Board Meeting of October 15, 1998
Statement by Mr. Ali Bourhane

GABON – Country Assistance Strategy

The Bank’s renewed support to Gabon since the aftermath of the 1994 CFA devaluation, along with the support from the IMF and other development partners, was very helpful in pushing ahead the Gabonese development agenda. As documented by staff, economic growth resumed, thanks to both oil and non-oil sectors. Inflation was rapidly brought under control. Fiscal performance, aided by the windfall of oil revenues and the introduction of a single-rate value-added tax for most products, improved significantly. The business environment improved sharply too with an overhaul of trade and investment incentives undertaken by the country along with the five other member countries of UDEAC, a custom union of six central African countries in which Gabon plays a key role. Other bold steps on the way to improving the business environment include: (i) elimination of remaining price controls; (ii) finalization of the revised labor and social security codes; (iii) finalization of the new or revised sectoral codes (mining, forestry, and petroleum); (iv) reform of the judiciary; and (v) implementation of the remaining measures envisaged under the recently-promulgated Investment Charter.

In short, my Gabonese authorities have, thus far, maintained the post-devaluation momentum and have shown a great deal of commitment to the ambitious reform agenda that they have embarked upon with the support of a three-year extended arrangement (EFF) approved by the IMF Board in November 1995. The reform agenda remained on track despite a number of challenges arising from both inside (heavy election timetable in 1996 and 1997, for instance) and outside the country (e.g., political instability in neighboring countries, gloomy economic external environment, etc.). More recently, however, concerns about the possible negative effects of global commodity market developments linked, in part, to the East Asian crisis, have grown increasingly. In response, my Gabonese authorities, based on their discussion with a recent IMF mission, have already undertaken a number of measures aiming at redressing fiscal and monetary slippages and accelerating progress on the structural measures. Budgetary projections for 1999 have been revised substantially, demonstrating the heightened attention the authorities are assigning to maintaining macroeconomic stability. Furthermore, beyond the need to maintain macroeconomic stability in the face of a difficult external environment, they stand ready to address three fundamental challenges impeding the country’s
ability to tap into its full potential to substantially reduce poverty. These three fundamental challenges that reflect the increasing focus on poverty alleviation in the Government's development agenda are the following: (i) creating the conditions for more balanced and environmentally sustainable economic growth and for the creation of job opportunities for the poor and for future generations; (ii) improving significantly the way in which public resources are used with a view to increasing their ability to positively affect social outcomes; (iii) further strengthening civil society, a process through which better governance and increased transparency will be secured.

I am satisfied that the CAS before us addresses all these issues in a candid and straightforward manner. I find the emphasis put on the external environment, namely the negative impact of the Asian crisis on the Gabonese economy, most appropriate. Most importantly, I appreciate the Bank's readiness to strengthen its support to Gabon, should the risk of further deterioration of oil and commodity prices materialize in spite of a committed effort by the Government to adjust its fiscal accounts. My Gabonese authorities understand that failure from their part to undertake credible corrective measures to address external shocks will trigger the low case scenario described in the CAS document. However, I urge the Bank not to rush to judgement by triggering that low case scenario without giving a chance to the country to (i) provide an assessment of the situation, and (ii) see how bold and candid are their efforts to getting the macroeconomic framework back on track.

I concur with staff (Annex D) in stating that the CAS document embodies the increasingly participatory nature of the relationship between the Bank and Gabon. It builds on the recommendations of the first ever Poverty Assessment, incorporates ongoing sector dialogues and reflects intense discussions on the ground in which the Bank's presence in the field, through its Resident economist, played an instrumental role. My Gabonese authorities are grateful to the Bank for the constructive dialogue that is underway with the institution. As mentioned by staff, they suggested three areas where further dialogue is of particular necessity. These are: (i) dealing with anticompetitive behavior, since the authorities' heavy handed approach to Gabon's generally small and oligopolistic markets could encourage firms to circumvent rules rather than obey them; (ii) using revenue per capita as a sole indicator to determine access to concessional financing, which many Gabonese interpret as unfair treatment by the Bank despite the conclusions of the Poverty Assessment; and (iii) enhancing Bank’s presence in the field, as the authorities, at the highest level, would like to see more residential assignments to help move programs forward and transfer competence to nationals, including the handling of regional issues. In addition, they are looking forward to more Bank’s advice to help improve the efficiency of their public sector. The Bank's continued support to their efforts to reinforce domestic capacity, both in the public sector and more broadly within civil society, is also welcome, for my Gabonese authorities have unequivocally expressed high interest in this matter, namely through their strong backing of the African Capacity Building Initiative. I would appreciate staff comments on concrete steps that have been taken towards addressing those issues, including the provision of IDF resources to shore up the national secretariat on capacity building.
Finally, I appreciate IFC's past involvement in Gabon namely in the oil and mining sectors as well as in the recent successful privatization of the electricity and water company. I urge the Corporation to rapidly establish new avenues for backing my Gabonese authorities in their efforts to make the private sector a greater engine for growth in Gabon. In that regard, I do hope that the Government's request for technical assistance from FIAS to help implement institutional provisions in the Investment Charter, notably the implementation of the one-stop shop for the formalities of firm creation, will receive a prompt and positive response from IFC's management. As far as MIGA is concerned, Gabon is finalizing the formalities of its membership and looks forward to working closely with that institution.

By way of conclusion, I would like to welcome the Bank's assistance strategy in Gabon which, in most instances, is consistent with the Government’s development strategy. I encourage my colleagues to support it. My Gabonese authorities take pride in the relative stability that their country has long been enjoying on both the political and economic fronts and are grateful to all their development partners for a valuable support of their efforts. But, they are also fully aware that the unfinished agenda is far more challenging in many key areas such as poverty alleviation, improving governance, building institutional and human capacities, protecting the environment, etc. My Gabonese authorities are committed to keeping the momentum of the reforms including the maintenance of a somehow recently shaken macroframework and are prepared to undertake all necessary measures within their control to mitigate the negative impact of the gloomy external environment facing their economy today. They believe that reinforcing the Bank's dialogue with their country, namely through a bolder and more formal Bank’s presence in the field, is of paramount importance at the current stage of their development process.