45. **The CPS is selective and focuses on areas where the WBG can have the most impact.** The CPS continues to provide support to the strategic pillars of the last CAS—that is, strengthening the management of public resources (both natural and financial for improved social outcomes) and helping the investment climate foster sustainable, private sector–led nonoil growth. However, transformative change represents a demand-driven, flexible strategy that focuses on the provision of targeted support to key priority areas (for example, access to infrastructure and private sector development) and tackling them from a regional perspective. This approach will also require addressing some of the longer-term foundations of growth, such as improving governance, strengthening the capacity of the public sector, and developing human capital. The CPS will contribute to poverty reduction by developing a strong repository of knowledge with key recommendations for further policy dialogue. The agriculture sector, while not specifically targeted in the CPS, will be supported through Gabon’s involvement in the Comprehensive Africa Agriculture Development Program.

46. **The proposed CPS will strongly emphasize a mix of partnerships, knowledge, and financing to best support Gabon's development needs and requirements.** The CPS is innovative in its combination of traditional financing and knowledge with partnerships, including a reimbursable technical service agreement of up to US\$2 million for 2012, with an option to extend in the subsequent years. Within the RTA, the government has requested support in four main areas: (i) public financial management (debt management analysis, a debt management reform plan, improvement of the budget cycle, and a tax system assessment); (ii) the mining sector (formulation of the mining code and technical assistance to reduce gas flaring); (iii) analysis of sources of growth (tourism, agribusiness, the financial sector, and access to credit for SMEs and forestry); and (iv) the transport sector (development of a port concession, and an infrastructure assessment).

47. **The CPS will deepen cooperation with a wide range of partners at all levels.** Examples of such partnerships include: (i) emphasizing the World Bank's role in the implementation of PFM reforms as lead donor at the CEMAC Commission level; (ii) collaborating with the United Nations to address HIV/AIDs; and (iii) advancing reforms in natural resource management as part of the Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative. Additional assistance, such as that provided through the Global Gas Flaring Reduction (GGFR) public-private partnership trust fund, will also support the government in addressing its climate change commitments. The CPS will work particularly closely with WBI, IFC, and MIGA to build capacity, facilitate effective relations with civil society, improve the investment climate, and attract private sector investments.

48. **Providing knowledge plays a central role in CPS support of government efforts to implement its national plan, including its fight against exclusion and vulnerability.** Existing knowledge will be disseminated and leveraged, as, for example, in the recent Bank-prepared Public Expenditure Review. New knowledge will be generated in priority areas to facilitate policy dialogue and further engagement, including the proposed lending program. With respect to poverty reduction, advisory and analytical activities will be undertaken to strengthen statistical underpinnings, including an assessment of Gabon's health sector, its social safety net mechanisms, and an analysis of human development challenges and obstacles for redistribution. These advisory and analytical activities will be complemented by three other policy notes designed to assess employment and growth, export diversification and competitiveness, the fiscal decentralization system, and skills development. The CPS also proposes to support updating the most recent household survey, which was undertaken in 2005.

49. **The lending strategy is more ambitious than the preceding one, with an expected lending portfolio four times greater than what it was under the base case, at around US\$250 million over the next four years.** Regional support will be directed toward

strengthening regional institutions and telecommunications. Building on the advisory and analytical activities, specific sector investment loans will be provided to facilitate access to infrastructure services and to strengthen the investment climate for private sector development. IFC has also explored investment opportunities in infrastructure, forestry, mining, and financial markets, and MIGA will be active in the agriculture sector. The rationale for this renewed dialogue and engagement between Gabon and the WBG reflects the recognition, on both sides, that the WBG can provide great value to Gabon in its effort to become an emerging economy. In providing that support, the WBG will also elevate both its impact and its relevance, which have been relatively weak to date in Gabon, compared to the contributions of other development partners.

C. Key Priorities for World Bank Group Support

C1. Improving Governance and Public Sector Capacity

50. **The WBG will work closely with the government and partners to implement a well-coordinated plan for improving governance and strengthening transparency.** From the supply side, the CPS proposes providing assistance primarily through three entry points (public finance management, procurement, and the extractive industries) to address dysfunctional practices at the local and national levels (see table 2).

Table 2: Gabon’s Strategic Goal of Improving Governance and Public Sector Capacity

Strategic Goal	Country Partnership Strategy Outcome
PSGE Pillar 1: Reform and modernization of the state	Improved governance, transparency, and accountability in management of the national budget cycle, debt management, and mining resources.
<p>Major Interventions Partners: WBI, UNPD, IMF, CEMAC Proposed Knowledge: PER dissemination and PFM policy notes RTA: Components on Improvement of budget cycle, debt management study, tax system analysis Ongoing Trust Funds and Grants: Trust Fund for Civil Society Capacity Building, EITI support</p> <p>Note: Refer to figure 2 for structure of CPS results chain.</p>	

51. **The WBG will provide support to PFM reforms in several ways.** First, the WBG will undertake outreach activities to disseminate the key findings and recommendations of the PER to key stakeholders within Gabon, including members of civil society. Second, as lead donor of

CEMAC's PFM Agenda, in coordination with UNDP and the IMF, the Bank will assist Gabon in implementing the new PFM directives. Third, support will be provided to strengthen the preparation and execution of the national budget, including a useful set of tools and systems in a pilot set of line ministries as well as a public investment management system. Fourth, in financial reporting, as part of the RTA, the Bank will work to strengthen the capacity of the Directorate of Financial Affairs to prepare accurate and timely reports. In addition, other related work to be undertaken as part of the RTA will include a comprehensive diagnostic of the tax system as well as a debt management study to help Gabon focus on fiscal and debt sustainability. Finally, as part of the economic and poverty monitoring work program, the WB will prepare a series of policy notes that includes a growth and employment study.

52. Demand-side governance will be stimulated in a variety of ways, including through extractive industries and at the project level. Through the RTA, the government has requested WBG support for EITI validation. In October 2010, the EITI Board designated Gabon as an EITI candidate country that is "close to compliant." However, there are some questions about Gabon's ability to achieve full compliance by the deadline of December 2012, pending completion of an independent audit of the oil industry, as decreed by the president. The proposed technical assistance will support consultation workshops for civil society organizations and other activities aimed at strengthening participation of these organizations in the EITI process. Additional support to strengthen transparency may also be provided through the multi-donor trust fund for the EITI initiative.

53. At the project level, the Economic Diversification and Competitiveness Project and the CEMAC Regional Institutions Support Project will focus on fostering business-led actions against corruption. These activities will include more effective investigations of money-laundering cases and transparent procurement of goods and services. Work will be undertaken with committed local business associations and the Chamber of Commerce to develop a collective anticorruption initiative with a common code of conduct, including a no-bribery pact for private firms. One of the goals of the Economic Diversification and Competitiveness Project is to oversee the establishment of a public procurement authority, comprising representatives from public and private sectors, as well as civil society. This authority will entail a new management system to make all information related to procurement publicly available. Finally, the CEMAC Regional Institutions Support Project will continue to support anti-money-laundering efforts.

54. In conjunction with the World Bank Institute, work will also go forward on implementing governance reforms through coalitions of multiple stakeholders (civil society, government, media practitioners, private sector, and others). This collaboration will also include providing stakeholders with platforms for engagement and capacity development to

promote South-South knowledge exchanges, enhance practitioners’ expertise, and disseminate knowledge in such areas as budget monitoring, public expenditure tracking, and performance monitoring. The WBI will also strengthen the oversight capabilities of the media and the parliament, including facilitating learning, knowledge sharing, and advisory assistance through peer-to-peer media networks. Further support will be provided to enhance the National Assembly’s ability to perform its functions effectively, particularly its oversight of the budget and the implementation and performance of sectoral policies and programs, including extractive industries, through regional knowledge-sharing programs.

C2. Increasing Gabon’s Competitiveness and Employment

55. **Despite great potential in industries like mining, timber, agribusiness, tourism, and information and communications technologies (ICT), Gabon's exports continue to be dominated by oil.** The reasons for this reliance on oil are related essentially to poor infrastructure and a poor investment climate. Investment in quality infrastructure is one of the four pillars of Gabon’s PSGE. As such, WBG support to improve competitiveness will focus on two principal goals: (i) increased infrastructure investment in the energy and telecommunications sectors; and (ii) improved business climate.

56. **Within this strategic pillar, the CPS proposes to examine the key challenges associated with youth unemployment in Gabon.** A survey will be prepared, the first ever in Gabon, to identify the main constraints to job creation and to recommend key policy actions for more inclusive growth. The Human Development Education Project will also build on this analytical work by designing a program to help respond to the challenges, including the skills mismatch (see table 3).

Table 3: Gabon’s Strategic Goal of Increasing Competitiveness and Employment

Gabon’s Strategic Goals	Country Partnership Strategy Outcomes
<ul style="list-style-type: none"> • PSGE Pillar 2: Development of infrastructure and regional planning • PSGE Pillar 3: Improvement of investment climate and private sector development 	<ul style="list-style-type: none"> • Improved access to infrastructure services (e.g., electricity, telecommunications) • Improved investment climate and private sector development
<p>Major Interventions Partners: IFC (PSD), AFD (ICT), Proposed Knowledge: Growth and Employment Policy Note, ICT Policy Note RTA: ICT component (capacity building), port concession, IFC RTA on Doing Business Ongoing Lending: N/A Proposed Lending: Electricity project, Economic Diversification and Competitiveness project , Central African Backbone and National Backbone ICT Project, Human Development Education Project Proposed Trust Funds and Grants: PPIAF grant, grant for technical learning Note: Refer to figure 2 for structure of CPS results chain.</p>	

57. **Electricity.** The WBG is currently supporting the authorities, through a Public-Private Infrastructure Advisory Facility grant, to perform an institutional review of the power sector to improve the institutional and regulatory framework and meet future challenges. During the CPS period, as requested by the government, WBG support will focus on improving the efficiency of supply, provide support to rural electrification, and strengthen energy efficiency. The main objective of the project is to help the government increase efficient access to modern energy services in rural and peri-urban areas through mobilizing public and private investments and thereby improve the living conditions of the population and alleviate poverty. The availability of reliable electricity at affordable cost will also help improve the investment climate and foster private sector–led growth. The proposed transmission and distribution facilities will be supplied from new hydro and thermal plants, such as the 70-megawatt gas-fired generation plant of Owendo completed last year whose capacity is expected to double in the coming years.

58. **Transport.** Through the RTA, the government will draw on the Bank’s knowledge of the transport sector in Gabon to update its transport policy and prepare a port concession agreement for Port-Gentil. Bank engagement is expected to cover several activities: (i) the formulation of a concession strategy; (ii) the proposed concession contract; (iii) the proposed concession regulatory framework; and (iv) assistance during the concession bidding, negotiations, and award process. The government has also requested technical assistance in updating its intermodal transport plan and an analysis of infrastructure costs. These activities are included in the revised annual RTA.

59. **Telecommunications.** During the CPS period, new international capacity will be provided through the WBG’s Central African Backbone (CAB) program. The WBG will provide financing in early stages of the project to ensure that access to the new submarine cable capacity, as well as to the national backbone that will carry capacity throughout the country, will be provided according to open access principles and will leverage the very strong appetite of the private sector (operators and Internet service providers) for participating in the project. This approach will create a sound governance structure for international and national capacity and enhance links between Gabon and other countries participating in the CAB project (for example, by providing access or redundant access to submarine cable capacity to landlocked countries).

60. **In conjunction with the Agence Française de Développement (AFD), the government has also requested additional financing from the WBG to develop a terrestrial fiber optic cable from Libreville to Franceville under the CAB program.** Connecting Libreville, Port-Gentil, and Franceville will address most of the current pent-up demand for better and cheaper connectivity. Enhanced regional connectivity will both provide access to international connectivity through the ACE submarine cable and increase cross-border communications, particularly the traffic flows to and from the Republic of Congo through the link from Franceville to Lekoko that connect with Dolisie-Mbinda on the other side of the

border. Once the investments have been made to establish the national backbone, the RTA will provide further analytical work to assist the government in developing its e-government applications and in creating taxation approaches and fee structures, including a telecommunications sector fiscal study.

61. Private Sector Development. Recognizing the pressing need for economic diversification, the government is centering its new strategy on improving the investment climate, developing skills, and providing assistance to small and medium enterprises, including fostering links with larger investment or industries. Building on analytical and advisory activities related to export diversification and competitiveness and employment and growth, the CPS proposes to focus on four specific areas: establishing an investment climate favorable to private investment, fostering industry-specific competitiveness, enhancing competitiveness through in-firm technical learning, and supporting institutional reform and project implementation.

62. With respect to establishing a favorable investment climate, the Bank and IFC will work together to implement an innovative and transformative approach. That approach will be based on a “one-stop shop” for SMEs and investors and expanding on the *maison de l’entreprise* concept. These services would include skills development; advice for start-ups; a center for arbitration, mediation, and conciliation to handle commercial disputes efficiently; an investment promotion agency; and a secretariat to the Presidential Investment Council. The program will also be gender informed, with specific analyses of gender-based investment climate barriers that constrain private sector development, and will use IFC’s *Practitioner’s Guide for Gender and Investment Climate* to implement appropriate solutions. The goal is to consider the legal, regulatory, and administrative barriers to private sector development with a gender perspective and to understand whether women face different or additional constraints beyond those faced by men. This approach is taken to ensure that women benefit from on-going efforts to improve Gabon’s investment climate on the same basis as their male counterparts.

63. Value chain analysis will be conducted to contribute to growth in ecotourism, agro industry, and wood processing. Despite Gabon’s vast potential, only 15,000 tourists visited Gabon in 2009. Assistance to the ecotourism industry will be complemented by a matching grant scheme for technical learning at the firm level. This component aims to build the technical capacities of private firms, including competitiveness, training and advisory services, and linkage programs.

64. Finally, the project will focus on several key institutional reforms: (i) establishing a legal and institutional framework for public-private partnership (PPP) and supporting the design and implementation of such transactions; (ii) improving public procurement to bolster SME (including women-owned SMEs) access to public contracts; and (iii) strengthening the capacity

of private sector organizations, including the Chamber of Commerce, Industry, Agriculture, Tourism, and Mining.

65. Better-developed vocational skills are critical for responding to economic diversification and private sector development, as well as for improving employment and addressing exclusion and vulnerability through a better skills match in the labor market. In the short term, the CPS proposes to extend technical support in two areas. The first area is an understanding of the obstacles through: (i) rapid labor market survey to assess the demand for skills and the supply of skills in the short run; (ii) a policy note on skills development through a life-cycle approach while also addressing the development of technical and vocational education opportunities in selected sectors supported by the Economic Diversification and Competitiveness Project (female job seekers would be targeted); and (iii) a skills development strategy for the way forward. The second area of support would consist of an assessment of the feasibility of the Human Development Education Project, including the options for new institutions of higher education institutions focusing on science and technology, linking the options to the growing access to modern and efficient information technology facilities. The medium-term objective is to identify specific areas for WBG financing in the fiscal years 2014-2016, including options for PPPs for the development of associated infrastructure, and to prepare a transformative lending operation in support of the government's vision.

66. WBG support to Gabon's regional integration agenda is provided through several projects and programs: the CEMAC Regional Institutions Support Project, the Central African Backbone Project in the information and communications technologies sector, the Organization for the Harmonization of Business Law in Africa (OHADA)⁴ Investment Climate Project, the Regional REDD+ Project, and the Comprehensive Africa Agriculture Development Program. The Bank-supported CEMAC Regional Institutions Project, active since 2008, has been focusing on helping Central African regional institutions encourage an expanded, better-governed regional market and a more transparent, better-regulated, and more competitive financial system, one designed to facilitate the use of oil revenues for investment in Central Africa.

67. The Central African Backbone Project will contribute to the implementation of the third pillar of the 2010–15 CEMAC Regional Economic Program related to the physical interconnectivity of its member countries. This project will reinforce the integrity of the regional communications networks by creating loops (redundancy) in the sub-region. The CAB project will also enhance the harmonization of sector regulation that governs the ICT sector of the CEMAC countries. This improvement will lead to lower prices for telephone services and better access to the Internet, which will significantly enhance the environment for foreign and

⁴ The 16 member states of OHADA are Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Comoros, the Republic of Congo, Côte d'Ivoire, Gabon, Guinea, Guinea-Bissau, Equatorial Guinea, Mali, Niger, Senegal, and Togo.

local private investment in the region, decrease the cost of doing business, raise the prospects for job creation and wealth generation, and support systems for managing natural hazards and emergencies. The project will also provide the appropriate basis for further deployment of the national backbone to other zones and border crossings in Gabon.

68. **The WBG also provides support through a regional approach to improve the investment climate simultaneously in the 16 member states of OHADA that tackles half the Doing Business indicators.** A number of benefits are expected from the proposed OHADA Investment Climate Project: an improved commercial justice system in OHADA member countries, a reduced cost of doing business, better access to finance for small and medium enterprises, and a greater number of formal companies and formal jobs. In addition, the proposed project will help strengthen OHADA regional institutions, harmonize the regional auditing norms with international ones, and establish a regional e-government platform connected to the national database to provide reliable financial information on firms and movable collateral.

69. **Gabon is one of the six countries covered by the Regional REDD+ Project, approved on July 14, 2011, by the WBG Board.** The future REDD+ mechanism has the potential to generate substantial financial flows to help the Congo Basin countries develop a shared, long-term vision for sustainable forest management and make informed policy choices by finding new ways to reconcile long-held and conflicting approaches to land use. Given the ongoing risks of deforestation while Gabon engages in its ambitious development program (Gabon Emergent), the REDD+ mechanism represents a tremendously powerful tool, potentially backed by large financial resources, for creating new paths for sustainable development that also take into consideration the importance of preserving forest areas.

70. **Finally, in December 2010, the WBG, through a multi-donor trust fund, provided financial support to the Economic Community of Central African States, in the amount of US\$3.9 million (or CFAF 1.8 billion) for the implementation of the Comprehensive Africa Agriculture Development Program.** This program, which is to be implemented over three years, is expected to help build the institutional capacities of the ECCAS General Secretariat, with the recruitment of additional experts in financial and accounting management, agriculture and rural development, monitoring and evaluation, agricultural databases, and procurement. It will also help develop and harmonize the quality of country and regional agricultural investment programs. Finally, the grant will allow ECCAS to develop the necessary technical partnerships and to urge governments, the respective ministries, and technical and financial partners to facilitate access to financing for investments.

71. **In conjunction with IBRD, IFC and MIGA will play an important role in helping the government advance its new strategy for improving the investment climate, developing skills, and providing assistance to SMEs, including fostering links with larger investments**

or industries. During the forthcoming CPS period, IFC will continue to build on its achievements in strengthening the business climate in Gabon as well as pursuing opportunities for direct investments. In November 2010, the government signed an RTA with IFC for two years to improve the business climate in Gabon, in accordance with the Doing Business recommendations. The technical assistance will focus on the following four areas: (i) assisting foreign and domestic investors in creating businesses; (ii) developing procedures for construction permits and access to property through a one-stop shop; (iii) creating tax incentives and simpler tax administration; and (iv) developing procedures to import and export goods. The assistance will also extend to the creation of a reform coordination unit within the Ministry of Economy.

72. In conjunction with the Bank's proposed economic diversification and competitiveness operation, IFC is also investigating ways to develop projects on a PPP basis in the infrastructure, tourism, health, and education sectors, once the government's regulatory framework is in place. Similarly, with respect to SMEs IFC has initiated a partnership process with Banque Gabonaise de Développement to implement its online SME toolkit in Gabon, which provides information and support to local SMEs via a Web-based platform. The Business Edge Corporate Value Chain model will also be deployed in Gabon's cement company and other private sector companies.

73. IFC is developing a pipeline for direct investments in infrastructure, forestry, mining, and financial markets. In infrastructure, in alignment with the work being undertaken by the Bank within the RTA in ports and mining, the focus will be on transportation projects, with potential investments in port facilities and early assessment of investment needs in the railway sector in connection with mining projects and growth in general freight and passenger traffic. IFC has also been asked to consider financing infrastructure in Gabon's SEZs. IFC is currently evaluating potential investments with two forestry companies operating in Gabon (that is, the acquisition of new concessions and wood-processing equipment and the rehabilitation of production units) and a potential investment in a Greenfield fertilizer plant. Finally, in financial markets, IFC is planning to implement its Global Trade Finance Program with at least one leading commercial bank in Gabon. Leasing will also be considered as an alternative source of asset financing for Gabon, including for SMEs.

74. MIGA will continue to offer its guarantee products to foreign investors in support of the World Bank Group's efforts to increase sustainable and environmentally sound foreign investments with significant development impact. Along with the inauguration of the SEZ near Libreville, intended to offer foreign investors a favorable tax and infrastructure environment and to attract firms and industries in the wood-processing subsector, MIGA will also follow up with existing inquiries from potential investors by mitigating perceived political risks. MIGA will support large and complex transactions, particularly infrastructure projects, as well as PPPs. The agency will also offer its new product—non-honoring of sovereign financial obligations—

and its more flexible Small Investments Program to serve the needs of investment projects with smaller volumes.

C3. Addressing Vulnerability and Resilience

75. **WBG support provided under the second strategic theme (vulnerability and resilience) will be directed toward the achievement of two principal outcomes.** The first outcome is more transparent and sustainable management of natural resources, and the second is an improved knowledge of basic service delivery of health and social protection (see table 4).

Table 4: Gabon’s Strategic Goal of Addressing Vulnerability and Resilience

Gabon’s Strategic Goals	Country Partnership Strategy Outcome
PSGE Pillar 4: Development of human capital and fight against exclusion and vulnerability	<ul style="list-style-type: none"> • More transparent and sustainable management of natural resources • Improved knowledge of basic service delivery for health and social protection
<p>Major Interventions Proposed Knowledge: Policy notes on human development challenges and obstacles for redistribution, <i>Health Sector Status Report</i>, Social Safety Nets Assessment RTA: Component on mining Proposed Lending: Natural resource management project (e.g., forestry, fisheries, or mining) Ongoing Trust Funds and Grants: Strengthening capacity for national parks and biodiversity (GEF), capacity building in environment management of large infrastructure projects Proposed Trust Funds and Grants: GEF (STAR allocation and International Waters)</p> <p>Note: Refer to figure 3 for structure of CPS results chain.</p>	

76. **Natural Resource Management.** WBG support under this outcome will continue to assist the government in diversifying its economy while at the same time taking steps to ensure that renewable natural resources are protected and sustainably managed. The government has strongly supported this approach under the Gabon Vert pillar of the PSGE. The government has signaled its commitment to mitigating climate change by creating the Conseil Climat, which is tasked with preparing Gabon’s plan for addressing climate change issues, and by high-level participation at several global conferences, including the United Nations’ 17th Conference of the Parties in Durban.

77. Under the CPS, efforts will be made to build on the results achieved through the NRM-DPL, which focused on improving transparency, governance, and law enforcement across several important policy areas, including: forestry, biodiversity and the environment, fisheries, and mining. The ongoing Global Environment Facility (GEF) grant will continue to support important initiatives for enhancing the conservation of biological diversity in Gabon through investments in selected national parks and the strengthening of the management of the parks network, other protected areas and production forests, and other ecosystems. Furthermore, the

sound management of the national parks network should make an important contribution to the national economy through employment and ecotourism spin-offs.

78. **As part of the RTA, the government has requested additional support for analyzing sources of growth in the natural resource management sector.** In fiscal years 2014-2016, the CPS envisages an operation in agriculture, livestock, forestry, mining, or fisheries designed to support the government in creating wealth through the sustainable use of natural resources and in promoting national industries. Key results would include both adopting and implementing reforms for improved governance and developing an investment climate and planning capacity for sustainable development, aiming to generate more value added for the national economy. Additional support from regional partnerships and trust funds will also be explored.

79. **Mining.** During the CPS period, the government has requested support from the Bank in several areas: (i) creation of a computerized mining cadastre (framework), including detailed regulations; (ii) formulation of a strategy for small-scale and artisanal mining, with a particular focus on the formalization of artisanal gold miners; (iii) management of the environmental impacts of mining and quarries; and (iv) capacity building, particularly with regard to contract negotiations with international companies. Most of this assistance will be provided under the RTA currently under preparation.

80. **Hydrocarbon Sector.** As part of its commitment to mitigating the adverse effects of climate change, the government plans to reduce gas flaring by 60 percent by 2015. CPS support will be provided through the RTA and the Bank's Global Gas Flaring Reduction public-private partnership trust fund. The cooperation to date has focused on providing legislative and regulatory advice on gas flaring decrees and on supporting a feasibility study and review of operators' plans to reduce gas flaring. These efforts should result in significant reductions in environmental emissions over the next three years, given the clear commitment of oil operators. Other potential activities requested by the Ministry of Mines and Hydrocarbons are an assessment of the national gas utilization plan, including gas to power a urea plant project and liquefied natural gas.

81. **CPS support for improving the knowledge of basic service delivery for health and social protection will be geared toward developing a knowledge repository and statistical analysis.** This activity will strengthen the government's capacity for creating effective responses to related potential economic shocks, for improving poor social indicators, and for developing effective policies for underserved members of the population, including youths and women. Gender issues will be examined as part of the proposed assessment of Gabon's social safety net mechanisms. In addition, the CPS proposes to undertake a new household survey to update the statistics last recorded in 2005. Finally, building on the findings of the recent Bank-prepared PER, the CPS will support the government by reviewing factors such as governance, financing

arrangements, health workforce development, and public-private sector relations to identify the key bottlenecks to improving efficiency in the health sector.

C4. Gender Equity

82. **Gender.** As indicated earlier, while Gabon is making progress on gender equality as measured by some indicators in education and health, considerable work needs to be done to decrease gender gaps, particularly in the formal labor market. Access to finance for both SMEs and micro businesses and for extension services in agriculture was the most requested by women's groups during the CPS consultations. The Bank's economic competitiveness and diversification operation and the Human Development Education Project will target and measure progress in delivering support to businesswomen, female students, and job seekers through efforts to improve the investment climate, to expand access to finance, and to enhance training for job seekers in the formal sector job market. In addition, IFC's support to SMEs (for example, through the SME toolkit) and to the Chamber of Commerce will focus on women entrepreneurs. The assessment of social safety nets and the *Health Sector Status Report* will provide broader knowledge of the underserved segments of the population.

D. The World Bank Group Program of Support

83. **The CPS plans to enhance development impact in Gabon through combining traditional financing with knowledge and direct assistance provided to the government under the RTA.** With respect to financing, this CPS plans to increase the volume of new commitments in Gabon to between US\$200 and US\$250 million over the next four years. As detailed in table 5 below, there is greater certainty with respect to the early years where government priorities are clearer. The CPS proposes a flexible approach to programming for the outer years of the CPS, and the progress report will provide an opportunity for adjustments as needed. This lending range is indicative, and actual lending levels would continue to depend on country performance, IBRD's lending capacity, demand by other borrowers, and general economic developments. In addition to the RTA, the CPS emphasizes the mobilization of additional resources, either from trust funds or from global funds.

Table 5: Active and Proposed New Interventions in Gabon over the CPS Period, FY12–FY16
Lending is in normal text, AAA is in italics. For new lending, indicative amounts are in parenthesis

Sectors	Existing Portfolio (close date)	FY12	FY13	FY14–FY16 (indicative)	Total (est.)
Pillar: Governance and Public Sector Capacity					
Public sector governance		<i>RTA: Debt management study, budget management, tax system assessment</i> <i>Policy note: growth and employment (AAA)</i> <i>EITI support</i>	<i>Policy note: export diversification and competitiveness (AAA)</i> <i>Civil society capacity building</i>	<i>Policy notes: (1)assessment of the fiscal decentralization system; (2)human development challenges, obstacles for redistribution (AAA)</i>	
THEME 1: Increasing Gabon’s Competitiveness and Employment					
Energy/transport		<i>RTA: port concession</i> <i>TA: electricity sector (PPIAF)</i>	Electricity project (US\$60m)		
Private sector development and vocational skills		<i>RTA: Sources of growth (tourism, financial services, agribusiness)</i> <i>RTA: (IFC)</i>	Economic Diversification and Competitiveness Project (US\$30m)	Human Development Education Project (\$60m)	
ICT		Central African Regional and National Backbone Project (US\$58M)	<i>Policy Note :ICT (AAA)</i>	E-gov’t Applications Project (CAB II) (US\$10–15m)	
THEME 2: Vulnerability and Resilience					
Natural resource management	<i>Capacity building in management of large infrastructure projects, (environment) IDF (\$0.4m) (Dec2012)</i> <i>Strengthening capacity for national parks and biodiversity (GEF: US\$10m) (June 2013)</i>	<i>RTA: Oil and gas and mining</i>		Natural Resource Management Project (US\$15–25m)	
Human development		<i>Household Survey (AAA)</i>	<i>Health Sector Status Report (AAA)</i>	<i>Social Safety Nets Assessment (AAA)</i>	
Total IBRD lending (est.)		US\$58m	US\$90m	US\$85–100m	US\$233–248m

E. Results Monitoring

84. **The CPS proposes a realistic framework and mechanisms to track the outcomes of the program and its impact.** It reflects both the ongoing portfolio and the new program of proposed lending and analytical work envisioned beyond this current fiscal year. With respect to the new lending to be undertaken in the outer years, the *CAS Progress Report* will also be updated to expand the current results framework. To measure the continued relevance of the WBG as a knowledge broker, the CPS proposes to track the impact of the analytical program, including quality and strategic dissemination. To the extent possible, the impact of Bank operations on gender issues will also be monitored as part of the results indicators of individual projects and analytical work. Overall direct support will be provided to the various line ministries to strengthen their ability to collect and use data through institutional-strengthening components in IBRD-financed loans.

F. Country Systems and Donor Harmonization

85. **Country Systems.** As part of the fiduciary environment for project implementation, WBG projects have relied on project implementation units. Going forward, concerted efforts will be made to shift gradually toward country systems. The CPS will support the government and work with partners in examining ways to strengthen capacity at the sectoral level, reduce transaction and financial costs, and increase the sustainability of Bank-supported projects. The Bank will also continue its close dialogue with the African Development Bank, which is very active in Gabon, particularly in the infrastructure and transport sectors.

86. **Donor Harmonization.** Coordinated action with the government and other partners is essential to achieving the CPS goals and objectives. Although Gabon's requirements for international assistance are limited, the CPS will also work closely to harmonize efforts with other key donors, including China, the European Union, France, and the agencies of the United Nations. Over the course of the CPS period, collaboration with other partners is expected to become diverse as FDI increases, including investment from other emerging markets.

V. RISKS TO THE GABON CPS

87. **Macroeconomic Risk.** While medium-term economic prospects are broadly favorable, Gabon's dependence on oil makes the economy vulnerable to external shocks. The current expansionary fiscal policy heightens this vulnerability, as the increased capital spending is funded mainly by oil resources. Achieving Gabon's goal of competing globally for foreign direct investment will depend largely on the success of efforts to accelerate and diversify its economic growth. These risks may slow the preparation and execution of projects. No substantial negative impact is expected from the European crisis in the short term; however, protraction of the situation could imply downside risk. By providing continued support for improving governance

and public finance management, including through the RTA, the CPS will mitigate these risks. It will also provide guidance through analytical work and policy advice through a social safety net assessment, a health sector assessment, and a policy note on human development challenges and obstacles to redistribution

88. **Institutional Risk.** While ambitious, the government's national development plan raises concerns about successful implementation, including the country's ability to reach its MDG targets before 2015. There are also concerns, however, about the authorities' limited institutional capacity to execute the capital budget effectively, given that only 55 percent of the 2010 capital budget was executed. Weak analytical underpinnings, ongoing governance issues including those relating to public procurement, and poor coordination between ministries could also impede progress. These issues may adversely affect Bank projects. Potential project implementation issues will be mitigated through the use of project implementation units, with the goal of paving the way for a gradual shift toward country systems by strengthening PFM in key line ministries, including through the RTA. Projects will also be carefully designed to ensure that they reflect the interest and priorities of the various beneficiaries and stakeholders, in particular, the different institutions that may be in charge of defining sector policies and regulations.

89. **Political Risk.** Having apparently passed through its transition period following the death of its long-serving former president in 2009, Gabon is likely to remain one of the region's most stable countries. However, while popular support for Mr. Mba Obame and his self-proclaimed presidency elicited only limited support, underlying tensions created by those who still contest the legitimacy of Mr. Bongo Ondimba's presidency remain; such tensions were reflected in the opposition's call for a boycott of the December 2011 legislative elections and in the request that the results not be internationally recognized. To mitigate these risks in the context of the CPS strategy, the WBG will work jointly with authorities to monitor developments, including organizing a bi-annual consultation with such nongovernmental actors as unions, academics, and other members of civil society.

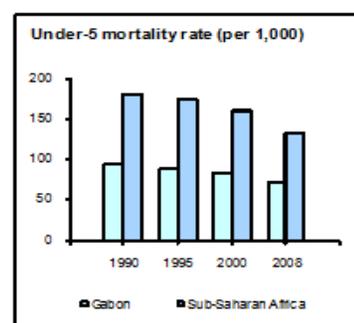
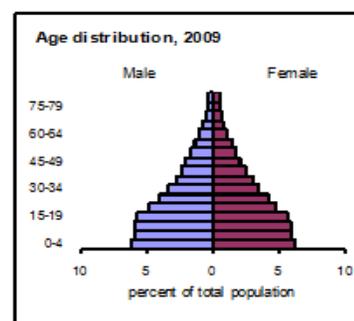
90. **Social Risk.** Social unrest could also arise from the high youth unemployment, as well as from active labor unions, which continue to squeeze out policy concessions. This risk is most likely to be local. Port-Gentil, Gabon's economic center saw the worst unrest after the 2009 presidential election. The CPS will seek to strengthen the government's policy response toward mitigating these risks, including analytical and advisory activities relating to employment and growth and an assessment of its social safety net mechanisms.

Annex 1: Gabon at a Glance, 1980–2009

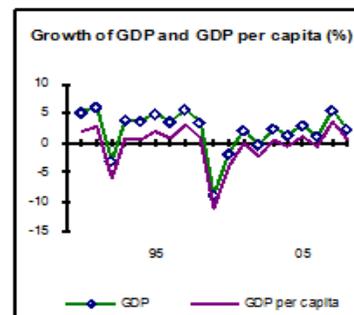
Gabon at a glance

2/25/11

Key Development Indicators	Gabon	Sub-Saharan Africa	Upper middle income
(2009)			
Population, mid-year (millions)	15	8.9	993
Surface area (thousand sq. km)	268	24,242	48,669
Population growth (%)	18	2.5	0.9
Urban population (% of total population)	88	38	75
GNI (Atlas method, US\$ billions)	10.9	897	7,363
GNI per capita (Atlas method, US\$)	7,370	1095	7,416
GNI per capita (PPP, international \$)	2,460	1981	12,800
GDP growth (%)	-10	5.2	4.1
GDP per capita growth (%)	-2.7	2.7	3.2
(most recent estimate, 2003–2008)			
Poverty headcount ratio at \$1.25 a day (PPP, %)	5	51	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	20	73	..
Life expectancy at birth (years)	60	52	71
Infant mortality (per 1,000 live births)	52	83	20
Child malnutrition (% of children under 5)	..	25	..
Adult literacy, male (% of ages 15 and older)	91	72	95
Adult literacy, female (% of ages 15 and older)	83	54	92
Gross primary enrollment, male (% of age group)	126	105	111
Gross primary enrollment, female (% of age group)	124	95	110
Access to an improved water source (% of population)	87	60	95
Access to improved sanitation facilities (% of population)	33	31	84



Net Aid Flows	1980	1990	2000	2009 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	56	131	12	56
<i>Top 3 donors (in 2007):</i>				
France	41	18	-15	37
European Commission	3	2	19	7
Japan	0	0	-2	2
Aid (% of GNI)	14	2.5	0.3	0.4
Aid per capita (US\$)	82	142	9	38
Long-Term Economic Trends				
Consumer prices (annual % change)	12.3	7.7	0.5	2.6
GDP implicit deflator (annual % change)	36.8	15.4	28.1	-19.0
Exchange rate (annual average, local per US\$)	2113	272.3	712.0	472.2
Terms of trade index (2000 = 100)	..	92	100	137
Population, mid-year (millions)	0.7	0.9	12	15
GDP (US\$ millions)	4,279	5,952	5,068	11,062
<i>(% of GDP)</i>				
Agriculture	6.8	7.3	6.2	5.1
Industry	60.4	43.0	58.3	53.8
Manufacturing	4.8	5.6	3.7	4.3
Services	32.8	49.7	37.5	41.2
Household final consumption expenditure	26.1	49.7	32.2	41.1
General gov't final consumption expenditure	13.2	13.4	9.6	11.6
Gross capital formation	27.5	21.7	21.9	28.4
Exports of goods and services	64.7	46.0	69.0	52.2
Imports of goods and services	31.6	30.9	32.7	33.3
Gross savings	..	24.2	41.7	29.2



1980–90 1990–2000 2000–09
(average annual growth %)

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. .. indicates data are not available.
a. Aid data are for 2008.

Development Economics, Development Data Group (DECDG).

Annex 2: The FY12–FY15 Results Monitoring Framework for Gabon

Gabon PRSP Objectives and Indicators	Key Issues	CAS Outcomes and Indicators (FY12–FY15)	Milestones	Bank Program and Partners
WBG Pillar: Governance and Public Sector Capacity				
<p><u>PSGE Pillar Element:</u></p> <p>(i) Economic diversification; (ii) Reform and modernization of the state.</p>	<p>Poor governance and weak institutional capacity present challenges for Gabon’s development. Indexes relating to perception of corruption remain high.</p> <p>A need to improve efficiency and effectiveness in budget and public investment management to ensure both fiscal sustainability and external competitiveness.</p>	<div style="border: 1px solid gray; border-radius: 15px; background-color: #d3d3d3; padding: 10px; margin-bottom: 10px;"> <p style="text-align: center;">1. Improved governance, transparency, and accountability in management of the national budget, debt, and mining resources</p> </div> <p>Gabon achievement of compliant status by EITI.</p> <p>Action plan on how to improve fiscal decentralization and delivery of basic local services completed and shared with the authorities.</p> <p>Development of procurement, commitment and Treasury plans to improve budget management and pave the way for program budgeting.</p> <p><i>Baseline: 0</i></p> <p><i>Target: three line ministries</i></p> <p>Development of a governance and debt management strategy.</p>	<p>Achievement of EITI validation by December 2012.</p> <p>Updated EITI development policy by June 2012.</p> <p>New mining and petroleum laws enacted by June 2012.</p> <p>Mining cadastre system and inspection office in place by December 2012.</p> <p>Inspections and audits implemented twice a year in all major operations by June 2013.</p> <p>Country’s fiscal decentralization system assessed by 2014.</p>	<p><u>Ongoing projects</u></p> <ul style="list-style-type: none"> • DPL (mining component) • PER <p><u>Pipeline technical assistance</u></p> <ul style="list-style-type: none"> • PFM policy notes; FY12: (i) growth and employment study • RTA: Diagnostic of the tax system, debt management study; improvement of the budget cycle • RTA: Oversight capacity, building training to parliament and media • Civil society capacity building (EITI trust fund) • South-South exchange <p><u>Partners</u> WBI, EITI,</p>

Gabon PRSP Objectives and Indicators	Key Issues	CAS Outcomes and Indicators (FY12–FY15)	Milestones	Bank Program and Partners
CAS Strategic Theme One: Increasing Gabon’s Competitiveness and Employment				
<p><u>PSGE Pillar elements:</u></p> <p>(i) Economic diversification; (ii) Development of infrastructure and regional planning.</p>	<p>Absence of adequate institutional and legal framework and sustainable financing mechanism to promote rural electrification; insufficient capacity of the existing power distribution system to meet the growing demand in peri-urban areas.</p>	<p>2. Improved access to energy, infrastructure, and telecommunications</p> <p>Electricity: Improved access to modern energy services in urban and rural areas.</p> <p>Number of people provided with access to electricity by household connections in target areas.</p> <p><i>Baseline: 0</i> <i>Target: 20,000 people</i></p>	<p>Number of new community electricity connections (including communities, schools, and health clinics, water pumping systems electrified)</p> <p><i>Baseline: 0</i> <i>Target: 200</i></p> <p><i>(Baselines to be established as part of project preparation)</i></p>	<p><u>Pipeline projects</u></p> <ul style="list-style-type: none"> Electricity project (FY13) <p><u>Technical assistance</u></p> <ul style="list-style-type: none"> PPIAF grant GEF grant
	<p>Access to international bandwidth at a high price and beyond the reach of the majority of the population despite exponential demand increase due to the capacity constraints of the existing infrastructure.</p>	<p>Telecommunications: Increased coverage and use of regional broadband and network services</p> <p>Access to Internet services (number of subscribers per 100)</p> <p><i>Baseline: 14%</i> <i>Target: 26%</i></p> <p>Average monthly price of wholesale international E1 capacity link from capital city to Europe</p> <p><i>Baseline: US\$10,500</i> <i>Target: US\$800</i></p>	<p>Connection of Libreville to the ACE submarine cable by 2012.</p> <p>Interconnection of fiber optic link Libreville - Franceville - Bakumba – Lekoko with the Dolisie – Mbinda (Rep. of Congo) by 2014.</p> <p>Establishment of Internet exchange point (IXP) and implementation of a management policy for Internet by 2014.</p> <p>Definition of an e-government strategy and action plan.</p>	<p><u>Pipeline projects</u></p> <ul style="list-style-type: none"> Central African Backbone - APL4 (P122776) and National Backbone (FY12) <p><u>Pipeline TA</u></p> <ul style="list-style-type: none"> ICT policy notes (FY13) <p><u>Partners: AFD</u></p>

Gabon PRSP Objectives and Indicators	Key Issues	CAS Outcomes and Indicators (FY12–FY15)	Milestones	Bank Program and Partners
<p><u>PSGE Pillar Elements:</u> Improving the investment climate and private sector development.</p>	<p>Slow growth in nonoil sectors against the background of dwindling oil production. Poor business environment holding back economic growth, including burdensome regulations involving lengthy procedures.</p>	<p>3. Improved investment climate and private sector development</p> <p>Levels of private investment (baselines and targets to be established as part of project preparation).</p> <p>Time to register a business <i>Baseline: 58 days</i></p> <p>Cost to register a business <i>Baseline: 17% of per capita income</i></p>	<p>Background paper on sources of and constraints on economic growth developed by the Bank.</p> <p>Background paper on employment and growth.</p> <p>Background paper on economic and export diversification and competitiveness developed by the Bank.</p>	<p><u>Pipeline projects</u></p> <ul style="list-style-type: none"> Economic Diversification and Competitiveness Project (FY13) <p><u>Pipeline TA</u></p> <ul style="list-style-type: none"> PFM Policy notes FY12: (i) Growth and employment study, FY 13; (i) Export and diversification study <p><u>Partners</u></p> <p>IFC activities (incl. RTA)</p>
<p><u>PSGE Pillar Elements:</u> Economic diversification and development of human capital and fight against exclusion and vulnerability.</p>		<p>4. Improved vocational skills and capacity</p> <p>A skills development system is articulated and operationalized through government, PPP, and WBG financing.</p> <p>(Baselines and targets to be established as part of project preparation.)</p>	<p>Survey undertaken to review the labor market.</p>	<p><u>Pipeline projects</u> Human Development Education Project (FY13); Economic diversification and competitiveness (FY13)</p> <p><u>Pipeline TA</u></p> <p>PFM policy notes (i) FY12: Growth and employment</p>

Gabon PRSP Objectives and Indicators	Key Issues	CAS Outcomes and Indicators (FY12–FY15)	Milestones	Bank Program and Partners
CAS Strategic Theme Two: Vulnerability and Resilience				
<p>PSGE Pillar Elements: Economic diversification and development of human capital and fight against exclusion and vulnerability.</p>	<p>Lack of robust governance in the natural resource management; poor efficiency and equity in the use of the public resources.</p>	<p>5. More transparent and sustainable management of natural resources</p> <p><i>National parks:</i> Hectares of land for protection when a biological survey is completed.</p> <p><i>Baseline: 0(2010)</i> <i>Target: 900,000 (2013)</i></p> <p>Increase in management effectiveness in three national parks (700,000 hectares) per the GEF tracking tool</p> <p><i>Baseline:</i></p> <ul style="list-style-type: none"> - Loango: 57%, - Mayumba: 58% - Moukalaba-Doudou: 50% <p><i>Target (2013)</i></p> <ul style="list-style-type: none"> - Loango: 65%, - Mayumba: 65% - Moukalaba-Doudou: 65% 	<p><u><i>Gas Flaring</i></u></p> <p>Gas-flaring reduction plan implemented by mid-2013.</p> <p>Gas resource development strategy approved in mid-2013.</p> <p><u><i>National parks</i></u></p> <p>National database on biodiversity is created by 2013.</p> <p>Three sites with high biodiversity potential covered by biological inventory by 2013.</p> <p>Increased surveillance efforts in the three key national parks from 300 person-days per month in 2010 to 500 person-days per month in 2013.</p> <p>Quarters for park rangers built and operational in Loango, Mayumba, and Moukalaba-Doudou by 2013.</p>	<p><u>Ongoing Projects</u></p> <p>Strengthening capacity for managing national parks and biodiversity (P070232) and capacity building in environmental management of large infrastructure projects.</p> <p><u>Pipeline projects</u></p> <p>Natural resource management project (FY14–FY15)</p> <p><u>Pipeline TA</u></p> <p>RTA: Mining</p> <p><u>Partners</u> : GEF</p>

Gabon PRSP Objectives and Indicators	Key Issues	CAS Outcomes and Indicators (FY12–FY15)	Milestones	Bank Program and Partners
<p><u>PSGE Pillar Elements:</u> Economic diversification and development of human capital and fight against exclusion and vulnerability.</p>	<p>Poor social indicators compared to per capita levels. Unlikely to meet many MDG targets. Lack of sufficient, updated statistical analysis on the sector.</p>	<p>6. Improved knowledge of basic service delivery for health and social protection</p> <p>Indicator: Identification of policy options for addressing the challenges in the health sector.</p> <p>Indicator: Action plan to implement the social safety net system.</p>	<p>Report on health sector</p> <p>Report on social safety nets</p> <p>Analysis of human development challenges and obstacles to redistribution.</p>	<p><u>Ongoing Projects</u></p> <p>PER</p> <p><u>Pipeline technical assistance</u></p> <p>Poverty assessment</p> <p>FY13: Health Sector Status Report.</p> <p>FY14: Social safety net assessment.</p> <p>Fy14: Analysis of human development challenges and obstacles to redistribution (FY14).</p> <p>RTA: Growth and poverty diagnostic.</p>

Annex 3: Selected Indicators of Bank Portfolio Performance and Management in Gabon, 2009–12

Indicator	2009	2010	2011	2012
Portfolio assessment				
Number of projects under implementation ^a	2	2	2	1
Average implementation period (years) ^b	5.1	6.6	5.3	5.8
% of problem projects by number ^{a, c}	50.0	0.0	0.0	0.0
% of problem projects by amount ^{a, c}	70.0	20.0	0.0	0.0
% of projects at risk by number ^{a, d}	100.0	100.0	100.0	0.0
% of projects at risk by amount ^{a, d}	100.0	100.0	100.0	0.0
Disbursement ratio (%) ^e	12.5	23.8	46.3	38.5
Portfolio management				
CPPR during the year (yes/no)		Yes	Yes	
Supervision resources (total US\$)				
Average supervision (US\$/project)				

Memorandum item	Since FY80	Last five fiscal years
Project evaluation by IEG by number	9	0
Project evaluation by IEG by amount (US\$ millions)	157.7	0.0
% of IEG projects rated U or HU by number	55.6	0.0
% of IEG projects Rated U or HU by amount	60.2	0.0

Note: Data as of January 4, 2012.

a. As shown in the *Annual Report on Portfolio Performance* (except for current fiscal year).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives and/or implementation progress

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the portfolio, with the exception of the disbursement ratio, which includes all active projects as well as projects that exited during the fiscal year/

Annex 4: Proposed IBRD/IDA Base-Case Lending Program for Gabon

Fiscal Year	Project ID	US\$(M)	Strategic Rewards (H/M/L)	Implementation Risks (H/M/L)
2012	Regional and national Central African Backbone Project Result	56	H	H
		56		
2013	Economic Diversification And Competitiveness Project Result	30	H	M
		30		
2013	Electricity Sector Development Project Result	60	H	M
		60		
2014	Human Development Education Project Result	60	H	L
		60		
2014	Natural Resource Management Project Result	30.0	H	H
		30		
Total		236		

H = high; M = medium; L = low

Note: As of January 4, 2012.

Annex 5: IFC Investment Operations Program, 2009–12

	2009	2010	2011	2012*
<u>Original commitments (US\$Mn)</u>	N/A	N/A	N/A	N/A
IFC and participants IFC's own account only				

Original commitments by sector (%)- IFC account only

Original commitments by investment instrument (%) - IFC account only

Note: Data as of January 01,2012

Annex 6: Summary of WBG Nonlending Services Provided to Gabon, 2006–14

Product	Completion FY	Cost (US\$000)	Audience	Objective
Recent Completions				
Infrastructure framework report	2006	166	Government	Knowledge generating
Poverty report	2006	136	Government	Knowledge generating
Public Expenditure and Financial Accountability Review (PEMFAR)	2006	352	Government	Knowledge generating
Growth and poverty strategy	2007	38	Government	Knowledge generating
Technical assistance seminar on natural gas	2009	44	Government	Knowledge generating and public debate
Statistical capacity building	2010	399	Government	Knowledge generating
Under way				
Economic diversification technical assistance	2012	75	Government	Knowledge generating
Planned				
Dissemination of PER	2012		Public dissemination	Public debate
Employment and growth policy note	2012		Government	Knowledge generating and problem solving
Export diversification and competitiveness analysis	2013		Government	Knowledge generating and problem solving
Telecommunication policy note	2013		Government	Knowledge generating
Health Sector Status Report	2013		Government	Knowledge generating
Social safety nets assessment	2014		Government	Knowledge generating
Assessment of the fiscal decentralization system	2014		Government	Knowledge generating
Analysis of human development challenges and obstacles for redistribution	2014		Government	Knowledge generating

Annex 7: Key Economic Indicators for Gabon, 2005-13

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	5	5	5	4	5	4	4	4	4
Industry	61	61	60	64	54	60	64	63	58
Services	34	34	35	32	41	36	32	34	38
Total Consumption	42	44	44	40	55	49	44	47	53
Gross domestic fixed investment	21	26	25	22	27	27	27	27	27
Government investment	4	5	4	5	6	9	11	10	8
Private investment	17	21	20	17	21	18	16	17	18
Exports (GNFS) ^b	65	62	62	67	56	60	65	63	57
Imports (GNFS)	28	32	31	29	39	36	36	36	37
Gross domestic savings	58	56	56	60	45	51	56	53	47
Gross national savings ^c	44	43	42	46	33	36	39	37	33
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	8666	9555	11570	14530	10946	13199	16244	16988	16960
GNI per capita (US\$, Atlas method)	5110	5480	6470	7500	7630	7740
Real annual growth rates (% , calculated from 91 prices)									
Gross domestic product at market prices	3.0	1.2	5.6	2.3	-1.4	6.6	4.8	5.6	2.1
Real annual per capita growth rates (% , calculated from 91 prices)									
Gross domestic product at market prices	1.0	-0.7	3.6	0.4	-3.2	4.6	2.8	3.6	0.2
Total consumption	5.7	6.5	5.9	1.4	4.2	3.1	4.0	7.2	6.4
Private consumption	6.7	6.4	13.6	0.7	-6.9	4.8	3.9	3.9	5.5
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	5610	5935	7185	9744	6146	7957	10487	10626	9725
Merchandise FOB	5464	5795	6999	9470	5752	7609	10015	10119	9187
Imports (GNFS) ^b	2450	2915	3530	4152	4228	4782	5806	6109	6209
Merchandise FOB	1359	1795	2065	2204	2317	2838	3221	3376	3465
Resource balance	3160	3020	3655	5593	1918	3175	4681	4517	3516
Net current transfers	-220	-175	-200	-255	-182	-228	-287	-296	-286
Current account balance	1983	1660	1967	3481	652	1171	2000	1742	1072
Net private foreign direct investment	3	327	1705	878	593	573	846	900	904
Long-term loans (net)	-421	-224	-1458	-2409	-267	-717	-1179	-1466	-533
Other capital (net, incl. errors & omissions)	-1247	-2816	-2225	-1142	-991	-1403	-1792	-1603	-1596
Change in reserves ^d	-318	1054	11	-808	13	376	125	428	153
<i>Memorandum items</i>									
Resource balance (% of GDP)	36.5	31.6	31.6	38.5	17.5	24.1	28.8	26.6	20.7
Real annual growth rates (YR91 prices)									
Merchandise exports (FOB)	-4.2	-10.0	4.0	1.0	-3.5	3.9	-0.2	2.5	-5.6
Merchandise imports (CIF)	0.9	26.8	5.7	-6.7	22.3	10.9	-0.4	5.0	3.8

(Continued)

Gabon - Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)^e									
Current revenues	31.4	31.7	29.5	31.9	32.6	28.1	28.1	27.0	28.0
Current expenditures	17.3	16.6	15.1	13.9	17.7	14.6	14.7	16.9	18.6
Current account surplus (+) or deficit (-)	14.1	15.1	14.4	18.0	14.9	13.6	13.4	10.1	9.3
Capital expenditure & net lending	4.3	4.8	4.6	4.9	7.0	10.2	11.5	10.2	8.6
Foreign financing	-2.0	-3.4	-3.6	-13.1	-1.1	0.7	0.1	-1.4	-1.3
Monetary indicators									
M2/GDP	18.2	19.6	18.9	17.5	22.5	21.2	17.4	18.3	20.3
Growth of M2 (%)	26.0	17.4	7.2	8.8	2.2	19.2	0.9	9.9	11.0
Price indices (YR91 =100)									
Merchandise export price index	163.6	192.8	224.0	300.2	188.9	240.4	317.1	312.6	300.6
Merchandise import price index	125.2	130.5	142.0	162.5	139.7	154.3	175.9	175.5	173.6
Merchandise terms of trade index	130.6	147.8	157.7	184.7	135.3	155.8	180.3	178.1	173.2
Real exchange rate (US\$/LCU) ^f	99.5	95.9	100.5	104.0	104.8	100.8
Consumer price index (% change)	1.2	-1.4	5.0	5.3	1.9	1.4	1.2	2.3	3.1
GDP deflator (% change)	17.0	7.9	5.2	14.7	-19.4	18.6	17.4	-1.0	-2.2

a. GDP at market prices

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex 8: Key Exposure Indicators for Gabon, 2005–10

Indicator	Actual					Estimated
	2005	2006	2007	2008	2009	2010
Total debt outstanding and disbursed (TDO) (US\$m) ^a	3877	4187	2845	2173	2130	2331
Net disbursements (US\$m) ^a	-58	-11	-1066	-641	-60	240
Total debt service (TDS) (US\$m) ^a	193	170	2666	870	463	445
Debt and debt service indicators (%)						
TDO/XGS ^b	69.1	70.6	39.6	22.3	34.7	28.8
TDO/GDP	44.7	43.8	43.2	20.9	26.4	25.0
TDS/XGS	3.4	2.9	37.1	8.9	7.5	5.5
Concessional/TDO	20.6	19.2	19.6	21.0	21.0	21.0
IBRD exposure indicators (%)						
IBRD DS/public DS	5.0	9.0	0.3	0.4	1.6	0.4
Preferred creditor DS/public DS (%) ^c	46.0	51.3	2.7	8.6	17.2	19.5
IBRD DS/XGS	0.1	0.2	0.1	0.0	0.1	0.0
IBRD TDO (US\$m) ^d	30	19	12	20	18	22

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

Annex 9: FY05–09 CAS Completion Report

Country:	Gabon
Date of CAS:	FY05-FY09
Period Covered by Completion Report:	May 2005 – September 2011
Completion Report Drafted by:	Louise Davidson
Date:	September 2011

I. Introduction

1. **This Country Assistance Strategy Completion Report (CASCR) assesses the effectiveness of the FY05-FY09 World Bank Group country assistance strategy (CAS) for Gabon (Report no. 31882-GA), which was discussed by the Board of Directors in May 2005.** It covers the implementation period from Board approval to September 2011. The assessment is based on reviews of: (i) implementation status and results reports (ISRs) from projects implemented during the CAS period; (ii) aide-mémoires; (iii) conclusions from a 2010 Country Portfolio Performance Review (CPPR); (iv) interviews with country team members and task team leaders operating in Gabon during the CAS period; and (v) self-assessments by the country team and task team leaders. The CASCR also draws on the CAS Progress Report (Report No. 40890-GA) that was prepared in 2007 and that took stock of the progress to date.

2. **During the course of the FY05-FY09 CAS period, significant changes occurred in Gabon’s development context.** The death of President Omar Bongo in June 2009, after 42 consecutive years in power, marked a new era in Gabon. While Gabon has been politically stable since independence, the period after Omar Bongo’s death was characterized by political and social uncertainty. Defeated presidential candidates rejected the results announced by the electoral commission after the August 2009 election, and significant social unrest ensued after the announcement of the election results. A poll recount, requested by the Constitutional Court, upheld the victory of the ruling party’s candidate, and Ali Bongo was sworn in as president of the republic on October 16, 2009. He is the third elected president of Gabon. At the time of this writing, the situation in Gabon has stabilized; UN Secretary-General Ban Ki-Moon also expressed his support for the reforms engaged by the government since 2009.

3. **Gabon’s economic performance has generally improved over the past five years, particularly in relation to achieving macroeconomic stability and initiating structural reforms and more transparent management of natural revenues, in particular in the forestry, fisheries, oil, and mining sectors.** Higher oil prices coupled with the government’s

commitment to fiscal adjustment and structural reforms have considerably improved economic and financial management. Structural reforms—including privatization, improvements in budgetary capacity, and the promotion of an attractive business climate—are on track. Major reforms have been introduced in the forestry sector and to some extent in the fisheries sector that have improved their governance and transparency, as well as fiscal recovery and the quality of the services delivered to the private operators.

4. **Economic activity was severely affected by the global economic crisis in 2008–09.** All commodity exports declined in value. Real growth of gross domestic product (GDP) was negative (-1.4 percent) in 2009 for the first time since 2002. In 2010, the Gabonese economy benefited from the recovery in global growth and rising prices of its main export commodities (oil and manganese). Overall real GDP reached approximately 5.4 percent in 2010. Negotiations for a new International Monetary Fund (IMF) program are pending. In the meantime, the IMF will continue Article IV surveillance.

5. **The uncertainty arising from the presidential transition affected the implementation of the CAS as planned as well as the formulation of the World Bank’s new CAS, which is now scheduled for FY12–FY16.** Nevertheless, the CAS period can be characterized by the return of the Bank as a provider of financial resources and supporter of critical reforms, particularly in the sectors related to Gabon’s natural resources. The Bank also played an important role in strengthening donor coordination and harmonization. In addition, in August 2010, the government of Gabon signed a reimbursable technical assistance agreement (RTA) with the Bank for US\$2 million, representing a new phase of engagement. The agreement will consist of support to public financial management, assessment of potential sources of nonoil growth, and update of the country’s poverty profile. Additional technical assistance has been requested for the oil, gas, and mining sectors. A series of growth and poverty diagnostics may also be prepared for other sectors, including agriculture and livestock, the financial sector, fisheries, timber, information and communication technologies, and tourism.

II. National Strategic Goals

6. **Gabon’s human development outcomes fall below those of countries with similar per capita income.** Gabon ranks 106 out of 187 countries in the 2011 Human Development Index of the United Nations Development Programme (UNDP). In addition, many Millennium Development Goals (MDGs) are unlikely to be met by the 2015 deadline. The third national MDG progress report, published in 2010, concluded that MDG targets relating to poverty reduction, infant and maternal mortality, and the prevalence of HIV/AIDS are unlikely to be achieved. With respect to education, Gabon has succeeded in making primary education available to all (net enrollment has increased from 88 percent in 1990 to 91 percent in 2005), but the need for qualified teachers and classrooms remains a concern. The rates of infant mortality dropped from 155 per 1,000 in 1990 to 52.7 per 1,000 in 2010, but it will be difficult to reach the target of 31.5 per 1,000 by 2015. Between 1990 and 2010, maternal mortality declined from 600

deaths per 100,000 births to 420 deaths, but it is also unlikely that the target of 150 deaths per 100,000 births will be achieved by 2015. The rate of HIV/AIDS, which had risen dramatically from 0.7 percent in 1990 to 8.1 percent in 2005, has significantly declined in recent years but remains high (5.4 percent in 2010).

7. **The government prepared an interim Poverty Reduction Strategy Paper (I-PRSP) in June 2003, while the full Growth and Poverty Reduction Strategy Paper (GPRSP) was finalized in January 2006.** The GPRSP mapped out a program of reforms to help Gabon manage its transition from high dependence on oil to economic diversification that harnesses private sector growth and makes progress in reducing poverty. The strategy was developed through a participatory process, including nine regional consultations. It was designed around four pillars: (i) promoting strong and sustainable pro-poor growth; (ii) improving infrastructure; (iii) improving basic services; and (iv) improving governance.

8. **The government of Gabon has needed time to define its priorities, develop a medium-term strategic course, and identify areas for support by international partners.** As part of its Déclaration de Politique Générale, the government of Gabon, under President Ali Bongo, developed and presented a new economic diversification strategy in November 2009. The strategy, aimed at transforming Gabon into an emergent country within 25 years, is based on three pillars: (i) making Gabon a metallurgic and industrial pole of reference based on clean energy, driven by strategic raw materials such as manganese, iron, and gas and a regional industry of wood processing (Gabon Industriel); (ii) positioning the country as a pioneer of the green economy through sustainable management of its rich biodiversity and the development of ecotourism (Gabon Vert); and (iii) making Gabon a center of excellence in higher education and research, business, tourism, health, media, and information technology (Gabon des Services). To implement this broad agenda, the government has decided to increase the share of resources allocated to public investment from 14 percent to 40 percent of the state budget over the 2010–16 period.

III. Strategic Bank Outcomes and CAS Outcomes

9. **The FY05–FY09 CAS was originally aligned with the I-PRSP, pending completion of the GPRSP.** The CAS was articulated around two pillars: strengthening the management of public resources (natural and financial) for improved social outcomes and improving the investment climate to foster sustainable, private-sector led growth. Capacity development in government, civil society, and the private sector, as well as improved governance and participation, were cross-cutting themes.

10. **The CAS Progress Report (2007) concluded that program implementation was on track, albeit with delays.** The CAS proceeded according to a base-case scenario. Given that the original CAS did not meet the full requirements for a results-based CAS, the opportunity was also taken to reformulate a new results framework and to restate the links with the GPRSP. It is

this revised results framework that provides the starting point for the current evaluation of the achievement of CAS outcomes.

III. FY05-FY09 CAS Results Assessment

CAS Pillar 1: Strengthening the management of public resources (natural and financial) for improved social outcomes.

11. The Completion Report Analysis (annex 9a) provides a detailed analysis of progress against the CAS results framework. Expected CAS outcomes under the first pillar included the following:

- Improved transparency and accountability in forestry
- Improved transparency in extractive industry revenues (EITI)
- More sustainable management of natural renewable resources
- Improved collection rates through better enforcement of “posted” tax rates in key nonoil sectors
- Better prioritization of public spending in the GPRSP, development of Medium Term Expenditure Frameworks, and the like
- Increased access to urban infrastructure and services in targeted areas
- Better delivery of HIV/AIDS prevention and control services

Outcome 1: Improved transparency and accountability in forestry; *and* Outcome 3: More sustainable management of natural renewable resources (Outcome 1 and Outcome 3 achieved)

12. **Progress on governance of natural resource management (NRM) has been slow but positive.** The IBRD-funded Gabon natural resource management-development policy loan (NRM-DPL) contributed to important results across a number of sectors. The operation has supported the government of Gabon’s efforts to improve transparency, governance, and law enforcement for natural resource management, covering four policy areas: forestry, biodiversity and the environment, fisheries, and mining and oil. The second tranche for US\$10 million was released in June 2011. The NRM-DPL has been instrumental in the elaboration of the Gabon Industriel vision in the NRM sectors.

13. **Progress made under the NRM-DPL is particularly striking in the forestry sector, where short-term rent-seeking behaviors were especially widespread.** The NRM-DPL

contributed to the modernization of Gabon's forest sector through (i) the establishment and operationalizing of instruments for improved sector governance and sustainable management of forest ecosystems; (ii) the elimination of pricing and market distortions stemming from the monopoly of the Société Nationale de Bois Gabonais (the national timber company) on international timber sales; (iii) the reinforcement of institutional capacities to improve monitoring and control of forest activities; and (iv) a more open and attractive business environment for investors engaging in responsible forest management activities in Gabon. Among others, the following two quantifiable outcomes can be attributed to the NRM-DPL operation: (i) a sharp rise in the percentage of areas in compliance with sustainable management prescriptions, moving from 30 percent to 77 percent over the period of the NRM-DPL; (ii) a sharp increase in the recovery rate of forest revenues, which has moved from 40 percent in 2005 to 87 percent for the area fees at the end of NRM-DPL.

14. Gabon's fisheries sector has also benefited from the NRM-DPL, which has been a vehicle for engaging the Bank in that sector. The results achieved under this DPL go beyond the expectations initially stated. For example, the regular disclosure of the fishing licenses and associated tax collection status, posted in the national press (on a semi-annual basis) and on the website of the Ministry of Finance, places Gabon among the top countries in public access to information in the fisheries sector. In addition, conservation measures have been taken to protect and restore populations of fish in overexploited or fragile marine areas through the use of GIS-based technologies and enhanced control activities.

15. The NRM-DPL has also provided support to the environment sector through improvements to the country's capacity to monitor the social and environmental impacts of development programs. As a result, the Direction Générale de l'Environnement (DGE) has managed to significantly increase the number of control missions (*quantity*) but also to better target the those missions, based on potential major pollution risks (*quality*). In addition, the DGE has substantially improved the quality of the review process for the environmental impact assessments/environmental management plans (EIA/EMPs) prepared by private operators. Moreover, EIA/EMPs are also available at the DGE offices for public disclosure. The foundations set up under the operation of the NRM-DPL will be further elaborated and strengthened through an Institutional Development Fund (IDF) grant of about US\$400,000 aimed at strengthening the government's capacity to manage the environmental aspects of large infrastructure projects.

16. In the mining sector, a strategic socio-environmental review of industrial mining was conducted in September 2008. The government is currently using the analytical background provided from the review to reform the mining sector, particularly the revision of its mining code.

17. The grant from the Global Environment Facility (GEF) (restructured in April 2011) is complementing efforts to enhance the conservation of biological diversity in Gabon

through investments in selective national parks. Significant delays were encountered in the implementation and disbursement of the GEF grant (US\$10 million) over the first 30 months of implementation. Weaknesses were related to high turnover of staff in the implementing agency, a lack of commitment from the Ministry of Forestry, poor understanding of Bank procedures, and a complex institutional framework. Nevertheless, after a restructuring of the project following the midterm review in May 2010, performance has improved, and the project has now been upgraded to satisfactory. The disbursement rate has now risen to 55 percent, and commitments amount to more than 75 percent of the total envelope.

Outcome 2: Improved transparency in extractive industry revenues (partially achieved)

18. **Transparency in petroleum and mining revenues received by the government, as well as civil society participation, has considerably improved over the past years.** Some progress has been achieved since Gabon signed onto the Extractive Industries Transparency Initiative (EITI). With Bank support, the government published its first reconciliation report on petroleum and mining revenue in 2004. The second and third reports were published in April 2007 and March 2008, respectively. Gabon was accepted as an EITI candidate country on September 27, 2007. The final EITI validation report was submitted to the Board on July 9, 2010, and in October 2010, Gabon was designated as close to compliant. The number of reporting companies has also steadily increased over this period, and the accounting gap between the payments declared by companies and the receipts declared by the government has decreased to around 3 percent. Civil society is also actively engaged. A regional seminar on using extractive industries for sustainable development was organized by the World Bank's office in Libreville in April 2008 and served as an important catalyst for civil society involvement in natural resource management.

Outcome 4: Improved collection rates through better enforcement of “posted” tax rates in key nonoil sectors (achieved)

19. **According to the Direction Générale des Impôts, in the forestry sector an average tax collection rate of 87 percent was registered for 2009, which is higher than the 80 percent target established under the DPL.** The DPL was designed to increase the state's and the local communities' share of the revenues from natural resources, including the strengthening of collection and transfer of taxes to local communities. Efforts undertaken by the authorities to cancel logging permits that did not comply with forestry and fiscal requirements (116 logging permits were canceled in 2007, 56 in 2008, 87 in 2009, and 63 in 2010) have had a particularly positive impact on more timely and accurate tax submissions and helped mitigate the impact of the global economic crisis on the sector. Tax collection rates in this sector have increased from a baseline of 40 percent in 2005.

Outcome 5: Better prioritization of public spending in GPRSP, development of MTEFs (not achieved)

20. **The government has made some progress in improving governance in the public sector and in strengthening the links between the budget and the country's development strategy as well as the budgetary allocation process.** The Bank's Public Expenditure Management and Financial Accountability Review (PEMFAR) of 2006 was particularly well received and resulted in the adoption of a new organic budget law. The DPL operation was also used as a pilot to streamline the public finance management procedures. Both the Ministry of Finance and line ministries consider this a major success, and the government of Gabon plans to draw lessons from this operation for its public finance reforms.

21. **In general, the absence of sectoral policies has constrained the elaboration of the MTEF.** Although the Bank and UNDP funded two missions to provide training to the government as well as to design an MTEF implementation work plan and budget, little progress has occurred since the design of the methodology for developing a prioritized action plan for 2008. Weaknesses are still evident in budget prioritization as well as in its alignment to the development objectives. To date, the government of Gabon has been reluctant to involve the donor community in this effort, but the recent request to focus heavily on this issue within the RTA indicates a change in government attitudes.

Outcome 6: Increased access to urban infrastructure and services in targeted areas (achieved)

22. **52,000 people in target areas now have access to all-season roads within a 500-meter range, from a baseline of 1,000 in 2006.** The good progress made in achieving this outcome is attributable largely to the Bank's support provided through the local infrastructure development project. Despite delays incurred during the first two years, the midterm review of the project confirmed that project development outcomes are likely to be achieved by December 2011. Other key results include an additional 65,000 people who benefit from improved sanitary conditions, compared to a baseline of 500 in 2007. Less positive progress has been made on the third component of the project, namely, development of local small and medium enterprises (SMEs) through increased access to public works contracts; as a result, the project was restructured, and funds were reallocated toward the first component, which focuses on upgrading community-based infrastructure in low-income settlements.

Outcome 7: Better delivery of HIV/AIDS prevention and control services (GPRSP) (achieved)

23. **Implementation of HIV/AIDS and malaria prevention programs is on track in the six cities targeted by the project.** This outcome relates to the fifth component in the local infrastructure development project, as described above. More specifically, the project helped develop awareness and prevention programs among construction workers and communities of the six target cities that reached more than 78,000 people; it also helped develop communication

programs and tools mainstreamed with nongovernmental organizations and specialized institutions. As at July 15, 2011, the project had undertaken 72 awareness campaigns or workshops in the six target cities, trained 452 budget personnel, and distributed 240,000 condoms and 3,200 impregnated mosquito nets.

Pillar 2: Improving the investment climate to foster sustainable, private sector-led growth.

24. Expected CAS outcomes, under the second CAS pillar, included the following:

- Outcome 8: Reduced distortions in the forest and mining sectors (achieved: refer to DPL results under Outcome 1 and 3)
- Outcome 9: Increased delivery of private participation in infrastructure services (partially achieved)
- Stronger local capacity in the private sector to promote the development of SMEs (not achieved: refer to Outcome 6 above).

Outcome 9: Increased delivery of private participation in infrastructure services (partially achieved)

25. **Progress under this outcome continues to be challenging but is accelerating.** During the CAS period, Bank efforts to support competitiveness included a Foreign Investment Advisory Service (FIAS) report, the Infrastructure Framework Report, the Local Infrastructure Development Project, the Road Infrastructure Project, and the IFC program. The Diversification Project was not implemented as part of the base-case scenario, but many of these components will now be prepared in the newly signed RTA. The Bank had planned a US\$75 million road infrastructure project to address the fact that only one road leads in and out of Libreville. This support was not provided following the authorities' decision to advance its plans to resettle the estimated 10,000 persons during the period immediately preceding the 2012 African Soccer Cup of Nations.

26. **A number of Doing Business indicators in Gabon have improved since 2006, including the cost of starting a business, the minimum capital necessary for starting a business, and the cost of construction permits.** This improvement has resulted in Gabon's moving from 173rd place in 2010 to 168th in 2011. In November 2010, the government signed a service agreement with IFC to build on these reforms to improve the business climate in Gabon, in accordance with the Doing Business recommendations. IFC has also provided support under the Private Enterprise Partnership (PEP) Africa to a number of local SMEs. In partnership with the Gabonese Chamber of Commerce, this support has been in the form of capacity development initiatives, aimed at enhancing SME growth and job creation. Finally, IFC has been pursuing opportunities for direct investments. In 2006, IFC committed an equity investment of €25 million and a standby facility of €35 million to Veolia Water AMI, a multi-utility holding company with operations in Africa, the Middle East and North Africa, and India. Veolia Water's investments in Africa (now held through Veolia Water India Africa) include SEEG (Gabon's water and

electricity company), which was privatized following an IFC advisory mandate. In 2009, IFC also launched a CFAF 20 billion bond in the Libreville-based regional capital market (BVMAC), as the first AAA-rated institution to be listed in this market, to contribute to its development and to support long-term local currency financing for local companies. All bond proceeds were distributed as planned throughout SME and infrastructure projects in the region.

V. World Bank Group Performance

27. The October 2007 CAS progress report concluded that the CAS program—at the time—was on track and that even though implementation had experienced delays, the base-case scenario had proceeded as planned. The base-case lending program for the CAS represented US\$93 million. Efforts to move to the high-case scenario were not initiated because of program delays, in particular, with the second tranche of the DPL and uncertainty over the Bank's direction arising from the presidential transition.

Lending Activities:

28. As of September 2011, three out of the four planned lending operations under the base-case scenario were implemented or completed: the US\$15 million natural resource management DPL (approved by the Board in November 2005 and completed), the US\$25 million Local Infrastructure Development Project (approved by the Board in March 2006), and the US\$10 million GEF grant for capacity development for managing national parks and biodiversity (approved in March 2006). The NRM-DPL operation closed on June 30, 2011. The two tranches pertaining to this operation were released during the CAS period. Neither the planned FY08 infrastructure project (originally slated for US\$25 million and later increased to US\$75 million) nor the US\$18 million diversification operation (planned under the high-case scenario) were delivered during the CAS period. The diversification operation will now be prepared in FY13 as part of the new CPS. Planned support for the infrastructure project was dropped following the authorities' decision to advance its plans to resettle the estimated 10,000 persons during the period immediately preceding the 2012 African Soccer Cup of Nations.

Nonlending and Trust Fund–Financed Activities:

29. Key analytical work delivered during the CAS period included the PEMFAR, a review of infrastructure, a FIAS study, and support for GPRSP preparation. The Infrastructure Framework Report was used to launch discussions of the Bank's support for the future road infrastructure project and a potential electrification project (still under consideration) and support to a regional fiber-optic cable project (Central African Backbone project, CAB).

30. As planned in the CAS, the Bank also provided support for the development of statistical capacity in Gabon through the Ministry of Planning for US\$399,850. Implementation took place from September 2007 to June 2010. The objective of the grant was to

support the government of Gabon in formulating a national strategy for the development of statistics.

31. **The three planned technical assistance Institutional Development Fund grants, each for US\$500,000, to finance GPRSP implementation work, civil society, and parliamentary capacity-building initiatives and support for HIV/AIDS prevention were not obtained.** Additional resources were mobilized from the Forest Carbon Partnership Facility for REDD readiness (that is, for reducing emissions from deforestation and forest degradation) for US\$200,000 and from the Institutional Development Fund on the order of US\$400,000 to build capacity in environmental management of large infrastructure projects. While the latter is under implementation and rated satisfactory (after a slow launch of the implementation activities), the REDD grant was terminated in July 31, 2010. These smaller trust funds have experienced implementation problems, where government interest has seemed difficult to mobilize and progress has therefore been slow.

32. **Through the Oil, Gas, and Mining Division, the Bank has provided support to the Extractive Industries Transparency Initiative in Gabon (“how-to” guidance), including initial technical support to help the government, industry, and civil society understand the key features of EITI and the way it benefits the broader management of natural resources.** Two international workshops on negotiations of extractive industries contracts and the role of the regional civil society were also organized in Gabon during the CAS period.

33. **A FY07 mining sector review was proposed in the CAS under the high-case scenario.** In 2004, the Bank conducted a preliminary mining sector study, which was well received by the government. While this study does not constitute a formal mining sector review, the Bank has provided further assistance to the mining sector as part of the natural resource management DPL that has supported the preparation of a strategic environmental and social assessment of the mining sector. Support to the mining sector may also be included in work undertaken within the RTA.

34. **Disbursement. To date, 80 percent of total committed amounts of the three projects that make up the regular portfolio (IBRD and GEF) have been disbursed.** Disbursement rates have been slow (with an average age in the portfolio 4.2 years) but accelerated significantly after the second tranche of the DPL was released in June 2011. The latest development objective and implementation progress ratings of the regular portfolio are moderately satisfactory for both the Local Infrastructure Development Project and the GEF grant.

35. **Delays in reaching effectiveness. The Local Infrastructure Development Project, the GEF grant, and the NRM-DPL experienced significant delays in reaching effectiveness.** Various factors explain the delays between approval and effectiveness: the 2005 presidential and 2006 legislative elections slowed down the adoption of reforms that constituted effectiveness conditions. In the case of the NRM-DPL, which was approved in November 2005, the first

tranche was released in May 2007—18 months after approval. This delay was, however, expected; given that the release of the first tranche depended on meeting a number of triggers that would take time to implement (no prior actions were identified or agreed on). There were further delays due to the need to wait for the government to adopt a new finance law so that the resources could be included in the national budget before the transfer could take place.

36. No projects have been rated by QAG.

37. **In February 2010, the Bank undertook a country program portfolio review (CPPR) in Gabon.** The review was seen as a positive exercise by the government, project units, and the Bank team (including representatives from the country office, task team leaders, and members of the Washington-based Country Management Unit). The review highlighted various cross-cutting issues that were seen to affect the performance of the portfolio:

- Implementation delays, which translate into disbursement delays; a number of projects were identified that lacked 2010 work programs and associated procurement plans. The development of such plans—where needed—was one of the actions resulting from the CPPR.
- Delays in the disbursement of 2009 counterpart funds.
- Lack of clarity on institutional responsibilities and accountabilities in certain projects.
- Staffing issues in a number of project implementation units, including limited availability of staff, high staff turnover, vacancies in key positions, and a lack of certain technical skills. In response to these challenges, the Bank committed to adopting a more systematic approach to capacity development of staff engaged in the implementation of Bank-financed projects and programs. The Bank's Libreville office also committed to arranging quarterly meetings for project staff to provide a forum for exchanging experiences and lessons in the implementation of World Bank-financed projects. The first such meeting took place in May 2010.
- Lack of inter-ministerial coordination and communication between line ministries, between line ministries and the Ministry of the Economy, and between various ministries and other implementing agents.

VI. Donor Coordination

38. **During the CAS period, the Bank has played an important role in improving donor coordination and aid harmonization.** Beginning in 2005, donors have met monthly to exchange information and discuss possible communal responses or stances toward the government. In 2008, the first survey on the implementation of measures set out in the Paris Declaration was conducted, and every year donors produce a joint report on support to Gabon. In 2010, a joint donor-government committee on aid coordination and harmonization was set up by the prime minister's office. The committee has six thematic subgroups headed by the responsible sectoral ministries.

39. **Donor coordination in the national resource management sectors, and specifically in the forestry sector, has been fully operational and active for more than five years in Gabon.** The European Commission coordinates the donor platform, and the World Bank has always been an active member; meeting with the donor platform on the NRM portfolio as well as with individual donors has always been central to the supervision mission.

40. **At the sector level, donor coordination in the transport sector has improved since 2006 when the government recognized a common donor platform.** With the recent establishment of the Infrastructure Thematic Group, the transport sub thematic group agreed with the Ministry of Infrastructure to meet monthly under the coordination of the ministry's secretary general. This arrangement has resulted in a restructuring of the road fund, discussions on a transport wide policy framework, and sharing of information on donor operations. Further work is still needed, however, to strengthen coordination and cooperation between donors and government, and other ministries involved in the transport sector—such as the transport and civil aviation, maritime transport, economy, and budget ministries—could be included in these arrangements.

41. **The Bank also engaged in capacity development work through the organization of two regional seminars on transparency in the extractive industries and on contract management in petroleum and mining.** In April 2008, in close partnership with other agencies (the International Monetary Fund, African Development Bank, United Nations, and Global Corporate Governance Forum), the World Bank organized an international seminar on the management of oil and gas resources in Libreville. Seminar participants focused on building the capacity to manage revenues from these industries, especially oil and natural gas, including the negotiation and implementation of oil and gas contracts.

VII. Client Feedback

42. **A client survey was launched in April 2011.** Some of the Bank's effectiveness ratings had deteriorated since 2005. These included respondents' views on the sustainability of the Bank's strategy, the effectiveness of work related to poverty reduction, and interactions with the Bank. In contrast, the Bank's technical, policy, and economic advice was strongly valued as well as its accessibility, inclusiveness, and responsiveness. Eighty percent of respondents indicated that the Bank should play a more significant role in Gabon's development. Conclusions from this survey will also be included in the new CAS, FY12–FY16.

VIII. Conclusions and Lessons

43. **The performance of the 2005 CAS can be rated as “moderately satisfactory.”** In spite of the number of challenges, the CAS represented a realistic assessment of what the government was prepared to do over the period. Furthermore, the death of long-time ruler Bongo presented the government—as well as the people of Gabon—with something of a leadership vacuum that has taken time to fill. This situation has resulted in a series of challenges, including government

and counterpart capacity, the alignment of Bank work with government priorities, and the willingness of key national stakeholders and some in government to pursue reform. As the new government slowly defines its place, its ways of operating, and its priorities, it is expected that a strong future World Bank Group support program will be developed in Gabon and will include lending and nonlending work. For such a program to be successful, coordination and communication between the government of Gabon and the Bank, together with donor coordination, will need to become stronger. As the Bank develops this program of support, it will also be critical that the government clearly communicate where Bank support is most sought. The RTA will be an important instrument—and a first step—in developing those enhanced relations.

44. **Key Lessons:**

- Effective supervision and the establishment of strong monitoring and evaluation processes are important for project success.
- Simpler project design, with clear accountabilities—preferably assigned to one ministry—facilitates project implementation.
- A push to make use of government and national structures for the implementation of Bank-funded operations may increase ownership of implementation. Task team leaders, however, complain that government counterparts are too burdened with day-to-day tasks to concentrate sufficiently on project implementation.
- In spite of being a middle-income country, Gabon suffers from weak capacity. Bank operations should therefore be accompanied—when necessary—by appropriate support for capacity development.
- Smaller grants and operations tend to suffer from a lack of counterpart interest and engagement (notably REDD).
- The Bank’s role in donor coordination is important, and efforts should be maintained to strengthen donor coordination in Gabon.
- It is not clear what the Bank should or should not finance in middle-income countries or how Bank knowledge can add the most value. The RTA will be an important test for the Bank, as it seeks to strengthen its relationship with the government of Gabon, make clear what services it can offer to middle-income clients like Gabon, and identify what value that can add.

Annex 9a: CAS Completion Report Analysis

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status of Milestones and Progress toward Outcomes	Bank Program (and Partners)
CAS Pillar 1: <i>Strengthening the management of public resources (both natural and financial) for improved social outcomes</i>				
<p>Greater and/or more efficient delivery of social services, notably to the poor, lead to better, more broadly shared social outcomes</p> <p>NEW Selected GPRSP Pillars and Outcomes <u>Pillar 1. Promoting strong and sustainable pro-poor growth</u> - 1.5 Diversify the economy through forestry, environment, mining, oil, tourism, agriculture and fisheries. <u>Pillar 4. Improving governance</u> - 4.1 Promotion of effectiveness and transparency in the management of the state.</p>	<p>1.Improved transparency and accountability in forestry (GPRSP 4.1) - Regular publication of permits awarded. - Transparent enforcement system in place to reduce illegal extraction of timber, fish and wildlife.</p> <p>3. More sustainable management of natural renewable resources (forest, fisheries, wildlife, and other environmental assets) (GPRSP 1.5) - Areas of natural ecosystems under improved management plans.</p>	<p>- Progress towards implementing forest, fisheries and park management plans.</p>	<p>- Forestry sector: Achieved. This includes (i) an increase in the percentage of areas in compliance with sustainable management prescriptions from 30% to 77 % over the period of the NRM-DPL; (ii) an increase in the recovery rate of the forest revenues from 40 % in 2005 to 87% for the area fees.</p> <p>- Fishing sector: Achieved. This includes the regular disclosure of the fishing licenses and associated tax collection status in the national press (on a semi-annual basis) and posted on the website of the Ministry of Finance. In addition conservation measures have been taken to protect or restore populations of fish in over-exploited or fragile marine areas through the use of GIS-based technologies.</p> <p>- Environment sector: Achieved. This includes measures to improve capacity to monitor the social and environmental impacts of development programs including the preparation of a new code of environment resulting in an increase in the number of control missions (<i>quantity</i>) and an improvement in quality. Substantial improvement in the quality of the review process for the Environmental Impact Assessments / Environmental Management Plans (EIA/EMPs) prepared by private operators that are available for public disclosure.</p>	<p>Natural Resources Management DPL and GEF Bank Support for EITI Implementation</p> <p>- IMF, AfDB, EU and France support to macroeconomic reforms, improvement of public resources management and national program of governance. - IMF and France support to revenue transparency in the extractive industry. - IMF and AfDB and France support to the commission contre l'enrichissement illicite and the improvement of the judiciary system. - France bilateral debt relief dedicated to the forestry sector (EUR60M approximately).</p>

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status of Milestones and Progress toward Outcomes	Bank Program (and Partners)
	<p>2.Improved transparency in extractive industry revenues (EITI).</p> <ul style="list-style-type: none"> - Transparent licensing procedures in place in the mining sector. - Increased environmental regulations and compliance in the mining sector. - Institutional arrangements for implementation and sustainability of EITI in place, and regular publication of figures underway. - Active participation of civil society and industry in EITI disclosure process through the establishment of consultation bodies and regular discussion of information. 	<ul style="list-style-type: none"> - EITI recommendations implemented (i.e., audit, publication of figures, etc.). - Increased number of monitoring field visits in mining sector. - Increased awareness by artisanal miners of environmental, social, health and security issues of their activity. 	<ul style="list-style-type: none"> - Mining sector: Achieved. This includes a strategic socio-environmental review of the industrial mining sector in 2008 which provided the analytical underpinnings for the revision of the Mining Code. - Support provided to the management of three key national parks in Gabon and increase in management effectiveness through increased surveillance and enhanced planning capacities. - Partly achieved: EITI Board review of Gabon’s validation report concludes that Gabon is considered an EITI implementing country “close to compliance”. The validator concluded that all the EITI indicators are met. However, the Board was not satisfied that the validation report conclusively demonstrates that EITI implementation in Gabon meets all the EITI requirements. Three remedial actions are necessary for achieving compliance (see Board Paper 13-3-E), and Gabon is given 6 month before its status is re-assessed, in particular indicators 7, 8, 11, 14 and 15 of EITI criteria. 	

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status of Milestones and Progress toward Outcomes	Bank Program (and Partners)
CAS Pillar 1: <i>Strengthening the management of public resources (both natural and financial) for improved social outcomes (continued)</i>				
<p>Greater and more efficient delivery of social services, notably to the poor, lead to better, more broadly shared social outcomes</p> <p>NEW Selected GPRSP Pillars and Outcomes <u>Pillar 3. Improving basic and social services</u> - 3.3 Reduce prevalence of HIV/AIDS, tuberculosis and other diseases. <u>Pillar 4. Improving Governance</u> - 4.1 Promotion of effectiveness and transparency in the management of the State.</p>	<p>4. Improved collection rates through better enforcement of “posted” tax rates in key non-oil sectors</p> <p>- Improved tax collection rates in key non-oil sectors (forestry, mining, etc.) (GPRSP 4.1)</p>	-	<p>- Some improvements in fiscal recovery rates can be noticed. Many forest titles have been cancelled and returned to the public domain over the past three years: May 2007: 120 titles (1.5 million ha), October 2009: 59 titles (471,000 ha) and the last one June 15, 2010: 63 titles (889,000 ha). Titles cancelled on June 15, 2010 were not compliant with the fiscal laws (non-payment of area tax).</p> <p>- The objective of 80 percent recovery rate has been surpassed at over 85 percent.</p>	Natural Resources Sector (DPL)

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status of Milestones and Progress toward Outcomes	Bank Program (and Partners)
	<p>5. Better prioritization of public spending in GPRSP, development MTEFs, etc. (GPRSP 4.1)</p> <ul style="list-style-type: none"> - Improved expenditure management in the transport sector measured by (i) reductions in subsidies to the transport system; (ii) % of road network maintained with road fund resources; (iii) share of road funds of the total road maintenance needs; and (iv) road construction and maintenance unit costs. - Reduce gap (%) between budgeted and executed amounts in key sectors (education, health, infrastructure). 	<ul style="list-style-type: none"> - Budget information available in timely manner. - 2-3 agreed top Infrastructure Framework Report (IFR) recommendations implemented. - Targets agreed under the transport program are met. 	<ul style="list-style-type: none"> - Legal framework for implementation of MTEF adopted. - A new organic law that institutes a program-based budgeting was adopted in 2010 Endogenous growth model adopted. - MTEF training modules developed. 	<p>Statistical capacity building PER/CFAA/CPAR IFR and Infrastructure Project</p> <ul style="list-style-type: none"> - EU and AfDB will work closely with the Bank on the PER and the improvement of the procurement legal framework. - France will support national statistical capacity building program.
	<p>6. Increased access to urban infrastructure and services in targeted areas</p> <ul style="list-style-type: none"> - Average time for households to reach services/markets from home. - Increased efficiency of public works carried out by local SMEs. 	<ul style="list-style-type: none"> - Neighborhood development plans prepared (PDIL). - Increased length of roadway passable in all seasons; reduced frequency of floods, and reduced uncollected solid waste in targeted areas. - Targets agreed under the transport program are met. 	<ul style="list-style-type: none"> - Achieved. 75,000 people in urban areas now have access to all-season roads. - 70,000 additional people are benefiting from improved sanitary conditions. All neighborhood development plans have been completed. - Length of roadway passable in all seasons has increased to 14.5 km in the targeted neighborhoods (within Project targets). 	<p>Local Infrastructure Development Project Transport Infrastructure Project PER/CFAA/CPAR</p> <ul style="list-style-type: none"> - EU and AfDB will work closely with the Bank on the PER and the improvement of the legal framework for procurement.
	<p>7. Better delivery of HIV/AIDS prevention and control services (GPRSP 3.3)</p> <ul style="list-style-type: none"> - Number of HIV/AIDS-infected people under ARV treatment. 	<ul style="list-style-type: none"> - A National HIV/AIDS prevention and control strategy and action plan endorsed by the government and published. - Additional external funding is mobilized to support implementation of action plan. 	<ul style="list-style-type: none"> - HIV/AIDS and malaria prevention programs have been carried out in project areas under the PDIL. 	<p>IDF for HIV/AIDS</p> <ul style="list-style-type: none"> - France, the United States and UN agencies and Global Fund support HIV/AIDS related activities.

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status: Milestones and Progress toward Outcomes	Bank Program (and Partners)
CAS Pillar 2: <i>Improving the investment climate to foster sustainable, private sector-led non-oil growth</i>				
<p>Increased growth potential, particularly in non-oil sectors, that is sustainable and favorable to the poor</p> <p>NEW Selected GPRSP Pillars and Outcomes <u>Pillar 1. Promoting strong and sustainable pro-poor growth</u> - 1.2 Put in place a favorable environment for business development. - 1.4 Increase competitiveness. - 1.5 Diversify the economy through forestry, environment, mining, oil, tourism, agriculture and fisheries.</p>	<p>8.Reduce distortions in forest and mining sector (GPRSP 4.3)</p> <ul style="list-style-type: none"> - Reduce distortions in forestry and mining sector (as evidenced by increased number of permits competitively awarded). - Reduce backlog of pending title applications in the mining sector. 	<ul style="list-style-type: none"> - Implementation of key recommendations from the FIAS studies, IFR and mining sector AAA. - Execution of annual road maintenance programs. 	<ul style="list-style-type: none"> - Achieved. Critical reforms have been adopted and enforced during the CAS period (competitive allocation of forest titles, cancellation of non-compliant titles, increase in forest-related tax recovery). - Transparency has also been improved in the fisheries sector through the regular publication of fishing licenses. - Improvement of capacities in terms of environmental management of economic activities. - A socio-environmental review of the mining sector has been completed under the DPL-NRM and was extensively discussed through a national forum. (See outcomes 1 and outcomes 3). 	<p>Natural Resource Management DPL (includes forest, fisheries, biodiversity with tourism potential, and mining).</p> <ul style="list-style-type: none"> - Development of the mining sector: AFD (capacity building of Mining Ministry)
<p><u>Pillar 2. Improving infrastructure transport</u> - 2.1 Respond better to demand of transport services for people and goods in service conditions, security and price.</p> <p><u>Pillar 4. Improving Governance</u> - 4.3 Improvement in the business climate.</p>	<p>9.Promote private participation in infrastructure services- delivery (GPRSP 1.2)</p> <p>Simplify administrative barriers and promote easy entry and exit of local and foreign firms.</p> <ul style="list-style-type: none"> - Reduce arrears owed to road construction companies. - Reduce time to grant permits in the mining and service sectors. 	<ul style="list-style-type: none"> - Access and quality of services (IFR gives baseline and regional benchmark). - Begin auction process to award new concessions in a transparent manner. - Complete restructuring of the national timber company (SNBG). 	<ul style="list-style-type: none"> - Not achieved. SNBG monopoly abandoned. - Role of SNBG in value-added logging not clear. 	<p>FIAS Sector Studies IFR IFC activities Mining Sector AAA</p> <ul style="list-style-type: none"> - EU (SYSMIN) Road Maintenance Fund - France: financing studies on developing electricity sector. - Privatizations and investment climate improvement program support by AfDB. - AFD, AfDB, EU, France, IBRD financing roads and TA to the Ministry of Publics Works.
	<p>10. Build local capacity in the private sector to promote the development of</p>	<ul style="list-style-type: none"> - SME capacity development for construction enterprises 	<ul style="list-style-type: none"> - Not achieved. More than 100 SMEs have been contracted by the PDIL. On- 	<p>Local Infrastructure Development Project</p>

Country Development Goals	CAS Outcomes and how they relate to the GPRSP	CAS Milestones	Status: Milestones and Progress toward Outcomes	Bank Program (and Partners)
	<p>SMEs. (GPRSP 1.2)</p> <ul style="list-style-type: none"> - Help strengthen financial position of SMEs as evidenced by payments received within 30 days of the date invoices are submitted and accepted. - Increase in number of SMEs registered. 	<p>measured by number of on-the-job training sessions and workshops.</p> <ul style="list-style-type: none"> - Increase in number of registered SMEs in construction. 	<p>the-job training and regular training sessions have been implemented.</p>	<ul style="list-style-type: none"> - Credit line in commercial Bank (BICIG) and the Development Bank of Gabon) and direct loan to private sector by BEI and Proparco. - Financing of agriculture sector by AFD, France, Spain and the United States. - EU, UNHCR and UNDP: development of microfinance.

GABON

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊗ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- INTERNATIONAL BOUNDARIES



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