

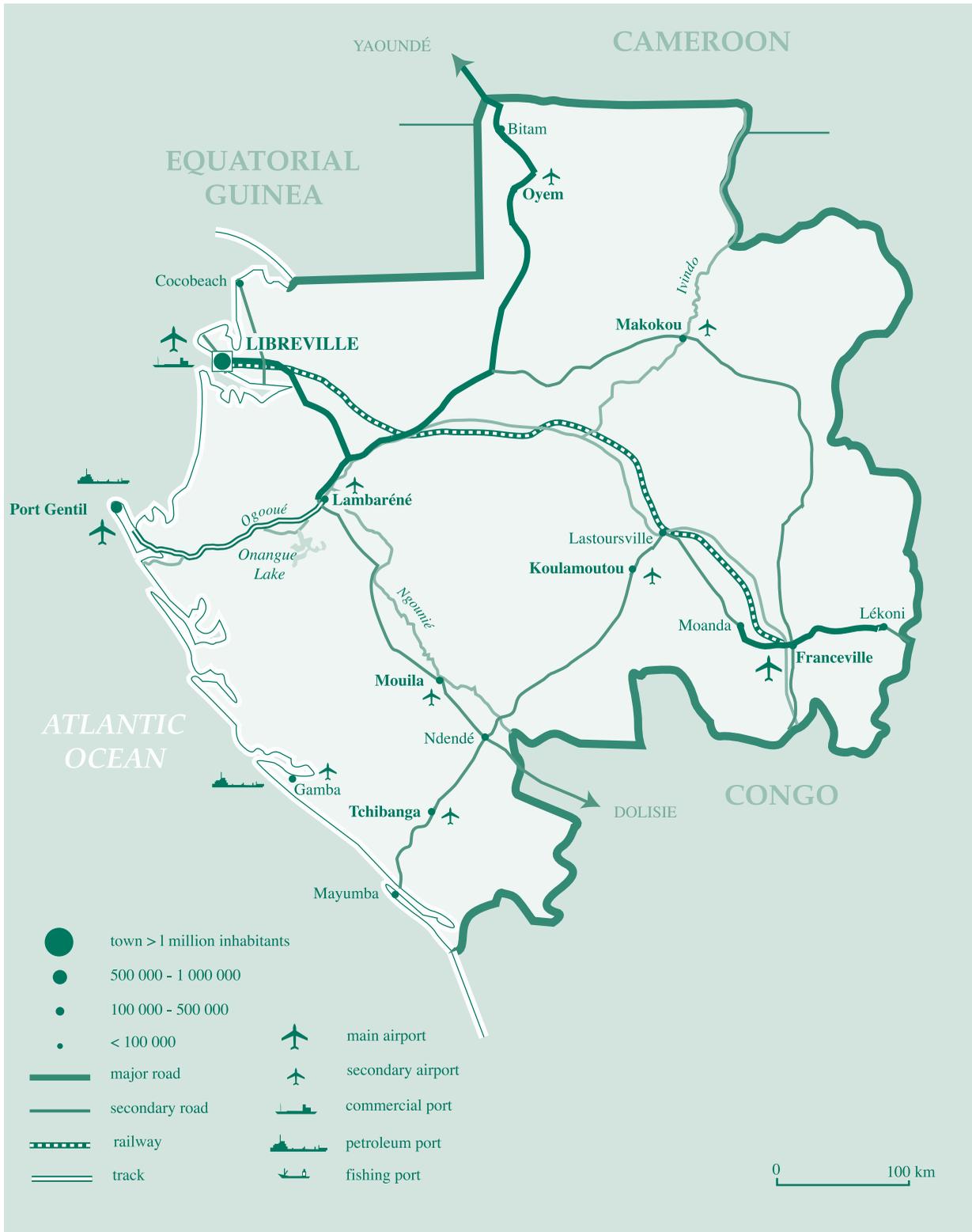
# Gabon



## key figures

• Land area, thousands of km <sup>2</sup>	268
• Population, thousands (2005)	1 384
• GDP per capita, \$ PPP valuation (2005)	7 858
• Life expectancy (2000-2005)	54.6
• Illiteracy rate (2005)	...

# Gabon



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**G**ABON IS AN INTERMEDIATE-INCOME country in per capita terms, but while GDP is growing, the UN Human Development Report for 2004<sup>1</sup> says the country has slipped in the Human Development Index. Thus, the assumption that good economic performance also advances human development does not hold true in Gabon, where poverty is increasing.

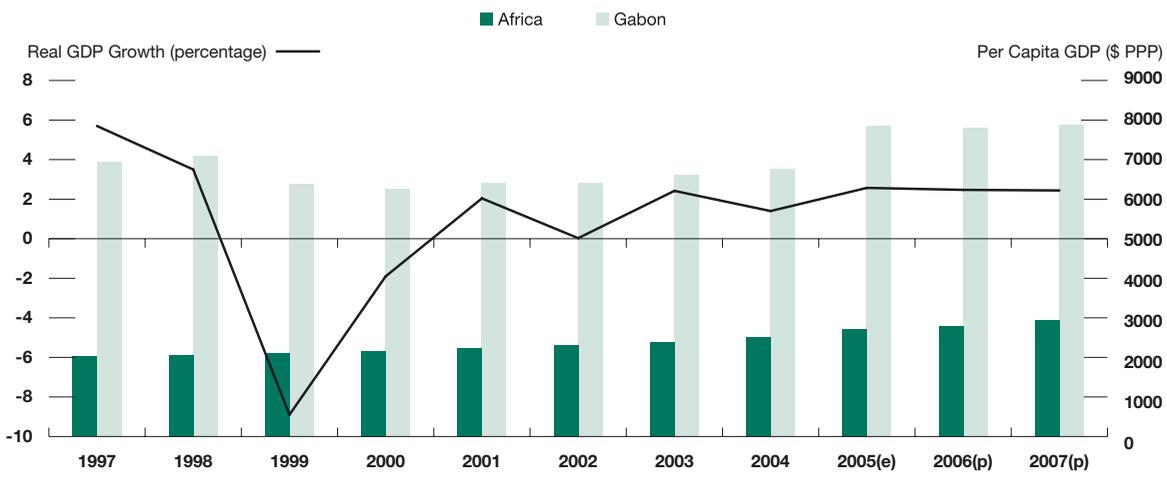
Despite the country's natural resources (forests, the sea, mines and agriculture), its economic results remain mediocre, mainly because of slow growth of the economic base and increased reliance on non-renewable natural resources. The economy is highly dependent on forestry and mineral raw materials, and hence at the

mercy of changing international conditions. The government has acknowledged that oil production is falling and is making efforts to stimulate other production sectors to achieve better and steadier growth. A three-year growth strategy geared to reducing poverty aims to reverse the current trends and fire up the economy.

Gabon's economic situation remained fragile in 2004, with growth of 1.4 per cent and an unemployment rate over 20 per cent due to a slump in the forestry, trade, oil exploration and services, banking and insurance sectors. Export revenue rose, however, boosted by the rise in world oil

**Dependence on oil could be a major source of instability, especially since production is declining.**

**Figure 1 - Real GDP Growth and Per Capita GDP**  
(\$ PPP at current prices)



**Source:** IMF and Direction générale de l'économie data; estimates (e) and projections (p) based on authors' calculations.

prices. Real growth in 2005 was expected to be 2.6 per cent, slightly higher than in 2003, because of recovery in the non-oil sector, which was predicted to expand by about 3.3 per cent. Better growth was expected in the secondary sector (4.7 per cent) and services (2.6 per

cent) than in the primary sector (1.6 per cent). Economic policy in 2006 is expected to include implementation of the first elements of the poverty reduction and growth strategy (PRGS) paper. The government has pledged to continue its budget

1. United Nations, Common Country Assessment for Gabon, 4-5 April 2005.

management and structural reform efforts of the past four years, expand basic infrastructure and improve the living standard of the very poor.

## **Recent Economic Developments**

Real GDP has been increasing since 2003. In 2004 it grew 1.4 per cent and was expected to plateau at about 2.5 per cent in 2006 and 2007. The economy is focused on extracting surface and sub-surface natural resources. Since uranium mining ceased in 1999, the main exports have been oil, wood and manganese. The economy's dependence on oil is a major source of instability, as production has declined in recent years.

Oil's share in GDP has remained over 40 per cent for the past five years, reaching 41.7 per cent in 2003 and 44.4 per cent in 2004. Wood contributed only 2.4 per cent in 2004 (2.6 per cent in 2003). Mining accounted for 2.46 per cent in 2004 (1.64 per cent in 2003 and 1.60 per cent in 2002).

The oil sector comprises exploration and production. Exploration can be measured by the annual investment it attracts: 455.3 billion CFA francs in 2001, 238.7 billion in 2002 (down 47.6 per cent), 410.1 billion in 2003 (up 71.8 per cent) and 312.1 billion in 2004 (down 23.9 per cent). The decline in investment over this period reflects the slump in activity. Production fell in 2001 (4.5 per cent) and 2002 (2.5 per cent), then rose in 2003 (6.9 per cent) and 2004 (0.3 per cent). The average price of Gabonese crude increased from \$27.16 a barrel in 2000 to \$35.75 in 2004 (up 5.6 per cent in 2002, 15.8 per cent in 2003 and 28.3 per cent in 2004). Oil exports by volume were in step with production, falling in 2002 (7.98 per cent) and rising in 2003 (3.8 per cent) and 2004 (0.41 per cent). Overall, the oil sector has stabilised in the past few years.

Wood production fell 20 per cent in 2002, rose 6.9 per cent in 2003, then dropped 15.13 per cent in 2004. Exports dropped as well, by 16.6 per cent in 2002, 10.9 per cent in 2003 and 5.5 per cent in 2004. Log production fell off as a result of quotas, transport problems and the fact that the granting of felling

licences ended in August 2004, and the downward trend was expected to continue in 2005.

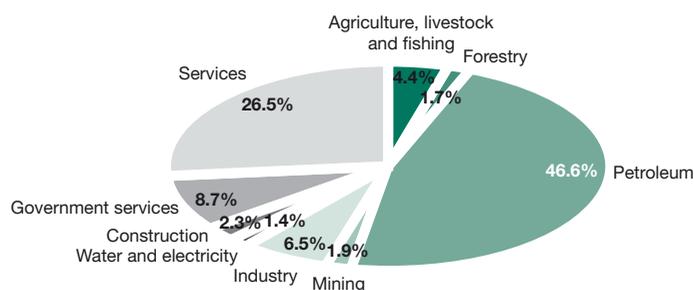
Mining consists chiefly of manganese, whose output rose 14 per cent in 2003 and 23 per cent in 2004, with exports up 0.56 per cent in 2003 and 28 per cent in 2004. Sales prospects in 2005 were good, and Comilog (Compagnie minière de l'Ogooué) predicted output of 3 million tonnes of ore, up 20 per cent on 2004. The Franceville and Okondja mines run by the Brazilian firm CVRD (*Companhia Vale do Rio Doce*) were expected to produce 2 million tonnes in 2005, making Gabon the world's leading source of manganese.

The secondary sector accounted for 9 per cent of GDP in 2004, two percentage points more than in 2003. Growing and refining of sugar by Sucaf (Société sucrière de Franceville) fell 4.4 per cent in 2004 (to 23 501 tonnes from 24 572 in 2003). The high level of stocks, due to Sucaf's problems in getting its output to consumers in 2003, explained the drop in production. Local sales rose, however, along with exports to Cameroon, Equatorial Guinea and São Tomé and Príncipe. Total sales by volume were 22 257 tonnes in 2004 (up from 21 710 in 2003). Production of yoghurt rose 11.5 per cent in 2004 (to 2 507 tonnes from 2 248.4 in 2003) and that of fruit juice 12.9 per cent (to 4 758 600 litres from 4 215 500 in 2003).

Sociga (Société des cigarettes du Gabon) recorded a 26.1 per cent production increase in 2004 after expanding capacity, but leaf tobacco output fell 8.1 per cent due to a decline in local demand.

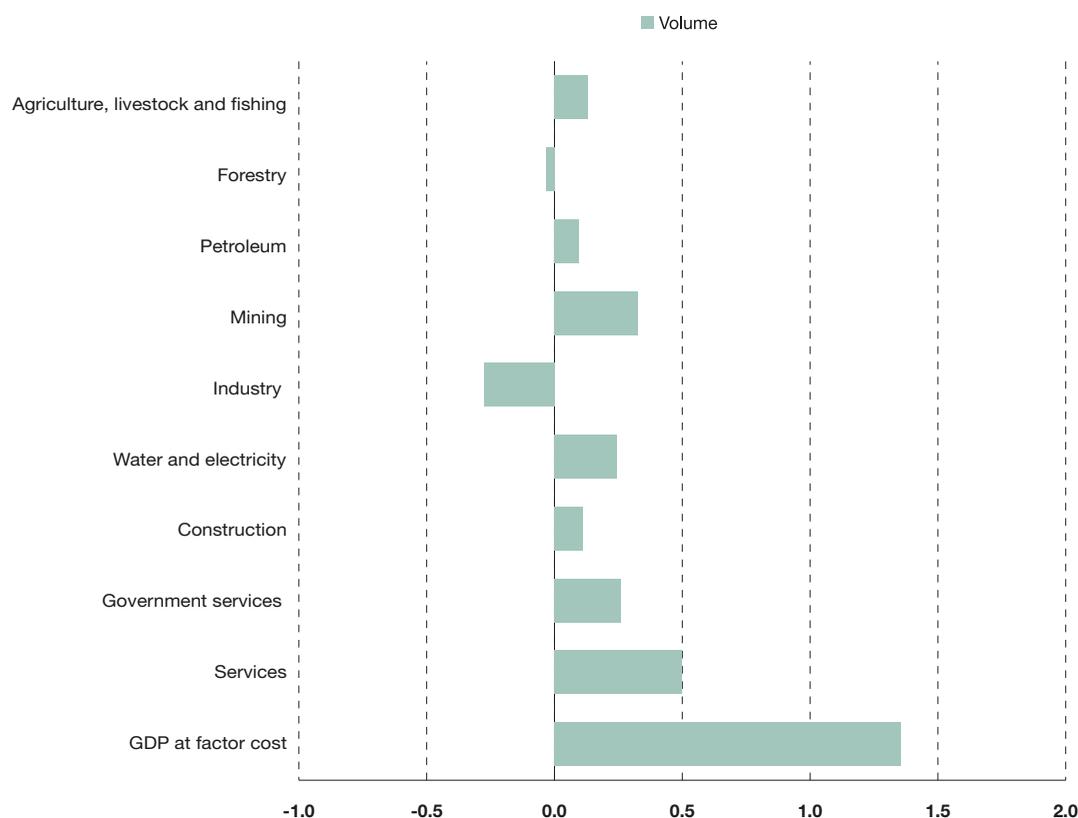
The wood industry comprises the sawing, peeling, slicing and carpentry/cabinet-making segments. The plan to industrialise the sector to make it more economically and socially profitable continued in 2004. The 50-odd processing units included 40 sawmills (mostly in Libreville and Port-Gentil), seven veneer and four plywood factories, and a slicing plant. The rate of processing in 2004 was between 30 and 40 per cent, with sawmills more active, producing 170 185 cubic metres (up 79.1 per cent from 95 000 cubic metres in 2003). Board production declined by 39.1 per cent (to 120 715 cubic metres from 198 208 cubic metres in

Figure 2 - GDP by Sector in 2004 (percentage)



Source: Authors' estimates based on National Statistics Institute data.

Figure 3 - Sectoral Contribution to GDP Growth in 2004 (percentage)



Source: Authors' estimates based on Direction générale de l'économie.

2003) because of the supply problems encountered by most processors that are not linked to a timber concession and because of the closure of firms such as Basso Timber Industries Gabon (BTIG), Placage de l'Ogooué and EFM (Entreprise forestière de Moanda). Four plants produce plywood: Rougier Gabon, Cora Wood (ex-CFG), Siboga (Société industrielle des bois du Gabon) and SED (Société équatoriale de déroulage). Plywood output rose 39.5 per cent in 2004 to

52 766.2 cubic metres (from 37 824 in 2003) due to the opening of a 20 000 cubic-metre processing plant by SED in 2003 and good performance by Cora Wood. The slicing segment consists of a single factory, "Les Bois Tranchés". Strong external demand boosted annual production of slicewood 19 per cent in 2004 to 3 493 cubic metres (2 936 cubic metres in 2003). Carpentry and cabinet-making operations are still outside the supervision of the water and forests authority.

These small, low-capacity establishments make furniture and decorative items for the local market.

The country's only oil refinery, Sogara, handled 729 539 metric tonnes of crude in 2004, up 4.4 per cent over the previous year despite technical stoppages to regenerate the catalyser. Annual production was 8.3 per cent higher, at 711 597 tonnes, but exports fell by half for lack of orders.

Water and electricity production and distribution is the monopoly of SEEG (Société d'énergie et d'eau du Gabon), a subsidiary of the Veolia Water group. The sector turned in a satisfactory industrial and commercial performance in 2004, with electricity output up 2.3 per cent in 2004 (to 1.334 billion KWh, from 1.304 billion in 2003) due to extension of the national grid for the independence holiday and a pick-up in mining and refining activity. Water production rose 6 per cent (to 63.233 million cubic metres from 59.64 million in 2003) due to a 7.7 per cent expansion of the supply network in the country's main towns. Volume water sales were up 6.5 per cent (to 52.92 million cubic metres from 49.67 million in 2003).

Other processing industries include chemicals, building materials and metal re-processing, which mainly serve the oil and construction sectors. The chemical industry (excluding oil refining), which consists of paint, lubricants and industrial gases, did well in 2004. Paint production rose 7.3 per cent to meet construction orders, amounting to 4 481 tonnes (up from 4 178 in 2003). Industrial gas output fell 6.5 per cent to 645 000 cubic metres (from 689 700 in 2003), mainly due to closure of welding factories and the loss of Angolan oil industry customers. Production of lubricants was up 0.8 per cent at 6 688 tonnes (6 634 in 2003) because of robust exports to Central African Economic and Monetary Community (CEMAC) countries, mainly Equatorial Guinea, Congo, the Central African Republic (CAR) and Chad. Output of clinker for cement declined 2.3 per cent to 210 539 tonnes (215 417 in 2003) due to the breakdown of a crusher at the Ntoum plant, but cement production rose 4 per cent in 2004, to 271 755 tonnes, owing to increased orders from the construction industry.

The construction industry has three kinds of firms: subsidiaries of multinationals, medium-sized private firms owned by Gabonese or foreigners, and sole proprietorships. The sector largely depends on government investments, which account for 80 per cent of its annual turnover. A new civil engineering firm, Entraco, started up in 2004, with three-quarters of its capital of 400 million CFA francs held by Gabonese.

The services sector contributed 39 per cent of GDP in 2004, up 1.2 per cent on the year. The growth of mobile phones since 2001 has strongly boosted the telecommunications sub-sector despite problems in extending the national network. Fixed-line subscribers fell 13 per cent in 2004 to 33 431 (from 38 415 in 2003). Vigorous efforts by mobile phone companies (promotion, coverage in provincial towns and so on) boosted the number of subscribers to 455 871 (377 357 in 2003). Subscribers to the satellite firm TVSat increased 8.6 per cent to 3 800 (from 3 500). Despite reduced turnover at Gabon Télécom (down 23.1 per cent), the sector recorded an increase of 5.3 per cent, to 227.35 billion CFA francs (215.9 billion in 2003). Value added rose 6.6 per cent to 197.5 billion CFA francs (185.53 billion in 2003).

The slowdown in consolidated trade activity seen in 2003 continued in 2004 because of poor forestry results, competition from the informal sector and a decline in household purchasing power. A two-year trend of sluggish vehicle sales continued, and the sub-sector's turnover shrank 13.6 per cent to 84.06 billion CFA francs (97.25 billion in 2003). Value added fell by 9.8 per cent.

In the international-class hotel sector, turnover, number of customers and occupancy rates all increased in 2004 thanks to official visits by prominent foreigners and the harvest festival in Haut-Ogooué province.

Other services generally slowed down in 2004. Despite a good year for housing services, various sub-sectors declined. Turnover in services to individuals rose 2.1 per cent, however, to 16.465 billion CFA francs (16.126 billion in 2003).

Table 1 - Demand Composition (percentage of GDP)

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
<b>Gross capital formation</b>	<b>31.5</b>	<b>24.4</b>	<b>24.0</b>	<b>24.3</b>	<b>21.3</b>	<b>21.9</b>	<b>23.9</b>
Public	11.2	4.0	3.7	4.2	3.6	3.9	4.2
Private	20.2	20.5	20.2	20.1	17.7	18.0	19.7
<b>Consumption</b>	<b>44.5</b>	<b>56.4</b>	<b>51.9</b>	<b>50.6</b>	<b>40.7</b>	<b>38.4</b>	<b>39.2</b>
Public	10.8	10.9	10.1	9.2	7.7	7.3	7.6
Private	33.7	45.5	41.8	41.4	33.1	31.1	31.6
<b>External sector</b>	<b>24.1</b>	<b>19.2</b>	<b>24.1</b>	<b>25.1</b>	<b>37.9</b>	<b>39.6</b>	<b>36.9</b>
Exports	61.3	53.4	54.2	60.4	68.9	69.9	67.7
Imports	-37.2	-34.2	-30.1	-35.2	-31.0	-30.2	-30.8

Source: Direction Générale de l'Économie and IMF data; estimates (e) and projections (p) based on authors' calculations.

Total domestic demand rose 1.6 per cent in 2002 and 1.97 per cent in 2004, with a 0.53 per cent drop in 2003. External demand (in constant prices) fell back in 2004 due to weak oil sector growth, but better terms of trade maintained household buying power. Total consumption rose over the period, mainly driven by private consumption. Total investment grew slightly in 2002 (0.76 per cent), fell in 2003 (3.86 per cent) and then rose again in 2004 (1.56 per cent). Public investment increased 6.05 per cent in 2003 and 9.9 per cent in 2004, after falling slightly (2.95 per cent) in 2002.

## Macroeconomic Policies

### Fiscal Policy

The soaring price of crude oil, the stand-by arrangement with the IMF and Gabon's appearance before its Paris Club creditors made the government review its budgetary framework in 2004. The revised budget reiterated the main lines of the initial one, however, particularly in the priority given to health, defence, public security, justice and public works. In addition, reorganising public finances is still a major concern of the authorities. Revenue was higher in 2004, recurrent spending was brought under control and a plan to manage the public debt was devised.

Government efforts to boost revenue in 2004 targeted non-oil income by improving tax collection,

especially on goods and services, and by broadening the tax base. Non-oil revenue (including grants) rose 7 per cent to 513.5 billion CFA francs (480.1 billion in 2003). Oil revenue, which made up 15.7 per cent of GDP, rose 5.2 per cent to 600 billion CFA francs (570.2 billion the previous year), mainly as a result of higher oil prices.

Control of spending is largely based on a major effort to curb recurrent expenditure by reforming the rules on management of public employees and reducing allocations to public utilities (water, electricity and phones).

Efforts were also made to repay the domestic debt, including through an agreement with the employers' association, the Confédération patronale gabonaise (CPG), which runs the Libreville Club of creditors holding more than 50 million CFA francs in public debt at the end of December 2003. Arrangements were made in 2004 for firms owed less than 50 million, with priority according to the age and nature of their claims.

The primary budget balance fell 34.7 per cent in 2002 and then rose in 2003 (48.45 per cent) and 2004 (8.6 per cent). As a percentage of GDP, it significantly improved in 2003 to 11.44 per cent (from 7.89 per cent in 2002) and to 11.53 per cent in 2004. The overall balance has also risen, from 3.51 per cent of GDP (2002) to 7.43 per cent (2003) and 7.55 per cent (2004).

## Monetary Policy

Gabon's monetary policy is in the hands of the Bank of Central African States (BEAC), the joint central bank of Cameroon, the CAR, Chad, Congo and Equatorial Guinea, all members of CEMAC. The bank's main job is to keep the CFA franc pegged to the euro and control inflation. Monetary system resources increased 9.5 per cent in 2004 due to consolidation of non-monetary funds and a 10.5 per cent expansion of the money supply (M2) to 656.9 billion CFA francs in December 2004 (594.6 billion a year earlier and 601.5 billion in December 2002). Non-monetary deposits grew 5.5 per cent in 2004 to 163.8 billion CFA francs (155.2 billion in December 2003). This was due to appreciation of

equity capital to 209.9 billion CFA francs (194 billion in December 2003), partly offset by a 7.4 billion drop in other net headings. The money supply (M2) thus increased over the 2002-04 period, despite a slight drop (1.14 per cent) in 2003.

The money supply was backed by net external assets of 285.5 billion CFA francs in December 2004 (75.5 billion a year earlier), an increase of 278.1 per cent due to strong performance of the oil and manganese markets and the stand-by arrangement with the IMF.

Outstanding government debt fell 45 per cent between December 2003 (207.9 billion CFA francs) and December 2004 (112.5 billion) due to a reorganisation of public finances that allowed the cash

Table 2 - **Public Finances** (percentage of GDP)

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
<b>Total revenue and grants<sup>a</sup></b>	<b>33.1</b>	<b>31.6</b>	<b>29.8</b>	<b>29.2</b>	<b>27.9</b>	<b>27.8</b>	<b>27.9</b>
Tax revenue	11.7	12.4	12.3	11.9	10.7	10.4	10.5
Oil revenue	21.4	19.1	17.5	17.3	17.1	17.3	17.3
<b>Total expenditure and net lending<sup>a</sup></b>	<b>31.6</b>	<b>28.1</b>	<b>22.4</b>	<b>21.7</b>	<b>17.7</b>	<b>17.1</b>	<b>17.7</b>
Current expenditure	20.4	23.6	18.7	17.5	14.0	13.1	13.4
<i>Excluding interest</i>	14.1	19.3	14.7	13.5	11.2	10.8	11.1
Wages and salaries	6.3	6.4	6.5	5.9	4.8	4.6	4.7
Interest	6.3	4.4	4.0	3.9	2.8	2.3	2.3
Capital expenditure	11.2	4.0	3.7	4.2	3.6	3.9	4.2
<b>Primary balance</b>	<b>7.8</b>	<b>7.9</b>	<b>11.4</b>	<b>11.5</b>	<b>12.9</b>	<b>13.0</b>	<b>12.5</b>
<b>Overall balance</b>	<b>1.5</b>	<b>3.5</b>	<b>7.4</b>	<b>7.5</b>	<b>10.1</b>	<b>10.7</b>	<b>10.2</b>

a. Only major items are reported.

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

position to be consolidated. The net position of the government improved sharply, from 237.9 billion CFA francs in December 2003 to 148.2 billion a year later. The cash ratio also improved, to 61.8 per cent in December 2004 from 44 per cent a year earlier.

## External Position

Changes in the balance of payments in recent years reflect the instability and fragility of Gabon's economy, as the overall balance was structurally in deficit over the period. The deficit worsened in 2002 to 138.5 billion CFA francs, but shrank 8.6 per cent to 49.1 billion CFA

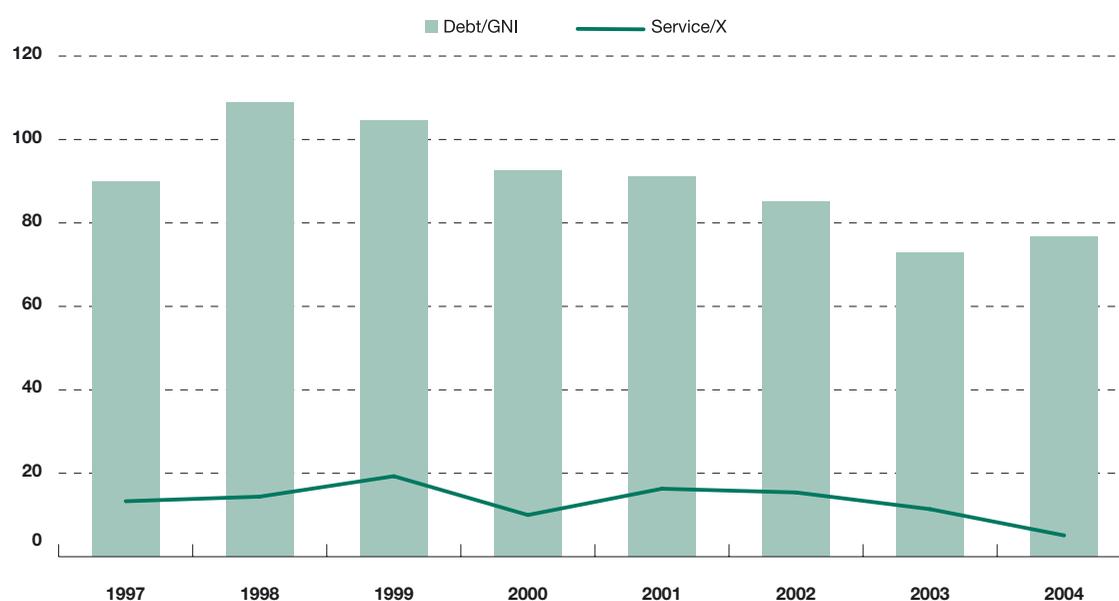
francs in 2004 (53.7 billion the previous year), mainly as a result of a better trade balance and, to a lesser extent, a slight drop in the capital deficit.

The current account balance, which was positive throughout the period, rose in 2002 (2.5 per cent) and very sharply in 2003 (79.75 per cent). It then fell back 3.23 per cent in 2004, to 409.8 billion CFA francs (from 423.5 billion in 2003), due to a big drop in the factor income balance (97.7 per cent) and the services balance (15.6 per cent) despite a healthy trade balance (27.9 per cent). Services, factor income and current transfers were all in serious deficit.

Table 3 - **Current Account** (percentage of GDP)

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
Trade balance	39.4	32.7	35.3	39.9	50.2	51.3	49.0
Exports of goods (f.o.b.)	57.6	51.6	52.5	58.8	67.6	68.5	66.3
Imports of goods (f.o.b.)	-18.2	-18.9	-17.2	-18.9	-17.5	-17.2	-17.3
Services	-26.8	-19.8	-17.0	-23.5			
Factor income	-5.4	-3.4	-3.3	-3.2			
Current transfers	-4.4	-2.7	-3.0	-2.7			
<b>Current account balance</b>	<b>2.8</b>	<b>6.8</b>	<b>12.0</b>	<b>10.5</b>			

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

Figure 4 - **Stock of Total External Debt** (percentage of GNI)  
**and Debt Service** (percentage of exports of goods and services)

Source: IMF and World Bank.

The trade surplus reached 1 587.4 billion CFA francs in 2004 (up from 1 241.2 billion in 2003) due to a 21.1 per cent rise in exports by value, while imports grew by 7.2 per cent. Exports rose because of the higher oil price (up 29.5 per cent on average over the year), a 2.6 per cent increase in volume exports of oil and a 25.8 per cent rise in manganese exports, despite an average 11.9 per cent drop in the dollar/CFA franc exchange rate. The services deficit worsened by 15.6 per cent, mainly because of a business slowdown for local haulage operators and service providers.

The government obtained relief on servicing its external debt from its Paris Club creditors amounting to 470 321 billion CFA francs in 2004.

## Structural Issues

### Recent Developments

Further structural reforms are needed to diversify the economy and improve medium-term growth prospects.

The privatisation of public enterprises is governed by Law 01/96. The privatisation committee set up within the finance ministry must produce a report each year specifying which operations are required under this law. The transparency of these operations is ensured by systematic use of international competitive bidding for enterprises being sold off. The privatisation

programme, supported by the World Bank and the African Development Bank, has been largely successful, though some delays have been experienced owing to the complexity of some operations and weak institutional capacity. Fourteen of the country's 40 public firms have been sold off and eight dissolved, while nine are still in the privatisation pipeline.

Privatisations in 2004 included Agrogabon, Hevegab and the Nyanga cattle ranch, all sold to the Belgian SIAT (Société d'investissement pour l'agriculture tropicale) group, whose subsidiary SIAT Gabon has pledged to invest 8 billion CFA francs. It is currently restructuring Agrogabon to enable the firm to stay in business. The Bitam and Mitzic rubber plantations resumed production in October 2004. At a 16 July 2004 board meeting of horticultural producer Agripog, majority shareholder Total Gabon said that it wanted to make the investments needed to keep the firm going and hoped its privatisation would soon be complete.

The government reviewed the privatisation arrangements for Gabon Télécom on 4 September 2004 and agreed to give up 50 per cent of the capital instead of the 35 per cent originally planned, a move that could attract more investors.

The government also decided to sell part of the national airline Air Gabon to get the company back on a sound footing. Studies of the process were due to allow choice of one or more groups of investors by the end of 2005. The interministerial privatisation commission decided that the Compagnie nationale de navigation intérieure (CNNI) needed thorough restructuring before it could be placed on the market. Studies for this began at the end of June 2004, and a plan for consolidating the firm's operations was agreed on.

Planned redundancy was introduced in March and April 2004 at the national ports authority (Oprag – Office des ports et rades du Gabon) based on early retirement at age 51; this measure affected 62 employees and cost 1 713 billion CFA francs. Another 71 employees chose voluntary departure, which cost 1 736 billion CFA francs. The privatisation commission

and port franchisee Sigeprag (Société d'investissement et de gestion des ports et rades du Gabon) planned to open up Sigeprag's capital to local investors in 2005, offering 30 per cent of the firm.

Privatisation of some firms, such as the water and electricity companies, simply replaced a state monopoly by a private one without significantly improving service or reducing costs. Some franchise operators, such as those running the railway, did not fulfil their contractual obligations. State subsidies continued to some firms (such as Gabon Poste), and rules for non-competitive sectors were not properly enforced. Audits were being done for a plan to retrain workers laid off by privatisation.

Agriculture has been hit by the oil boom, and the sector's output and share of GDP are steadily declining. Farming is still a major source of jobs, however, and could make a significant contribution to the fight against poverty. To restructure and upgrade the sector, the government has refurbished the country's only seed research and trial facility, the Centre d'introduction, d'adaptation, d'amélioration et de multiplication de matériel végétal (Ciam). It has also set up an agronomy and biotech institute at the Masuku Science and Technical University (USTM) to diversify the training offered there so as to meet the country's need for engineers specialising in agricultural techniques and agronomic design. The institute will also provide ongoing training and refresher courses for managers in agriculture and the agro-food sector. The goal is to increase agriculture's contribution to GDP to 10 per cent by 2015 from the current 4 per cent. Agricultural policy focuses on encouraging family farms, growth of small and medium-sized enterprises and a shift from extensive production systems to intensive, diversified and sustainable systems that protect the soil. In 2015, peasant farming, with multi-purpose family plots, is expected to remain the main form of agricultural production.

The financial sector is now more stable, but further progress is needed. Performance with respect to some prudential ratios (such as capital adequacy, risk diversification and the liquidity ratio) varies from one

bank to another. The banking sector reflected the overall economic sluggishness in 2004 and produced mixed results, with a sharp drop in loans to the economy, a very slight increase in the stock of collected deposits and little change in net banking profits. Short-term loans fell 15 per cent in 2004 to 120.6 billion CFA francs (141.4 billion in 2003). Medium- and long-term loans declined to 207.6 billion CFA francs (from 242.2 billion in 2003). Short-term loans accounted for the bulk (52.7 per cent) of total outstanding loans in 2004. Small and medium-sized firms still find it difficult to obtain credit, and growth of micro-finance institutions is being encouraged.

The country still has no coherent national programme for good governance, though this is a key element in the 2004/05 reform agenda and a strategic goal in the interim poverty reduction strategy paper (PRSP). The reforms aim for more transparent management of public funds, administrative reform, an improved business environment and drawing up a national good governance programme.

### **Transport Infrastructure**

Gabon has 9 170 kilometres of roads, 937 kilometres of which are paved and 8 233 unpaved. Most of them are in poor condition due to lack of maintenance, and the cost of their eventual repair will be much higher than if they had been regularly maintained. This situation makes vehicular movement difficult and transport costs abnormally high, restricting trade and isolating towns and villages. The first phase of the PARR road repair programme that began in August 1993 aimed to pave 1 936 kilometres of roads in five years to link provincial capitals to Libreville and with one another. By 2005, however, only 538.8 kilometres (27 per cent) had been resurfaced, upgraded or opened, at a cost of 185.8 billion CFA francs – 66 per cent of the programme's total budget of 279.1 billion CFA francs. The government was to focus in 2004/05 on upkeep, preservation and protection of the road network. This objective requires strict supervision of the road maintenance fund, with better quality control and co-ordination of government and private sector activity (20 per cent of the network is being handled

by the state and 80 per cent by private firms). The PARR aims to link the north-south and east-west routes and establish cross-border links to neighbouring countries.

The country has 28 airports, three of them international, which works out to one airport for every 40 000 inhabitants, a result of the poor road network. Libreville airport, a national and international hub, has been franchised for ten years to the firm *Aéroport de Libreville (ADL)*. The government has focused on maintaining airport infrastructure, regulating air transport and training personnel. The main obstacles remain the unsuitable regulatory and institutional framework and the shortage of funding.

Gabon has an 800-kilometre coastline, and more than 90 per cent of the country's trade goes by sea through its two main ports, at Libreville (Owendo) and Port-Gentil. Although both ports were franchised to Sigeprag on 20 September 2003, they are still outdated and have no modern handling equipment, such as the dockside gantry cranes installed in the ports of Cameroon and Equatorial Guinea. Growth of sea transport is thus hampered by lack of equipment and facilities, the high cost of cargo handling, insufficient marker buoys and the lack of safe passenger ships between Libreville and Port-Gentil.

The Ogooué River and Fernand Vaz Lagoon are the main links with the interior, used by cargo vessels, tanker barges and wooden barges. The CNNI took delivery of two new vessels in 1999, the cargo ship *Le Mahothès* on the Libreville/Port-Gentil run and the ferry *Le Fernand Vaz* to operate on the lagoon of the same name. The two ships, paid for by the government, are now out of operation because of lack of maintenance. The main problems on both river and lagoon are tricky navigation on the river, especially in the dry season, great danger to cargo and passenger traffic because of unreliable marker buoys, lack of nautical facilities and the shortage of piers and landing stages.

Infrastructure projects are funded inadequately or not at all, and as a result the contractors involved sometimes stop work abruptly and lay off employees.

This has resulted in cost overruns, and 60 billion CFA francs are needed to complete current projects. Sub-regional road work could also be funded by international organisations, as with the three-country (Cameroon, Equatorial Guinea and Gabon) *Projet d'aménagement des trois frontières*, which is entirely paid for by the European Union.

## Political and Social Context

The political democratisation that began in 1990 has made good progress, with gradual establishment of the rule of law and regular holding of presidential, parliamentary and local elections despite low voter turnout. The opposition took part in the 27 November 2005 presidential election, when the incumbent, President Omar Bongo, was re-elected with 70.89 per cent of the vote.

Government bodies are strongly personalised. Any major changes often come from the very top, so governmental, institutional and private initiative is limited. This produces apathy and unwillingness to take responsibility in both government and civil society. Lax management of public funds and the general climate of impunity have also fostered apathy. The country's top leaders need to take firm action to strengthen the democratic process and restore the credibility of public services. The work of the *Commissariat général à la réforme administrative* (CGRA) has had little impact in government ministries, and the image of the public administration is very poor.

Civil society is supposed to play a big part in the new pluralist system, but since the democratic process began only recently and training and funding are inadequate, civil society groups cannot play their counterbalancing role to strengthen the rule of law. Similarly, decentralisation is not yet working because of lack of trained personnel and funds.

The legal system and auditing of public accounts are hindered by outdated laws; lack of motivation and professionalism on the part of legal officials, mainly

because of their worsening standard of living and working conditions; the corruption and politicisation of the judiciary; the meagre investigatory resources of the national auditing board; failure to prosecute and punish embezzlement and mishandling of public funds; and the inefficiency of government auditors.

In education, the priorities are to provide all children with basic education of good quality as a way to lower the dropout rate and ensuring that the number and quality of those completing basic education are reasonably in tune with the economy's need for skilled workers.

The state of the health system can be seen by comparison with other countries. Morocco, which spends the same amount per capita on health as Gabon, has an infant mortality rate of 39 per thousand, to Gabon's approximately 60 per thousand. Gabon spends three times more per capita on health than Ghana, but Ghana has a lower infant mortality rate (57 per thousand). Thus, despite Gabon's health spending, indicators are below expectations and on a par with poorer countries. Life expectancy is quite low (about 54 years) and maternal mortality very high, at 520 per 100 000 live births, a rate higher than in many countries with lower per capita income such as Cameroon and Ghana. The synthetic fertility index (SFI) has fallen over 30 years, from 5.3 children per female in 1975 to 4 in 2005, which is low compared with neighbouring Congo and Cameroon.

Gabon has declared 7 777 cases of HIV/AIDS to UNAIDS since the start of the pandemic, 878 of them in 2004, when 3 920 people died of the disease, increasing the number of AIDS orphans to 12 290. National incidence, calculated from sentinel groups such as pregnant women, was estimated at 8.1 per cent (plus or minus 2.5 per cent). The number of infected adults is thus estimated at 45 000 in 2004. Progress has nevertheless been made in combating the disease, which is now officially treated as a chronic illness, and 80 per cent of patients in referral centres are getting prolonged anti-retroviral treatment, mostly tri-therapy. Mother-to-child transmission remains high.