Board Meeting of October 15, 1998
Statement by Jan Piercy

GABON: Country Assistance Strategy

1. I congratulate staff on an excellent CAS. The focus on non-lending services rather than lending is well explained in the CAS and is well justified by experience since the last CAS. This CAS provides an open and candid assessment of the country situation, which reflects the effective participatory process outlined in Annex D.

2. The Participatory Poverty Assessment and the Public Expenditure Reviews provided important input for this strategy and for policy dialogue with the government. We commend this approach and urge that it become the norm for other CASs. The proposal for a follow-up poverty and social assessment towards the end of the CAS period is an excellent idea.

3. We concur with the assessment of needs in Gabon and support Bank assistance in the following key areas: anti-poverty measures (including addressing public finance management problems and reorienting sector strategies), improving the framework for private sector activity, and improving government transparency and accountability.

Anti-Poverty Measures and Restructuring of Public Services

4. Despite high per capita GNP, Gabon has significant poverty and troubling social indicators. One of the keys to improving the social indicators is to improve the provision of social services and to direct spending to primary health care. In particular, inadequate health care was identified as a major concern in the Poverty Assessment despite Gabon’s relatively high public health spending.

5. We support the Bank’s assistance to Gabon in formulating a Medium-Term Expenditure Framework for health, education and rural development. The restructuring of government policies and services in these areas will be critical to achieving poverty alleviation objectives. The restructuring is even more important given the prospect of further price decreases for Gabon’s major exports (oil, minerals, timber) and therefore tighter budget constraints.

6. The Bank appears well placed to assist Gabon in setting concrete objectives in the social sectors and to develop the monitoring
capacity to measure progress. I commend Gabon’s commitment to regular publication of social indicators.

7. We know from the recently released DEC report that AIDS has a devastating impact on national budgets, health and human capital. How does the Bank see this important issue being addressed in Gabon?

**Improving the Framework for Private Sector Activity**

8. I applaud the efforts made to reach a successful privatization of the water and power company. Much more remains to be done if Gabon is to diversify its economy and increase employment. Conditioning the Bank’s base-case assistance scenario on continued progress in privatization -- with specific objectives regarding three parastatals -- telecommunications, cellular phones and railroads is appropriate. We would appreciate staff elaboration on the privatization process: for example, who are the purchasers and are there any transition issues such as employment security for workers who may be displaced.

9. I note the Bank’s involvement in reform of the labor market and also Gabon’s adoption of a revised Labor Code. The CAS does not provide information on the extent to which Gabon has adopted core labor standards. I would appreciate staff comment on this.

10. Gabon has identified priority actions for stimulating private sector economic activity: elimination of price controls and other market distortions, clarifying the framework for foreign investment, rationalizing codes for critical sectors (mining, forestry and oil). We would support the Bank extending non-lending services in these areas.

11. I note that poor economic prospects in the rural areas underlie both the high poverty rate of rural dwellers and a high rate of urban migration. Gabon’s agricultural and fishing industries remain underdeveloped. We are concerned that the Bank-financed preparation for an agricultural sector operation was “unable to address strategic issues for the rural sector.” What are the major issues? What lessons has the Bank learned from that experience that will be incorporated into the Government’s Medium Term Expenditure Framework for rural development? Will this Framework improve the prospects for private sector activity in agriculture and fishing?

**Improving Government Transparency and Accountability**

12. I appreciate the frank discussion of the need to curb corruption. However, there is room for deeper analysis. We urge the Bank to continue its efforts in this area and to assist the Government in devising new ways to build transparency and accountability into its operations, and strengthen the independent civilian authority. We would especially welcome initiatives to examine the extent of GOG officials’ involvement in commercial enterprises.

13. The Public Expenditure Review mentioned in the CAS appears to have focused only on social spending by the Government. We would be interested to know whether the PER assessed the extent to which unproductive expenditures may have crowded out social investment. Are there plans to do a PER covering the entire range of government expenditures, including military expenditures? If not, why not? In
view of deteriorating commodity prices, Gabon is likely to come under tighter budgetary constraints, lending urgency to a more comprehensive review.

14. The CAS mentions the possibility that the Bank would, in conjunction with the IMF and other donors, consider an adjustment credit if external conditions sharply deteriorate. We appreciate the contingency planning this discussion reflects. We would expect to have a comprehensive PER before any proposed credit of this sort would be presented to the Board. Such a PER would enable Gabon to make rational choices on retrenchment and domestic budget prioritization to productive development needs.

Environment

15. The Bank project in the forestry and environment sector was not deemed successful because of a lack of upstream policy work. We understand that this project is now being restructured and will help to prepare both the National Environmental Action Plan and the rural development strategy.

16. While deforestation is not considered a major problem in Gabon, the lack of environmental assessment capacity and management may well lead to problems in the future. We urge that Gabon use the exercises now underway -- the preparation of the National Environmental Action Plan, the rural development strategy, and the revision of the sector code for forestry -- to develop a sustainable approach to the use of forest and land-based resources.

Coordination with AfDB

17. The AfDB released its Gabon Strategy Update one week prior to the Bank’s CAS release. The AfDB strategy maintains a $180 million project lending program – a stark contrast to the Bank’s $30 million lending program with a real focus on non-lending services. We would appreciate a report on consultation between the two institutions. Considering the proximity of release dates, we would have welcomed a joint country strategy.

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18. Finally, I question the timing of presentation of the CAS, just months prior to a Presidential election. I understand that the CAS is long overdue, but believe that waiting two months to ensure government commitment to the proposed CAS could have been well worth the wait. I would appreciate staff comment on this point.