

Report No. 82538-GA

## Gabonese Republic

# Report on Growth and Employment

*Paving the way toward inclusive growth*

June 2013

Poverty Reduction and Economic Management Department 3

Africa Region



Document of the World Bank

## Table of Contents

<b>ACRONYMS .....</b>	<b>2</b>
<b>ACKNOWLEDGMENTS.....</b>	<b>5</b>
<b>SUMMARY.....</b>	<b>7</b>
I. INTRODUCTION .....	1
<b>II. ECONOMIC CONTEXT .....</b>	<b>3</b>
Gabon's economic performance since independence .....	3
<i>The period of stable and steady growth: 1960-1972</i> .....	4
<i>The oil boom: 1973-1985</i> .....	5
<i>Decrease and failure of attempts at economic structural adjustments: 1986-2002</i> .....	6
<i>Structural reforms and macroeconomic stabilization:2003-2010</i> .....	7
<i>Growth Outlook</i> .....	9
Sources of Gabonese growth .....	10
<i>On supply: an economy still dependent on oil</i> .....	10
<i>On demand: the supremacy of domestic demand</i> .....	13
<i>Growth accounting: overall productivity of negative factors over the last forty years</i> .....	14
Impact of growth on employment .....	15
<i>The period of full employment: 1960-1985</i> .....	15
<i>Continued deterioration of the labor market:1986-2010</i> .....	16
<i>Jobless growth 2003-2010</i> .....	20
<i>Chapter conclusion</i> .....	20
<b>III. THE GABONESE LABOR MARKET .....</b>	<b>21</b>
Demographic context: a young and urban population .....	21
Main features of the Gabonese labor market .....	24
<i>Unemployment very high and rising</i> .....	25
<i>A largely urban and informal labor force</i> .....	31
<i>Relatively high labor costs</i> .....	36
Education and employability of youth and women in Gabon .....	38
Education and employability .....	38
<i>Return to education</i> .....	39
<i>Chapter conclusion</i> .....	40
<b>IV. CONSTRAINTS AND CHALLENGES IN THE GABONESE LABOR MARKET .....</b>	<b>41</b>
On supply: incompatibility between the structure of the education system and job opportunities ..	41
<i>Poor internal efficiency of basic general education</i> .....	44
<i>Insufficient and inefficient budgetary allocations to the education sector</i> .....	48
<i>Ongoing reform of the education system</i> .....	49
On demand: a restrictive investment climate .....	52

<i>Ineffective support for private sector development .....</i>	53
<i>High cost and low quality of energy.....</i>	55
<i>Low quality transport and logistics infrastructure and services.....</i>	57
<i>Difficulties accessing credit.....</i>	59
On legal and institutional framework: .....	60
<i>Strict labor laws .....</i>	60
<i>A structurally unbalanced social security system.....</i>	62
<i>Lack of a reliable information system on the job market .....</i>	65
<i>Labor market intermediation is limited.....</i>	66
<i>The limited impact of employment promotion programs.....</i>	67
<b>V.CONCLUSION: CREATE INCLUSIVE GROWTH CONDITIONS.....</b>	<b>71</b>
<b>Appendix1:List of skills needing to implement PSGE mining projects.....</b>	<b>74</b>
<b>APPENDIX 2: .....Several job market concepts and indicators</b>	
<b>76</b>	
<b>REFERENCES .....</b>	<b>77</b>

## Table of Graphs

Graph 1 : GDP Evolution in Gabon1960-2010 (In constant billions of CFA Francs 2000).....	3
Graph 2: GDP evolution per capita 1960-2010 (In USD).....	4
Graph 3: Oil and non-oil GDP growth 1990-2010 (Annual variations in percentage) .....	7
Graph 4: Evolution of price of commodities,1960-2009 (Price index,base 100 =1960) .....	8
Graph 5: Evolutionof the overall fiscal balance and the non-oil primary deficit 1990-2011 .....	8
Graph 6: Growth outlook for the Gabonese economy 2008-2017 .....	10
Graph 7: GDP Origins, 1980-2010(In percentage of GDP) .....	11
Graph 8: Factorial contribution to GDP growth, 1970-2010 .....	15
Graph 9: Employment trends, 1985-2010 (Number of jobs).....	17
Graph 10: Evolution of formal employment, 1985-2010 (Number of jobs) .....	19
Graph 11: Evolutionof the relative shares of the public and private workforce in formal employment 1985-2010 (In percentage of total formal employment) .....	19
Graph 12:Age pyramid of the Gabonese population, 2010 .....	22
Graph 13:Structureof the Gabonese population by place of residence and gender 2010 .....	22
Graph 14:Demographic projections,1960-2025 .....	24
Graph 15:Evolution of unemployment rate(for BIT) in Gabon,1993-2010 .....	25
Graph 16:Unemployment rate in Gabon and comparator countries, 2010(In percentage) .....	26
Graph 17:Unemployment rates in the major cities of West Africa,2010.....	26
Graph 18: Unemployment rate by province,2010.....	27
Graph 19:Unemployment rate by age group,2010 .....	28
Graph 20: Unemployment rate by education level,2010.....	28
Graph 21:Unemployment rate by gender and education level,2010 (In percentage) .....	30
Graph 22:Geographical distribution of employment in Gabon,2010 .....	32
Graph 23:Distribution of informal employment by activity sector,2010 .....	33
Graph 24:Distribution of employment by institutional sector, 2010 .....	33

Graph 25: Distribution of total employment by activity sector .....	34
Graph 26: Labor costs in CEMAC countries .....	37
Graph 27: Average monthly earnings by sector in Gabon, 2010 .....	37
Graph 28: Structure of demand for skilled works in OLAM Gabon projects, 2012-2016 .....	43
Graph 29: Structure of the education offer in higher education, 2011 .....	43
Graph 30: Primary school repetition rates in Gabon and worldwide, 2008 .....	44
Graph 31: Ratio of the number of students per teacher and education level in Gabon and other middle-income countries 2008 (Number of students per instructor) .....	45
Graph 32: Availability of teaching materials and equipment in primary school classrooms, 2008 .....	46
Graph 33: School coverage in technical and vocational education in Gabon and in other countries .....	47
Graph 34: Distribution of public expenditure on education by education levels and type, 1988 .....	49
Graph 35: Gabon's ranking in the 2013 Doing Business report .....	52
Graph 36: Main obstacles to private sector development, 2009 .....	53
Graph 37: Percentage of paved roads, 2009 (In percentage of total roads) .....	58
Graph 38: Interest expense rate in Gabon, in CEMAC countries, and other Middle-Income countries .....	59

## **Table of Tables**

Table 1: GDP use, 1980-2010 .....	14
Table 2: Evolution of the workforce in the formal private sector: 1985-2010 (Number of jobs) .....	18
Table 3: Proportion of the school population by age group, 2010 .....	23
Table 4: Structure of the working population, 2010 (Workforce numbers) .....	24
Table 5: Satisfaction rate of employment vacancies and applications by qualification level, 2010 .....	29
Table 6: Distribution of main employment by institutional sector and socio-professional category 2010 (Number of employed/Workforce numbers) .....	35
Table 7: Changes in average earnings by education level in Gabon (In percentage) .....	40
Table 8: Educational quantitative analysis – training (In percentage of work force from the group) .....	42
Table 9: Public spending on education, Gabon and comparator countries (In percentage of GDP) .....	48
Table 10: Electricity rates in Africa and Gabon, 2009 .....	56
Table 11: NSSF Funding, 2012 (In percentage) .....	63

## **Table of Text Boxes**

Text Box 1: National survey on employment and unemployment (ENEC) .....	31
Text Box 2: Imbalance between the needs of the productive sector and the structure of the Gabonese education system: the case of OLAM projects and Gabon .....	43
Text Box 3: An example of a Public Private Partnership in education: The Institute of Oil and Gas (IPG) .....	51

**Gabonese Republic  
Currency Equivalents**  
Exchange Rate Effective as of October 31, 2013

<b>Currency Unit</b>	<b>CFA Franc</b>
USD 1.00	CFAF 455

**Government Fiscal Year**  
January 1 – December 31

**Weights and Measures**  
Metric System

## ACRONYMS

<b>ANGT:</b> Agence Nationale des Grands Travaux
<b>APIEX:</b> Agence de Promotion des Investissements et des Exportations/ Investment and Export Investment Promotion Agency
<b>APIP:</b> Agence de Promotion des Investissements Privés/Agency for the Promotion of Private Investment
<b>BEAC:</b> Banque des Etats de l'Afrique Centrale/Bank of Central African States
<b>BIT/ILO:</b> Bureau International du Travail/International Labor Organization
<b>BGD:</b> Banque Gabonaise de Développement/Gabonese Development Bank
<b>CEMAC:</b> Communauté Economique et Monétaires d'Afrique Centrale/Economic and Monetary Community of Central Africa
<b>CDD:</b> Contrat à Durée Déterminée/Fixed-term Contract
<b>CDE:</b> Centre de Développement de l'Entreprise/Center for the Development of Enterprise
<b>CNSS/NSSF:</b> Caisse Nationale de Sécurité Sociale/National Social Security Fund
<b>CPG:</b> Confédération Patronale Gabonaise Gabonese Employers' Confederation
<b>CPI/PIC:</b> Conseil Présidentiel de l'Investissement/Presidential Investment Council
<b>CNAMGS:</b> Caisse Nationale d'Assurance Maladie et de Garantie Sociale/National Health Insurance and Social Security Fund
<b>EGEP2005:</b> Enquête gabonaise d'Evaluation de la Pauvreté 2005/Gabon Poverty Assessment Survey 2005
<b>ENEC2010:</b> Enquête nationale sur l'emploi et le chômage 2010/National Survey on Employment and Unemployment 2010
<b>FCFA/CFA franc:</b> Francs de la Communauté Financière Africaine/Francs of the African Financial Community
<b>FODEX:</b> Fonds de Développement et d'Exploitation/Development and Expansion Fund
<b>FIR:</b> Fond d'Insertion et de Réinsertion/Fund for Integration and Reintegration
<b>MEEDD:</b> Ministère de l'Economie, de l'Emploi et du Développement Durable/Ministry of Economy, Employment, and Sustainable Development
<b>MENETPFP:</b> Ministère de l'Education Nationale, et de la Formation Professionnelle/Ministry of National Education and Vocational Training
<b>OHADA:</b> Organisation pour l'Harmonisation en Afrique du Droit des Affaires/Organisation for the Harmonization of Business Law in Africa
<b>ONE:</b> Office Nationale de l'Emploi/National Employment Office
<b>GDP:</b> Gross Domestic Product
<b>RGPH 1993:</b> Recensement Général de la Population et de l'Habitat/General Census of Population and Housing
<b>RESEN:</b> Rapport d'Etat du Système Éducatif National/Status Report of the National Education System

## **ACKNOWLEDGMENTS**

This report was prepared by a team led by Mr. Rick Emery Tsouck Ibounde (Senior Economist, Poverty Reduction and Economic Management Department 3), who is also the main author. The team also included Mr. Patrick Hoang-Vu (Economist, Department of Human Development) and Mr. Fallou Dieye (Consultant, Department of Private Sector Development). The team relied on two memorandums produced at the request of the World Bank, one by Mr. Djima Moussilou (Engineer Statistician-Economist, Consultant) on the analysis of results of the ENEC 2010 and Mr. Etienne Nsie (Professor of Private Law, UOB) on social legislation in Gabon<sup>1</sup>. Mrs. Sidonie Jocktane (Executive Assistant in the Gabon Office), Ms. Sonia Vanecia Boga (Administrative Assistant in the Gabon Office) and Ms. Sylvie Munchep Ndze (Team Assistant in the Cameroon Office) contributed to the formatting and editing of this report.

Ms. Ghislaine Delaine (Senior Statistician, World Bank), Mrs. Shobhana Sosale (Senior Specialist in Education, World Bank), and Mr. Mamadou Ndione (Senior Economist, World Bank) reviewed and provided comments on the preliminary draft report.

The team benefitted from the support and advice of Mr. Gregor Binkert (Country Director for Gabon), Mrs. Zouera Youssoufou (Country Manager of the World Bank in Gabon), Mr. Olivier Godron (Country Program Coordinator for Gabon), Mr. Mark Roland Thomas (Sector Manager, AFTP3), Mr. Raju Singh (Lead Economist/Cluster Leader, AFTP3), Mr. Erik von Uexkull (Economist, AFTP3), Mr. Gilberto de Barros (Senior Private Sector Development Specialist, AFTFW), Mr. Jean Charles Crochet (Senior Transport Economist, AFTU2), and Mr. Stephan Claude Frederic Garnier (Sector Leader, AFTSN).

This report is the result of a literature review, the analysis of the results from the first national survey on employment and unemployment (ENEC 2010) conducted from December 2010 to January 2011, and interviews with the key actors involved in employment issues (Ministry of National Education, Technical Education and Vocational Training, Directorate General of Human Resources at the Ministry of Employment, the National Employment Office (ONE), the Gabonese Employers' Confederation (CPG), the Trade Union Confederation of Gabon (COSYGA), the National Social Security Fund (CNSS) and the National Health Insurance Fund (CNAMGS). The team wishes to thank all the staff of these public and private organizations for their open collaboration.

The first version of the report was discussed with the Gabonese authorities at the technical level in November 2012, including with representatives of the Ministry of Economy and Employment, the Ministry of National Education and Vocational Training, CNSS, CNAMGS, and ONE. This version takes into account the comments received during this restitution workshop. The seminar also recommended an assessment of the human resource and skills

---

<sup>1</sup>These two memos are: *Education et Insertion des jeunes et des femmes sur le marché du travail au Gabon*, June 2012,Djima Moussilou Engineer Statistician Economist and *Législation du travail, système de protection sociale des travailleurs et politiques de promotion de l'emploi au Gabon*, Pfr.Etienne NSIE, Private law Associate, June 2012

needs in the priority areas of the Strategic Plan for an Emerging Gabon (PSGE), as well as the organization of a national forum so as to bring together the national and international actors affected by the issue of employment in order to foster the sharing of experiences and agree on a program of key priority actions that could generate inclusive growth.

## EXECUTIVE SUMMARY

1. This report was prepared as part of the implementation of the 2012-2016 World Bank Country Partnership Strategy for Gabon, with competitiveness and employment as the first pillar. Its aim is to highlight the main obstacles to job creation, in order to make recommendations that will foster dialogue between the World Bank and the Gabonese authorities on actions to be taken in order to make the implementation of the Strategic Plan for an Emerging Gabon (PSGE) a more inclusive growth alternative than the previous development strategies.
2. After presenting an analysis on the historical perspective of growth as well as its sources and impact on employment, the report presents the main features of the Gabonese labor market and the main challenges it faces, and then recommends reform areas that could strengthen the impact of economic growth on employment.

### ***I. Economic and social context: a positive long-term growth but weak job creation***

3. **Like many developing countries, Gabon faces an unemployment challenge.** While Gabon has recorded positive economic growth over the last forty years averaging 4.5 percent annually, unemployment affects one in five people in the labor force and is growing. When also considering discouraged unemployed, it reaches 28 percent. This level of observed unemployment is about ten times greater than in Cameroon and four times greater than in average middle-income countries.
4. **Unemployment in Gabon affects mainly young people, including graduates.** The unemployment rate has reached 35.7 percent among those in the workforce between 15 and 24 years and 26 percent among those between 25 and 34 years of age, regardless of their places of residence (urban or rural). Such a high unemployment rate (one in three young people) is a potential source of social unrest and highlights the urgency of exploring possibilities of implementing more inclusive growth than in the past. Furthermore, workers who completed either their first secondary or technical school cycle have an unemployment rate of 24 percent and 27 percent respectively and are the most affected by unemployment. Among those who completed the second secondary school cycle, graduates of technical fields (10 percent unemployed) are less likely to be unemployed than those who were provided general training (20 percent unemployed). Such a proportion of unemployed graduates, even in periods of positive growth, calls for questioning the effectiveness of the national education system.

5. **The Gabonese economy is also characterized by the vulnerability of women in the labor force.** First of all, female unemployment is about twice that of men and it is among them that the most discouraged workers are observed. As a result, they are less present in the labor market, with an activity rate estimated at 34.5 percent, or a more than 15-point difference compared to that of men at 49.6 percent. Furthermore, more than half of employed women report a monthly income lower than 50,000 CFA francs, while this is only the case for one out of five men. At the other extreme, only 12 percent of women earn a monthly income greater than 200,000 CFA francs, compared to more than 28 percent of men. This vulnerability in the labor market is the result of differences observed in secondary and higher education. While the female-male ratio is nearly 1:1 at elementary school, significant differences in education level

in disfavor of women are observed for senior high school and higher education with 21 percent vs. 16 percent and 8 percent vs. 6 percent, respectively. 23 percent of girls who dropped out of school say that it was due to pregnancy and early marriages, and 42 percent answered that it was because of the financial instability of their parents.

**6. The level of private formal employment has been extremely limited over the last 25 years.** After a period of full employment observed between 1960 and 1985 that was driven by the government's expansionary budget policies, the dynamics of the labor market between 1986 and 2010 was characterized by a continuous decline in formal private employment. Between 1986 and 1994, the formal private sector decreased by 30,000 jobs, or 24 percent of the 1985 workforce. It then increased slightly between 1995 and 2001 due to the economic recovery observed after the devaluation of the CFA franc, before continuing its downward trend (at an average of 3 percent per year) until 2010 when it reached 41,000 workers compared to 74,000 in 1985<sup>2</sup>.

7. The main reason for the sharp decline in formal employment was the structural adjustment effort between 1986 and 2002, which largely focused on cutting public investment programs and also affected the sectors that depended on them the most (public works and civil engineering, services, transport, etc.). Between 2003 and 2010, the decline in employment continued despite a growth driven by the non-oil sector, mainly due to the acceleration of the privatization program. The new owners downsized their workforce to levels compatible with the actual production capacities of the privatized companies. The economic lay-offs related to the privatization programs of parastatal companies led to a reduction of around 4,000 jobs between 2004 and 2007. Gabon Telecom, which was privatized in 2007, recorded 700 lay-offs out of a total 1,050 employees before privatization. The 2008-2009 financial crisis also had a negative effect on employment, mainly in the forestry and mining sectors.

8. However, total employment (formal and informal) increased due to the massive recruitment in public administration (without programming and unrelated to the actual level of needs) where employment doubled between 1985 and 2010. The informal sector also played a buffer role, serving as a refuge for a growing number of individuals in situations of exclusion or precariousness looking for a job. Estimated at 98,000 in 1985, or 44 percent of the total working population, its share in total employment in 2010 was estimated to be 57 percent, or 225,000 workers.

## ***II. The main reasons for the low impact of growth on employment***

**9. Several factors contribute to the high unemployment rate and the decrease in formal employment in Gabon, despite positive a long-term growth.** The structure of the economy is largely dependent on the oil sector, which requires a small workforce and is subject to the fluctuations of the international market. Furthermore, the mismatch between the skills supplied by the education sector and the needs of the productive sector does not enable a high number of students to seize job opportunities. Additional obstacles to job creation in Gabon include a

---

<sup>2</sup>These figures are derived from administrative statistics (DGS and DGELF), ENEC statistics indicate a higher number of private formal employment (66,357) but confirm a lower level than that of 1985.

restrictive investment climate hindering economic diversification, rigid social legislation, and an ineffective institutional framework for promoting employment.

### ***Strong dependence on the oil sector***

10. The high unemployment rate can be partly explained by the structure of the Gabonese economy, which is strongly dependent on a less labor-intensive oil industry. While the oil industry alone contributes more than 40 percent of the national value added and more than 60 percent of the government revenue, its employees represent less than 5 percent of the workforce. Moreover, it has been observed that this sector's workforce declined by 43 percent between 1985 and 2000, due to the use of capital-intensive production processes and operations that limit the use of manual labor.

11. Furthermore, inflationary pressures resulting from successive booms in the oil sector contributed to an increase in the cost of production factors, undermining the country's competitiveness and boosting the foreclosure effect on highly labor-intensive industries such as agriculture and fisheries.

12. Finally, the oil sector has very limited ripple effects on the rest of the economy, as oil wealth is largely spread out through the state budget to the rest of the economy. Besides recruiting in the public sector, the government encouraged job creation through the investment budget and by developing ambitious public works programs. However, these public works programs are themselves dependent on government oil revenue, as they are affected by the volatility of oil prices. For example, following the sharp drop in oil prices in 1986, the public investment program was divided by three. The immediate effect on employment was a sharp contraction of the public works and civil engineering 'labor force from 21,800 to 4,000, with an induced effect on other sectors.

### ***The mismatch between the training offered by the education system and employment opportunities***

13. In 2012, The French Development Agency (AFD) conducted a comparative analysis of the education system leavers and the employment offered by the national economy within a detailed diagnosis of the Gabonese education system (RESEN). It revealed that the labor market is characterized by three main major imbalances: (i) a high proportion of workers who do not have the minimum skills required to enter the labor market; (ii) a lack of workers with intermediate qualifications (laborers, technicians, senior technicians) that represent over a quarter of qualified job opportunities; (iii) at least twice the number of graduates compared to the corresponding jobs related to their education level.

14. Moreover, a recent assessment of human resources required for the implementation of the projects of the group OLAM inGabon over the 2012-2016 period, reveals that 75 percent of the company's needs for qualified workers (graduates) relate to careers in agribusiness , industrial maintenance, and logistics, while the higher education offer shows that 63 percent of Gabonese students are enrolled in literature studies, humanities, and economics. Clearly, much of

OLAM's demand cannot be met locally. Anticipating this deficit, the Gabonese government is prepared for the possibility of allowing the immigration of foreign labor over the next seven years with an obligation to train nationals during the exception period.

**15. The mismatch between the skills supply from the education system and the needs of the productive sector are the result of several factors including:**

**16. The poor quality of the basic education system.** Despite a net enrollment rate of 92 percent and parity between girls and boys estimated at 0.98 percent in elementary school, the repeater rate is 37 percent while the African average is 15 percent. This figure is the highest of any country in the world where this statistic is known. A high repeater rate is indicative of inefficient management of student flows that results in overstuffed classrooms and difficult material conditions. The teacher-student ratio in elemnetary school is 45.6, more than twice the average for countries with a similar income. Teachers can have up to 90 students in class on any given day.

**17.** Insufficient equipment also explains why there is such low quality in the education system. Only 1 percent of second year classes and 5 percent of fifth year classes in the elementary cycle have all necessary equipment and materials. Similarly, only half of elementary school students have a textbook to use in class. **By not having an opportunity to acquire basic knowledge, a high proportion of young Gabonese cannot acquire professional skills and are thus excluded from the labor market.**

**18. Low education coverage and low external efficiency of technical and vocational education.** The number of students enrolled in technical and professional schools is estimated at 377 for every 100,000 inhabitants, barely above the African average (364.3) and more than three times lower than in Cameroon and Tunisia and one and a half times less than in Mauritius. Furthermore, the already inadequate technical and vocational training supply is generally incompatible with business needs, mainly for the following reasons: (i) the mismatch between the existing courses and the qualifications required by companies, (ii) the shortage of practical vocational courses, with a reliance on more theoretical training, (iii) insufficient material resources in training centers, (iv) facilities that are not compliant with local needs, (v) a lack of trainers' competence. As a result, more than 80 percent of technical and vocational education graduates are not recruited in thefields for which they were trained, due to a lack of adequate profiles, and only one out of three graduates finds a job.

**19. Insufficient and ineffective budget allocations in the education sector.** The share of the budget allocated to education represents 13.4 percent of total expenditure or 2.7 percent of the GDP in 2009, below the average for Sub-Saharan African countries where the average share of the budget for education is 19 percent or nearly 5percent of the GDP. Furthermore, a high percentage of expenditure is allocated to higher and secondary education at the expense of pre-elementary and vocational education. The budgets assigned for spending on goods and services and staff salaries are limited. Within the budget allocated for personnel costs, we observed that salaries of non-teaching staff represent almost as much as those of teachers. This suggests that there is more administrative staff than teachers, or that teachers' salaries are too low, leading to few incentives. In any case, this imbalance is a negative incentive for the teaching profession.

20. Recognizing the challenges that the education system is facing, the government, in 2010, initiated some reforms, and carried out some analytical work on the education system which led to the adoption of a new organic and implementation law on education, training, and research on the basis of the recommendations from the “national consultations on Education, Research, and Training-Employment Matching” organized in May 2010. This new organic law introduced several innovations, such as: (i) developing ongoing training and bridges at all levels between general education (from primary to higher) and technical and vocational education, (ii) fostering the promotion of public-private partnerships (PPP) in education, training, and research, (iii) creating a national board of education, training, and research, CNEFOR, responsible for the assessment and implementation of training provisions and of infrastructure and equipment projects. **The main challenge now is to operationalize this framework law by drawing on the experiences of the global community.**

21. **At field level, changes are also observed.** Some courses and training programs are designed in consultation with companies that are actively involved in training. This is the case for the center specializing in welding and maintenance of instruments used in the oil fields, created with the help of Total Gabon. This is also the case of the partnership between the Ministry of National Education, ONE, and the Compagnie minière de l'Ogooué (Comilog) in order to train 400 young people in chemistry, electricity, and industrial mechanics so as to meet the demand of the metallurgical complex of Moanda (C2M) that is being constructed by COMILOG and will be operational in June 2013. **The government should build on these examples to establish a technical and vocational training system based on the needs of the labor market.**

#### *A restrictive investment climate*

22. **Despite having undertaken important structural reforms in recent years, Gabon is still perceived as a country where it is difficult to do business.** It ranked 170<sup>th</sup> out of 183 countries in the 2013 Doing Business report of the World Bank Group and is therefore one of the 23 economies in the world where the business climate is the most difficult. In six areas, Gabon is one of the countries in the lowest quarter (investor protection, starting a business, transfer of ownership, insolvency management, payment of taxes and fees). For all others, it is placed in the lower half. The 2009 World Bank survey on the investment climate revealed that for all companies, electricity (quality and price) is by far the biggest obstacle faced, followed by poor infrastructure quality and transport services as well as the quality of labor. These constraints increase both the production costs of existing companies and the opportunity cost to create new ones. In any case, this situation hinders job creation.

23. **On the other hand, while the promotion of SMEs could be a powerful tool for economic diversification, the current institutional and regulatory framework for the private and entrepreneurship promotion has proved to be ineffective so far .** The institutional framework for the promotion of SMEs recently improved with the reform of the Chamber of Commerce, which management was entrusted to the private sector in 2010, the absorption of the SME Development and Expansion Fund (FODEX) and the Guarantee Fund for SMEs by the Gabonese Development Bank (BGD), as well as the creation of a Center for Enterprise Development (CDE) and the Agency for the Promotion of Private Investment

(APIP). However, the distribution of responsibilities for investment promotion and support for SMEs is not always evident between these institutions and agencies. The CDE, Chamber of Commerce, and APIEX are all legally responsible for investment promotion. Similarly, CDE, the SME promotion agency (Promo Gabon) and the Chamber of Commerce all have a responsibility to assist and advise SMEs.

#### ***Social legislation that is inflexible and expensive for employers***

**24. With a desire to protect the employee, the labor law has ended up creating many rigidities that hinder job creation.** The Gabonese labor code is based on the principle of applying the most favorable standard to the employee. According to this principle, in case of a conflict between various labor law standards, the most favorable to the worker is applied. This principle leads to court decisions that are often against the employer, which tends to slow hiring. The employment termination procedure in cases of economic hardship are also very time consuming and costly for the company. Severance pay can reach 52 months of wages.

25. The revision of the labor code in November 2010 made the labor code even more inflexible by eliminating the possibility of a one-time renewal of a fixed-term contract (CDD). Furthermore, legislation on hiring foreign labor, dating from 1968, states that foreign employees cannot exceed 10 percent of a company's workforce. This regulation is very anachronistic in view of the current labor market characterized by a shortage of qualified labor.

**26. Gabon has implemented a social protection system that is generous for workers but costly for employers.** Of about 22.5 percent of contributions levied on wages, about 20.1 percent are borne by employers and only 2.5 percent by employees. Furthermore, the national health system's social security fund is financed by a 10-percent levy on the turnover excluding taxes of the mobile telephone companies operating in Gabon and 1.5 percent on all international transactions from Gabon.

#### ***Ineffective institutional framework for employment promotion***

27. The country lacks a reliable labor market information system. Statistics on employment and unemployment are not regularly produced and the informal sector is largely unknown, although it accounts for half of all jobs. Therefore, public intermediation in the labor market is limited. Only 2 percent of job seekers use the National Employment Office. Moreover, the target population of the Integration and Reintegration Fund (FIR, French acronym) is limited, by law, to economic laid-off job seekers and young graduates. Its action is also constrained by the weakness of the annual budget. Finally, the government has implemented a number of specific employment programs called "second chance programs", but they have a reduced impact mainly due to insufficient resources.

### ***III. Some recommendations to establish conditions for inclusive growth***

28. The nature of the constraints discussed above points out the cross-disciplinary character of combating unemployment and highlights the need for a multidimensional approach to address it. As such, the following areas of reforms are recommended:

➤**Progressively adapting the education system to the needs of the economy**

29. In the short-term, the government's main challenge is to reform the vocational and technical education system in order to match its curricula to the demand of the labor market (i.e. the current and future needs of companies). This will require reform updating and developing new curricula, as well as training instructors. To do this, an assessment of the professional qualifications in demand in the key priority areas of the Strategic Plan for an Emerging Gabon (PSGE) must be started as soon as possible. Furthermore, systems of short-term and flexible training leading to qualification based on both international experiences and those mentioned above in Gabon should be organized in collaboration with the private sector.

30. The long-term challenge is to **pragmatically operationalize the provisions of the law 21/2011 on the general approach to education, training, and research**. This involves (i) better programming to improve the management of school enrollment and reduce the repeater and school dropout rates, (ii) improving the material conditions of teaching and (iii) building staff capacity and motivation. These reforms can hardly be achieved without an increase in the budgetary allocation for education or improving the efficiency of allocations within the sector.

#### ➤ **Improving the investment climate**

31. In terms of the investment climate, two reform areas seem urgent: (i) to strengthen the dialogue between the private sector and the government, clarify the distribution of roles, and build the operational capacity of the organizations responsible for promoting SMEs and entrepreneurship. Strengthening the dialogue between the private sector and the government could be accomplished by establishing a Presidential Investment Council (PIC) in charge of defining and monitoring major reforms to promote business. The PIC would be an advisory body composed of representatives from the private sector and government as well as workers, chosen for their expertise, experience, and integrity, who would meet once or twice a year and be chaired by the Head of State along with the relevant Ministers in order to define and assess the reforms. A small team of senior experts would conduct the implementation and assessment process of such reforms.

32. Due to the need to develop Gabonese SMEs, the second priority area is clarifying roles and building the operational capacity of private sector development support organizations in. One option would be as follows: (i) focus the action of the Center for the Development of Enterprise (CDE) on the one-stop shop for the administrative formalities for business creation, (ii) consolidate information functions on business opportunities, studies, and advisory support services to SMEs, and investment promotion within the Chamber of Commerce and (iii) adapt the Investment and Export Investment Promotion Agency (APIEX) to promote exports and research international investors. **In the end, once these three entities have acquired proven experience in their respective responsibilities, they could be grouped within a single institution.**

#### ➤ **Relax labor laws and reform the social security system**

33. Labor legislation could be made more flexible by relaxing economic redundancy conditions and reinstating the provisions of fixed-term employment contracts (CDD) in the 1994 Labor Code to facilitate job creation while protecting the worker. Moreover, the demographic challenge in Gabon and the lack of skilled labor requires labor laws that are more

flexible towards immigrants. Rather than general provisions, the definition of a foreign worker quota should be discussed by sector to consider its individual situation. This could be accomplished by revising the collective agreements that have not been updated since 1986.

➤ **Strengthen and streamline the institutional framework for employment promotion**

34. Strengthening the institutional framework requires first the development of an employment policy that sets overall government objectives and defines the appropriate institutional framework to achieve them. The reform areas elaborated in this report could contribute to the development of this policy. It is then essential to establish a reliable labor market information system. An operational and strategic audit on special employment promotion programs (see Chapter 3) in order to help providing them with adequate resources would make them more effective. Following the audit, a performance contract could be signed between the government and the agencies responsible for these programs.

35. The main recommendations of this report are summarized in the matrix below.

MATRIX OF KEY RECOMMENDATIONS			
I. Adapt the education system to the needs of the economy			
Problems	Recommendations	Administration responsible	Time frame
<b>Low quality and inefficient basic education system</b>	<ul style="list-style-type: none"> <li>• adopt a detailed and sequenced medium term action plan on rendering Law 21/2011 on the general approach to education, training, and research operational</li> <li>• draw up a spending review and do a follow-up survey of public expenditure on education</li> <li>• launch an operational audit by the Ministry of National Education, Technical Education, and Vocational Training for Culture and Arts</li> <li>• assess professional skills needs in the main priority sectors of the Strategic Plan for an Emerging Gabon (PSGE)</li> </ul>	Ministry of National Education, Technical Education and Vocational Training, for Culture and Arts (MENESTFP)  MENETPFP  MENETPFP  MENETPFP	Short-term  Short-term  Short-term  Medium-term
<b>Mismatch between the technical and professional education system and the needs of the labor market</b>	<ul style="list-style-type: none"> <li>• extend the qualifying training experience of the Institute of Petrol and Gas and the Partnership between ONE, the Ministry of National Education, and Comilog to other PSGE priority sectors (tourism, PUBLIC WORKS AND CIVIL ENGINEERING, agribusiness, etc.)</li> </ul>	MENETPF	Medium-term

	<ul style="list-style-type: none"> <li>• establish a system of dual training on the basis of the experiences of training support projects and professional integration funded by the European Union (AFIP) and the Gabonese Institute for Development Support (IGAD)</li> <li>• include the private sector in all education and training policy development, particularly the National Board of Education, Training, and Research (CNEFOR)</li> <li>• secure funding for vocational training by creating and organizing a national fund for training and professional development (FNFPP, French acronym), with its own legal entity and financial independence powered by the vocational training levy, donor funding, and other government contributions, including the funds currently allocated to the Integration and Reintegration Fund (FIR, French acronym)</li> <li>• organize a simple and transparent application text for education and training provided by Articles 111 and following the Implementing Law (Law No. 21/2011) in Public-Private Partnership</li> </ul>	MENETPF/Ministry of Economy, Employment, and Sustainable Development (MEED)  MENETPF/ MEED  MENETPF/ MEED  MENETPF/ MEED	Medium-term  Medium-term  Short-term  Short-term
--	---	---	--

<b>II. Improve the investment climate</b>			
<b>Low investment attractiveness</b>	<ul style="list-style-type: none"> <li>• establish an action plan to implement the measures recommended by IFC under the service agreement signed by the government (business creation, sales logistics, land tenure, and building permits)</li>   <li>• finalize the financing plan of the 2012-2016 master plan for infrastructure in order to accelerate its growth</li> </ul>	President/ Prime Minister  ANGT	Short-term  Short-term
<b>Ineffective institutional support framework for the private sector</b>	<p>clarify the roles of private sector development agencies by:</p> <ul style="list-style-type: none"> <li>• establishing a Presidential Investment Council (PIC) responsible for high level dialogue between the government and the private sector on reforms aimed at facilitating business</li> <li>• focusing the work of the Center for the Development of Enterprises (CDE) on a dedicated support center for the administrative formalities of job creation</li> <li>• consolidate informationfunctions on business opportunities, studies and support and advisory services for SMEs and promoting investments within the Chamber of Commerce as well as building its capacities</li> </ul>	Ministry for Private Sector Development/ MEED	Medium-term

	<ul style="list-style-type: none"> <li>• refocusing the role of the Gabonese Development Bank (BGD) on SME financing</li> </ul>		
<b>Difficulty acces to credit for SMEs/SMIs</b>	<ul style="list-style-type: none"> <li>• implement the reform of security adopted by OHADA</li> <li>• create the legal framework for credit information bureaus</li> <li>• promote micro-finance</li> <li>• develop leasing</li> </ul>	Ministry of Economy/Ministry of Justice/BEAC	Short-term
<b>High cost and low quality of electricity services</b>	<ul style="list-style-type: none"> <li>• prepare an optimized electrical energy blueprint that would anticipate the preparation and execution of projects (generation and distribution) and their highly transparent implementation according to competitive mechanisms</li> </ul>	Ministry of Economy/Ministry of Justice/BEAC	Short-term
<b>High cost and low quality of transportation and logistics services</b>	<ul style="list-style-type: none"> <li>• based on reports produced under the service agreements of the IFC and World Bank prepare an action plan to improve transportation and logistics services</li> </ul>	Ministry of Petroleum, Energy, and Water Resources  Ministry of Investment Promotion, Public Works, Transport, Housing and Tourism, responsible for Territorial Administration	Short-term  Short-term

<b>III. Relax social legislation</b>				
<b>Rigidity of the labor code</b>	<ul style="list-style-type: none"> <li>relax economic redundancy conditions;</li> <li>reinstate the provisions of the fixed-term employment contract (CDD) of the 1994 labor code to facilitate job creation while protecting the worker;</li> <li>adapt legislation on foreign labor to the current market situation</li> </ul> <ul style="list-style-type: none"> <li>launch actuarial studies by CNSS and CNAMGS in order to determine the parameters that will ensure long term sustainability of the two bodies</li> <li>negotiate changing parameters on the basis of actuarial studies with social partners (employers, labor unions)</li> </ul>	MEED/Parliament  MEEDD/Parliament  MEED/Parliament  PM/MEED, MBCPFP  PM/MEEDD, MBCPFP	Short-term  Short-term  Short-term  Short-term  Short-term	
<b>IV. Strengthen institutional framework and employment promotion policies</b>				
<b>Lack of a national employment policy</b>	<ul style="list-style-type: none"> <li>organize a national dialogue on employment that will bring together all concerned parties (government, private sector, workers) and technical and financial partners in order to share experiences and agree on a priority reform program</li> <li>accelerate the implementation of the National Observatory of Employment and Training</li> </ul>	PM/MEEDD  MEED	Short-term  Medium-term	

<b>Lack of comprehensive, reliable, and regular information on employment, and unemployment</b>	<ul style="list-style-type: none"> <li>• develop industry statistics under the National Strategy for the Development of Statistics with the priority areas of education, agriculture, tourism, work, infrastructure, trade, and other sectors that are identified as priorities. Use OHADA to improve the company database</li> <li>• Conduct a survey of the informal sector</li> <li>• Undertake regular surveys of the labor market • continue to decentralize ONE and increase its operating budget</li> </ul>	MEED MEED MEED	Medium-term Short-term Ongoing
<b>Lack of public intermediation in the labor market</b>	<ul style="list-style-type: none"> <li>• create a Labor Exchange</li> <li>• liberalize the job placement function</li> <li>• Conduct a performance evaluation of employment promotion programs in order to redeploy and increase their resources</li> </ul>	MEED MEED MEED	Short-term Short-term Short-term
<b>Low impact of second chance programs</b>		MEED	Short-term

## **I. INTRODUCTION**

1. A country rich with natural resources and a per capita GDP of 11,768 USD in 2011, Gabon is one of the few middle-income countries in Sub-Saharan Africa. Its population was estimated at 1.6 million in 2010 and is concentrated in its major urban agglomerations: Libreville, the administrative capital; Port-Gentil, the economic capital of and Franceville-Moanda, the mining pole . The rest of the country has a density of less than 2 inhabitants per km<sup>2</sup>. Politically, the country has been stable since its independence in 1960.
2. Although it has a relatively high per capita income largely deriving from the exploitation of its raw materials (oil, magnesium, timberforest), like many other countries rich with natural resources, Gabon has not been able to overcome the challenge of human development so far. The available data show that a third of its population lives below the poverty line and that unemployment affects a quarter of its workforce, mainly young people (one in three) who make up half the population.
3. Conscious of this challenge, in 2009 the Gabonese authorities defined a new vision whose strategic guidelines are detailed in an operational plan, the *Strategic Plan for an Emerging Gabon* (PSGE) whose goal is to turn Gabon into an emerging country within one generation. PSGE includes an ambitious public investment program to develop basic infrastructure and to create the necessary economic environment for the emergence of a diversified economy. The major challenge for PSGE, and how it could be different from previous development plans, will be to become a growth model that is both sustainable and inclusive, leading to a significant improvement in the revenue and living conditions of all Gabonese people.
4. This report is a contribution to the debate on how to achieve this goal. It was developed as part of the implementation of a new World Bank intervention strategy in Gabon wherein competitiveness and employment are the first pillar. It identifies the main obstacles to the low impact of economic growth on employment in Gabon and makes recommendations that will foster dialogue between the World Bank and the Gabonese authorities on the subject. These recommendations could serve as inputs for the national consultation on employment that the Government is planning to organize in the second half of 2013.
5. This analysis was difficult to conduct due to the unavailability of regular, comprehensive, and reliable statistics. A qualitative leap has certainly been made by the Gabonese authorities in conducting their first national survey on employment and unemployment, which produced key data on the labor market for the first time. However, important aspects of labor market analysis were not documented and thus its scope remains limited. Thus, as no survey on informal sector enterprises was available and therefore no detailed analysis of this sector which accounts for nearly half the labor force is possible. Similarly, the cost and labor productivity analysis envisioned in this report was prevented by insufficient data.

6. The report is divided into three parts: (i) an analysis of Gabon's economic performance since the independence and its effect on employment, (ii) an analysis of the main characteristics of the labor market and (iii) a review of the main obstacles to job creation. The conclusion recommends some options for reforming the labor market as well as the legal and institutional framework for employment promotion in Gabon.

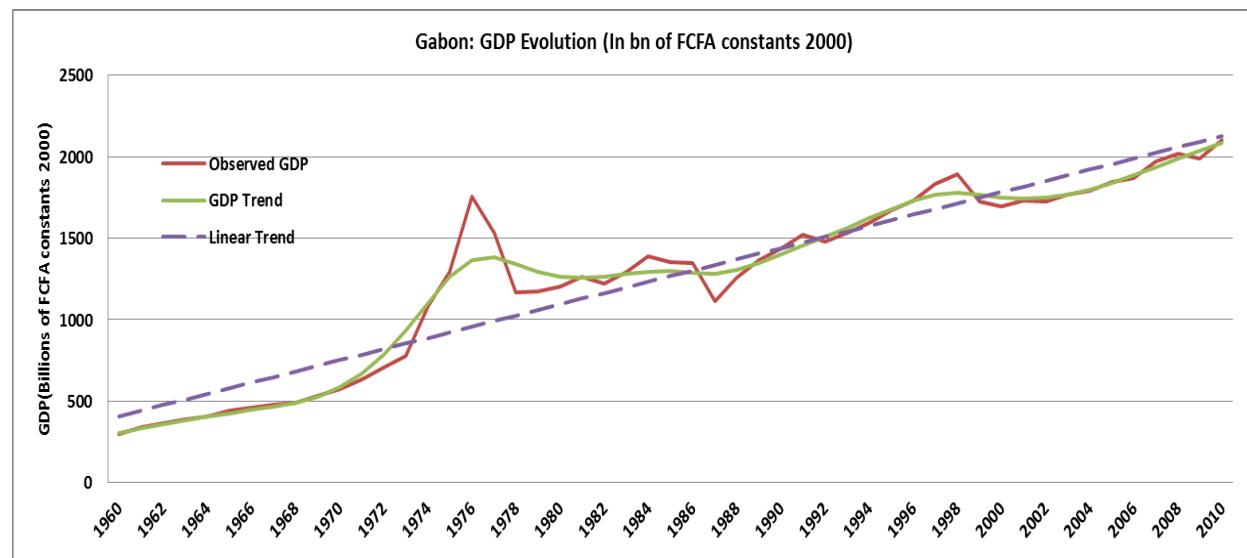
## II. ECONOMIC CONTEXT

1. This chapter focuses on the analysis of the historical perspective and sources of economic growth between 1960 and 2010, as well as their impact on employment. Despite being generally positive, it is shown that growth has been fragile and vulnerable as it is subject to the fluctuations of international commodity markets. This chapter also indicates weak performance in terms of job creation.

### ***Gabon's economic performance since independence***

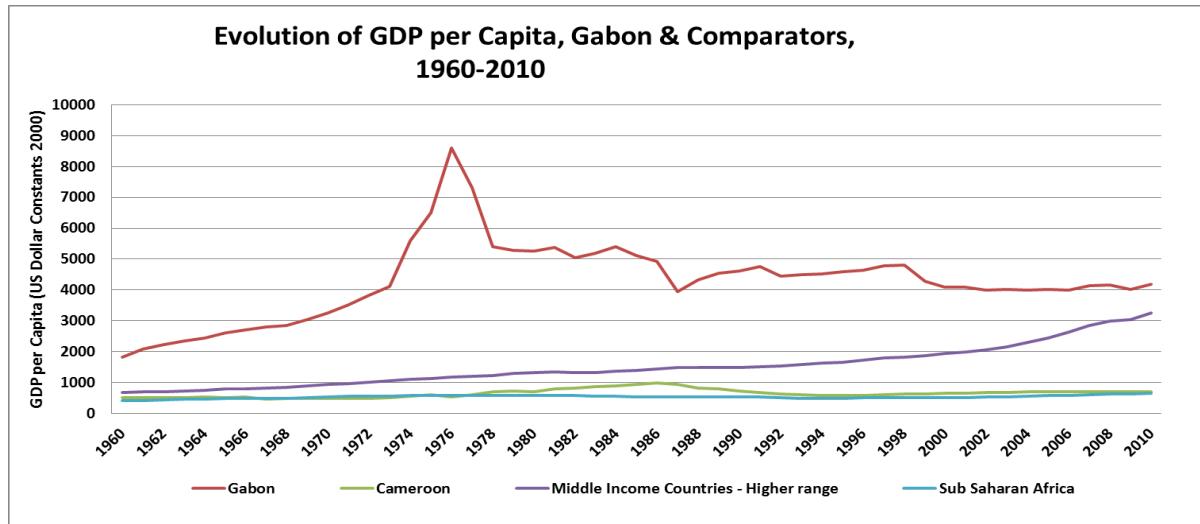
2. Over the past four decades, Gabon's economic performance has been generally positive. Between 1960 and 2010, the per-capita GDP has multiplied by 30, from 291USD to 9321.955USD (Graph 1) following an annual average growth of 4.5 percent during the period. This performance is above the regional average and it is almost the same growth rate as the average of other countries with similar income levels. During the period under review, the per capita average income in Sub-Saharan Africa has multiplied by 10 and that of the upper middle-income countries (PRI, French acronym) by 25. The Gabonese economy has also been more reliable than that of Cameroon which, though being the driving economy of CEMAC, has a per-capita income that only multiplied by 10 between 1960 and 2010.

**Graph 1: GDP Evolution in Gabon, 1960-2010 (in constant billions of CFA Francs 2000)**



Source: Authors' calculations based on data from IMF and national authorities

**Graph 2: GDP evolution per capita 1960-2010 (in USD)**



*Source: Authors' calculations based on data from IMF and national authorities*

3. However, this overall positive growth since the independence has followed a volatile trend marked by oil prices. From a historical perspective, the trend of Gabon's economic growth between 1960 and 2010 can be divided into four distinct periods based on milestones in oil price trend over the past four decades.

- **1960-1972:** A period of stable and sustained growth with structural changes in the economy. During this period, the real per-capita GDP increased to an average rate of 7.5 percent annually.
- **1973-1985:** A period with an oil boom and expansionary macroeconomic policies during which GDP rose to a rate above the long-term trend (4.7 percent annually on average).
- **1986-2002:** A period characterized by several major shocks as well as unsuccessful attempts of structural economic adjustment. During this period, the growth rate of the real GDP was only 2 percent annually, below the long-term trend.
- **2003-2010:** A period marked by a rise in commodity prices, which enabled the Gabonese government to undertake macroeconomic reforms that led to an economic recovery. During this period, the level of the GDP per capita increased by an average of 2.5 percent annually.

### The period of stable and steady growth: 1960-1972

4. During the first decade of the independence (1960), Gabon experienced a strong and stable economic growth of about 7.5 percent on average from 1960 to 1972. This growth was mainly driven by the forestry, mining (manganese and uranium), and oil sectors that were the government priorities due to their influx of foreign exchange. This steady growth came with major structural changes. The value added of extractive industries which was 15.4 percent between 1960 and 1965, rose to 29.2 percent during 1965 and 1972. Agriculture, which contributed 15 percent to the value added during 1960 to 1965, only accounted for 8 percent from 1966 to 1972.

5. The decline in agricultural value added was the result of: (i) a decrease in the workforce due to the migration of workers to ongoing forest and mining projects, (ii) low price and production of agricultural commodities and (iii) a lack of infrastructure (capital expenditure in the agricultural sector accounted for less than 1 percent of total equipment spending during this period). The contribution of an industrial sector dominated by public works and civil engineering PUBLIC WORKS AND CIVIL ENGINEERING and light manufacturing was stable at 14 percent between 1965 and 1972 while the tertiary sector, dominated by trade and transport activities, accounted for 7.9 percent of the GDP between 1965 and 1972.

### **The oil boom: 1973-1985**

6. The combination of an increase in international oil prices in the 1970's (+ 165 percent between 1970 and 1976) and a doubling of the Gabonese oil production (5.4 million tons in 1970 and 11.3 million tons in 1976) contributed to the sharp and rapid increase in the real income that almost doubled between 1972 and 1985, increasing from 706 billion CFA francs to 1,356 billion CFA francs.

7. This massive and sudden influx of oil revenue enabled the government to implement an expansionary budget policy that affected the economy through the following:

*(i) An ambitious public investment program including but not limited to:*

- A railway of more than 600 km, whose estimated cost was 3 billion USD, was constructed between 1973 and 1986 to connect the mining pole in the East to the Atlantic Coast in the West of the country.
- The development of a large parastatal sector including an agro-industrial sector (palm oil, rubber, coffee, cocoa, cattle), transportation, telecommunications, forestry, as well as electricity and water distribution services. In 1993, the parastatal sector accounted for 12 percent of the GDP, 25 percent of employment, and around 100 billion CFA francs in wages.
- The development of social sectors including public hospitals as well as a generous social security system.

Funding for this large public investment program was facilitated by easy access to international capital markets that led to an increase in the stock of external debt by 1 percent of the GDP in 1986 to 39 percent in 1993.

*(ii) A generous wage policy in the public and parastatal sectors enabled the redistribution of oil revenues.* The legal minimum wage (SMIG, French acronym) tripled between 1973 and 1977, and doubled between 1979 and 1984. As a result, the average wage of the Gabonese public service was more than three times that in Congo and two and a half times that in Cameroon.

*(iii) A significant increase in social transfers and subsidies, as well as public spending on goods and services.* Social transfers and subsidies, accounting for between 6% and 10% percent of total current expenditure between 1977 and 1983, grew rapidly in real terms, especially to support

public enterprises but also to fund scholarships abroad and subsidize the consumption of commodities such as sugar, oil, and bread. Consumption of goods and services increased by 10 percent annually on average between 1973 and 1985.

**8. This expansionary fiscal policy led to many distortions within the economy.** Continuous increase in public wages exerted upward pressure on the private sector and helped feeding inflation in consumer prices. Inflation reached a rate of 28.5 percent in 1975 and consumer prices increased on average by 11.4 percent annually between 1975 and 1985. This inflation has subsequently increased the cost of production factors, degrading the country's competitiveness and enhancing the effect of crowding out non-oil activities such as agriculture. This was the first Gabonese experience of the "Dutch disease".

### **Degrowth and failed attempts of economic structural adjustment: 1986-2002**

9. In 1986, international oil prices, which increased at an average of 4 percent annually between 1983 and 1985, fell by 50 percent. This sharp decline in oil prices led to a fall by 4 percent of real GDP per capita in 1986 and 19 percent in 1987. Between 1989 and 1993, per-capita GDP increased by an average of 4 percent annually through the resumption of oil production; especially with the coming onstream of Rabi-Kounga offshore operations which represent the most significant proven reserves in Gabon.

10. However, the resumption of growth driven by the exploitation of Rabi-Kounga was not enough to reverse the downward trend of GDP growth that Gabon faced in 1986-1987. Per capita GDP in 1993 was about 4,590 USD or 11 percent below the 1985 level, and even 37 percent below the 1977 level. On average, between 1986 and 1993, per capita GDP declined at a rate of 1 percent annually. The effects induced by the 1986 oil shock persisted until 1993 and emphasized the fragility and vulnerability of the Gabonese economy to external shocks while highlighting the need for the country to diversify economically.

11. The fall in GDP per capita was accentuated by the abrupt fiscal adjustment phase following the 1986 crisis. The fall in oil prices caused a sharp decline in fiscal revenue and pushed Gabon to structural adjustment. Between 1986 and 1993, Gabon underwent several structural adjustment plans supported by the IMF. Economic policies developed within adjustment programs were mainly characterized by large cuts in the capital budget expenditure. The government's investment budget was divided by three between 1985 and 1987 and the share of public investment in GDP fell from 29 percent in 1985 to 17 percent in 1993. This public investment contraction led to a substantial decline in non-oil GDP.

**12. The sharp drop in oil prices in 1985-1986 also contributed to a rapid expansion of foreign public debt as well as an accumulation of government payment arrears.** In the end of December 1993, the accumulated arrears on external debt amounted to 1.1 billion USD and the arrears on internal debt to approximately 450 million USD. Meanwhile, publicly guaranteed external liabilities amounted to 3.4 million USD (96 percent of the national product) in 1994. In 1994 the external debt of Gabon, a third of which was made up of arrears, accounted for 113

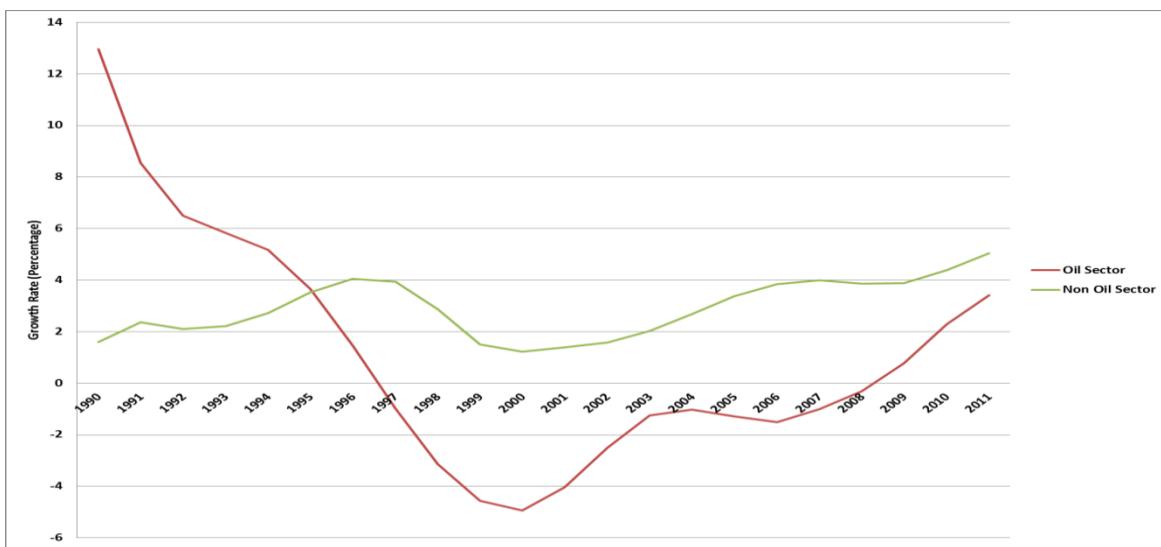
percent of the national income, whereas it accounted for only 39 percent in 1985.

13. Moreover, since 1990 attempts to implement structural adjustment programs were weakened by political and social unrest resulting from the transition to multiparty political system. This change increased social demands and helped increase fiscal indiscipline. After the devaluation of the CFA franc in 1994, the Gabonese government changed the orientation of its economic policy. It decided to abandon direct intervention in the productive sectors of the economy and to refocus its action on its governing powers.

### Structural reforms and macroeconomic stabilization: 2003-2010

14. Between 2003 and 2010, the real GDP of Gabon grew at an average of 2.5 percent annually. This growth has remained positive throughout the period with the exception of 2009, when Gabon experienced negative growth following the collapse in the price of the country's main raw materials (oil, manganese, and timber). Additionally, and for the first time in the last three decades, GDP growth was driven by the non-oil sector. The rate of non-oil GDP growth grew from 2.3 percent in 2004 to 6.1 percent in 2010, reflecting a rebound in activity in the forestry and mining sectors, rubber production, and the expansion of the agri-food and telecommunications sectors following the privatization of telecommunications companies and the launch of production of palm oil and rubber.

**Graph 3: Oil and non-oil GDP growth 1990-2010 (annual variations in percentage)**

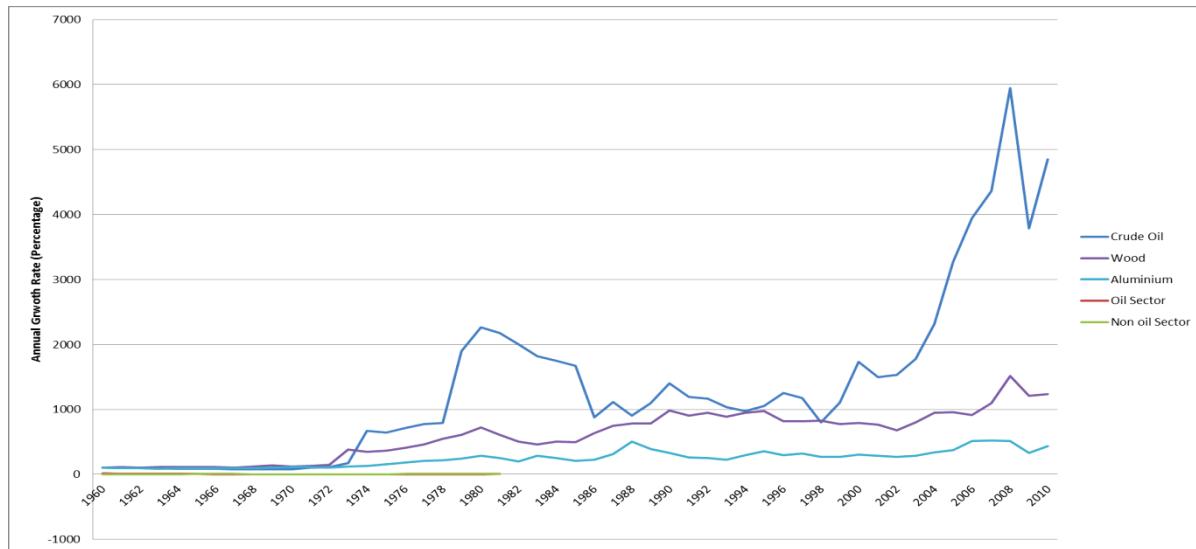


Source: World Bank

15. This relatively good economic performance from 2003-2010 can be explained by three main reasons:

- Particularly high commodity prices:** Rising oil prices observed after 2003 and the rise in the price of aluminum and timber greatly helped to increase the income received by the Gabonese government and attract FDI in both the oil and non-oil sectors. These new revenues increased Gabon's fiscal space and improved the country's economic prospects.

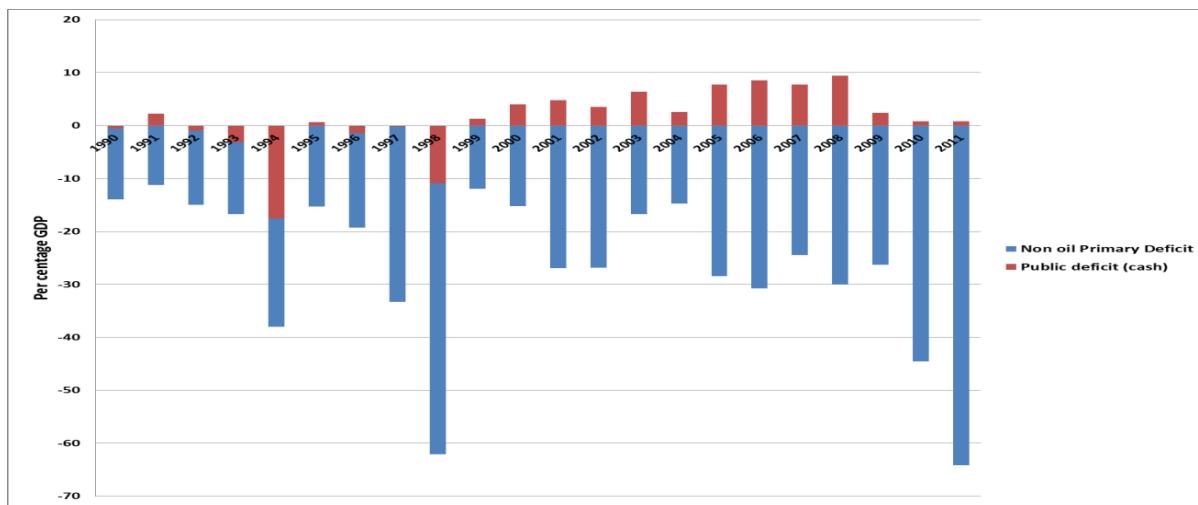
**Graph 4: Evolution of commodity prices, 1960-2009 (Price index, base 100 = 1960)**



Source: World Bank

**b. A healthier and more cautious fiscal policy with a set of pro-growth reforms.** In a break with past practice, Gabonese authorities seized the opportunity offered by the 2003 boom in oil prices to significantly improve public finances. Oil revenues were used to repay most of the public debt and finance a fund for future generations. Meanwhile, a major effort was made to contain the level of current expenditure and improve the recovery rate of non-oil taxes. The fiscal balance (cash basis) remained largely positive over the 2003-2010 period (an average of 5 percent of the annual GDP). Gabon managed to confront the international 2008-2009 financial crisis with a relatively sound macroeconomic position and enough fiscal space. However, the primary non-oil deficit has deteriorated over the period, increasing from 8.2 percent of non-oil GDP in 2003 to 21.1 percent in 2010.

**Graph 5: Evolution of the overall fiscal balance and the non-oil primary deficit 1990-2011  
(in percentage of GDP)**



Source: IMF

**c. Considerable progress in the structural reform agenda.** While between 1997 and 2003 only the Société d'Énergie et d'Eau du Gabon (SEEG) (Gabon's Energy and Water Company, in English) was privatized, the pace of privatization initiated in 1996 since then accelerated for public and parastatal enterprises. In 2004, four agro-industrial companies were privatized: Agrogabon, specialized in the production and processing of palm oil and livestock farming, as well as the société de développement de l'hévéaculture au Gabon (HÉVÉGAB, French acronym) (Gabonese Rubber Development Company, in English) were privatized, and both were sold to the Belgian multinational, SIAT.

16. In 2005, the Société Gabonaise d'Exploitation du Transgabonais (SETRAG), a subsidiary of Comilog (itself a subsidiary of the French company ERAMET), was granted a 30-year concession to manage the national railway. The Société Meunière et Avicole du Gabon (SMAG) and the Société Sucrière du Haut-Ogooué (SOSUHO) (Haut-Ogooué's sugar company, in English) were meanwhile been sold to the French group, CASTEL.

17. In January 2006, the government carried out the liquidation of Gabon Poste due to major financial sustainability problems. This liquidation led to a restructuring of the sector. The same year, the airline Air Gabon was also converted into a private airline, Gabon Airlines, which took control of the holdings formerly owned by Air Gabon. Finally, in 2007, the government completed the sale of a 51 percent of its shares in the national telecommunications enterprise Gabon Telecom to Maroc Telecom, a subsidiary of Vivendi, for a total of 40 billion CFA francs.

### **Growth prospects**

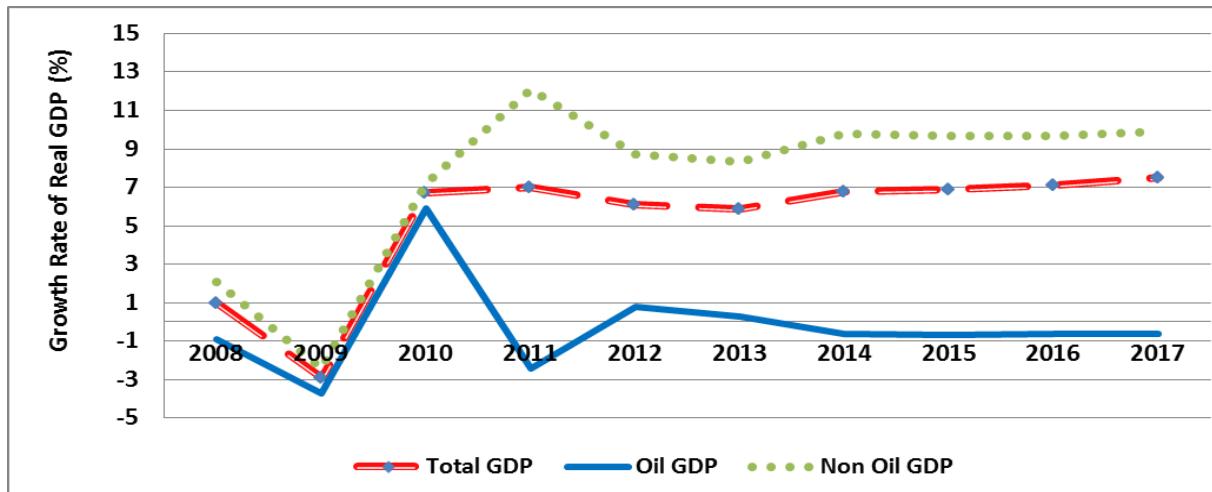
18. In the medium-term, the growth outlook of the Gabonese economy is favorable. This is due to an anticipated upward trend in commodity prices, especially oil, allowing for the continuation of the expansionary fiscal policy led by the government as part of their implementation of the Strategic Plan for an Emerging Gabon (PSGE) whose overall objective is to make Gabon an emerging economy by 2025.

19. PSGE is based on three pillars: (i) *Gabon Vert* (*Green Gabon*, in English) which aims to sustainably develop 22 million hectares of forest and 800 kilometers of sea coast through the timber industry, agriculture, and ecotourism, (ii) *Gabon Industriel* (*Industrial Gabon*, in English) to promote the diversification of the national economy through the local processing of raw materials and the export of products with high value added and (iii) *Gabon des Services* (*Service-industry Gabon*, in English) whose goal is to develop infrastructure and enhance Gabonese human resources in order to make Gabon a regional reference for financial services, new information technologies, green economy jobs, higher education and health.

20. As part of the first phase for the implementation of the PSGE , the government has developed an ambitious 2010-2016 infrastructure plan at a cost of 12,000 billion CFA francs whose goal is to equip the country with infrastructure in order to render it more attractive to foreign direct investment.

21. Growth projections for non-oil GDP are around 9.5 percent annually between 2013 and 2017. In the absence of major discoveries, oil production should in turn decrease at an average of 1 percent per year. Overall, an annual growth of around 7 percent is predicted for the 2010-2017 period.

**Graph 6: Growth outlook for the Gabonese economy 2008-2017**  
 (annual variation of real GDP in percentage)



Source: IMF and Ministry of Economy, Employment, and Sustainable Development

22. Despite the decline, oil production will continue in coming years and remains the main source of wealth in Gabon. This means that, as in the past, growth will be dependent on fluctuations in commodity prices and that the implementation of ambitious government public infrastructure programs will significantly depend on it. In case of a downturn, as in 1986, the end of the 1990's or in 2008-2009, government resources would be significantly affected and this could jeopardize the government's investment program. This situation suggests some caution, a tradeoff between the need to bridge the gap in essential infrastructure and develop the non-oil sector as well as establish reserves that may be necessary in case of poor conditions in the oil market.

### ***Sources of Gabon's growth***

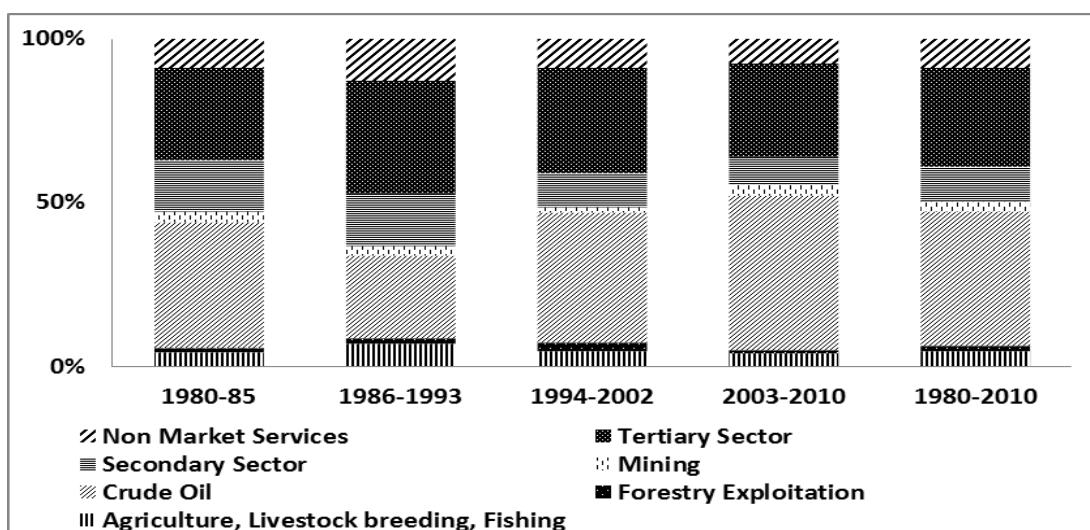
23. This section examines the various components of Gabonese GDP from three different angles. We first examine the growth components on the supply side, and then turn towards the demand components. Finally, after having estimated the aggregated production function inspired by Solow (1986), we offer a factor specific growth analysis by examining the respective roles of accumulating physical and human capital.

### **On the supply side: an economy still dependent on oil**

24. The primary sector contributed an average of 45 percent to nominal GDP between 1980 and 2010. It consists mainly of the oil, mining, and forestry industries. The agricultural sector is marginal and has been declining since the discovery of oil.

25. Oil production fell sharply between 1997 and 2010, from 18 million tons to 12.2 million tons in 2010, but the oil sector remains Gabon's main source of wealth. Its contribution to GDP was on average 39 percent between 1980 and 2010. Gabon is the fifth largest oil producer in Africa south of Sahara, with around 12.2 million tons in 2010. Proven reserves totaled 3.7 billion barrels. At current production rates, reserves should run out around 2050-2060. After having recorded a downward trend between 1998 and 2002 due to the declining productivity of the main field (Rabi-Kounga), the use of new technologies has increased the performance of oil wells and operating marginal fields have been made profitable by the increase in oil prices, helping stabilize production around 12 million tons annually. In the medium to long-term, Gabon has deep and ultra-deep water offshore potential, which has geological features similar to Brazil, where major discoveries were made recently.

**Graph 7: Sources of GDP, 1980-2010 (in percentage of GDP)**



Source: IMF and Gabon's National Accounts

26. **Although its contribution to GDP is around 3 percent, the mining sector is a potential source of diversification for the Gabonese economy.** Gabon possesses a quarter of the world's manganese reserves, estimated at 200 million tons. It also has the largest untapped iron deposit in the world, with the potential to produce up to 15 percent of the global niobium. Other mineral resources exist, including gold, phosphate, rare earths, and alluvial diamonds that are widespread throughout the territory.

27. Since the end of uranium mining exploitation in 1999, the mining sector has mainly been limited to the extraction and exportation of manganese. The Compagnie minière de l'Ogooué (Comilog), subsidiary of the French group Eramet, has been mining manganese since 1962 in the region of Moanda (Southeast). Its production has increased sharply due to the sustained demand for steel in the world market, mainly in China. It increased from 2.75 million tons in 2005 to 3.4 million tons of manganese in 2011.

28. **The contribution of forestry to GDP has remained low (an average of 2 percent between 1980 and 2010).** However, growth margins in this industry are significant. The pilot management inventories conducted in the 1990's revealed the presence of nearly 400 potentially exploitable

wood varieties in the Gabonese forest, only 80 of which are marketed. Among them is Okoumé, which is excellent for veneer, enabling high quality plywood manufacturing.

**29. The agricultural sector's value added contribution is low despite considerable farmland potential.** Although its importance was estimated to be around 15 percent of GDP in the 1960's, the agricultural sector accounts for only 4 percent of national income today. Production is mainly oriented towards food crops, such as plantains, manioc, maize, and rice. However, small volumes of cocoa, coffee, palm oil, and peanuts are grown for export. The sector also includes large industrial rubber and palm oil plantations. The sector's development has been hampered by a number of structural factors, including the rural exodus, the aging of the rural population, the poor condition of roads, the low capacity of farms, as well as strategic choices favoring the creation of an agro-industrial complex organized by sector (rubber, palm oil, cocoa, coffee, beef, broiler).

#### **A nascent but growing secondary sector**

30. The secondary sector is largely comprised of the agro-industry, timber industry, refining, power generation, and public works and civil engineering industry. The agri-food industry consists of a sugar plant, a palm oil production plant, a mineral water plant, five breweries, and a cigarette factory. Other industries include chemical processing, construction materials, and secondary metal processing, whose activities are mainly linked to the demand of the oil industry and public works and civil engineering. Gabon also has a cement plant with a production capacity of 130,000 tons annually. The generation and distribution of electricity and water is provided by the Société d'Energie et d'Eau du Gabon (SEEG) (Gabonese Energy and Water Company, in English). The public works and civil engineering branch has been experiencing renewed dynamism since 2010, following the tripling of the government's investment budget in the secondary sector, contributing at an average of 11 percent to the generation of the GDP during the period under review.

31. The timber industry (so far focused on sawing, cutting, veneering, and carpentry), is expected to increase its contribution to GDP in the coming years following the ban on log exports enacted by the government in 2009 and the creation of a special economic zone near Libreville, mainly dedicated to that industry. As the result of a partnership between the Singaporean company OLAM and the Gabonese government, the Special Economic Zone of Nkok should have a processing capacity of one million cubic meters of rough timber.

#### **A dominant tertiary sector**

32. On average, over the 1980-2010 period, the tertiary sector represented 30 percent of the GDP. Services, transportation, and trade represented the core of this sector that is partly dependent on public demand. Services grew at an average rate of 5 percent over the last decade, driven by the expansion of mobile telephony.

**33. The contribution of the tourist sector remains marginal in the economy.** The number of international arrivals in Gabon increased by 39 percent between 1990 and 2009, reaching a total of 151,000 visitors; but tourism over the same period represented only 6 percent of GDP, or 470 billion CFA francs. The goal of the Gabonese government is to make the country a world leader in

ecotourism and a regional leader in business tourism. To this end, in 2011 the Ministry of Tourism finalized a 2011-2016 Sectoral Operational Plan for Tourism based on the guidelines of the Strategic Plan for an Emerging Gabon. This plan has four pillars:

- implement effective tourism governance;
- remove barriers to tourism development;
- develop a critical mass of tourist accommodation;
- make Libreville a Central African hub.

The major objective of this program is to attract 100,000 tourists annually in the standard and premium segments by 2020.

### **On the demand side: the supremacy of domestic demand**

34. As for demand, final consumption is the primary source of growth in Gabon, accounting for nearly two thirds of GDP from 1980-2010. After a double-digit growth rate during the decade following the first oil boom, it shrank in the second half of the 1980's following the sharp contraction in economic activity that resulted from the first structural adjustment plans. The growth pace then accelerated 0.8 percent annually in 1991-2003, satisfying social demands that marked the return of multiparty system in Gabon in 1990. From 2003-2010, it continued to grow faster (especially in the non-oil sector), at an average of 5.8 percent following economic recovery, with the 2006 minimum wage raise and an increase in the civil service workforce.

35. Investment represented around a third of the GDP from 1980-2010. It consisted mainly of investments in the oil and mining sectors. In terms of volume, however, investments in the oil sector declined over the period. In contrast, public investment grew by an average of 17.7 percent over the 2003-2010 period, due to the funding needs of the DSCRP priority program adopted in 2006, tripling the government's investment budget in 2010.

**Table 1: GDP use, 1980-2010**  
 (in percentage of GDP)

	1980-2010		
	Share of GDP	Growth Rate	Contribution to GDP
<b>Final Consumption</b>	<b>58.0</b>	<b>4.2</b>	<b>2.4</b>
Public Consumption	16.2	4.1	0.7
Private Consumption	41.8	4.2	1.8
<b>Gross Capital Formation</b>	<b>29.9</b>	<b>3.1</b>	<b>0.9</b>
Gross Fixed Capital Formation (GFCF)	29.7	3.2	1.0
GFCF Public	7.2	5.9	0.4
GFCF Private	22.5	2.1	0.5
Variation in stocks	0.2	.	.
<b>Exports of Goods and Services</b>	<b>44.7</b>	<b>0.6</b>	<b>0.3</b>
Exports of Goods	41.8	0.6	0.2
Exports of Services	2.9	1.6	0.0
<b>Statistical Discrepancy</b>	3.5	.	.
<b>Aggregate Demand</b>	96.5	2.5	2.5
<b>Actual GDP</b>	<b>100.0</b>	<b>2.6</b>	<b>2.6</b>
<b>Imports of Goods and Services</b>	36.1	3.3	-1.2

Source: IMF and the Directorate General for Economy

36. **The contribution of the foreign trade balance to GDP is mitigated by the strong dependence of Gabon on imports, representing 36 percent of GDP during the period under review.** Gabon imports most of its inputs, equipment, and final consumer goods. The structure of exports remains relatively stable. It is dominated (more than 90 percent) by commodities (oil, timber, manganese). Gabon's main clients are the United States (oil), China (oil, timber, manganese). France, which provides 35 percent of Gabon's imports, remains the country's main provider. Trade with other CEMAC countries is very limited.

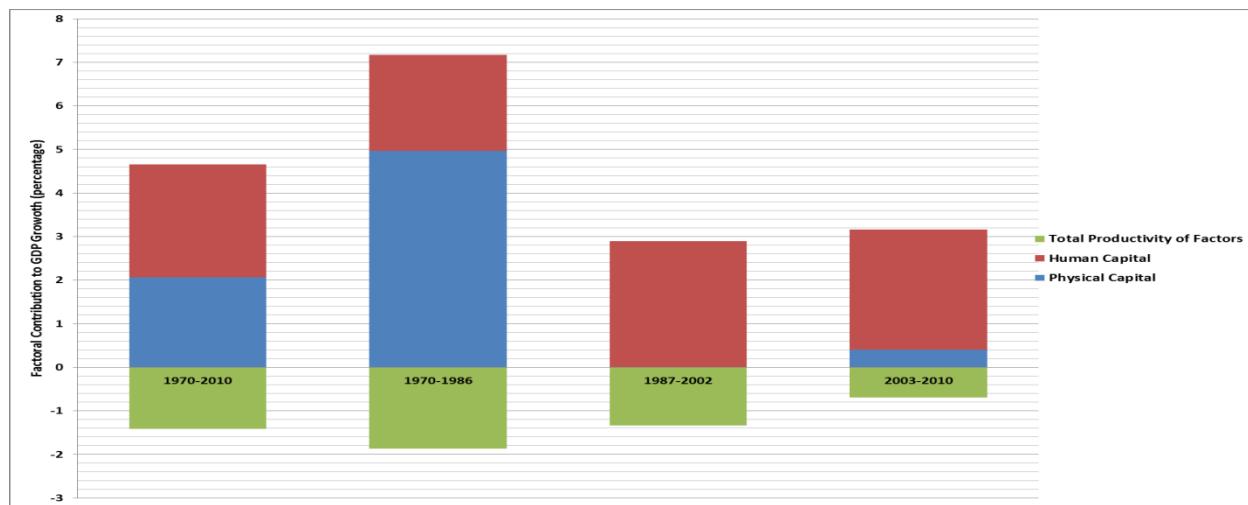
### **Growth accounting: a negative total factor productivity over the last forty years**

37. This section provides an analysis of the breakdown of growth factors based on the conceptual framework of the Solow growth model (1986). This methodology emphasizes the respective roles of the accumulation of physical and human capital as well as total factor productivity. In theory, total factor productivity measures production efficiencies and can be considered as an indicator of technological progress. This analysis instead focuses on the effectiveness of macroeconomic management, the utilization level of production capacities, work habits, and the international situation.

38. **The total productivity of production factors has been negative over the last forty years.** It has declined at an annual rate of 1.4 percent. This negative trend reflects the impact of negative external shocks suffered by the country during the period of economic decline and the failure of the economy's attempts of structural adjustment, but also the impact of inappropriate economic policy measures following the first oil shock in 1973. Economic growth in Gabon over the past

forty years has been mainly due to an accumulation of capital. However, it should be noted that from 2003-2010, total factor productivity was less negative than in previous sub-periods, reflecting macroeconomic stabilization efforts made possible by a good international environment characterized by very high commodity prices.

**Graph 8: Factor specific contributions to GDP growth, 1970-2010  
(in percentage)**



Source: Author's calculations using data from the World Bank and IMF

### ***Impact of growth on employment***

39. The dynamics of the labor market between 1960 and 2010 can be divided into two main periods: a period of full employment between 1960 and 1985 driven by the government's expansionary fiscal policy, and a long period of decline between 1986 and 2010, which was offset by increases in informal employment and public administration staffing.

#### **The period of full employment: 1960-1985**

40. During the period of growth that preceded the oil counter shock in 1986, the employment level followed the same trend as that of the economic activity. Between 1969 and 1977, the formal sector workforce recorded a leap of more than 122 percent, increasing from 61.781 to 137.645, due to the construction of large public works made possible by the enormous resources from the oil boom. The main employment providing sectors were public works and civil engineering, logging, and services. These three sectors accounted for 24 percent of GDP, employing nearly 70 percent of the workforce in the private sector. However, despite its strong contribution to domestic production, the oil industry contributes very little to employment. Over the entire period, its workforce remained at less than 2 percent of the total workforce in the modern sector.

41. Due to its small population and the obvious lack of skilled labor at the time, the country signed skilled labor import agreements with other countries in West Africa for foreigners to work in major public works projects, including the construction of the Transgabonais railway from 1973 to 1986 and the preparation work for the Summit of Heads of State of the OAU in 1977. In 1993, foreign labor accounted for a little over a quarter of the employed (25.7 percent). In public works

and civil engineering and trade, it represented 50 percent and 68 percent of employment respectively.

42. The workforce increase in the modern sector slowed between 1978 and 1980 following the financial crisis in Gabon after the overheating that resulted from the implementation of infrastructure projects undertaken as part of the preparation for the Summit of Heads of State of the OAU. The fiscal austerity measures taken within the framework of the 1978 stabilization plan led to a slowdown in the public investment program that resulted in a decline of orders for public works and civil engineering enterprises. This public works and civil engineering industry contraction spread to the services and trade industries. In total, the modern sector workforce observed a decrease of 36 percent between 1978 and 1980.

43. Since 1980, employment has resumed its growth following the implementation of a public investment program described in the *Interim Plan for Economic and Social Development 1980-1982* and the *5<sup>th</sup> Economic and Social Development Plan 1984-1988*. As during the next oil boom, public works and civil engineering industry was a major source of employment in the private sector employing 21 percent of the workforce, followed by industry (15 percent), commerce (11 percent), and transport (10 percent).

44. The full employment period was also marked by a strong increase in public administration staff, reaching 14,800 in 1969 and 41,000 in 1985, a 275 percent increase. During this period, the unemployment rate was around 3 percent.

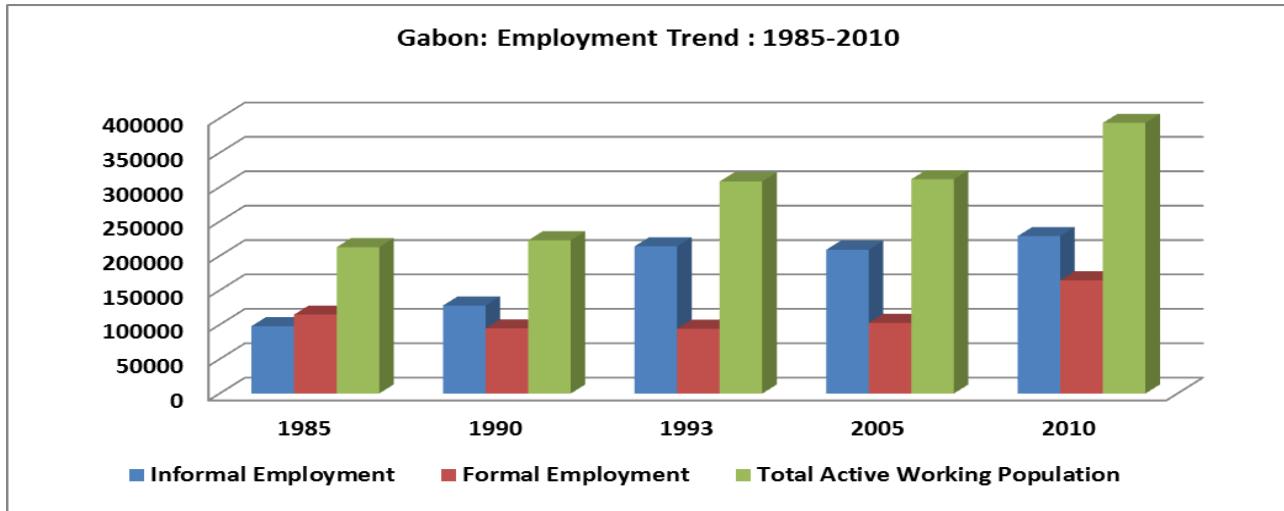
### **Continued deterioration of the labor market: 1986-2010**

45. Between 1986 and 2010, Gabon experienced a reduction of the labor market characterized by a contraction of formal employment, a high level of unemployment, and an increase in the informal sector.

46. Between 1986 and 1994, the formal sector declined by 30,000 jobs, representing 24 percent of the 1985 workforce. This contraction only affected formal companies whose employment fell at an average of 6 percent annually, while public sector employment increased 1.3 percent annually despite the recommendations of the structural adjustment programs which called for reducing the government's expenses, including the limitation of its workforce.

47. After declining between 1995 and 2002 following the devaluation of the CFA franc, the level of formal private employment continued its decline (2 percent on average) between 2003 and 2009. The increase in recruitment observed from 1995 was due to the upturn of forestry activity in response to gains in competitiveness driven by the devaluation of the CFA franc and the resumption of public investment programs. These were made possible by the improvement in public finances resulting from monetary adjustment programs.

**Graph 9: Employment trends, 1985-2010 (number of jobs)**



Sources: Ministry of Labor, RGPH1993, EGEP2005, ENEC2010

48. As shown in Table 2 above, all industries in the formal sector experienced declining workforces between 1985 and 2010. However, in the structural adjustment effort between 1986 and 2002 on the public investment program, the sectors (public works and civil engineering, services, transportation) that depended on it the most were also the most affected. For example, the public works and civil engineering labor force was divided by four between 1985 and 2000, falling from 21,800 to 5,253. In 2010, it was estimated at nearly 4,000, or 1/5<sup>th</sup> of the 1985 level.

49. In extractive industries, the workforce in the oil sector fell 43 percent between 1985 and 2000 due to the use of capital-intensive production processes that limited the use of labor. This decline increased from 1995 onwards in relation to the decline in the production of Rabi-Kounga, the largest field ever exploited in Gabon. Since 2003, the increase in junior company activities, made possible by the hike in oil prices, has led to a significant increase in numbers in the oil sector even though its contribution to employment remains low. The mining sector labor force declined from 1999 onwards following the cessation of uranium mining activities. The transport sector workforce also observed a sharp decline since 2005 following the liquidation of Air Gabon, the national air carrier. Declining numbers in services and trade between 1985 and 2010 were linked to this contraction observed in other sectors.

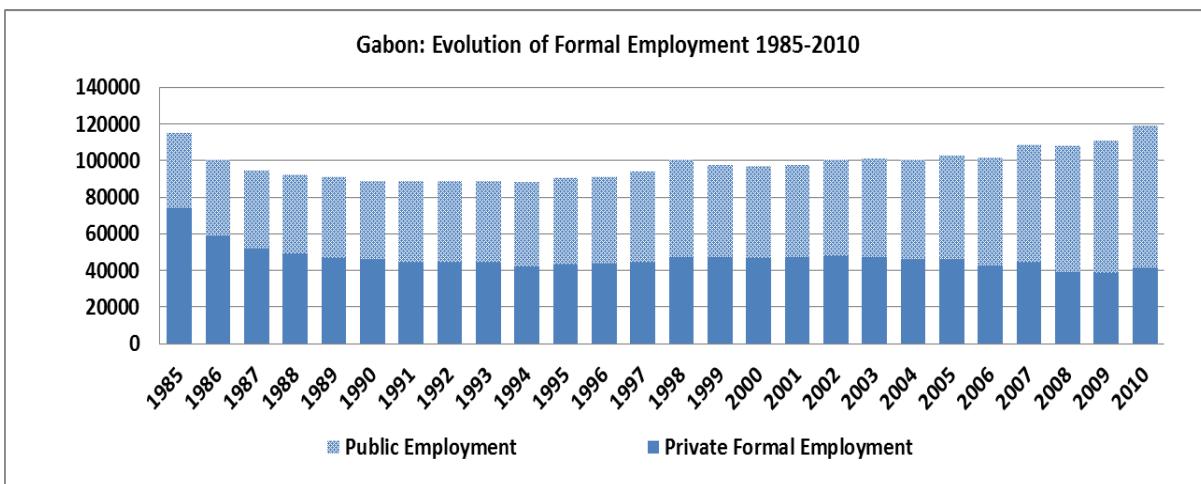
**Table 2: Evolution of the workforce in the formal private sector: 1985-2010 (number of jobs)**

	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010
<b>Agriculture</b>	2524	2300	2201	2190	2011	2076	2149	2090	2084	2113
<b>Oil &amp; drilling</b>	2636	2420	1732	1511	1547	1678	2082	1833	2337	2447
<b>Mining</b>	3116	2580	1842	1464	1502	1479	1498	1484	1477	1492
<b>Agri-food and beverage industries</b>	4517	4464	3363	2919	1875	2203	2254	2196	3084	3120
<b>Other industries</b>	4677	2830	2408	2053	1790	1798	1820	1625	1817	1820
<b>Electricity &amp; refining</b>	2476	2487	2022	1892	1955	1910	1918	1928	1963	2263
<b>Public works and civil engineering</b>	21810	3991	4343	5253	4847	4901	4941	4340	3256	
<b>Transportation</b>	11213	9562	9550	9589	11193	7032	7718	6720	7240	8302
<b>Services</b>	9645	7443	8689	11670	11180	11505	11896	11510	8091	9023
<b>Trade</b>	9084	5547	5202	5926	5732	5873	6085	3502	4741	4835
<b>Banks &amp; insurances</b>	2355	2297	1995	2010	2161	2040	2081	1982	2052	2195
<b>Total</b>	<b>74053</b>	<b>45921</b>	<b>43347</b>	<b>46477</b>	<b>45793</b>	<b>42495</b>	<b>44442</b>	<b>39210</b>	<b>38142</b>	<b>41517</b>

Source:DGS and DGELF

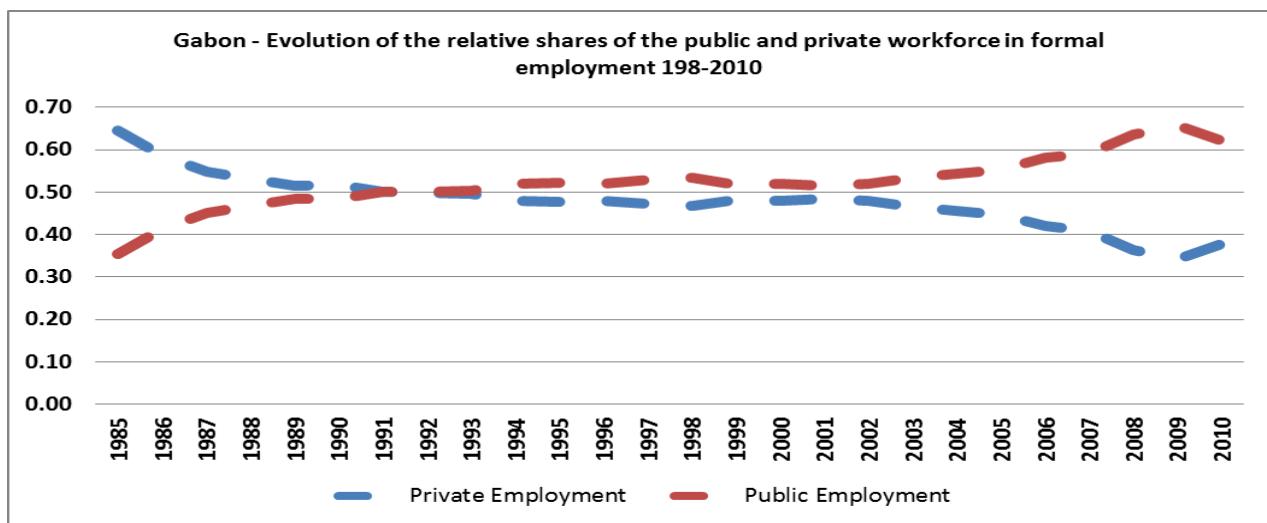
**50. Public employment was able to offset the downward trend of private formal employment and stabilize the overall level of formal employment.** Graphs 10 and 11 below show the contrasting evolution of the workforce of the public and private sectors. While the share of the private sector workforce has decreased significantly since 1986 to reach 37 percent of total modern employment in 2009 compared to 67 percent in 1985, the public sector workforce steadily increased throughout the period and accounted for 62 percent of the total modern sector workforce in 2009. 2010 ENEC data show increased staffing in the modern sector in 2010 compared to 2009, which is consistent with the government's decision to triple the investment budget in order to finance its ambitious infrastructure development plan. This upward trend is expected to continue at least in the medium term.

**Graph 10: Evolution of formal employment, 1985-2010 (number of jobs)**



Source: Authors' calculations according to data from DGS and DGELF

**Graph 11: Evolution of the relative shares of the public and private workforce in formal employment 1985-2010  
(in percentage of total formal employment)**



Source: Authors' calculations according to data from DGS and DGELF

51. **The weight of the informal sector in the Gabonese labor market has continued to grow since 1986.** Estimated at 98,000 in 1985, or 44 percent of the working population, its share of total employment (formal and informal), was estimated at 57 percent in 2010. The informal sector has worked alongside Public Administration as a buffer in providing refuge to a number of people suffering exclusion and precariousness while in search of employment. The 1986 crisis also led to an increase in multi-activity in response to reduced employment opportunities in the modern sector. On the corporate side, it has enabled the emergence of new forms of adjustment in the labor market with the use of short-term contracts and the development of temporary work.

## **Jobless growth 2003-2010**

52. Although growth has been positive with the exception of the year 2009 and the non-oil sector (more labor-intensive and believed to have grown faster than the oil sector), between 2003 and 2009 the formal employment level has steadily declined at an average rate of 3 percent annually. The decline in employment during this period can largely be explained by the restructuring of the economy. Accelerating the timeframe of privatizing public enterprises in 2004 reduced the number of these companies at levels consistent with their activity levels and profitability. This resulted in a reduction of around 4,000 jobs between 2004 and 2007. Gabon Telecom, the only company privatized in 2007, experienced 700 losses out of a total number of 1,050 employees. The financial crisis of 2008-2009 also had a negative effect on employment, mainly in the forestry and mining sectors. The modern private sector workforce showed a decrease of 10 percent in 2008 and 11 percent in 2009.

### ***Chapter conclusion***

53. The analysis of the trajectory and sources of economic growth in Gabon show that no structural changes have occurred in the economy since the 1973 oil shock. Oil exploitation has remained the main source of wealth. Due to the volatility of oil prices, the economy has remained vulnerable to external shocks. The results of the analysis of factor-specific growth contributions show a negative contribution of total factor productivity growth, revealing the inadequacy and/or ineffectiveness of structural reforms by Gabonese authorities to diversify the economy. The accumulation of capital by implementing major infrastructure programs is not enough. There should be more of a shift in government priorities to increase human capital and improve governance and the investment climate to the extent that these variables contribute to increasing the economy's productivity.

54. Another major finding is the weak impact of growth on employment. This is closely related to the two observations made above, the strong dependence on a non-labor-intensive natural resource sector and the failed attempts to promote a non-oil based economy. In Chapter 3, the other main factors contributing to the low impact of growth on employment are examined.

### **III. THE GABONESE LABOR MARKET**

1. This chapter is dedicated to an analysis of the main characteristics of the Gabonese labor market. It is based on the results of the first national survey on employment and unemployment (ENEC 2010, in French) and other written and oral sources (administrative statistics, interviews, and various reports). The analysis of the labor market characteristics is preceded by a presentation of Gabon's demographic profile. Due to the vulnerability of youth and women in the labor market, an analysis of the returns on education and the impact of education on professional integration was undertaken for these two categories of the population.

#### ***Demographic context: a young and urban population***

2. **The socio-demographic characteristics of a population determine the structure of a country's labor market.** The spatial distribution of the population (rural/urban), the weight of youth in conjunction with the age structure, female/male relations and education levels are all structural elements of the labor market.

3. **Gabon is a sparsely populated country.** Spread over an area of 267,667 km<sup>2</sup>, ENEC<sup>3</sup> estimated that the total population of Gabon in 2010 was 1,601,125 inhabitants, with a density of 6.14 residents/km<sup>2</sup>. This is one of the lowest densities in the CEMAC sub-region. Women represent 51 percent of the population. Life expectancy is 62 years for women and 57 years for men. Gabon's sparse population is largely due to its humid equatorial climate, favorable to the development of endemic diseases. The level of male and female sterility has long been a major cause of hypofertility in Gabon.

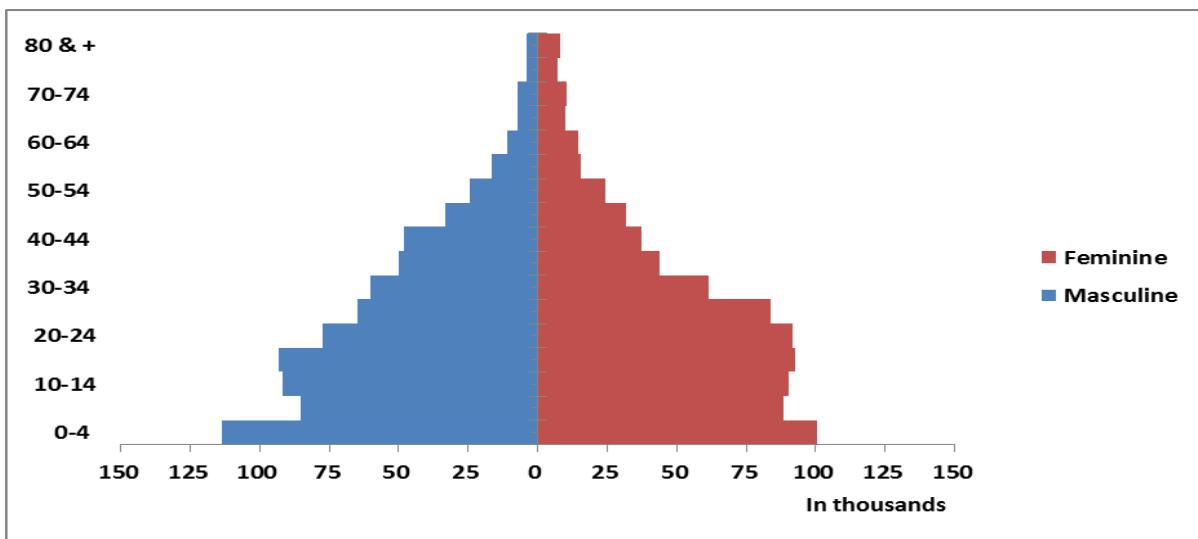
4. **The Gabonese population is relatively young.** Nearly 58 percent of the population is less than 25 years of age and the average age is 24 years. 47.2 percent of the population is under 20 years and 36 percent of the population is under 15 years. The school-age population in primary education (5-14 years) is 22.3 percent and 11.5 percent of Gabonese are between 15 and 19 years of age. The population pyramid below shows that the age structure is roughly the same regardless of gender.

5. **The young population is both an asset and a challenge.** It is an asset because it is a potential reservoir of labor that the country will need to implement its new development vision. It is a challenge as it represents a strong social demand that, if not met, could be a source of social conflict. It also represents a challenge for the economy that must absorb this working population and provide jobs for them in the present and future.

---

<sup>3</sup>The most recent data on population is that of ENEC 2010. The last two General Census of Population and Housing (RGPH, French acronym) were in 1993 and 2003. The use of RGPH data from 2003 has been suspended following a decision of the Constitutional Court. Preparations for RGPH 2013 are underway.

**Graph 12: Age pyramid of the Gabonese population, 2010**  
 (in thousands by age group)



Source: ENEC2010

6. **Eight out of ten Gabonese live in urban areas.** The two major urban centers are Libreville and Port-Gentil, which are home to more than half of the population (51.2 percent). The entire urban population accounts for 82 percent of the total population compared to 4.2 percent in 1960. The rest of the population is concentrated along the road and river routes. Unique in Africa, this situation is the result of a massive rural exodus, mainly for economic reasons. The rapid and unanticipated growth of urban populations, especially in Libreville and Port-Gentil, has resulted in pressure on socio-economic facilities. In contrast, the depopulation of rural areas has gradually led to a decrease in agricultural labor and an increase in the dependent rural population (under 15 and over 65). Finally, the uneven spatial distribution of the population poses a real threat to development, especially in land use planning and the organization of social services.

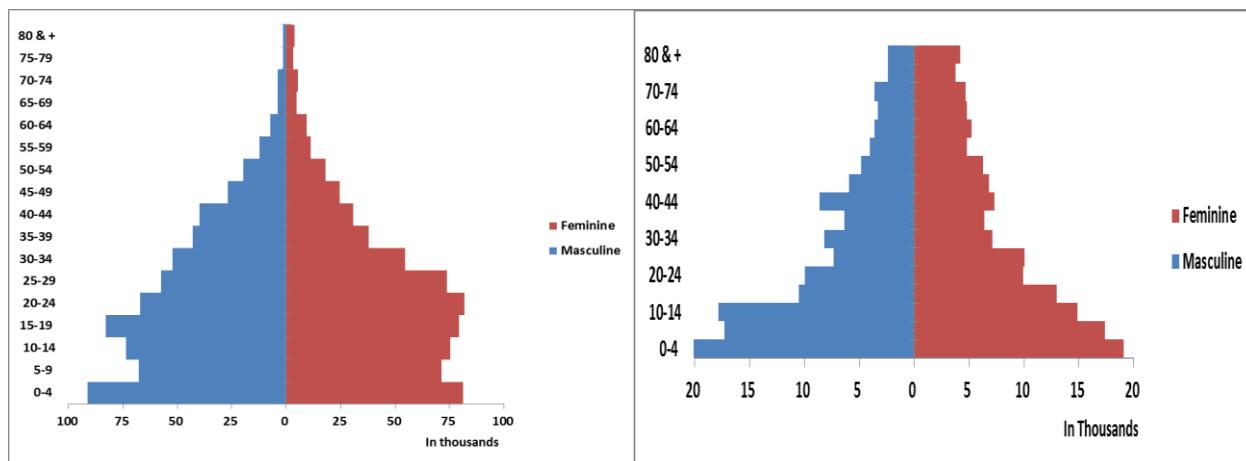
**Graph 13: Structure of the Gabonese population by place of residence and gender 2010**

**Structure of the rural population**

**Structure of the urban population**

(in thousands by age group)

(in thousands by age group)



Source: Authors' calculations using data from ENEC 2010

**7. The immigrant population was estimated to be 200,000 people in 2010, or 12.5 percent of the total population.** 68 percent of immigrants come from West Africa, 22 percent from CEMAC countries, and 7 percent from Central African countries outside of CEMAC. The main reasons for international migration are the search for employment (52.1 percent), family reunification (21.8 percent), and marriage (18.1 percent). More than 50 percent of total immigrants are employed and only 3 percent are affected by unemployment. Even though immigrants have a low average level of education, they perform well as artisans, vendors, and independent workers in the trade, service, and agriculture sectors.

**8. The population has a relatively high education level.** Although decreasing with age, the proportion of educated Gabonese is relatively high: 74 percent at secondary school first cycle, 18 percent at secondary school second cycle, and 6 percent at a higher level. Less than 1 percent of the population has no education. When combining age and education cycle, it can be shown that the enrollment rate is 99 percent in primary school for children aged 6-9 years, 63 percent in secondary school first cycle for students between 15 and 19 years, 34 percent for secondary school second cycle for students between 20 and 24 years, and 17 percent at a higher level for the 25-29 age group. By gender, the results show that 78 percent of women and 71 percent of men have reached a level higher than secondary school. Differences in education attainment detrimental to women were observed for the second cycle secondary levels (21 percent vs. 16 percent) and higher education (8 percent vs. 6 percent). Urban populations have mostly reached the first cycle of secondary school while the majority of rural populations have not progressed beyond the primary level.

**Table 3: Proportion of the school population by age group, 2010  
(in percentage of total population)**

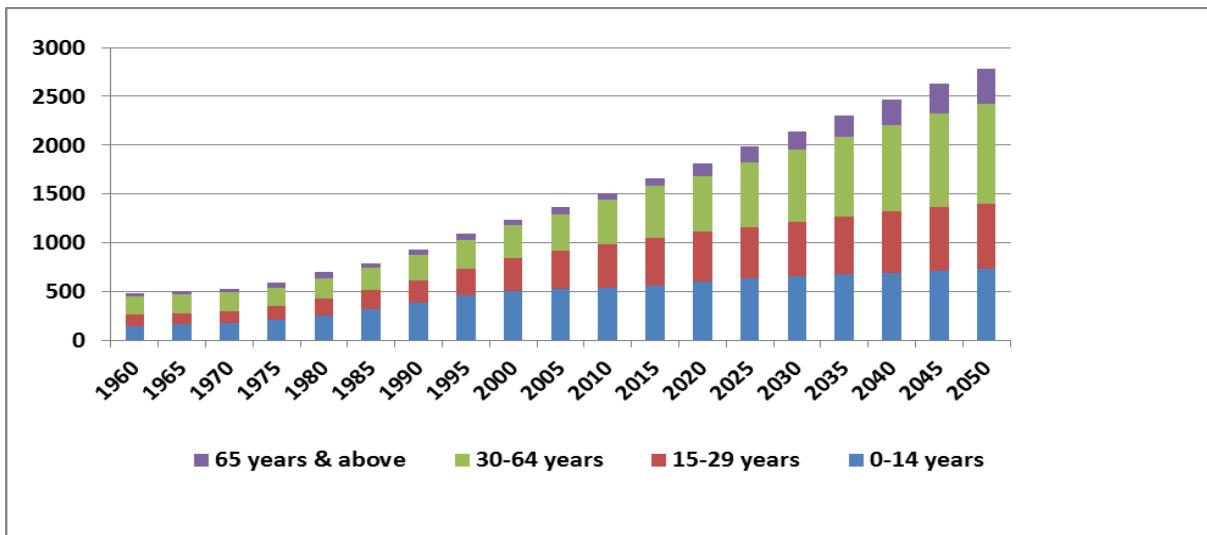
Age group	percent schooled	percent non-schooled
<b>6-9 years</b>	93.7	6.3
<b>10-14 years</b>	98.6	1.4
<b>15-19 years</b>	98.2	1.8
<b>20-24 years</b>	96.2	3.8
<b>25-29 years</b>	94.3	5.7
<b>30-34 years</b>	94.5	5.5
<b>35-39 years</b>	92.9	7.1
<b>40-44 years</b>	92.5	7.5
<b>45-49 years</b>	91.8	8.2
<b>50-54 years</b>	86.2	13.8
<b>55-59 years</b>	88.1	11.9
<b>60 years and +</b>	49.2	50.8

*Source: ENEC2010, DGRH-DGS*

**9. The available demographic projections indicate that the Gabonese population will reach 2.1 million by 2025 and 3.2 million by 2050.** Although the proportion of young people (under 30) should gradually decline to 50 percent of the total population by 2050 compared to 68 percent

in 2000, the Gabonese population remains very young and will put the country in high demand for basic social infrastructure (education, health, housing) and employment. The working age population could represent 68 percent of the total population by 2025 and 74 percent by 2050, a labor force of 1.4 million people by 2025 and 2.4 million by 2050.

**Graph 14: Demographic projections, 1960-2025**  
(in thousands by age group)



Source: United Nations, Department of Economic and Social Affairs

### **Main features of the Gabonese labor market**

10. The Gabonese working population according to the ILO was assessed by the ENEC in 2010 to be 494,183 people. Of these, the economy employed 393,440 people the same year. The labor market therefore reached a deficit of 100,750 employees, equivalent to an unemployment rate of 20.4 percent. By incorporating discouraged workers, estimated at 49,341 people, the Gabonese workforce reached 543,524. Aside from a high unemployment level affecting mainly young graduates, the Gabonese labor market stands out by its urban labor force and the importance of the public sector. However, as in other African economies, the Gabonese labor market includes a high percentage of informal employment.

**Table 4: Structure of the working population, 2010 (workforce numbers)**

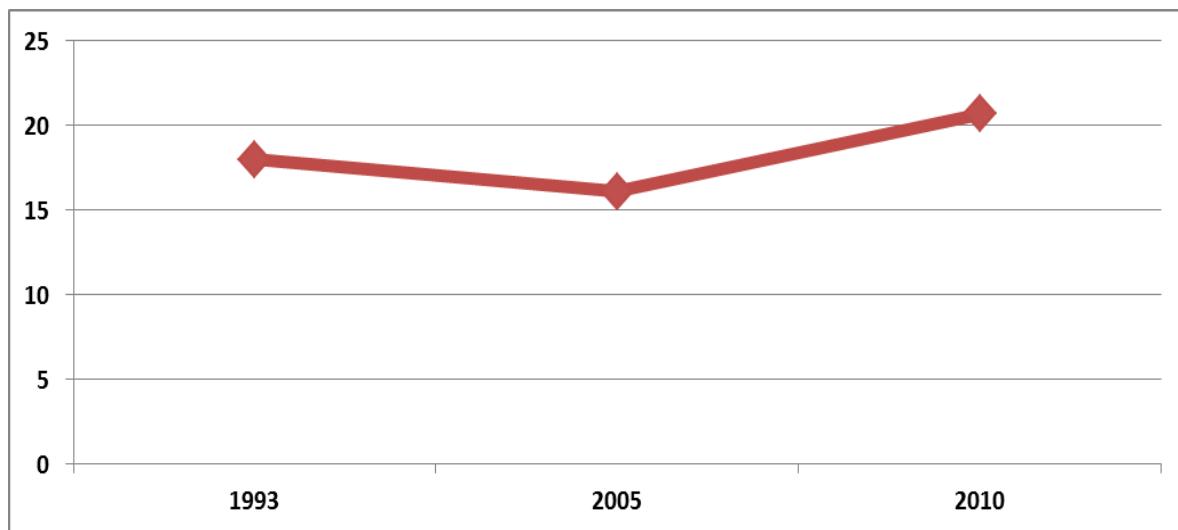
	Total	Females	Males
<b>Employed</b>	<b>393440</b>	<b>244020</b>	<b>149420</b>
<b>Unemployed</b>	<b>100743</b>	<b>41130</b>	<b>59613</b>
<b>Discouraged workers</b>	<b>49341</b>	<b>16268</b>	<b>33073</b>
<b>Total labor force</b>			
ILO definition	<b>494183</b>	<b>285150</b>	<b>209033</b>
Including discouraged workers	543524	301418	242106

Source: ENEC2010

## **Very high and rising unemployment**

**11. The unemployment level is the most striking aspect of the Gabonese labor market.** Measured at 18 percent during the 1993 general population census, Gabon's unemployment rate according to the ILO<sup>4</sup> was estimated by ENEC to be 20.4 percent in 2010 with unemployment growing (including "discouraged workers") to 27.6 percent. It increased by five percentage points between 2005 and 2010 as the 2005 Gabonese poverty assessment survey (EGEP) estimated it to be 16.3 percent.

**Graph 15: Evolution of unemployment rate (according to ILO) in Gabon, 1993-2010**  
(in percentage)



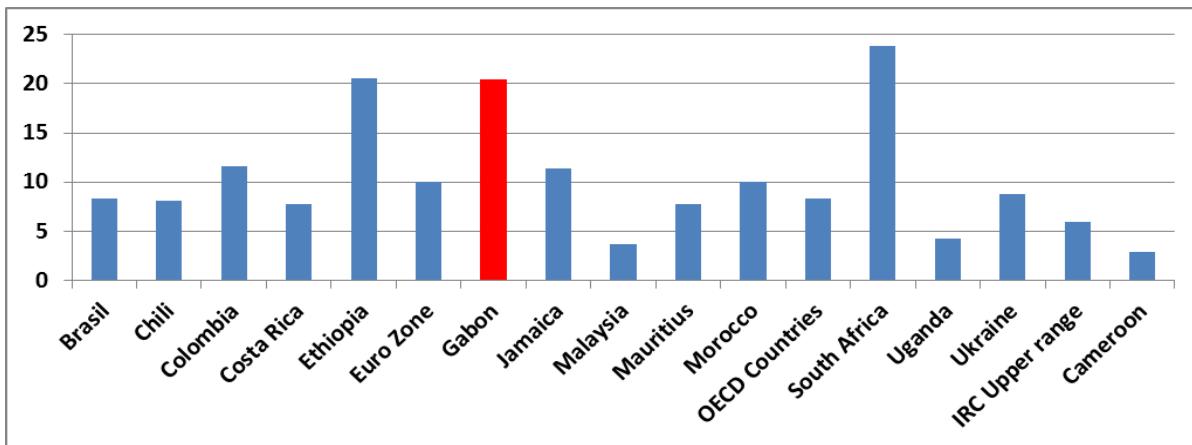
Source: RGPH1993, EGEP2005, ENEC2010

**12.** The comparison with a number of countries and groups of countries in various world regions where a national rate was available confirmed Gabon's particularly high unemployment rate. The figure 16 below shows that it is about ten times higher than in Cameroon, four times more than average middle-income countries, and twice to three times more than in other countries selected for comparison with the exception of South Africa and Ethiopia.

---

<sup>4</sup>Unemployed (according to ILO): a worker that hasn't worked during the seven days prior to the survey, even for an hour, and who is looking for a job and is available to start immediately. Unemployment in the broader sense: ILO unemployed + "discouraged workers" (=non-workers who haven't looked for a job during the seven days prior to the survey but are still available if they were offered a job).

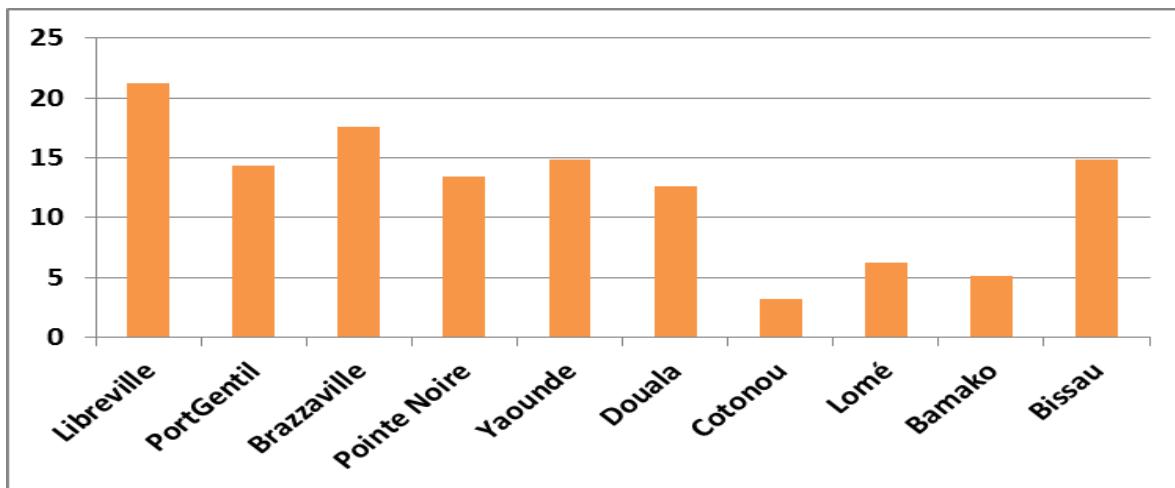
**Graph 16: Unemployment rate in Gabon and comparator countries, 2010<sup>5</sup> (in percentage)**



Source: World Bank

13. A comparison of unemployment rates in Libreville and Port-Gentil with those observed in other large African cities in the central and western regions shows the widespread extent of unemployment in Gabon. In Libreville, the unemployment rate is about five points above the one found in Yaoundé, nine points above Douala, four points higher than in Brazzaville, and eight points above Pointe Noire. Both Gabonese cities show a level of unemployment that is twice to six times higher than that observed in WEAMU cities where the unemployment rate (except Bissau) does not reach 7 percent.

**Graph 17: Unemployment rates in the major cities of West Africa, 2010  
(in percentage)**



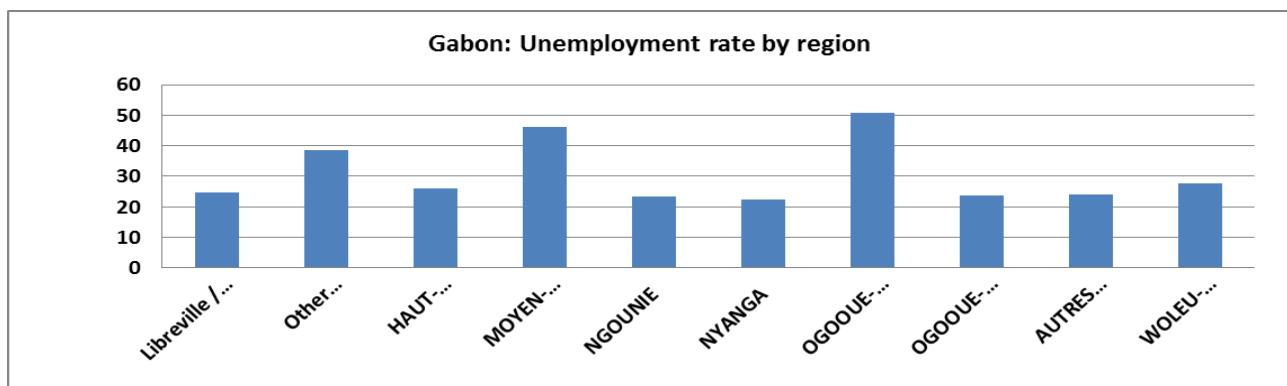
Sources: ENEC2010, DGRH-DGS; EDM-IHPCUEMOA 2008; EESI2005-2010; EESIC09/2010.

14. The unemployment rate is higher in urban areas (around 21 percent) than in rural areas

<sup>5</sup>Unemployment rate in Gabon comes from ENEC 2010, while those of other countries are from 2009.

**(19 percent).** However, in relation to the rapid urbanization in Gabon, the large majority of unemployed persons (nine out of ten) are in cities, especially in the two largest employment areas, Libreville and Port-Gentil, where unemployment rates are 21.2 percent and 14.3 percent respectively. The high level of unemployment in urban areas and the proportion of discouraged workers highlight the potential of the non-employed workers and the need to implement measures to enhance their employability. The provinces of Estuaire (outside Libreville), Moyen-Ogooué and Ogooué Ivindo are the most affected by unemployment with rates of 28.5 percent (the first two) and 23.5 percent for the latter. Woleu-Ntem has a rate of 7 percent and is the province the least affected by unemployment.

**Graph 18: Unemployment rate by province, 2010  
(in percentage)**

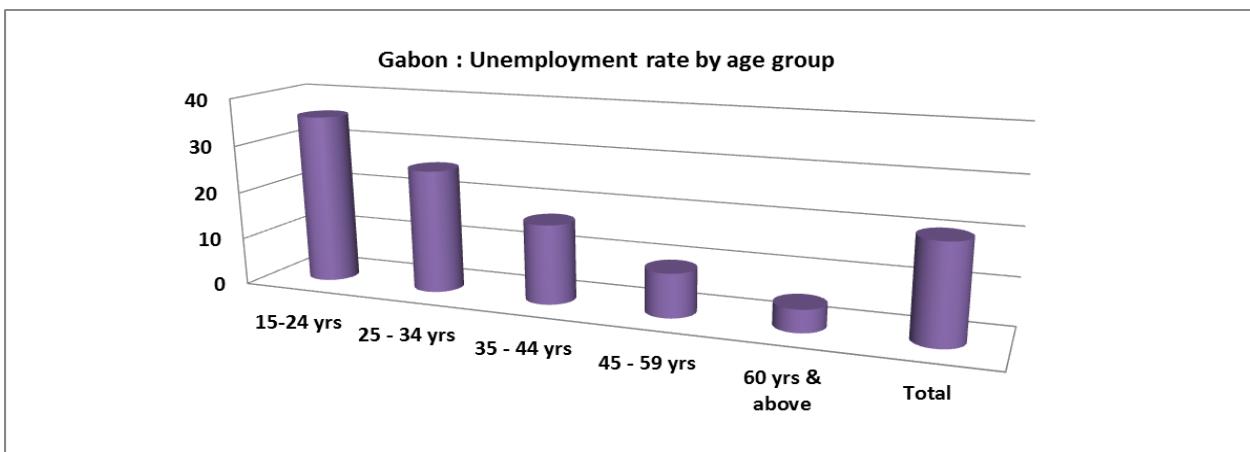


Source: ENEC2010

**15. Unemployment in Gabon is long-term (six years on average).** The proportion of people unemployed for more than one year is 75 percent. On average, women spend more time unemployed (77.9 months) than men (73.8 months). The short-term unemployed population represents around 20 percent of first-time job seekers and around 30 percent of those who were previously working. This unusually long duration of unemployment is mainly due to (i) the lack of training, as it can take six years for the unemployed to be fully trained in order to seek job opportunities; (ii) an inadequate education and training system; (iii) the inadequacy of the institutional framework, including employment agencies, (iv) slow job creation. In the absence of unemployment insurance, this long-term unemployment is only bearable due to traditional solidarity mechanisms.

**16. Young people are most affected by unemployment.** The unemployment rate reached 35.7 percent among those aged 15 to 24 years regardless of their place of residence (urban or rural). Young people face many difficulties in becoming professionals after leaving the education system. Unemployment then decreases with age, at 36 percent for 25-34 year olds and 17 percent for the 34-44 year-old age group. Of course it is even lower (almost 5 percent) for senior citizens. A significant unemployment rate among young people is a potential source of economic and social problems and points to the urgent need to implement strong measures to encourage broad job creation.

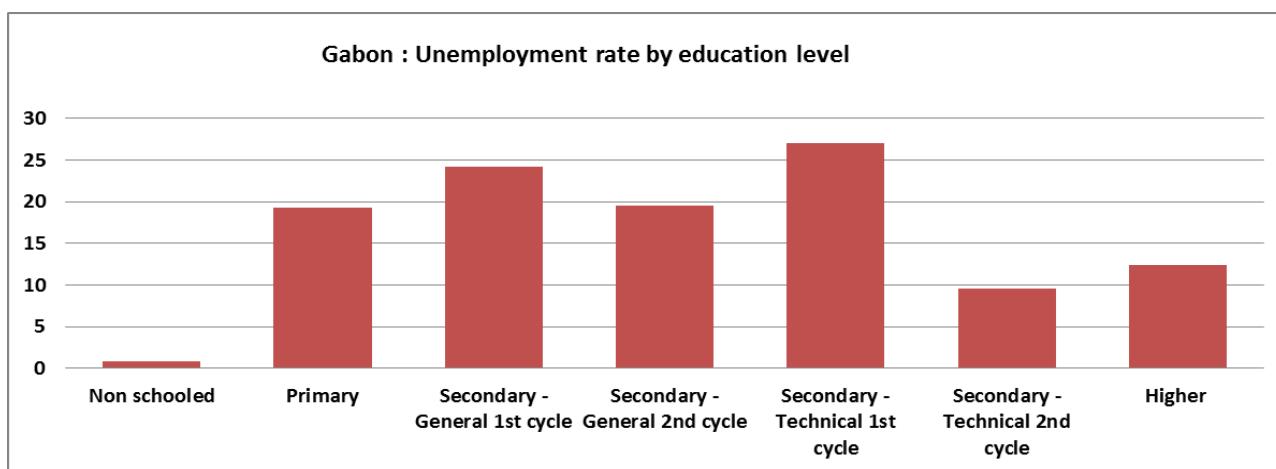
**Graph 19: Unemployment rate by age group, 2010  
(in percentage)**



Source: Authors' calculations using data from ENEC 2010

17. **Access to education does not protect against unemployment in Gabon.** Individuals who have completed the first cycle of secondary and technical school are most affected by unemployment (24 percent and 27 percent respectively). Among those who have reached the secondary school second cycle, graduates in technical majors (10 percent) are less affected than those who received general training (20 percent). However, individuals who have completed higher education have a higher unemployment rate (12 percent) than those with a secondary education level (10 percent). Less than 1 percent of the workforce who has not attended school was affected by unemployment. The low unemployment rate among people with no education, however, should be considered alongside the fact that the vast majority of their occupations are precarious and difficult.

**Graph 20: Unemployment rate by education level, 2010  
(in percentage)**



Source: ENEC2010

18. High unemployment among the educated workforce was also observed in other countries in the sub-region, such as Cameroon (Lachaud, 1995), and Congo (Kuépié and Nordman, 2011). This can be explained by both the population's growing level of education and staff turnover as well as an education system that does not adequately respond to the needs of employers in the labor

market who mention difficulties in employing educated young people. Entrepreneurs offer skilled positions that the unemployed, both those who have previously worked and first time job seekers, cannot fully qualify for.

**19. Data on the investment activity of the National Employment Office shows that despite demand that exceeds the job offer, more than two-thirds of corporate job offers are not met with corresponding profiles.** This low satisfaction rate is found across all job categories. However, it is lower for applicants who are skilled laborers, technicians, or engineers. This structural imbalance in the market is not a new phenomenon in Gabon. In 1978, the activity report of the Department of Labor and Employment and the Ministry of Labor had already noted a low absorption rate of job offers. Out of 1,338 jobs available, only 938 offers were satisfied. Similarly, for 2,768 job applications, only 588 had been met. This imbalance can only be explained by the mismatch between employment supply and demand, the opacity of the labor market, and the lack of job seekers' professional qualifications.

**Table 5: Satisfaction rate of employment vacancies and applications by qualification level, 2010  
(Workforce numbers)**

	Job applications	Offers met	Offers not met	Satisfaction rate of offers (in percent)	Satisfaction rate of demands (in percent)
Managers/Engineers	971	188	64	34.0	6.6
Senior technicians	1,324	321	149	46.4	11.2
Technicians	302	217	68	31.3	22.5
Qualified laborers	1,086	82	19	23.2	1.7
Specialized laborers	835	142	67	47.2	8.0
Low-skilled laborers	142	42	25	59.5	17.6
<b>Total</b>	<b>4,660</b>	<b>992</b>	<b>392</b>	<b>39.5</b>	<b>8.4</b>

*Source: ONE*

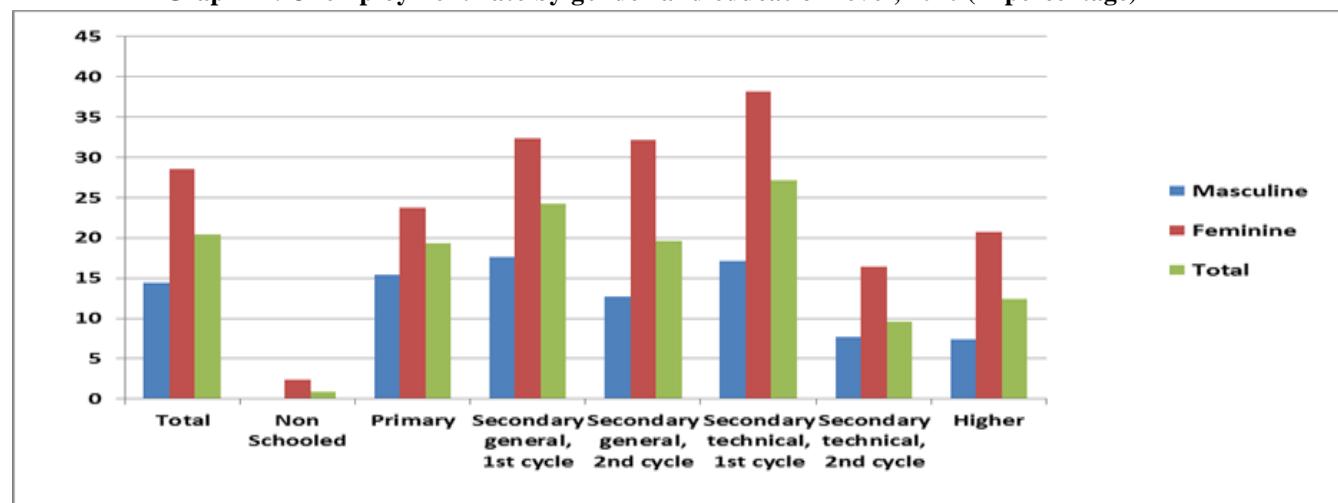
20. A lower unemployment rate among graduates of technical courses than those with general training tends to confirm the dominance of the structural component of unemployment in Gabon and the need for more professional and technical training paths.

21. The low unemployment rate of uneducated people is partly explained by the fact that they have low demands in both wages and working conditions. This working class category should be larger in the informal sector where access to employment is easier. The relatively low rate for graduate level individuals can be explained by the fact that they are largely aimed towards the public sector.

**22. Women are very vulnerable in the labor market.** First of all, 39 percent of them are working for themselves, primarily in informal agricultural and trade jobs or performing unpaid work compared to 27.6 percent of men. Next, female unemployment is about twice that of men, and it is among them that more discouraged workers are found. As a result, they are less present in the labor market with a participation rate of 34.5 percent, or a 15-point difference from men, who stand at 49.6 percent.

**23. The vulnerability of women in the labor market is mainly the result of differences observed in secondary and higher education.** While the girl/boy ratio is close to 1:1 at the primary level, significant differences in education levels to the detriment of women were observed for secondary school second cycle and higher with 21 percent compared to 16 percent, and 8 percent compared to 6 percent. 23 percent of young girls who stopped attending school say that it's because of pregnancy and early marriage and 42 percent say that it is due to their parents' financial inability. As in most African countries, because of this, women earn lower incomes. The EGEP results revealed in 2005 showed that more than half of employed women reported less than 50,000 CFA francs as a monthly income while only 1/5<sup>th</sup> of men are in this situation. At the other extreme, only 12 percent receive a monthly income of more than 200,000 CFA francs compared to more than 28 percent of men.

**Graph 21: Unemployment rate by gender and education level, 2010 (in percentage)**



Source: ENEC2010

-Overall, unschooled, primary, general secondary 1<sup>st</sup> cycle, general secondary 2<sup>nd</sup> cycle, technical secondary 1<sup>st</sup> cycle, technical secondary 2<sup>nd</sup> cycle, higher

**24. High unemployment partly explains the high proportion of the dependent population.** The proportion of inactive people in Gabon is 69.1 percent in the ILO sense and 66 percent in the broader sense, indicating a share of 3.1 percent of working people are discouraged from their integration into the labor market. As such, they are discouraged workers. This increases both the economic and social burden borne by the workforce. Furthermore, the dependency ratio is 1.9 in the broad sense and 2.2 in ILO terms. Women and young people (15-24 years) bear the greatest economic and social burden with a dependency ratio of 2.3 compared to 1.62 in the broad sense and 2.9 compared to 1.8 in ILO terms. Among youth, the dependency ratio is 3.7 in the broad

sense and 4.7 in ILO terms. This shows that women and young people face much higher economic and social burdens than the national average. This is indicative of the vulnerability of both of these groups of people.

**25. The participation rate according to age indicates relatively late entry into the workforce.** Indeed, the rate is 18.3percent for young people (15-24 years) while it is very high for the 35-44 year old age group (79.2percent). The activity level then decreases to 24.2percent for seniors (60 years and older). Generally, late entry into the workforce is due to the lengthening of the period of education, but also the degradation of a labor market that is struggling to create jobs. The low participation of older workers (60 and over) is due to the existence of other sources of income such as housing rent, annuity, retirement pension, the contribution of children, and a gradual exit from the labor market. Text

Box 1: National survey on employment and unemployment (ENE)

The work of the National Survey on Employment and Unemployment (ENE), based on the methodology of 1-2-3 surveys, was jointly conducted by the Directorate General of Human Resources (DGRH) and the Directorate General of Statistics, two technical structures of the Ministry of Employment and Economy.

The 1-2-3 survey is a modular joint survey (household/enterprise) developed by DIAL researchers (Amegashieetal.2005; Razafindrakoto and al.2009;Nordman and Roubaud, 2010). In its full version, it is a system of three nested surveys, aimed at different statistical populations: individuals, production units, and households, and is carried out in three phases. The first phase is a survey on employment, unemployment, and working conditions of households and individuals. It helps document and analyze the functioning of the labor market and is used as a filter for the second phase, where representative samples of Informal Production Units (UPI) were sampled. This was a survey of the informal sector, which seeks to measure the main economic and productive characteristics of production units (production, value added, investment, financing), the main difficulties encountered in activity development, and which types of support informal sector entrepreneurs should expect from public authorities. The third phase was a specific survey on the consumption expenditure of households. It focused on the sub-sample of households selected in Phase 1. It allowed the weight of the formal and informal sector to be estimated for the consumption level of households and income poverty based on expenses.

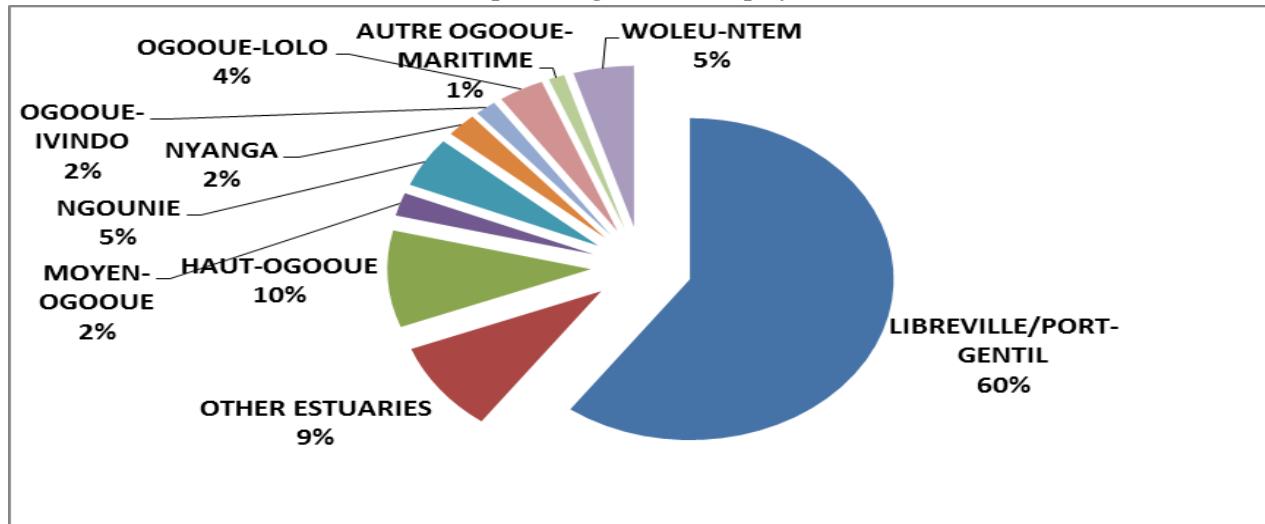
In Gabon, only Phase 1 (ENE) was conducted in 2010. Phase 2 is planned to be conducted in the near future on the informal sector. ENEC is a national survey and has covered a sample of 3,675 households; 2,575 urban and 1,100 rural. 12,037 individuals ten years and older (8,361 urban and 3,406 rural) were given the individual questionnaire on employment. However, the job analysis was interested in people 15 years and older. Overall satisfactory, the ENEC results were largely used in this study.

## A largely urban and informal labor force

**26. Employment is concentrated in the country's three largest cities.** Libreville, Port-Gentil, and Franceville-Moanda (main cities of Haut-Ogooué) are home to 70 percent of the employed. The administrative capital of Libreville is where the majority of administrative and essential non-oil activities (services, industries, trade, etc.) are conducted while Port-Gentil and the rest of Ogooué-Maritime concentrate on oil activities. The Franceville-Moanda region specializes in mining, mainly manganese. The northern (Woleu-Ntem) and southern (Ngounié and Nyanga) regions are mainly agricultural while the provinces of Moyen-Ogooué and Ogooué Ivindo harbor

timber operations and processing. In addition to forestry, Ogooué-Ivindo focuses on artisanal mining activities.

**Graph 22: Geographical distribution of employment in Gabon, 2010  
(in percentage of total employed)**



Source: ENEC2010

27. **Nearly half the employed (47 percent) work for companies in the informal sector.** Since the vast majority of workers employed in households and associative businesses do not report to the national social security fund, the proportion of informal employment is actually approaching 57 percent of overall employment. Thus, Gabon does not escape the informality that characterizes African economies. As seen in Graph 23 below, informal employment in Gabon is dominated by the service sector (transport, food, sewing, mechanical repairs, etc.) that represents 38 percent of total employment in the sector compared to 29 percent in trade and 19 percent in agriculture. Industries and public works and civil engineering (mainly construction) are 9 percent and 5 percent respectively.<sup>6</sup>

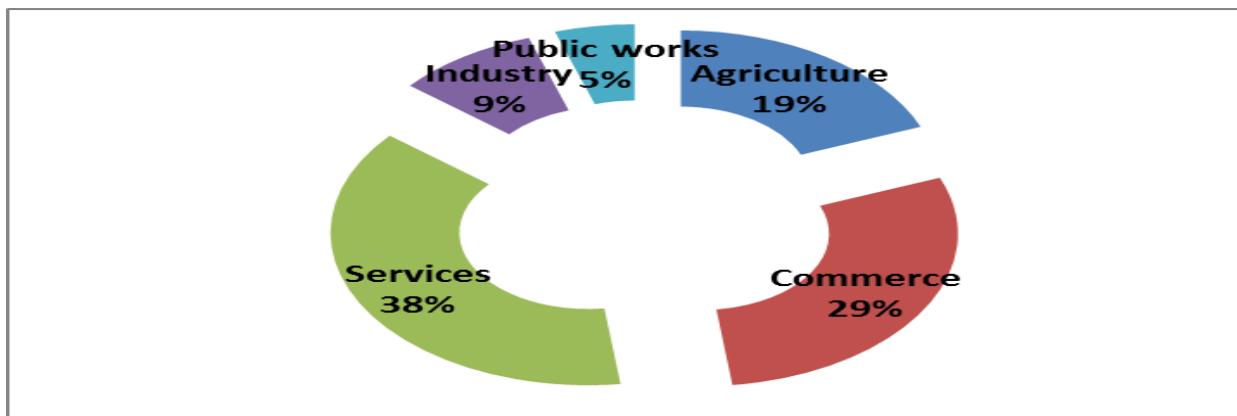
28. Informal activities are carried out largely by a working immigrant population which is mainly present in retail markets and shops, urban and intercity transport and agriculture. Nationals are more visible in construction, carpentry, and services. Overall, people engaged in informal enterprises do not have a strong education base. They generally acquire training on the job.

---

<sup>66</sup>The working population is around 393,000 people

**Graph 23: Distribution of informal employment by activity sector, 2010**

(in percentage of total informal employment)

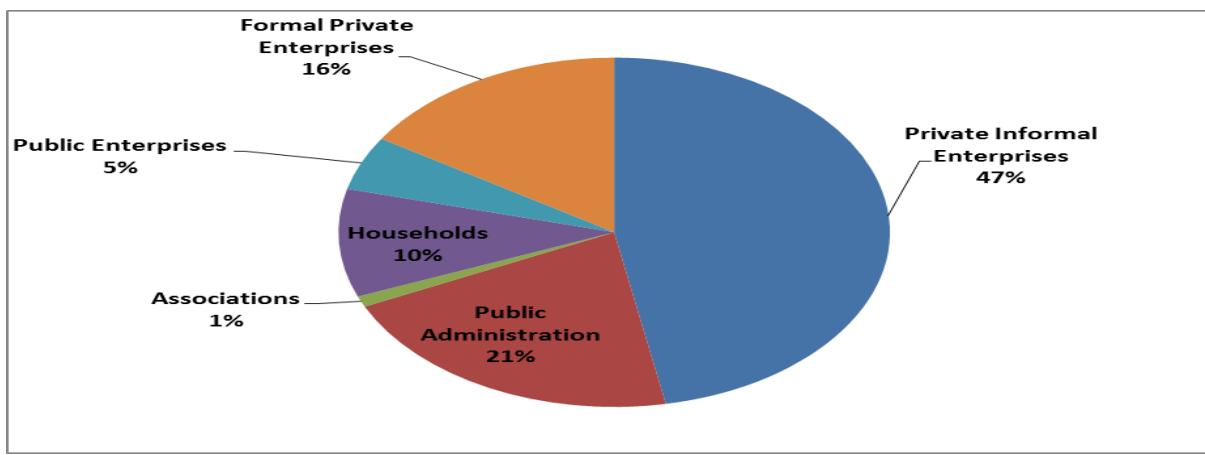


Source: Authors' estimates based on data from ENEC 2010

29. As in many other African countries, the informal sector in Gabon has developed following the collapse of entire sections of the formal sector after the sharp decline in oil prices in 1986 that led to a strong contraction of the formal sector workforce (see Section 2 of Chapter 1). The surplus of labor in the formal sector is mainly in urban areas and within the informal economy. In face of the crisis, entry into the informal sector has been the only alternative for many laid-off workers in the formal sectors and new entrants into the labor market.

**Graph 22: Distribution of employment by institutional sector, 2010**

(in percentage of total working population)



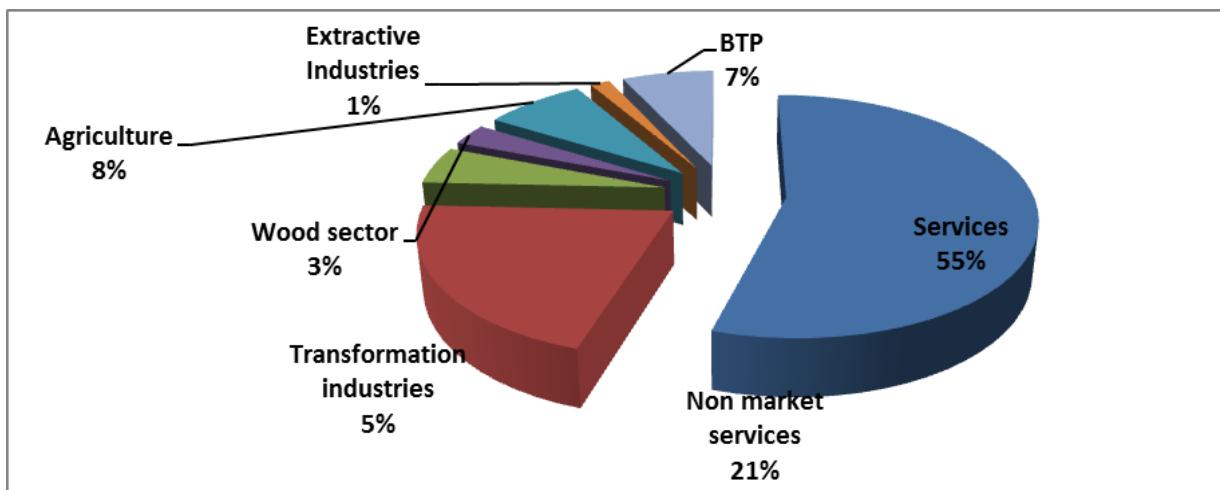
Source: ENEC 2010

30. **The public sector makes up 21 percent of the total employed population, or two-thirds of formal employment, and is the country's second largest employer.** Public employment includes permanent employees of the civil service, local government staff, and non-permanent government workers. Social administration employees accounted for 36 percent in 2010 and security forces were the most significant, making up about half of public employees. Estimated at approximately 47,000 employees in 1985, public sector employment has more than doubled in 25

years, reaching more than 100,000 employees in 2010 according to the ENEC<sup>7</sup> results, following massive recruitment of staff that did not follow any programming or expression of real needs from the administration. Access to public administration jobs is seen as the only way to have a stable professional situation.

**31. The distribution of the workforce according to industry reveals the predominance of the tertiary sector.** Total market and non-market services employ 66 percent of the labor force. The weight of farm employment is 8 percent including employees of large farms, (palm oil, rubber), cash crops (coffee, cocoa), and small farms in rural and peri-urban areas. Extractive industries (mining and oil) are the country's main sources of value added wealth and only employ 2 percent of the labor force.

**Graph 23: Distribution of total employment by activity sector  
(in percentage of total employed)**



Source: Authors' calculations using data from ENEC 2010

32. The share of the public works and civil engineering industry in employment is currently estimated at 7 percent and is expected to increase over the coming years with the implementation of a master plan including 21 major infrastructure projects. The Gabonese government announced the cost to be six billion USD over six years. The rest of employment is distributed among the processing (5 percent) and forestry (3 percent) sectors.

33. **Structuring employment by socio-professional category shows that wage earning is the most dominant method of remuneration in Gabon.** 65 percent of workers are laborers, business executives, and handlers. The self-employed and business owners represent 30 and 3 percent of the labor force respectively. Wage earning is predominant in urban areas and the public sector while the self-employed are more numerous in rural areas and are mostly women.

34. **The Gabonese public sector stand out by a very high executive staff ratio.** Senior executives make up half (52 percent) of public sector employees, which also consists of 72 percent of working executives. The inverted structure of the public sector workforce (1.4 executive staff

<sup>7</sup>Administrative statistics of the Directorate General of Economy noted 77,576 agents/employees in 2010

for 1 qualified laborer and 4.6 executive staff for 1 unskilled worker) is indicative of the very large income differential between managerial jobs and other positions in the public sector. These differences prompt government officials to use various processes (administrative support, exceptional promotions) to access the highest administrative categories as well as better paid administrative and political positions.

**35. Overall, the government absorbs the bulk of skilled labor.** Two-thirds of workers with a higher educational level work in the public administration, largely in the areas of education and health. However, two-thirds of the uneducated and half of those with a primary education are engaged in agriculture. Workers with intermediate levels of education are mainly found in the sectors of forestry, construction, transport, and some manufacturing and service industries.

**Table 6: Distribution of main employment by institutional sector and socio-professional category, 2010 (number of employed/workforce numbers)**

	Public Sector	Formal	Private Total enterprises informal enterprises	
<b>Executives</b>	53,498	11,223	9,514	74,235
<b>Skilled workers and employees</b>	37,153	31,878	45,765	114,796
<b>Laborers</b>	11,594	97,83	47,074	68,451
<b>Owners/Employers</b>		3,340	6,667	10,007
<b>Independent workers</b>		9,161	109,124	118,285
<b>Apprentices</b>		693	2,146	2,839
<b>Caregivers</b>		279	4,548	4,827
<b>Total</b>	<b>102,245</b>	<b>66,357</b>	<b>224,838</b>	<b>39,3440</b>

*Source: Authors' calculations using data from ENEC 2010*

36. The high concentration of executives in the administration at the expense of the private sector is actually the result of a higher education provision largely dominated by general education and humanities (this issue is discussed in the next chapter) that predisposes them to enter more easily into public work than in the private sector, where half (48 percent) of the workforce is comprised of laborers and skilled employees. In all cases, the inverse structure of the public sector labor force reveals inefficient management by government personnel whose recruitment corresponds less to actual needs than the redistribution of oil revenue. Conscious of that, the government undertook an audit of State employees in 2009 with the aim of reducing and redeploying them. The results of this audit have not been published yet.

**37. Another observation emerging from the distribution of the labor force by socio-professional category is the high proportion of owners/employers and independent workers in the informal sector.** 67 percent of owners/employers and 92 percent of independent workers work in the informal sector. This is consistent with the size of the informal sector. It consists of a large number of small-business owners. A large proportion of employers and the self-employed

can be explained by an investment climate that has increased the cost of being in the formal sector. Greater understanding of the formal sector is needed to better understand the causes of this informality (high taxes, restrictive social legislation, etc.) and to implement accompanying measures to gradually turn these owners and informal independent workers into formal businesses likely to create more jobs.

**38. The Gabonese labor market is also characterized by a high proportion of vulnerable employment. In Gabon, a third of the workforce is currently employed in vulnerable jobs.** 32 percent of workers say that they perform unpaid work. For subsistence farming, the female population over age 60 seems to be the most at risk (84 percent). The elderly, who are mostly of post-retirement age, also have a very high vulnerable employment rate (71 percent), as do young people between 15 and 25, 29.5 percent of whom are found in vulnerable employment. However, the population between 25 and 34 years seems to have less vulnerable employment (29 percent).

**39. There is also a high rate of underemployment in Gabon, mainly for women in rural areas.** In rural areas, this is around 30 percent vs. 24 percent in urban areas (overall rate of 22.5 percent). Women are more affected than men, with rates of 28 percent and 19.1 percent, respectively. The underemployment level in urban areas can be explained by multiple activities, especially among young people who work in the informal sector. In rural areas, it is mostly due to working in seasonal activities.

### **Relatively high labor costs**

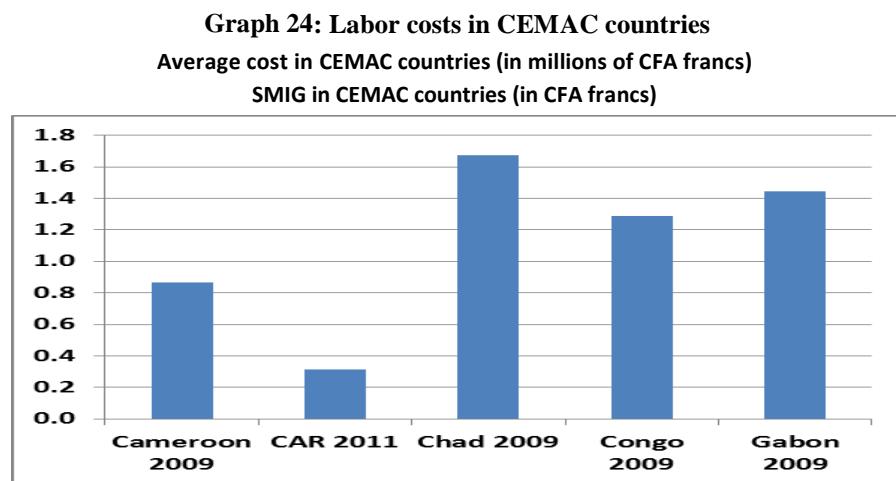
40. The data currently available on companies and the labor market in general does not enable a detailed analysis of Gabon's labor cost and productivity. However, two indicators are used to confirm the existence of the relatively high cost of labor: the minimum guaranteed interoccupational wage (SMIG, French acronym) and the average cost per worker. The minimum wage in Gabon was set at 80,000 CFA francs in 2006. Measured by these two indicators, although the labor cost in Gabon is comparable to other oil-based economies in the CEMAC sub-region, it is very high compared to the most structured sub-region economy, Cameroon. As seen in Graph 26 below, Gabon's minimum wage is almost three times higher than in Cameroon, and the average worker's wage is twice higher.

41. A comparison with other countries is actually irrelevant as Chad, Congo, and Equatorial Guinea are affected by the "Dutch syndrome" and therefore are affected by the same constraints as Gabon. The difference in competitiveness between these neighboring countries and that of Gabon cannot be blamed on the variable cost of labor. Because of its isolation as well as its social and political instability, Central Africa does not constitute a good reference.

**42. A recent ILO study on jobs generated through the strategy for growth and poverty reduction adopted in 2006 revealed very low wages in the private sector despite high national average cost.** It revealed that in the private informal and formal sector, 44 percent of wages distributed were less than 50,000 CFA francs, therefore lower than minimum wage, and almost two-thirds of wages (62 percent) are less than 100,000 CFA francs. These low wages are mainly in agriculture, fisheries, and trade, where informality is more prevalent. Processing industries,

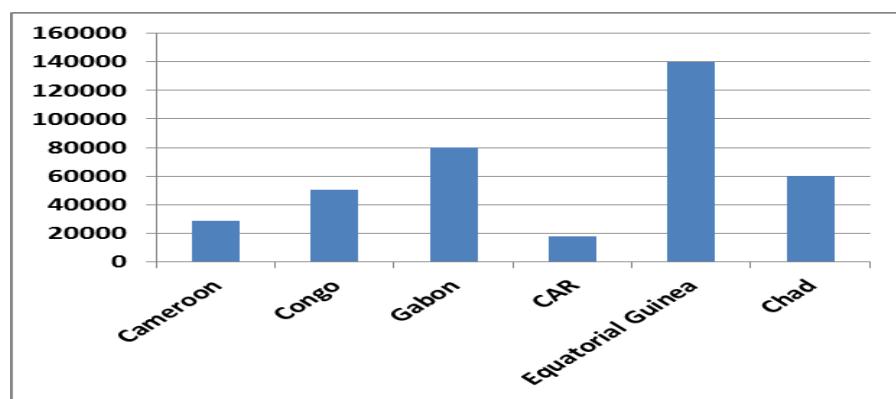
construction, and transport have salaries that are close to the average while the highest salaries (more than a million CFA francs) are recorded in the oil, mining, and service sector (mainly telecommunications).

**43. The results of ENEC 2010 (Graph 27) tend to show that the wages in the public sector are what drives up the labor cost in Gabon.** The labor force in the public sector earns an average of 308,300 CFA francs monthly compared to the private sector which has an average monthly wage of 250,500 CFA francs. The average income in the informal sector is 158,800 CFA francs. As noted in Chapter 1, the 1973 oil boom was the trigger for the upward trend of wages in the public sector, which in turn spread to the rest of the economy as the result of downward rigidities. Along with the oil sector, the public sector is contributing to the rising cost of living and maintains downward wage rigidity in the non-oil productive sector.



Source: World Bank and national governments

**Graph 25: Average monthly earnings by sector in Gabon, 2010**  
(in thousands of CFA Francs)



Source: ENEC2010

**44.** Although maintaining very high incomes in the public sector is not sustainable in the long term, due to the inevitable depletion of oil resources and the fact that they contribute to burdening the economy's overall competitiveness, it would be socially and politically costly to engage in a

downwards revision of the public wage grid. This idea is borne out by the proliferation of strikes to demand wage increases, mainly in education and health.

45. However, the existence of a relatively high cost of labor recommends investing in human capital in order to increase the quality of labor, and specializing in high added value niches. This approach will require a restructuring of the education system.

### ***Education and employability of youth and women in Gabon***

46. This section focuses on an analysis of the important issues of employability and returns to education concerning two vulnerable groups in the labor market, women and youth. The factors explaining the integration of women and youth into the labor market in Gabon were analyzed through a multinomial LOGIT model, while estimating the return to education using an augmented Mincer model.

47. The model estimation involves two subsets for both women and youth. For women, the subsets are: the 15 and older age group, and employed women 15 years and older. For youth, the focus age group is 15-29 years old; a specific model was also developed for the labor force of this same age group.

### **Education and employability**

48. **Integration into the labor market is assessed through two dimensions: participation in economic activity and the nature of the industry.** The first enables us to consider employability in terms of availability or the unwillingness of individuals to participate in economic activities, while the second is used to analyze the employability problem from the angle of the sector of the job performed by the worker. The main results of the analysis are the following:

49. **Women with higher education levels are more likely to get a job than those with a lower education level.<sup>8</sup>** After controlling all other variables, we found that the education level of women has a significant overall effect on their participation in the labor market (see table of model effects). This result is consistent with that obtained in Mali where the authors described the impact of access to higher education. But we do not know whether this access to higher education is in favor of the employed or the unemployed. Therefore, in this case, a detailed analysis according to the activity status was made and revealed that the difference between various education levels and higher education in determining the relative chance of being employed in the labor force rather than being unemployed is not significant. However, women are more likely to be unemployed. In other words, for women who have primary or secondary first cycle education, the risk of them being unemployed and inactive is at least twice higher than for women with “higher” education.

---

<sup>8</sup>Doumbia Gakou, A. and Kuépié M. (2008), Niveau et déterminants de l’insertion des femmes sur le marché du Travail malien, Working document No. DT/2008-09, Dial.

- **Women who received general training are less likely to be employed than women with vocational training.** Women who received general training only have a 54 percent better chance of being employed than those who received vocational training. Those who received no training have a 29 percent better chance of being employed than those with a higher education level.
- **Education level furthers the employability of women in the formal sector.** The relative chance of being hired in the public sector rather than being unemployed or inactive increases with education level. A woman who completed primary or secondary school has 20 percent chance of the one with “higher” education to be employed by the formal sector. Those who have no education compared to those who have graduated university have no chance at integration into the private formal market.
- **The probability of employment for young people decreases with education level.** Compared to the employability of a university student, young people are 2.7 times, 2.2 times, or once more likely to be employed if they have completed primary education, secondary first cycle, or secondary second cycle. On the other hand, youths who have no primary or secondary first cycle education are five times and three times more at risk than university students for unemployment.

**50. Overall, the model shows that young people with a lower education level (secondary first cycle) are more employable in the private sector (formal and informal) while the public sector is more likely to hire better-educated young people (higher or secondary second cycle).** A brief explanation of the difference between these two sectors is that the public sector (including civil service) ranks its recruits according to their degree level (BEPC or Bac or Bac+n, respectively first cycle educational diploma, higher education entry certificate or higher, in English) while the private sector recruits according to skills (no matter the degree, the key is knowledge and/or experience).

### **Return on education**

**51.** The goal of this section is to determine whether an additional level of study in technical and vocational education and/or general education would provide additional compensation for women and youth.

**52.** To verify the impact of education on remuneration, an analysis of a marginal return to education from one cycle to another was done using a piecewise linear function. This specification enabled the convex nature of returns to education to be highlighted. The results of the analysis (table below) show that the last years of secondary education and higher education are the most profitable. The same phenomenon was observed in the Congo (Kuépié and Nordman, 2011). In the case of Gabon, the highest gains are observed in passing; (i) from primary to secondary; (ii) from Bachelor’s degree to Graduate and iii) from graduate to Master’s. However, a lack of gain has been noted between the uneducated and those with primary education.

**Table 6: Changes in average earnings by education level in Gabon (in percentage)**

Course of study	Average remuneration	Average gain over the course of the previous study (percent)
Uneducated	234,352 [227,797 – 240,906]*	
Primary completed	195,473 [193,392 – 197,555]*	-16.6
Secondary 1 <sup>st</sup> cycle	323,755 [317,419 – 330,090]*	65.6
Secondary 2 <sup>nd</sup> cycle completed	342,666 [338,828 – 346,505]*	5.8
Bachelor's Degree	355,589 [351,527 – 359,651]*	3.8
Maîtrise Graduate	442,768 [436,426 – 449,110]*	24.5
Masters	715,522 [703,040 – 728,005]*	61.6
Doctorate	720,751 [690,802 – 750,701]*	0.7

*Source: Authors' calculations using data from ENEC 2010*

53. Moreover, the analysis also showed that an additional year of education in women increases their income by 5.3 percent in the market. This rate is 6.1 percent for women with general education training and 4.6 percent for those who received technical and/or professional training. For working youth (both genders) this rate is 5.8 percent with any kind of training, and 6.1 percent for young people who were provided general training and 1 percent (but not significant) for those who were provided technical or any other kind of training.

### ***Chapter conclusion***

54. Reducing unemployment, especially among young people, remains the biggest challenge faced by the Gabonese government. This pressure is expected to increase in the medium and long terms due to the increasing demographic weight of this segment of the country's population on job demand, mainly in the urban centers where it is concentrated.

55. Data from the National Employment Office, which shows that half the jobs offered by companies are not met, suggests that unemployment is mainly structural. Adjusting training profiles to the needs of the productive sector seems to be one of the ways out of this youth unemployment trap. The growth outlook is positive in the medium to long term, which could translate into decent jobs.

56. The weight of the informal sector (the country's largest employer) also shows the need to improve knowledge of this sector in order to account for its dynamic as the available fragmented data are very old and incomplete.

## **IV. CONSTRAINTS AND CHALLENGES IN THE GABONESE LABOR MARKET**

1. The second chapter conclusion discussing the characteristics of the labor market indicates that bringing the education system up to speed with the needs of the productive sector is a major factor to fight unemployment in Gabon. This discrepancy is not the only factor explaining why the unemployment rate is so high. The restrictive investment climate, rigid social legislation costly for the employer, and the inefficiency of the institutional framework and lack of employment policy are all obstacles to job creation in Gabon. These factors are discussed in this chapter.

### ***On supply: incompatibility between the structure of the education system and job opportunities***

2. A detailed diagnostic of the Gabonese education system (RESEN) was made by the French Development Agency (AFD, French acronym) and presented to the Ministry of National Education in July 2012. Based on EGEP data (the only data available), the AFD report performed an assessment of training and employment by comparing the structure of the graduates of the Gabonese education system over 2000-2005 with the jobs offered to young people in the national economy. The employment structure was assessed on the basis of the status of the employee, the job held by young people in 2005, and various experiences in the labor market.<sup>9</sup>

3. The results of this analysis are summarized in Table 3.1, showing that the relationship between education and employment in Gabon is characterized by three major imbalances:

- A high proportion of workers do not have the minimum requirements needed to fit into the labor market (lower part of the table): 14 percent of the workforce in the observed group did not completed primary school, and 1 percent never went to school;
- Insufficient workforce with intermediate skills (laborers, technicians, senior technicians), which represent more than a quarter of skilled employment opportunities;
- The number of higher education graduates is at least twice higher than that of job offers corresponding to their education level (upper part of table). While 12 percent of young school graduates completed higher education, the demand of the productive sector for managers is only 5 percent.

---

<sup>9</sup>The report states that these data are not mere orders of magnitude but that experiences show that this approach produces numbers that are reasonably close to both those obtained with more complex and specific procedures (where data exists) and reality

**Table 7: quantitative Assessment of education–training (in percentage of workforce from the group)**

Final level of study		Distribution of job openings	
Final level of study	Percent	Type of jobs	Percent
Higher	12 percent	Managers	5 percent
Secondary 2nd cycle	20 percent	Skilled work	26 percent
Secondary 1st cycle	45 percent	Unskilled work	8 percent
		Non-agricultural informal work	15 percent
		Unemployment	19 percent
Primary completed	9 percent	Inactivity	22 percent
Primary not completed	13 percent		
Never attended	1 percent		
<b>Group total</b>	<b>100 percent</b>	<b>Total job openings</b>	<b>100</b>

Source: Status report of the Gabonese education system, AFD, April2012

**4. The imbalance between the education system supply and the labor needs of companies was also confirmed by the labor needs' assessment conducted by OLAM Gabon.** The assessment of the company's needs, performed within the framework of the implementation of five major projects in Gabon (see Box 4 below) shows that the company will need around 2,000 qualified workers (BAC and higher) for the 2012-2016 period. The structure of this demand reveals that 75 percent of the needs of this business concern the agricultural industry, industrial maintenance, and logistics. In contrast, the structure of enrollments in higher education institutions shows that 63 percent of them are enrolled in literary subjects, the humanities, and economics. The demand of OLAM Gabon, like that of many other companies, would hardly be satisfied without resorting to foreign labor. Anticipating this deficit, the company obtained from the government the permission to import foreign labor beyond the limits provided by the Labor Code (10 percent of a company's labor force) for seven years with an obligation to train nationals during such exception period.

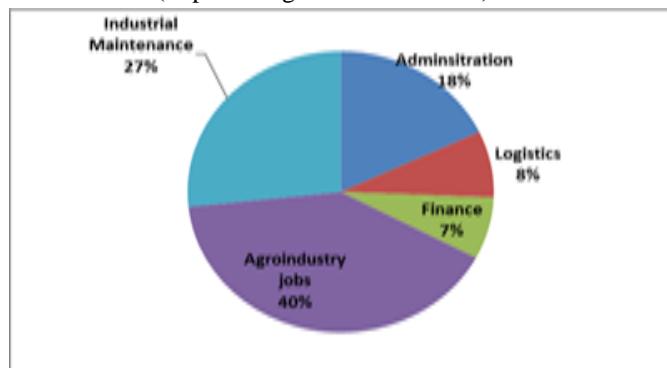
**Text Box 2: Imbalance between the needs of the productive sector and the structure of the Gabonese education system: the case of OLAM's projects and Gabon**

As part of a strategic project with the Gabonese government, the Singaporean group OLAM launched a 2.7 billion USD investment program to develop five major projects in Gabon over 2011-2012. The five projects are: (i) the construction of a large fertilizer plant in Port-Gentil, (ii) the development in Bitam, in northern Gabon, of a 28,000 ha rubber plantation; (iii) an integrated logging project over 860,000 ha (1.15 Mn Ha in time) and wood processing, (iv) the development of a palm oil plantation from Kango to Mouila over 100,000 ha and (v) the development of a 1,125 ha multisectoral Special Economic Zone in Nkok over 25 km from Libreville, mostly dedicated to wood processing (40% of companies).

OLAM Gabon conducted an evaluation of the workforce required to develop these projects, and concluded on a need for 14,651 employees, with nearly 2,000 of them skilled (Bac+) during the 2012-2016 period. The analysis of the structure of that skilled demand highlights the gap between the needs of the productive sector and the Gabonese education offer.

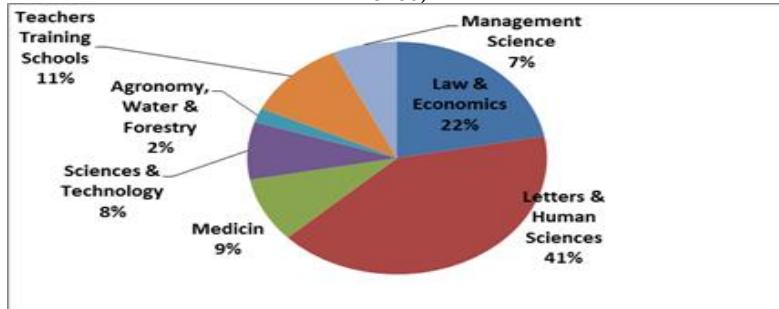
The structure of OLAM's needs (Graph 29) shows that 41% of its labor demand relates to trades specific to agribusiness (chemists, process controllers, HSE engineers) and 27% to industrial maintenance skills. The needs of the business administration profiles (human resources, social sciences, nursing, medicine, marketing, etc.) and finance are in turn 18% and 7%, respectively. By comparing the structure of OLAM's demand and the higher education offer (Graph 29), it's clear that foreign labor must be resorted to for a large number of these requirements, especially those relating to agribusiness, industrial maintenance, and logistics. The education offer is composed of 63% of students in literary fields, humanities, and economics. The 2% of students in agronomy and forestry are in large part in the National School of Water and Forests, who are primarily destined for Government work.

**Graph 26: Structure of demand for skilled works in OLAM Gabon projects, 2012-2016**  
(in percentage of total demand)



Source: Authors' calculations based on data from OLAM Gabon

**Graph 27: Structure of the education offer in higher education, 2011**  
(in percentage of total labor force)



Source: Ministry of National Education

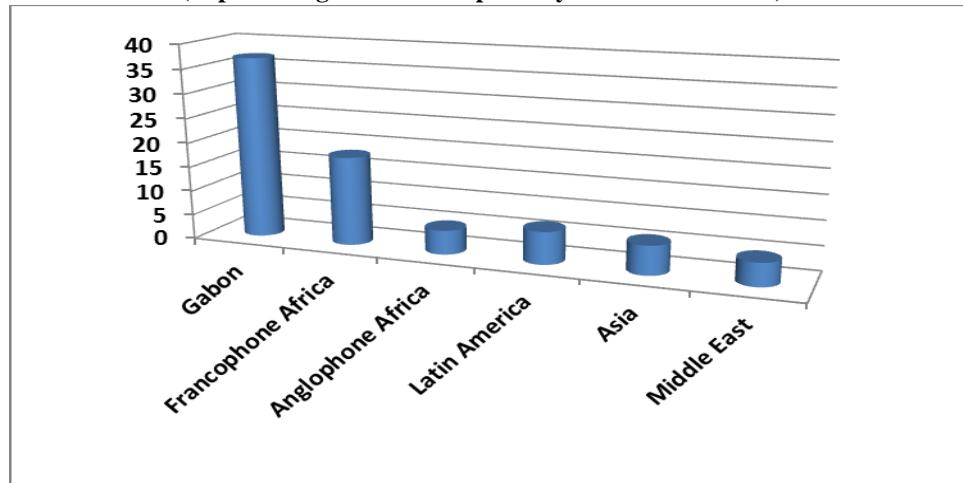
5. On the other hand, as part of PSGE's *Industrial Gabon* pillar, the Ministry of Mines and Industry mapped the skills requirements necessary to implement the PSGE's mining and industrial projects. This map (found in Appendix 2) shows that the employment demand for this pillar will consist of jobs in construction, civil engineering, logistics and transport, industrial production, mining site exploitation, industrial maintenance and refrigeration, etc. This map confirms the need for restructuring national education.

6. the mismatch between the education offer and the needs of the productive sector is the result of several factors, including: (i) low internal efficiency in the general basic education system; (ii) weak school coverage and low external output of technical and professional education and; (iii) limited and ineffective budgetary allocations in favor of the education sector. These factors are discussed below.

#### Poor internal efficiency of basic general education

7. **The repeater rate is very high at all education levels and is the most obvious manifestation of the low internal efficiency of the Gabonese education system.** In primary education, the repeater rate is the highest of any country in the world for which this statistic is known. It reached 37 percent in 2008 (last known statistics), twice the African average. Furthermore, less than 5 percent of students admitted to the first year complete the primary cycle without repeating. The repeater rate in primary education is amplified by the existence of an entry examination in the first year of secondary school that is only justified by the lack of sufficient available places. Following a meeting of the General Assembly of Education, Research and Training-Employment Balance held in May 2010, the government decided to eliminate the 6<sup>th</sup> year entry exam and replace it, at the beginning of the 2013 school year, by a weighted average of the results obtained during the CEPE (Certificate of Primary Elementary Studies) and 5<sup>th</sup> year grades.

**Graph 28: Primary school repeater rates in Gabon and worldwide, 2008  
(in percentage of the total primary school enrollment)**



*Gabon, Francophone Africa, Anglophone Africa, Latin America, Asia, Middle East*

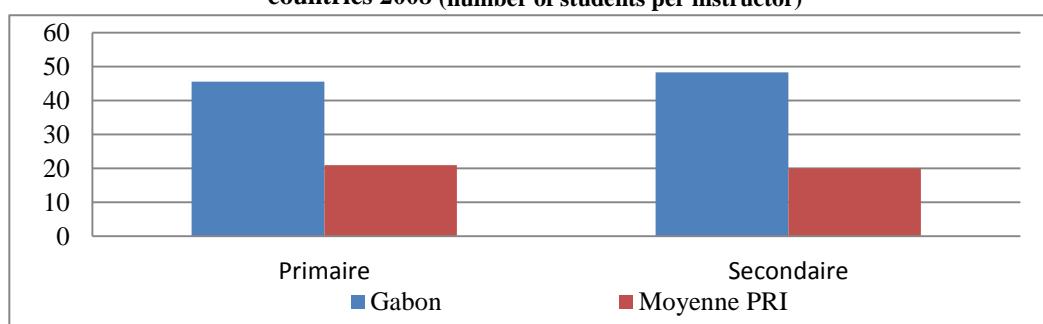
8. In secondary education, the repeater rate is 26 percent for the first cycle and 23 percent for the second. It is even higher at the end of cycles, with 30 percent at the end of the 3<sup>rd</sup> year of the first cycle and 25 percent at the end of the second cycle (Terminale, in French). The high repeater rate is largely due to the low transition rate to higher education. 17 years is the estimated average amount of time it takes students to get their first secondary cycle diploma (BEPC), which they should receive after 12 years of study.

9. A relatively high repeater rate reveals that the inefficient management of student flows is the result of several factors, including poor performance in student training and supervision (quantitative and qualitative), low budget allocations, and an cross-sectoral allocation at the expense of the primary and secondary primary cycle and teachers.

10. This poor performance in terms of the quantitative training and supervision of students is evident through two indicators: the student/teacher ratio and the unavailability of teaching materials. The student-teacher ratio in Gabon is very high compared to countries with similar income levels (Graph 32 below). In primary school, it is 45.6 while the average for countries with income similar to Gabon is 21. It is even higher in secondary primary cycle, where it is 48.3 in Gabon and 20 in the reference group. A very high student-teacher ratio reflects the difficult learning and teaching conditions that naturally have a negative impact on the quality of teaching.

11. Furthermore, a high proportion of teachers in middle and secondary schools (62.6 percent) do not have the necessary educational background. Few continuing education courses are organized because of the marginal numbers of supervisory staff (inspectors and educational advisors). Overall, the weakness of the qualitative framework is related to the ineffective management of staff relating to unsanctioned absenteeism and abandoned workstations.

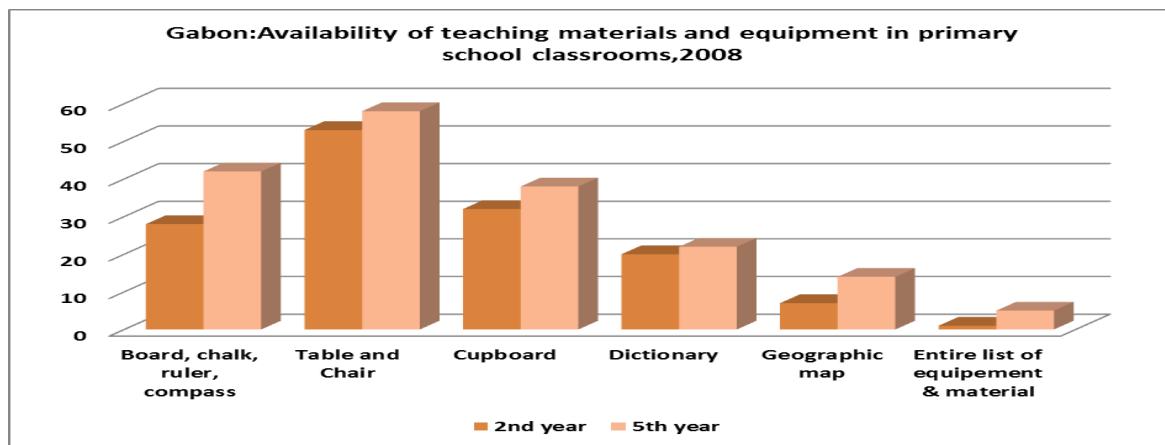
**Graph 29: Ratio of the number of students per teacher and education level in Gabon and other middle-income countries 2008 (number of students per instructor)**



Source: Status report of the Gabonese education system, AFD, April 2012 (primary and secondary levels)

12. Graph 33 below shows that primary school students are taught in an environment where teaching materials and school facilities are unavailable. Only 1 percent of the classes of the 2<sup>nd</sup> year and 5 percent of the 5<sup>th</sup> year have all of the equipment and materials they need. Half of the classrooms do not have a sufficient number of desks and chairs and only a quarter of classrooms have dictionaries. Similarly, only half of elementary students have a textbook to use in class. The other half shares their manual with at least two other students.

**Graph 30: Availability of teaching materials and equipment in primary school classrooms, 2008  
(in percentage of total number of classes)**



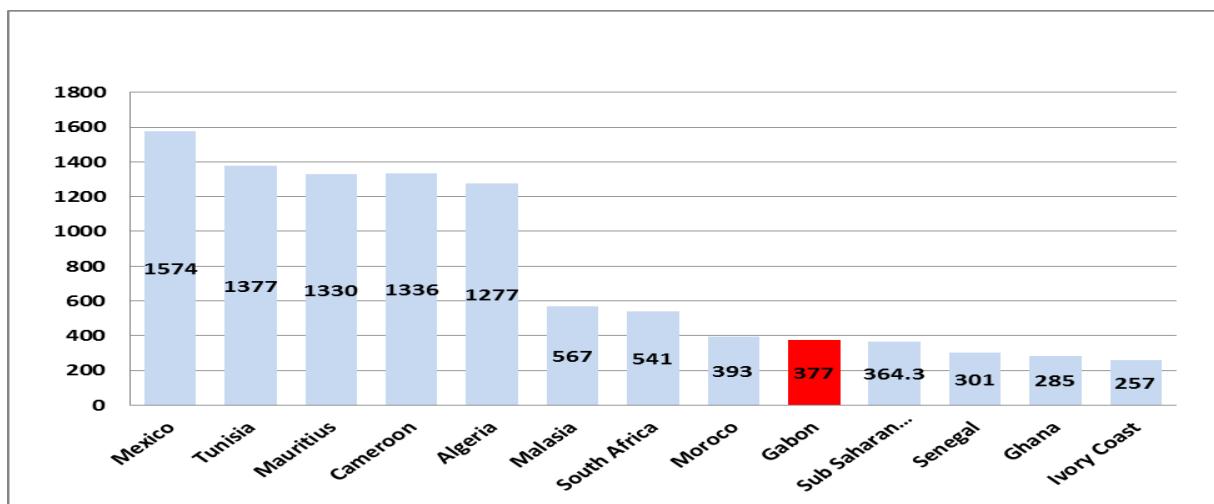
Source :PASEC Gabon Report,2008

### **Low school coverage and weak quality of technical and vocational education system.**

13. **Gabon has made considerable progress in terms of access to basic general education but access to technical and vocational education is very limited.** With gross enrollment rates in primary and secondary schools estimated at 147.3 percent and 88.8 percent respectively, Gabon has almost achieved the goal of universal access to basic education. However, there is low vocational training coverage. The ratio of the number of students enrolled in technical and vocational schools out of 100,000 inhabitants is estimated at 377, or barely above the African average (364) and more than three times lower than in Cameroon and Tunisia and one and a half times lower than in Mauritius. Enrollment in technical and vocational education represents only 8 percent of the total workforce in the Gabonese education system. Limited access to vocational and technical training reduces access to opportunities in the labor market, mainly in the productive sector. There are a total of 16 technical and vocational schools, 11 vocational training centers, and all are deemed to be under-equipped.

14. **The external performance of the vocational training system is very weak.** More than 80 percent of graduates of technical and vocational programs are not recruited into the sectors in which they are trained and only one graduate out of three finds a job. Overall, the current training supply is incompatible with the needs of companies and does not allow young Gabonese to find employment, particularly for the following reasons: (i) inadequacy of existing training for the skills demanded by companies, (ii) learning deficit in professional practices due to training that is too theoretical, (iii) insufficient material resources in training centers, especially in terms of labor, (iv) equipment that is out of touch with the realities of the situation on the ground, (v) a lack of skilled trainers.

**Graph 31: School coverage in technical and vocational education in Gabon and in other countries**  
 (number of students in FTE for every 100,000)



Source: Status report on the education system, AFD and World Bank

15. **Vocational training in higher education is also inadequate.** The courses in universities are designed as a core curriculum until the end of the licence 2 (2<sup>nd</sup> year of university). Then from licence 3 (3<sup>rd</sup> year of university) onwards an early specialization can be chosen with the possibility of preparing for a professional degree. 74 percent of students enrolled in higher education take courses in humanities or social sciences and only 25 percent in science and engineering. In the 4<sup>th</sup> year, science students make up only 12 percent of registered students. Similarly, 1<sup>st</sup> cycle students (1<sup>st</sup> and 2<sup>nd</sup> year) account for 67 percent of the labor force and those of the 2<sup>nd</sup> cycle (3<sup>rd</sup> and 4<sup>th</sup> year) for 25 percent of the labor force. Finally, in the 1<sup>st</sup> year, short technological training (three years) only accounts for 8.7 percent of the labor force, which is insufficient for the needs of the economy. The proportion of students in general education limits employment opportunities in the public sector. It also shows that science and technology are not adequately considered in the secondary cycle.

16. **Continuing education is very underdeveloped in Gabonese higher education.** Continuous training is only provided in two institutes, the Institut National de Sciences de Gestion (National Institute of Management Sciences, in English) (for the three BTS, Advanced Technician's Certificate, in English) and the IST (Higher Institute of Tehchnology, in English) where the marketing technique DUT (university diploma of technology, in English) can be completed either in evening or as sandwich courses. Moreover, there is no Bachelor's degree or Master's degree in sciences, which largely explains the lack of science teachers in basic education. In addition, the training available for employees (in the form of continuing education or professional development) or job seekers looking for basic training is insufficient.

## **Insufficient and inefficient budgetary allocations to the education sector**

17. The share of the budget allocated to education represented 13.4 percent of total expenditure, or 2.7 percent of GDP in 2009. This was below the average of the representative set of middle-income Sub-Saharan African countries as shown in Table 9 below. The share of the education budget is on average 19 percent of the budget or 5 percent of GDP.

**Table 8: Public spending on education, Gabon and comparator countries (in percentage of GDP)**

Country	Public spending on education in percentage of spending sduPI	Public spending on education in percent of the GDPPIB Government	Country	Public spending on educationin Governmentof	Public spending publiques d'éducation spending
Gabon	<b>13.4</b>	<b>2.7</b>	South Africa	17.9	5.7
<b>Mauritania</b>	11.1	4.0	Senegal	18.9	3.7
<b>Algeria</b>	11.4	5.3	Thailand	19.1	4.2
<b>Peru</b>	13.7	2.7	Syria	19.5	3.9
<b>Nicaragua</b>	15.0	3.1	Tunisia	20.8	7.3
<b>Yemen</b>	15.2	5.8	Jordan	20.9	4.6
<b>Ethiopia</b>	15.9	3.0	Ivory Coast	24.5	4.2
<b>Cameroon</b>	15.9	3.1	Malaysia	25.2	6.3
<b>Egypt</b>	16.0	4.8	Ghana	25.3	5.4
<b>Mauritius</b>	16.5	3.3	Morocco	27.2	6.8
Average of comparator countries				<b>18.88</b>	<b>4.73</b>

*Source: World Bank*

*Public spending on education in percent of Government expenditure*

*Public spending on education in percent of GDP*

*Public spending on education in percent of Government expenditure*

*Public spending on education in percent of GDP*

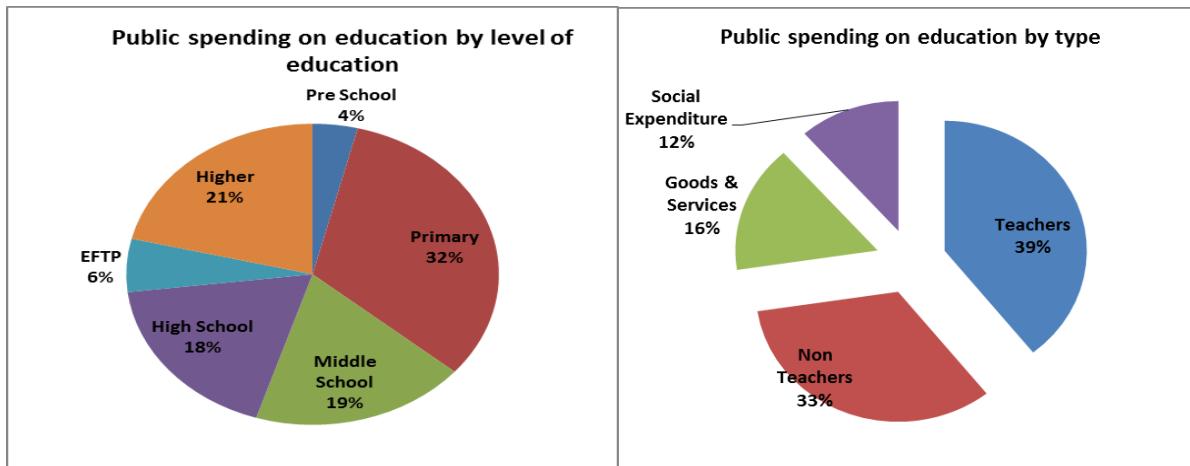
18. The structure of the allocations to the education sector reveal a high proportion of expenditure allocated to higher and secondary education at the expense of pre-primary and vocational education due to limited budget for spending on goods and services for the benefit of staff salaries.

19. Higher education and the second cycle account for nearly 40 percent of the education budget compared to 6 percent for vocational training and 4 percent for pre-primary. Similarly, the structure of expenditure by type reveals that 72 percent of the budget is allocated to staff salaries compared to 16 percent for goods and services and 12 percent for social aid.

20. **Within operating expenses, salary expenses for non-teaching staff are almost as high as those for teachers.** This means that either there is more administrative staff than teachers, or that the salaries of non-teaching staff are on average higher than those of teachers. In both cases, this imbalance is a negative incentive for the teaching profession. An organizational audit by the Ministry of Education and/or a follow-up survey on expenditure in the sector could provide relevant information on how to improve the budget efficiency of public education expenditure. The distribution of the budget for the education sector shows that consideration should be given to increase funding as well as a cross-sectoral reallocation of the sector's resources.

**Graph 32: Distribution of public expenditure on education by education levels and type, 1988  
(in percentage of total public expenditure)**

Source: *Status report of the education system, AFD*



### Ongoing reform of the education system

21. **The Government initiated a reform of the education and research system in 2010, which led to the enactment of a law on education, training and research.** This laid the foundation for a new Gabonese school system. The law is based on the relevant conclusions of the “National Consultation on Education, Research, and Training-Employment Match” in May 2010. It envisages a new education system that will include several innovations, such as:

- (i) the development of ongoing training and bridges at all levels between general education (from primary to higher education) and technical education and vocational training;
- (ii) the promotion of public-private partnerships (PPPs) in education, training, and research;
- (iii) the creation of a National Council of Education, Training, and Research, CNEFOR (Article 12), that is responsible for the implementation of training syllabus as well as infrastructure and equipment projects. It meets once a year, with the Head of State as chairman. It should be noted that the private sector is not a member of CNEFOR, which could be a limitation on the definition of training syllabus.

**22. At the field level, new changes are starting to happen when it comes to technical and vocational education.** Since 2010, all vocational schools were gradually turned into technical schools. These changes were supported by the African Development Bank, which financed the purchase of educational equipment and teaching materials. However, the delicate and recurrent issue of specialized faculty remains to be solved.

23. As a prelude to PPP under the implementation law, cooperation between the Ministry of Technical Education and oil companies led to the creation of the **Institute of Oil and Gas (IPG, French acronym)** that provides **advanced training in oil trades (Box 3)**. The first group of IPG students was trained in the field of production. The Institute plans to expand its scope of activity to other oil and gas trades.

**24. The partnership between the government and the private sector also led to the creation of a Specialization Center in Port-Gentil in association with Total Gabon.** The Center recruits candidates with a technological secondary school leaving certificate, a certificate of vocational proficiency (BEP, French acronym), or Technician' Certificate (BT, French acronym) to provide them training in welding or the maintenance of equipment used in the oil industry. Another example is the partnership between the Compagnie minière de l'Ogooué (Comilog), the Ministry of National Education, and the National Employment Office to train 500 young people in order to meet the human resources needs necessary for the operation of two manganese metal and silicomanganese plants in the Moanda (C2M) metallurgical complex that will be opened in June 2013.

25. At the request of Comilog, ONE organized the selection of 400 young people who were trained according to the mining company's needs (in chemistry, electricity, and industrial mechanics) over 15 months at the training and professional development center in Franceville. Following this theoretical training, they were admitted to a three-month internship in a company. 300 of them will be recruited at the Moanda Industrial Complex. The rest will be hired by other companies in the region. Such initiatives enable better integration of students in the company that took an active part in their training. Olam Gabon also has a similar project that is being studied on a larger scale for the agri-food and wood processing sectors.

**26. More should be done in generalizing alternance training and apprenticeships, as done in Germany.** The main idea of reorganizing vocational training and continuing education would then

be to go back to basics by giving the courses taught their initial rationale. Thus, in training and professional development or continuous training, the centers could provide bespoke training depending on the current needs expressed by companies. This kind of custom-made training reflects the evolution of employment. It would require the establishment of a permanent framework for dialogue and sharing between training centers and businesses. Such an approach would require a sufficiently wide range of trainer specializations to allow such adaptations.

27. In a similar vein, continued education provided in either public (Institut National des Sciences de Gestion, Institut Supérieur de Technologie ou Institut Universitaire des Sciences de l'Organisation) or private higher education institutions would be reformed in the same logic. Unlike happening currently, they will no longer be accessible only for new graduates but also for employees or job seekers looking for professional development or defined basic vocational training. In both cases this would depend on the actual needs expressed by companies. Such composition also requires the establishment of a framework of relationships and cooperation between the relevant ministries (Labor and Employment/Higher Education/Technical Education), companies, employee representatives, and job seekers.

28. The teams of the Ministry of National Education in charge of Technical Education and Training are thinking about the capitalization of all these experiences. However, it is necessary to provide them with technical assistance in engineering for the “modeling” all of these cases in order to incorporate them in the new education system and make it operational.

**Text Box 3: an example of a public private partnership in education: the Institute of Oil and Gas (IPG)**

In 2010, as part of the implementation of the PSGE, the Gabonese government, in partnership with oil companies operating in Gabon (Total Gabon, Addax Petroleum, ENI, Perenco and Shell Gabon) and the assistance of the French Institute of Petroleum (IFP), created the Institute of Oil and Gas in Port-Gentil , with the aim to build local capacities in the oil sector. With a budget of 12 million USD, the IPG can accommodate up to 60 students per year. It provides two types of training:

-initial training: it goes over a period of 12 months and is intended for technician and engineering graduates who completed their trainingin the required education institutions (technological university institute, universities and/or colleges, etc.). To be eligible, each candidate must be Gabonese, at least 25 years of age, and have a level equivalent to final year of high school (and having studied technical or vocational subjects such as instrumentation, electricity, electromechanics, mechanics, etc.) and be successful at psycho-technical tests and individual interviews.

- Continuing education: organized in short-term courses with 5-10 day modules in vocational (petroleum geosciences, reservoir engineers) and management (international contracts, oil economics, project economics, trading, oil accounting, operational environment/safety, HSE) training courses. These courses are intended for technicians and executives working industry or public organizations seeking to improve their training.

The IPG relies on the best experts in vocational training related to international petroleum and gas industry and national technical, scientific and commercial training institutions.. Courses are taught by experts from major specialized training institutions, universities, colleges, companies in the oil and gas industry, and public service that signed an agreement with the IPG.

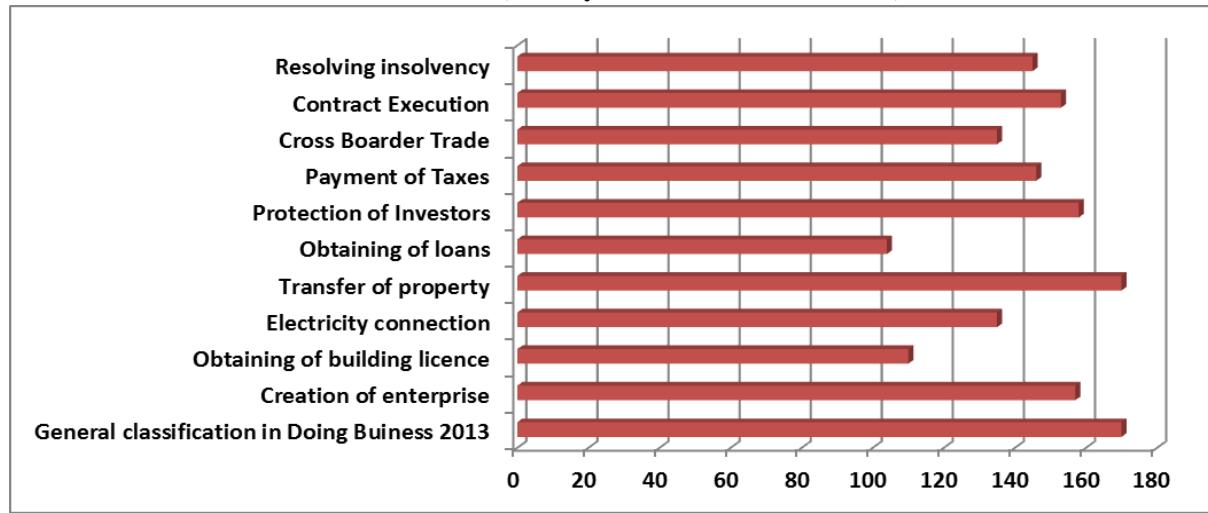
It is managed by two bodies: the administrative board and academic board. The academic board is the Institute's decision-making body. It decides on any matter relating to the purpose of the Institute. Both

**29. The reorganization of the vocational training system will require secured funding.** The business tax, set at 1.2 percent of the total payroll of companies by the 2000 Finance Act, is no levied, officially because terms of payment and its management procedure have not yet been defined yet. In reality, businesses are reluctant to pay this tax because some of them already fund the creation of bespoke training centers for the specific needs of their employees. This is the case of the BGFI School, which was established by the holding company BGFI. The reluctance of companies is also due to the poor performance of public vocational training. One option to overcome that difficulty could be the establishment of a fund for vocational training that would be financed by the business tax, fundings from donors, and other funding from the government; and which management would be equally ensured by the government and the private sector. This fund could result from the transformation of the current vocational integration and reintegration fund – FIR- (see next chapter) which missions would be expanded to include those mentioned above.

### ***On the demand side: a restrictive investment climate***

**30. Despite the improvement of the macroeconomic framework and the implementation of several structural reforms over the last several years, the investment climate in Gabon remains restrictive.** The country ranked 170<sup>th</sup> out of 183 countries in the World Bank's 2013 Doing Business report on the ease of business and is therefore among the 23 economies worldwide where the business climate is the most difficult. In six areas, Gabon is in the lowest quarter (investor protection, business creation, contract enforcement, ownership transfers, insolvency management, tax payments). For all others, it is ranked in the lower half.

**Graph 33: Gabon's ranking in the 2013 Doing Business report  
(rank by indicator of 189 countries)**

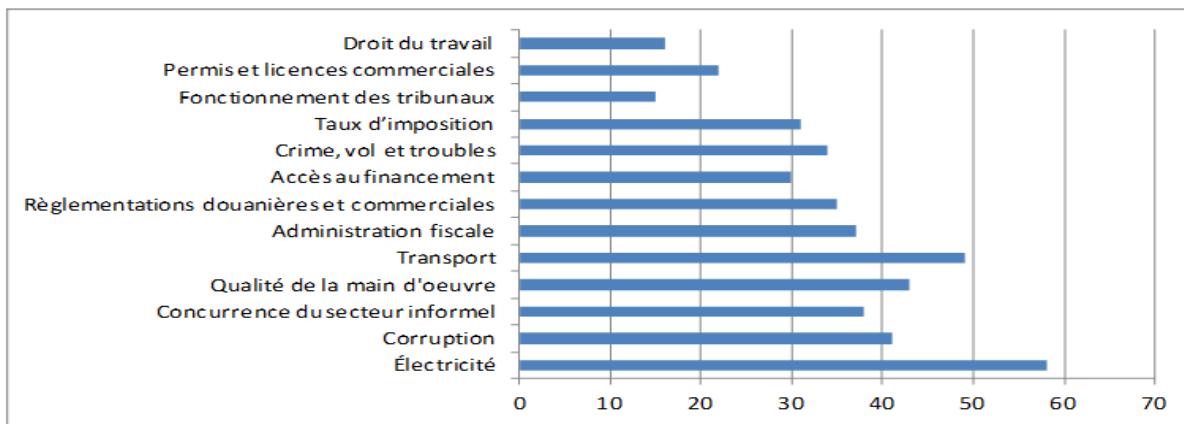


Source: Doing Business Report 2013, World Bank

**31.** The World Bank's Enterprises survey conducted in 2009 revealed that for all companies (Graph 36 below), electricity is by far the main obstacle faced, followed by transport and quality of labor. For small and medium-sized enterprises, access to credit is the second obstacle after electricity. The lack of effective support to the private sector can also be added to these four main

obstacles. Except labor quality (discussed in the previous section), these constraints are discussed below.

**Graph 34: Main obstacles to private sector development, 2009  
(in percentage of companies surveyed)**



Source: Company survey on the investment climate: Gabon-2009

### Ineffective support for private sector development

32. As in most Sub-Saharan economies, the Gabonese private sector essentially consists of very small and medium-sized enterprises. Most of job creation is achieved by these structures, some of which are in or on the outskirts of the informal sector. Due to their low capacities (in human and financial resources), they are poor and have fragmented institutional frameworks. As such, they should be provided special assistance.

33. **Gabon adopted a law for the promotion and development of SMEs in 1980.** The goals of this law was to (i) create a class of Gabonese entrepreneurs, (ii) increase the share of SMEs in GDP, and (iii) keep the rural exodus in check by creating income-generating activity in rural areas. The legal and institutional machineries provided for a set of incentives for priority access to public markets and tax and customs advantages through a license issued by a commission headed by the Ministry of SMEs. In order to implement this policy, the government established two institutions: (i) Promo Gabon, a public institution created in 1972 and supervised by the Ministry of Small and Medium-Sized Enterprises, whose mission is to assist business promoters in developing projects, feasibility studies, as well as preparing financial and business plans, and (ii) the Gabon Assistance and Guarantee Fund (FAGA) created in 1981, whose mission was to provide promoters registered as SME/SMIs with advances or collaterals from banks.

34. This organization was completed in 1993 by the Funds for Development and Expansion (FODEX, French acronym), whose mission was to finance projects' feasibility studies and equity loans to provide with the capital needed to launch projects and guarantees. FAGA and FODEX were closed in 2010 for failing to achieve their respective goals. Their resources were transferred to the Gabonese Development Bank (BGD) whose mission was refocused on financing SME/SMIs. However, BGD's actions for SMEs have been constrained due to the fact that it is subject to the same prudential rules as commercial banks. This has created a very risk-averse

entity that is therefore inadequate at financing small and medium-sized enterprises.

**35. The national consultation on SMEs organized in 2011 acknowledged the failure of the SMEs promotion policy in Gabon**, with different reasons depending on the interlocutors. The authorities blame SME's promoters for lacking inrigor and seriousness in business management, the poor financing standing of companies, the non-execution of all or part of awarded contracts, and the misappropriation of the funds meant for financing. SMEs complain about their lack of incentives and government support. In any case, such a failure is indicative of two things: the lack of entrepreneurial and management skills of the SME's promoters and the ineffectiveness of the institutional support system for SMEs and entrepreneurs.

**36. Support for small and medium-sized enterprises and private sector promotion was reformed in 2010 but remains fragmented and inefficient and lacks strategic direction.** Besides Promo Gabon, whose missions were presented above, the current framework for SME support is comprised of the following three major actors:

**37. The Center for the Development of Enterprises (CDE).** The decree establishing the creation of the CDE stipulates that it is a public administrative body with legal personality whose missions include: (i) facilitating the administrative formalities required for the creation of enterprises, the modification of their legal status, and the extension or termination of their activities by establishing a one-stop shop; (ii) supporting and guiding promoters in their projects or their activities eligible for the Charter of Investors and specific codes; (iii) monitoring business activities. According to its primary mission, the CDE houses a one-stop shop for administrative formalities that delivers various approvals and registrations mainly to small economic operators.

38. The CDE will also accommodate a one-stop shop to provide with investment support. It will include customs services to analyze requests for exemptions, immigration services for foreign residence permits, labor inspection to examine labor contracts, the National Social Security Fund, as well as Gabon Telecom for internet access and the Energy and Water Company of Gabon (SEEG) for access to electricity and water.

39. Despite the efforts made, the CDE has not yet reached the objectif set by the government: make it possible to create a business within 48 hours. The lack of computerization and the fact that all administrations must be present are the main reasons for this delay.

**40. The Chamber of Commerce, Agriculture, Industry, and Mines of Gabon was identified as a possible cluster to house some business consultancy services.** In fact, a presidential decree of January 2011 reorganized the structure and functioning of the Chamber of Commerce. It is now led by a team chosen by the private sector and not appointed by the government. It contributes to the implementation of the government's policy for the promotion of private investment in addition to being a representative and advisory body for the interests of all economic operators legally operating in the country. With support from the World Bank, the Government plans to develop the support for the private sector through the establishemnt of key services, including: (i) a center for arbitration, mediation and conciliation to limit the use of courts (a long, costly, unpredictable

process); (ii) a business center; (iii) a training center and (iv) an approved management center to assist SMEs with management.

**41. The Export and Investment Promotion Agency (APIEX) is a reinvention of the Export Promotion Agency (APEX).** At the time of the writing of this report, it had not yet been granted any existence in law, but was given permission from the government for the following missions: (i) supporting the ongoing and sustainable development of Gabonese investment and exports by promoting economic diversification; (ii) advising local and foreign economic operators and encouraging them to invest in the Gabonese economy; (iii) promoting and enabling Gabonese companies to better integrate into international trade; (iv) promoting nay product made in Gabon; and (v) design and put forward the reforms necessary for a better business climate with the aim of promoting foreign direct investment and boosting the national private sector.

42. As we can notice, the roles and responsibilities of these three institutions must be clarified as they are all authorized to promote investment and assist the private sector.

#### **High cost and low quality of energy**

**43. The high cost and low quality of energy slow down economic growth and hinder job creation.** According to the World Bank survey on the investment climate in 2009, two-thirds of the companies operating in Gabon consider electricity to be a major obstacle to business development. More than a quarter of small enterprises (less than 20 employees) and nearly 30 percent of medium-sized enterprises (between 20 and 99 employees) consider electricity to be the main obstacle to their economic activity.

**44. In general, companies complain about paying for the most expensive electricity in the sub-region.** A comparative study on electricity performed in December 2009 by the association of electricity producers, transporters, and distributors in Africa (UPDEA) showed that commercial electricity rates are higher in Gabon than in other countries in the region. For example, the price per kWh for commercial use in a company using more than 1,800 kW monthly is 2.7 times more expensive in Gabon than in the Republic of Congo, 1.2 times more expensive than in Cameroon, and 1.4 times more expensive than in Mauritius, one of the best economies as regards investment climate on the continent. The 2013 Doing Business Report confirms the difficulties in this sector through the “Getting Electricity” indicator, where Gabon’s electrical connection was ranked 133<sup>rd</sup> out of 183 countries. In fact, to obtain connection, Gabonese people must go through six procedures, then wait an average of 160 days and pay a fee equivalent to more than 2.5 times Gabon’s per capita income.

**45. The high cost of electricity in Gabon is mainly due to the thermal option that represents more than 53 percent of the installed capacity.** The national electricity company, SEEG, chose that option as it is easier to operate (at the expense of gas or hydroelectricity which are less expensive) to meet the rapidly rising demand of 5.5 percent annually. This increased the average cost of electricity and makes it difficult to achieve the financial viability of the sector. Furthermore, the large difference between the installed power capacity, 349 MW, and the

consumption level, 1,752 GWH, in 2010 suggests an under-utilization of the installed capacities and/or considerable energy losses in transport and distribution. In both cases, the consumer bears the costs associated with the inefficient management of the electricity network.

**46. The quality of electricity services has sharply declined over the last eight years.** In 2011, the audit firm, Deloitte, conducted an audit on the accounting, tariff, financial and technical provisions of the concession agreement with SEEG on behalf of the government of Gabon. It showed that in the interconnected network of Libreville, power cuts multiplied on average by three between 2003 and 2010. Companies recorded an average of 5.5 power cuts per month and a power cut lasts 5.3 hours per day. The cost of those power cuts for businesses represent an average of 2 percent of the monthly turnover. The SEEG's audit also revealed that the voltage level distributed to customers is not conform with the SEEG specifications and that between 2002 and 2008 the performance of the electrical grid fell on average by 4 percent in Libreville and PortGentil, the country's two main cities and economic centers.

**47. The degradation of electricity services is largely the result of insufficient investment in the renewal and extension of production and transport facilities, a significant portion of which are outdated.** According to the contract signed by the government and the Energy and Water Company of Gabon, at least 200 million USD should be invested in renewing equipment during the concession period (1997-2017). The low electrical capacity delays or prevents the development of large industrial and infrastructure projects in Gabon.

**Table 9: Electricity rates in Africa and Gabon, 2009  
(in centsUSD )**

	Three-phase power industrial and use		Average commercial driving force		Semi- Voltage
	12KW	15KW	20KW	25KW	250KW
<b>Morocco</b>	11.52	12.76	12.62	13.44	12.27
<b>Tunisia</b>	12.44	12.48	12.53	12.58	8.7
<b>Ghana</b>	14.61	14.61	13.22	13.22	14.06
<b>Senegal</b>	23.53	24.91	24.63	25.31	20.09
<b>Rwanda</b>	13.99	13.99	13.99	13.99	13.99
<b>Cameroon(2009)</b>	14.94	15.7	14.09	15	13.17
<b>Chad(2009)</b>	26.75	26.75	23.26	23.26	19.33
<b>Congo, Rep. (2009)</b>	6.40	6.40	5.64	5.64	7.60
<b>Gabon(2009)</b>	<b>17.20</b>	<b>17.60</b>	<b>14.80</b>	<b>15.80</b>	<b>16.20</b>
<b>Mozambique</b>	14.75	14.75	9.28	10.13	8.08
<b>Mauritius(2009)</b>	12.45	12.94	8.03	8.53	7.05

Source: UPDEA, Comparative study on electricity rates in Africa, December 2009

**48. In order to address the energy deficit and create favorable conditions for the industrialization of the country, the government established a 2011-2020 energy infrastructure development plan whose main goal is to increase the national power generation to 1,200 MW in 2020 compared to**

374 MW currently. In 2013, the national power generation capacity is expected to exceed 400 MW after the commissioning of the Poubara hydroelectric dam (160 MW) in the Haut-Ogooué province. This dam will mainly supply the Comilog's Moanda Metallurgical Complex. Other projects are planned in the medium-term, including the construction of a 36 MW hydroelectric plant in FE2 on the Okano river, southeast of Mitzic in the Woleu-Ntem province, the construction of a 42 MW dam and plant on the Empress Eugénie waterfalls in the Ngounié river, near Fougamou, and the construction of a hydroelectric plant (400 KW) in Iboundji in the south.

### **Low quality of transport and logistics infrastructure and services**

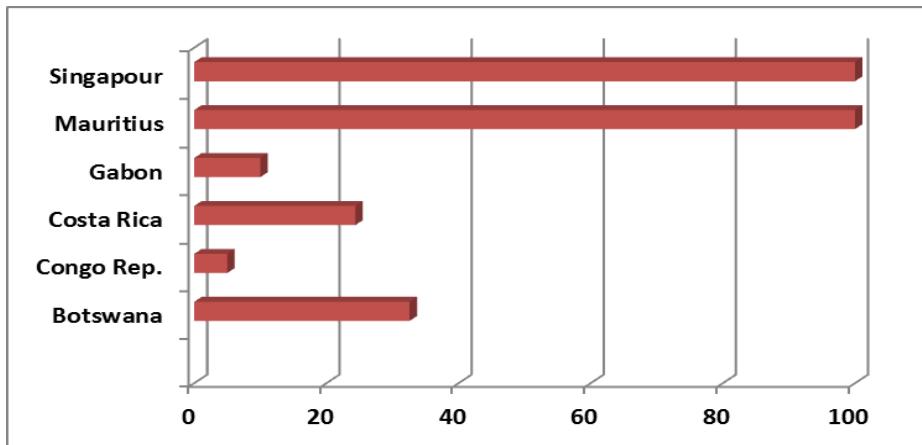
**49. Due to its weak links with neighboring countries, Gabon suffers from disadvantages in the form of high costs of trade logistics for all types of transport and related services.** The results of surveys conducted to calculate the logistics performance index –*Logistical Performance Index*- of the World Bank show that, compared to their experience in other countries, 40 percent of the enterprises estimate that their rates of ground transportation, shipping, storage, and handling are “high or very high” in Gabon; 60 percent believe the same as regards rail transport. This percentage is 20 percent for airport fees. As for ports, airports, roads, railways, storage, handling, and telecommunications, an additional 80 percent to 100 percent consider that the quality of transport infrastructure is low or very low.

**50. The competence of the operators and quality of infrastructure services are considered to be very low by economic operators.** As for road infrastructure, railways, storage, handling, distribution, customs, quality and standards inspection, and hygiene and health services, they all scored a zero from companies. Only 40 percent of the companies consider that maritime and air transport infrastructures are of high or very high quality and only 20 percent consider that customs, freight, and transit services are good.

51. The available quantitative data on infrastructure confirms the viewpoint of businesses. The country has a road network that is comparatively undeveloped. Out of nearly 10,000 km of roads, only 1,200 are asphalted. An important gap illustrates this problem: there is no road linking Libreville to the country’s economic capital, Port-Gentil. The high prices of goods in this city are another example as most cargo is transported by air.

**52. In general, access costs are high in the country, which increases the price of produced or consumed goods. In the hope to remove this major obstacle to growth and employment, the government decided to carry out, from 2012 to 2016, an exceptional program consisting in asphalting 3,6000 km of roads. This will represent 30 percent of the road network. 215 kilometers were already asphalted for a cost of 180 million dollars in 2011.**

**Graph 35: Percentage of asphalted roads, 2009 (in percentage of total roads)**



*Source: World Bank*

53. The railway has a long way to go before being able to provide quality service at low rates that would be possible for all types of cargo. The current condition of the 697 km line linking Libreville to Franceville requires extension and rehabilitation work and is largely dedicated to the delivery of mining and forestry products from east to the port of Owendo, in Libreville.

54. **The integration of the Gabonese market into regional and global markets through appropriate communication infrastructure could be a major competitiveness factor and attract private foreign investment.** However, the few links with neighboring countries severely limit regional trade, making it difficult to develop large-scale projects and limiting the attractiveness of the country.

55. **The costs of maritime transport and port services in Gabon are very high.** The 2013 Doing Business Report states that a 20-foot container from Europe costs an average of 1,955 USD or is 1.4 times more expensive than in Equatorial Guinea, a country which, as Gabon, aspires to be a maritime hub; and 4.5 times higher than in Malaysia and Singapore. Along with Botswana, Gabon is one of the countries with the highest costs in the world. These costs do not include ocean freight, which is also very high due to small volumes. The total cost of the expenses incurred from Europe to Libreville is estimated at 3,125 USD for a 20-foot container. The high cost of maritime transport and port services is mainly due to the monopoly in port operations and the distribution of the freight going through the port. Greater competition between port operators could reduce prices.

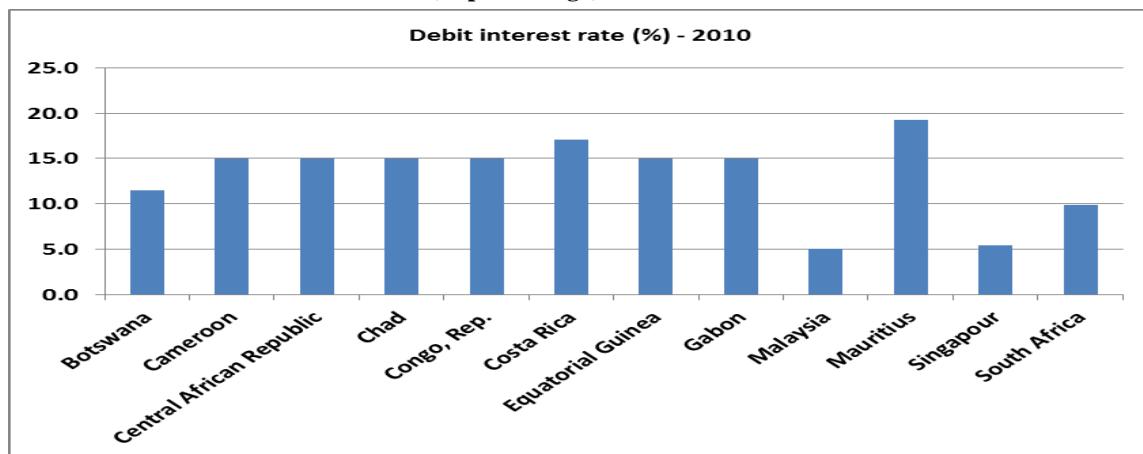
56. Trade logistics in general was assessed by the International Finance Corporation (IFC) as part of its Assistance Agreement with the government of Gabon. An action plan is being developed with all stakeholders. The political approach of the government is to modernize and expand the ports of Owendo (south of Libreville) and construct a multimodal port in Port-Gentil as well as a deep-water port in Mayumba to export minerals and processed wood.

## Difficult access to credit

57. **Access to bank credit in the private sector remains limited.** The volume of credit extended by the banking system to the Gabonese economy is barely 10 percent of GDP and the rate of banking penetration is 15 percent. In 2009, only 6.3 percent of companies approached banks to finance their investments and 93 percent used their own funds to finance their investments. In general, the funding issue arises for small and medium-sized enterprises. Large companies are often subsidiaries of European or Asian multinational companies that come with their funding mobilized in international financial markets.

58. The high interest rate in the entire CEMAC sub-region is the main obstacle to SME funding. Interest rates average 15 percent in the region and the differential between deposit rates and lending rates remains high, at more than 10 percent.

**Graph 36: Lending interest rate in Gabon, in CEMAC countries, and other middle-income countries  
(in percentage)**



Source: World Bank

-Botswana, Cameroon, Central African Republic, Chad, Congo, Rep., Coast Rica, Equatorial Guinea, Gabon, Malaysia, Mauritius, Singapore, South Africa

59. A very high cost of credit is a significant constraint for most investors, of which many are reluctant to seize investment and employment creation opportunities. This reflects a number of structural constraints identified by the 2011 ROSC of the World Bank, which considers that two major factors explain why interest rates remain high in the banking system.

60. **The first factor is the understanding, often inaccurate, of the information on high-risk borrowers that results from the absence of public and private credit bureaus.** In countries where such offices exist, they have almost all credit information: borrowers, the amount, conditions, repayments, defaults, etc. On simple consultation, the credit provider organization, be it a bank, a telephone provider, a consumer goods wholesaler, etc. can know about the solvency of the borrower approaching them. This information is used to better analyze the risk, customize it, and prevent its spread to the rest of the economy.

**61. The second factor relates to the structure of the banking system itself.** Banking is highly concentrated, with several large banks dominating the sector. In such circumstances, banks have a strong power over the market to raise the costs of credit and lower deposit rates. One way to address the information asymmetry is to encourage companies to produce reliable accounting information. Alternatives to bank credit are also available, such as the development of venture capital enabling banks to recover their debts in the event of materialization of the risk. Guarantee funds with government support must also be established.

**62. In order to improve access to credit the following reforms should be implemented:**

- (i) Establish a Central Credit Register within the BEAC (Bank of Central African States) in order to better assess the risks and provide monetary policy-makers with all the information they need as regards credit that could form their decisions;
- (ii) Establish a central balance sheet register available for consultation for the banking industry to allow access to the accounting results of companies. The Central Credit Register (BEAC) should expand the credit monitored to companies and individuals and set a threshold of credit taken relatively low (one million CFA francs for example);
- (iii) Implement a regulatory framework that establishes and organizes private credit information bureaus.
- (iv) Apply the OHADA reform<sup>10</sup> of December 15<sup>th</sup> 2010 on securities. This reform addressed the legal constraints on securities.

### ***On the legal and institutional framework:***

#### **Strict labor laws**

**63. By wanting to protect the employee, labor laws eventually developed many rigidities that stifle job creation.** These are mainly provisions on the termination of employment contracts, personal protection, fixed-term contracts, redundancy, and the use of foreign labor

##### *Termination of the employment contract*

**64. Strongly inspired by the French law, the labor law in Gabon is extremely protective and concerned with the rights of employees, mainly the protection against termination of employment contracts.** Seeking to balance the unequal relationship between the employer and the worker, the Gabonese Parliament organized the protection of employees that acts in both directions. Firstly, article 10, paragraph 1 of the Labor Code renders null and void “any waiver, limitation, or transfer by agreement of the recognized rights of the workers”. Secondly, the public

---

<sup>10</sup>The reform of the OHADA Uniform Act on securities 1 (i) simplified the creation and publication of securities, (ii) expanded the range of personal property that can be used as a security interest (in any present and future goods), (iii) simplified procedures for the realization of security rights, (iv) relaxed the rules on mortgages, including the authorization of future building goods and rights on buildings constructed in the public or national domain (to facilitate infrastructure financing). Excerpt from an IFC article on Doing Business in OHADA states.

policy nature of the labor law is reinforced by prohibiting the dismissal of an employee who exercises his or her rights as recognized by the law.

#### *Personal protection*

**65. Regarding personal protection, the employee is protected by the provisions of the articles 12 and 13 of the Labor Code.** The first establishes the principle of the interpretation most favorable to the employee. Under this principle, if there is doubt in the interpretation of the law, the court must adopt the interpretation most favorable to the employee. According to this principle, in case of conflict between various standards of labor law, the standard which is more favorable to the worker should be applied. Thus, despite the public policy nature of the labor law, it is possible to give the employee benefits that are higher than the legal minimum in an employment contract or collective agreement.

**These provisions mean that, in practice, the decisions of labor inspectors and judges in labor courts never strive for balance, but are instead more favorable to the worker.**

#### *The redundancy procedure*

**66. The procedure for the termination of a work contract in case of economic difficulties is long and costly for the employer.** The Labor Code requires employers to implement a social plan in the event of the redundancy of more than ten employees. The procedure is particularly long and complicated and takes a lot of time and energy out of the company's managing director and their technical and administrative staff at a time when the company is in trouble. If redundancy involves at least ten employees, the employer, in accordance with article 59 of the Labor Code, is required to submit the staff representatives a social and financing plan developed together with the National Employment Office (ONE) . This social plan can be developed only for the benefit of the employees the employer demonstrated the staff representatives and the labor inspector that the dismissal cannot be avoided. The employee in question has the choice between the social plan and severance pay. **In practice, given precedents in the public sector and confusion in the interpretation, the employees always opt for severance pay, which varies between 28 and 52 months of wages.** These difficulties partly explain the reluctance of companies to engage in a permanent contract (CDI).

#### *The fixed-term contract (CDD)*

**67. The ordinance of April 25<sup>th</sup> 2010 amended the structure of the article 23 of the Labor Code by deleting the paragraph 2 which established the short-term CDD. From now on** the CDD from the article 23 is mandatory for an initial period of no less than two years, as in the written agreement. It can be renewed once, for a total duration, including renewal, which cannot exceed four years.

68. The amendment of provisions regarding the CDD introduced in 2010 is a step back compared to the 1994 Code that had already introduced some flexibility. For example, it provided two types of CDD: along-term one, initially agreed upon for two years and renewable once over the same

period for a total of four years; and a short-term one, which could be agreed upon and renewed once as long as the total time period didn't exceed two years. Tht last category of CDD was the most used by companies, enabling them to use a labor force that could not claim the conclusion of a CDI.

#### *The use of foreign labor*

69. The principle of priority hiring for domestic workers has led legislators to strictly regulate the employment of foreign workers. This is what emerges from thearticle 104 of the Labor Code. These laws condition the employment of foreign workers by the issuance of a work permit by the Ministry of Labor. The administrative authority shall issue the authorization, in principle, if there are no qualified nationals available in the relevant field. The Gabonese Parliament goes further by pointing out that foreign labor shall not exceed 10 percent of a company's total staff.

70. This limitation on the use of foreign labor can be detrimental to companies that are frequently faced with a shortage of domestic skilled workers in both technical fields and basic trades, where there is a deficit. For example, there is a scarcity of domestic labor in agro-industrial plantations where the use of foreign labor is necessary for the productivity of the investment project. Moreover, it is not uncommon for companies to evade legal provisions, for example by not declaring their foreign labor force. It is therefore necessary to relax this provision of the 1968 Labor Code.

### **A structurally unbalanced social security system**

71. **The social security of workers is mainly provided by two social organizations, the National Social Security Fund (NSSF) and the National Health Insurance Fund and Social Guarantee (CNAMGS).** In addition to these two public organisations, there are private health insurance providers that companies use to supplement the provisions of public bodies.

#### *The role of NSSF*

72. A private organization responsible for the management of a public service, the NSSF bases its actions on two major documents: the social security code and its implementation decree, dating from 1975 and 1981 respectively. It provides family and maternity, work accident, and retirement benefits. The health unit (with the exception of community health centers and maternal and child welfare services) is being transferred to the CNAMGS.

73. The resources of the NSSF consist of contributions from those insured, i.e. at 22.6 percent of the payroll. Employers contribute up to 20.1 percent and workers 2.5 percent. When the transfer of the health unit to CNAMGS is completed, the overall contribution rate will fall to 18.5 percent as contributions to this unit, ie.e at 4.1 percent (paid by the employer), will now be paid to the CNAMGS.

74. Regarding expenses, NSSF has to bear the structural deficit of the pension branch despite the raising of the retirement age to 60 years, by paying, under certain conditions, a basic retirement

pension of 45 percent of the average net salary of the last five years; and 1 percent for each additional year beyond 20 years. This pension cannot be less than 80 percent of the minimum wage, set at 80,000 CFA francs monthly, or 64,000 CFA francs. Family benefits are 21,000 CFA francs/child/quarter with an education allowance of 20,000 CFA francs/child/year. In 2010, the total NSSF contributions amounted to 100 billion CFA francs, with 35 billion allocated to the payment of retirement pensions, 30 billion for family benefits and work accidents, and the remaining 40 billion to cover operating expenses (including staff costs for the 1,600 agents<sup>11</sup>) as well as health and social security funds. NSSF reserves are currently below the 10 percent set by law.

**Table 10: NSSF Funding, 2012 (in percentage)**

Determination of risk Salary	Employer share	Share
Family allowances		8 percent
Work accidents and occupational illnesses		3 percent
Old-age pension	2,5 percent	
	5 percent Medevac funds	
		0,6
percent Distribution of medicine		
	2 percent	
Hospitalization		1,5 percent
<b>Total</b>	<b>2,5 percent</b>	<b>20,1 percent</b>

Source: NSSF

**75. For several years, the NSSF has been facing a structural deficit mainly due to the decline in employment, the increasing number of taxable persons and the non-payment of social security contributions by many private companies.** According to a recent UNICEF study, the deficit in the pension branch is growing at an average rate of 19.25 percent annually, mainly due to the larger increase in expenses related to technical services (retirement pensions and survivors' pensions) whereas contributions increase only by 6.9 percent annually.

**76. In order to eliminate the structural deficit of NSSF, its management started implementing a recovery plan that includes reorganizing and boosting the collection of the social security contributions, redefining its activities, and reducing its costs.** These efforts resulted in a marked improvement in the financial situation of the organization, which recorded a surplus profit of 10.9 billion CFA francs in 2010, and made it possible to eliminate the overall deficit of 4.2 billion recorded in 2009. The government's decision to pay the pension arrears resulting from the minimum wage increase also contributed to this improvement.

**77. However, these efforts are insufficient to eliminate the structural deficit of NSSF because it results from the system configuration that ensures small contributions compared to the generous social benefits.** For example, it is shown that 20 years of contributions in part correspond to two and a half years of retirement pensions. The internal rate of return of the NSSF

<sup>11</sup>The government recovers the net value of the three hospitals constructed by the NSFF on equity with 900 agents

is estimated at 11 percent while the African average is about 3 percent to 4 percent. Furthermore, the structural deficit is aggravated by the margin squeeze caused by a recessive job market while the number of retirements is growing.

78. It is evident that this system sowed the seeds of its structural imbalance. Permanent resources (already burdensome for companies) are inadequate to sustainably cover the expenses. An actuarial study is essential and urgent. It would reconfigure the system by defining the optimal level of contributions and reform the Social Security Code, as its provisions dating from 1962 are now obsolete and do not match with the NSSF's current situation.

**79. In addition to the NSSF, a compulsory health insurance system was established with the creation of CNAMGS by ordinance No. 0022/PR/2007 of August 21<sup>st</sup> 2007.** Pursuant to the article 4 of this ordinance,; public officials, employees in the private and parastatal sector, employees of the government and public administrations, self-employed workers, annuitants or pensioners have to subscribe to the compulsory health insurance scheme, regardless of their insurance scheme. Anyone of Gabonese nationality who does not fall within any of these categories and self-employed foreigners may voluntarily subscribe to the compulsory health insurance plan.

80. The creation of CNAMGS led to the dissolution of the National Social Guarantee Fund (CNGS) and the transfer to the National Social Security Fund (NSSF) of its activities related to hospitalization, the free distribution of drugs, and medical evacuations.

81. The benefits provided under the compulsory health insurance are: the expenses for consultations, hospitalizations, medicines, medical and paramedical procedures, medical evacuations, mandatory vaccines and appliances, pregnancy and childbirth. All of these benefits are paid according to the principle of third-party payment, the participant being subject to fees based on the principle of co-payments. Despite the magnitude of technical charges, health care is covered at 80 percent by the paying-third system and 20 percent by the beneficiary in the form of user fees.

**82. The implementation of CNAMGS activities was a gradual process.** It started with the registration of low-income people (those with incomes below the legal minimum wage) in 2008 and 2009, then that of the public sector workers in 2010. At the time of the writing of this report, the private sector employees and the self-employed were not yet fully registered.

**83. CNAMGS funding is provided by three separate funds:** (i) health insurance fund for the government public officials, (ii) the health insurance fund for the employees of the private and parastatal sectors, artisanal, commercial and liberal professions, and the self-employed and (iii) the social security fund of poor Gabonese, students, and refugees. The health insurance fund for government public officials is financed by the contributions from public sector employees. The contribution of the workers in the private and parastatal sector comes from a levy of 6.6 percent on the taxable earnings of each employee, including 2.5 percent paid by the employees themselves and 4.1 percent by the employer. Retirees contribute up to 1.5 percent. The Social Guarantee Fund

is funded by a levy of 10 percent on the turnover excluding taxes of the mobile telephony companies operating in Gabon and by 1.5 percent of all international transactions executed from Gabon, with the exception of those of the government.

**84. CNAMGS is a recent creation and has not yet completed the implementation of its activities, so it is too early to comment on its long-term viability.** However, one might wonder about the sustainability of the social security fund for the poor Gabonese persons which relies mainly on the turnovers of telecommunications companies which have been experiencing a leveling off in the last years after a decade of growth. An actuarial study is now needed to identify a more sustainable funding system.

**85. In conclusion, social security in Gabon is very generous for workers and expensive for the employer, which may be an obstacle to worker registration.** Out of the 22.5 percent of contributions levied on wages, employers bear 20.1 percent and employees only 2.5 percent. This system increases the burden on companies which, in order to avoid a heavy financial burden, do not declare their staff or prefer engaging in fixed-term contracts even for stable and permanent jobs.

**86. The long-term equilibrium of the Gabonese social security system may require greater contributions from the workers.** This issue could be incorporated into a tripartite consultation including the employers, the government and the workers. For an increase in their contributions, workers could be assigned responsibilities in the decision-making bodies of both funds. Sound actuarial studies should underlie the reforms required to achieve this balance.

#### **Lack of a reliable labor market information system**

**87. The institutional and regulatory framework for employment promotion is changing.** The Ministry of Labor, Employment and Social Security was suppressed in February 2012 and its functions were transferred to the Ministry of Economy, Employment, and Sustainable Development. An employment center incorporating the functions of the old Ministry of Labor has been created within this new Ministry (defining and implementing the employment policy, applying labor regulations, monitoring the labor market and industrial relations as well as employment research).

88. The purpose of this reorganization is to make economic diversification and employment policies more consistent. Ongoing reforms also include the development of a national employment policy after the organization of a general assembly on employment scheduled for the second half of 2013. With support from ADB, this reform also aims at building the institutional and technical capacities of the employment center by defining an appropriate methodological framework for the tasks to be carried out. Capacity building will involve equipment, training and recruiting specialized staff in order to provide the employment center with the means necessary to accomplish its missions. Despite these reforms, shortcomings persist.

**89. Gabon suffers from a lack of reliable labor market information.** While the informal private sector employs nearly half of the workforce, it is not subject to any monitoring by regular studies. The same is true for unemployment, as the only data available are those of the 1993 General Census of Population and Housing, (since that of 2003 was not validated), the 2005 Gabonese survey on poverty assessment (EGEP), and the 2010 National Survey on Employment and Unemployment (ENEC). There is also a difference between the figures from these sources and from the wage statements published by the General Directorate of Statistics.

90. Many organizations collect data on formal employment, but it is insufficient to monitor the trends and the type of existing jobs, conduct in-depth analyses, appropriately inform potential users, and alert public authorities for possible corrective actions. ONE data focuses on applications and job offers and that of the national accounts, collected from the statements of the salaries paid, are highly aggregated and concern only a part of the formal sector. NSSF could also be an important source of employment data, but its current information system does not generate data on sectoral distribution and qualifications. Labor inspectorates existing throughout the country are also a potential source of information on the labor market, but they face significant practical difficulties. In such circumstances, it is difficult to monitor the trends and type of the existing jobs, conduct in-depth analyses, appropriately inform potential users, and alert the public authorities on possible corrective actions.

**91. Conscious of the limitations as regards labor market information, the Ministry of Economy and Employment envisages the creation of a National Employment and Training Observatory .** This new institution will be responsible for (i) centralizing and processing data on the employment and training situation, (ii) designing analytical tools and analyzing employment statistics, (iii) conduct studies and employment surveys as well as measuring the impact of the measures implemented as regards employment and training in order to provide with guidance and policy decisions regarding employment and training policy. The establishment of such an institution will require to first defining a clear assignment of roles so that ONE and the General Directorate of Employment will be able to define their respective areas of responsibility. Such an institution will also require to make the various public statistics (NSSF, labor inspections, ONE, survey data, etc.) compatible and consistent.

92. Finally, the establishment of an observatory should be part of the national employment policy and fall, in a consistent manner, within the national statistical system. It should not duplicate the functions of the Directorate General of Statistics and sectoral statistics services, but fall harmoniously within the national statistical system by implementing a system for the access and transfer of data between agencies.

### **Labor market intermediation is limited**

**93. The National Employment Office (ONE) performs the job placement service.** Created on October 1<sup>st</sup> 1993, it is responsible for: (i) assisting people seeking employment or training to improve their employability, (ii) assisting employers in hiring or reclassifying (internal or external) their staff, and (iii) implementing special measures adopted by the government in favor

of employment. To this end, ONE collects and processes data on the labor market, meets and guides job seekers towards available offers, selects and supervises candidates who want to create very small businesses (self-employment) by helping them preparing their feasibility report. Between 1994 and 2010, ONE received 57,975 job seekers and 11,411 jobs with only 5,532 direct recruitments. ONE's activity is limited due to its small operating budget and the fact that it is currently present only in three provinces. in addition, the ENEC 2010 results show that job seekers prefer relying on personal relationships (37 percent-39 percent), applying directly to employers (20 percent-26 percent), and responding to classified ads (8 percent-14 percent), rather than using ONE (2 percent). This analysis demonstrates the need to reconsider the role of ONE in order to both strengthen it and deploy it nationwide.

**94. Housed within ONE, the Vocational Integration and Reintegration Fund (FIR) is managed by a management board consisting of representatives from the government, employers, and workers.** Its mission is to grant aid for young graduates looking for their first job or for workers laid off by public or private companies and seeking for a new job. These grants are in the form of (i) financing of all or part of training courses prepared in accordance with the requirements of the labor market and (ii) participation in the financing of sectoral studies on available and potential job opportunities. This type of activity is less frequent.

**95. FIR's activities are limited due to its small annual budget.** In fact, 100 million CFA francs are annually allocated to training activities carried out by FIR and this budget is often made available late. Considering that the average cost for the training of a job seeker is between 400,000 and 500,000 CFA francs, it is understandable that the FIR cannot respond effectively and sustainably to the training demand expressed by companies.

**96. The target population of FIR is extremely limited by law.** Only graduates and laid-off employees can benefit from FIR training. However, as demonstrated in ONE statistics and ENEC results, many job seekers have a high need for training. Furthermore, more people are dismissed for personal reasons than for economic reasons. It is also not uncommon that this personal reason is the result of the employee incompetence. The result is that by restricting the scope of the FIR, the law deprives many job seekers from the training they absolutely need. At the same time as the overall budget would be increased, all job seekers (not only graduates or laid-off workers) could benefit from training when a company has expressed a need.

97. On the other hand, since its actual start in 1994, FIR's activities for self-employment have been limited. Between 1994 and 2004, they conducted only 32 awareness campaigns on self-employment and initiated only 327 self-employment training sessions. As a result, only 251 independent jobs were created between 1994 and 2010. The reorganization of FIR could be integrated into the broader context of the reorganization of vocational training mentioned in the previous chapter.

## **The limited impact of employment promotion programs**

98. in the 1990's, in order to fight unemployment and promote self-employment, the Gabonese

government, with the support of technical and financial partners, started implementing specific programs for the promotion employment called “second chance” programs.

99. The main programs are: (i) the program to Support Training and Professional Integration (AFOP/AFIP), (ii) the National Program of Development, Control, and Public Management of Public Interest Works for the Promotion of Entrepreneurship and Employment (PN TIPPEE), (iii) the Program to Support the Development of Microcredit in Gabon (PADMG), (iv) the Program to Support Young Mothers and (v) programs implemented by the Gabonese Development Support Institute (IGAD). Except for IGAD, the impact of these programs is limited, mainly due to the lack of resources they are allocated.

#### *Programs of the Gabonese Development Support Institute (IGAD)*

100. Established in 1992 as an association governed by the law of 1962, IGAD aims to increase the share of agriculture in national income by focusing on the creation and development of a suburban agricultural fabric that would fit into the context of sustainable development. To achieve this goal, IGAD provides training in agriculture throughout the country to improve the employability of people in precarious situations, by helping them becoming small-scale agricultural entrepreneurs. Since 1992, IGAD has created more than 1,200 very small agricultural enterprises (VSE) within the nine (9) provinces in the country that have generated more than 2,000 permanent jobs.

101. Building on past IGAD results, the Gabonese government launched the Agricultural Development and Investment Project in Gabon (PRODIAG) with the financial support of the French Development Agency (AFD). Scheduled for five (5) years over the 2011-2015 period, PRODIAG has a budget of 12.7 billion CFA francs resulting from a loan from AFD representing 79 percent of the project’s funding. The remaining 21 percent was financed by the Government.

102. The goal of PRODIAG is to contribute to the improvement food security, the reduction of poverty, and to increase the share of agriculture in national wealth. More specifically, PRODIAG is designed to support the development of the production and marketing of agricultural products. For this reason, it is expected to generate more than 1,000 farms, 2,200 direct jobs, and 1,000 indirect jobs over five years. This project is expected to entail a significant increase in the income level of farmers who will receive support in structuring the industry.

#### *Project to support Vocational training and integration*

103. Funded by the European Development Fund (EDF), the project to support vocational training (AFOP) targets young people between 16 and 25 years of age who are excluded from the educational system and who, for a reason or another (social disadvantage, insufficient education level, geographical remoteness, lack of educational training structures or limited capacities), cannot continue with normal schooling. The project provides them with short-term vocational training or training leading to a qualification (3-6 months) to acquire skills in agriculture, forestry, and construction trades. At the end of 2010, the AFOP project trained 25 apprentices-companions in the agricultural sector, of which 15 percent - obtained a temporary job and 4 percent a stable

job. The limited integration of trained young people led to the project's restructuring to take the vocational integration component into account.

104. The follow-up project will be the project to support training and vocational integration (AFIP) for the 2012-2015 period, which will organize short sandwich training courses leading to a qualification within public and private training centers based on the private sector's needs.

*The National Program for the Development of Public Purchasing and Management of Works of Public Utility for the Promotion of Entrepreneurship and Employment (PN-TIPPEE)*

105. The objective of the PN-TIPPEE is to assist local small and medium-sized enterprises, mainly those involved in construction, with access to public purchasing through the construction of community infrastructure. The program aims to promote micro, small, and medium-sized enterprises (MSMEs), while delivering training for the managers and executives of these companies. It also aims to promote the employment of nationals by encouraging priority hiring of Gabonese people from the communities benefitting from the infrastructure. Between 2006 and 2011, the project assisted 150 SMEs with the conclusion of 632 works or service contracts under a call for tenders of CFAF 15 billion. Supported by joint funding from the World Bank and the Gabonese government until 2011, the program was suspended due to a lack of new funding. The beneficiaries' satisfaction survey conducted by the National Commission of Works of Public Interest Utility Works for the Promotion of Entrepreneurship and Employment (PN TIPPEE) showed that people are highly interested in this program and that it would be good to conduct an operational audit of the program to ensure sustainable and stable funding. In addition to promoting the access of small and medium-sized enterprises to public procurement, this type of program can also help to create jobs for unskilled workers and help people to transition from the informal to the formal sector.

*The Program to Support the Development of Microcredit in Gabon (PADMG)*

106. The objective of the PADMG is to empower women by supporting their activities in fields as diverse as agriculture, livestock farming, fishing, craftsmanship, trade, and services. This funding, provided with the help of the United Nations Development Program (UNDP), the Gabonese Development Bank (BGD), and the ministry of agriculture and livestock framing, is in the form of loans to individuals between CFA francs 500,000 and 5,000,000.

107. These loans are used to build capital or acquire the equipment necessary to conduct economic activities. They are granted at a subsidized declining rate of 4 percent per year, including fees and commissions. The loan is subject to guarantees provided by the beneficiary. These guarantees include direct debit, delegation of revenue, or collateral. Initially launched in the province of Nyanga, the PADMG was extended to the provinces of Haut-Ogooué and Woleu-Ntem. No assessment of the results achieved by the project was available at the time of this report's preparation.

108. However, project managers mentioned several difficulties facing the project. The most significant is that the volume of credit may not exceed CFA francs 50 million per province. This

small amount contrasts with the strong demand from women in the provinces covered by the project. Other difficulties are related to the project's operations that require awareness-raising , monitoring and control missions as well as training sessions for the target audience. These difficulties jeopardize the extension of a project that could be an important source of self-employment throughout the entire country and significantly help to reduce poverty, especially in rural areas.

*The Program for Young Mothers*

109. Early pregnancy is one of the main causes of school dropping out and the vulnerability of women in employment. Therefore, in 2001, the Gabonese government set up a fund for low-income young mothers. Considered needy, they often earn a monthly income below the minimum wage. This fund financed:

110. The construction of thirteen day nurseries and community centers that hosted 2,015 children aged three (3) to five (5) of young single mothers. Day nurseries also allow needy young mothers working or being engaged in a particular activity without having to watch their child.

111. Training courses leading to a qualification with minimum setting-up packages. In 2008, 95 girls benefitted from training in hairdressing, dressmaking, welding, computer and data processing, plumbing, automotive mechanics, pre-school education, housekeeping and cooking, and heavy equipment mechanics. Eighty single mothers who graduated from the program are no longer in precarious situations as they found jobs or started their own businesses.

112. The managers of this program mentioned the lack of financial resources as the main obstacle to its expansion. It should also be the subject to an operational audit in order to increase the number of single mother beneficiaries.

113. By and large, it is desirable for Gabonese authorities to conduct an assessment of the socio-economic impact of these various programs in order to measure their effectiveness. This impact study would allow identifying relevant programs to be expanded to the entire national territory after providing them with adequate resources.

## V. CONCLUSION: CREATE INCLUSIVE GROWTH CONDITIONS

1. The analysis of the constraints and challenges to job creation showed that they are diverse and that, particularly for young people, combating unemployment requires a multi-form approach that affects both supply and labor demand. The most urgent task seems to be the reform of the education system in order to improve its quality and make it more compatible with the needs of the productive sector so that job opportunities become quality jobs. Meanwhile, the investment climate must improve in order to increase employment opportunities.

2. It will also be necessary to relax the labor law that, today, tends to protect workers and slows the creation of new jobs. Similarly, in order to ensure the sustainability of the social protection system, it seems necessary to undertake actuarial studies of the two public social security organizations. Such reforms will require faster implementation of the new institutional framework that was launched in February 2012 by grouping the departments of Economy, Employment, and Sustainable Development into a single ministry.

To implement these reforms, the following actions are recommended:

➤ ***Adapt the education system to the needs of the economy:*** the challenges of education reform in order to resolve the “training-employment match” issue are twofold: operationalizing the framework law on education and establishing a system of training courses leading to a qualification based on the needs of the productive sector.

3. The pragmatic and rapid operationalization of the provisions of law 21/2011 on the overall orientation of Education, Training, and Research is the government’s long-term challenge. This will involve (i) better programming to improve the management of school enrolments and reduce repeater and dropping out rates, (ii) improve the material conditions of teaching, and (iii) reinforce the capacity and motivation of staff. These reforms can hardly be achieved without an increase in budget allocation for education and improving efficiency of the allocations within the sector. A detailed analysis of the cross-sectoral allocations, and investigative follow-up of the education expenses, and an organizational and performance audit of the ministry of National education and vocational training could help with the development of a sequenced plan to operationalize the general framework law adopted in 2011.

4. In the short-term, the government’s main challenge is to incorporate the training experiences based on the actual demand of the labor market (i.e. the current and future needs of companies) into the current practice of technical education and vocational training so as to design and develop programs and train the instructors and the learners. To this end, an assessment of professional qualifications needs must be undertaken as soon as possible in the key priority areas of the Strategic Plan for an Emerging Gabon (PSGE) and a system of short-term and adaptable training courses leading to a qualification must be organized in collaboration with the private sector based on the current experiences, such as those of the Institute of Oil and Gas in Port-Gentil and the partnership between ONE, Comilog, and the training and professional development center

in Franceville.

5. It also seems urgent to secure funding for vocational and technical education in order to increase the coverage of this type of education. For this purpose, the creation of a National Fund for Training and Professional Development (FNFPP) is recommended. The Fund would have its own legal personality and financial independence, and be financed by the vocational training tax, donor funding, and other contributions from the government, including funds currently allocated to the Professional Integration Fund (FIR). In order to address the reluctance of private sector operators to pay the business tax created in 2000 with a view to supporting vocational education, it is recommended that the private sector and the government co-manage this fund. It is also recommended that the private sector be included in defining the national education policy, especially the National Council on Education, Training, and Research (CNEFOR) as provided in law 21/2001 on the overall orientation of education, training, and research.

#### ***Strengthen institutional support to the private sector***

6. Undertaking key reforms to significantly improve the investment climate requires permanent high-level dialogue between the public and private sectors and a clarification of the roles within the private sector support system.

7. The dialogue between the government and the private sector could be formalized by the establishment of a Presidential Investment Council (PIC), a body provided under the PSGE. This body would be responsible for high-level dialogue between the public and private sectors on reforms to facilitate business. The PIC would be an advisory body comprised of representatives of the private sector, the government, and workers -chosen for their competence, experience, and integrity –who would meet once or twice a year with the Head of State as chairman, along with the ministers concerned, with the aim of defining and assessing reforms. A small team of senior experts would organize the process for the implementation and assessment of such reforms . Topic-specific working groups comprised of experts from the private sector and administrations would diagnose problems, conduct required studies, and recommend reform projects. These reforms would then be submitted to the PIC during their biannual meetings for consideration and decision. The implementation, by the government, of the reforms adopted would be carried out under the supervision of a monitoring committee under the authority of the Prime Minister or the Secretary General of the government.

8. It also seems useful to clarify the roles and build the operational capacities of organizations supporting development of the private sector as follows: (i) focus the action of the Center for the Development of Enterprises (CDE) on the one-stop shop for the administrative formalities of business creation and (ii) consolidate the functions of information on business opportunities, studies, and support and advisory services to SMEs and the promotion of investment within the Chamber of Commerce and (iii) specialize the Investment and Export Promotion Agency (APIEX) in export promotion and the research of international investors. Eventually, once these three entities have acquired proven experience in their respective responsibilities, they could be grouped into a single institution.

➤ ***Relax labor laws and reform the social security system***

9. Relaxing labor laws would mainly consist in reducing the time required to obtain the administrative authorization for dismissal as well as reducing the level of compensation for economic lay-offs that should be set according to the financial capabilities of the enterprises in difficulty. The provisions on the employment of foreign workers that impose a 10 percent limit of foreign workers per company and require evidence proving that there are no Gabonese workers available for open positions are anachronistic compared to the current market situation characterized by a substantial deficit in national skilled labor. **Rather than general provisions, the foreign workers quota should be discussed and defined by sector in order to take their specific situations in account. It also seems necessary to liberalize the job placement function.**

10. Regarding the social security system reform, the system's structural deficits suggest that two distinct actuarial studies of CNSS and CNAMGS should be conducted. These would enable a review of the parameters of each fund, the funding method, and the rebalancing of powers in the governance bodies. This work would be the basis for updating the Social Security Code, which provisions from 1962 are now obsolete.

➤ ***Strengthen the institutional framework of employment promotion***

11. The Gabonese experience is characterized by an overall positive growth over a long period, and an increase in unemployment confirms that the relationship between economic growth and job creation is not automatic; and that it is necessary to have an employment policy that generate conditions for a quality job-creating growth. It is therefore necessary that the national employment policy (which is being developed) is defined consistently within the PSGE objectives and in consultation with the private sector and workers. The recommendations discussed earlier and related to education and vocational training, improving the investment climate and social legislation could contribute to the development of this policy.

12. The implementation of this policy will require further reforms of the institutional framework, which began as a merger between the departments of economy and employment. Such restructuring would require both an organizational audit and an audit on the capacities of the existing institutions and services in order to clarify their respective roles and assess the appropriateness to maintain them and identify the needs of new services or institutions. The organizational audit would also allow defining a program for capacity building within all of these services and institutions.

13. Monitoring and assessing the national employment policy requires the establishment of a labor market information system. A first step to this endcould be to establish a computerized database within the ministry responsible for employment on education, vocational training, and employment from the data provided by the ONE, the NSSF, the labor inspectorates, the Directorate General for Taxes, the Directorate General for StatisticsDGS, and systematic enterprises surveys.

## Appendix1: List of skills needed to implement the PSGE mining projects

<p><b>Skilled laborers</b></p> <p><b>Building, structural work, and finishing</b></p> <ul style="list-style-type: none"> <li>• Finishing masonry</li> <li>• Workers qualified in civil engineering:</li> <li>• Concrete formwork specialist</li> <li>• Façade specialist</li> <li>• Building painter</li> <li>• Plumber</li> </ul> <p><b>Civil engineering, road and railway</b></p> <ul style="list-style-type: none"> <li>• Mobile crane driver</li> <li>• Excavator and backhoe loader driver</li> <li>• Scaffolding assembler</li> </ul> <p><b>Metal construction</b></p> <ul style="list-style-type: none"> <li>• Lifting assembler</li> <li>• Welded construction assembler</li> </ul> <p><b>Electrical equipment</b></p> <ul style="list-style-type: none"> <li>• Industrial equipment electrician</li> <li>• Building electrician</li> <li>• Aero-underground electrical network assembler</li> <li>• Wiring assembly electrician</li> <li>• Yard machine repair mechanic</li> </ul>	<p><b>Logistics and transport</b></p> <ul style="list-style-type: none"> <li>• Heavy vehicle driver</li> <li>• Light vehicle driver</li> </ul> <p><b>Metal processing</b></p> <ul style="list-style-type: none"> <li>• Industrial pipe-fitter</li> <li>• Boilermaker</li> <li>• Industrial sheet-metal insulator</li> <li>• Coated electrical arc and TIG welder</li> <li>• Semi-automatic MIG MAG and flux-cored welder</li> </ul> <p><b>Refrigeration and air-conditioning</b></p> <ul style="list-style-type: none"> <li>• Refrigeration and air-conditioning repairman</li> </ul> <p><b>Vehicle and engine repair</b></p> <ul style="list-style-type: none"> <li>• Maintenance mechanic foreman</li> <li>• Automobile mechanic</li> </ul>
<p><b>Technicians and senior technicians</b></p> <p><b>Building, structural work, and finishing</b></p> <ul style="list-style-type: none"> <li>• Structural work team leader</li> <li>• Building and civil engineering quality surveyor</li> <li>• Concrete mixer plant driver</li> <li>• Finishing team leader</li> <li>• Drywall worker</li> <li>• Tiler</li> </ul> <p><b>Civil engineering, road and railways</b></p> <ul style="list-style-type: none"> <li>• Civil engineering team leader</li> <li>• Civil engineering quality surveyor</li> <li>• Senior technician of metal construction studies</li> <li>• Wood</li> <li>• Carpenter, wood-setter</li> <li>• Carpenter, layout</li> </ul> <p><b>Electrical equipment</b></p>	<p><b>Refrigeration and air-conditioning</b></p> <ul style="list-style-type: none"> <li>• Air-conditioning intervention and maintenance technician</li> <li>• Vehicle and engine repairman</li> <li>• Auto body mechanic repairman</li> <li>• Automobile electrician</li> <li>• Railway equipment mechanic repairman</li> <li>• Heavy vehicle mechanic repairman</li> <li>• Thermal motor and mechanism reconstruction technician</li> <li>• Automobile electrician</li> <li>• Railway equipment mechanic repairman</li> </ul> <p><b>Logistics and transport</b></p> <ul style="list-style-type: none"> <li>• lift truck operator-warehouseman</li> <li>• Store clerk</li> <li>• Railway engine driver</li> </ul> <p><b>Industrial production</b></p> <ul style="list-style-type: none"> <li>• Team leader of operators</li> </ul>

<ul style="list-style-type: none"> <li>• Electrical engineering consultants technician</li> <li>• Metal processing</li> <li>• Technician of boiler making studies and industrial piping</li> </ul>	
<p><b>Specialists</b></p> <p>These consist of skills mobilized at any given moment in limited quantities. The trades to be researched will be grouped into eight sectors.</p> <p><b>Building, structural work, and finishing</b></p> <ul style="list-style-type: none"> <li>• Foreman and building engineer</li> <li>• Structural work project manager</li> <li>• Building study technician</li> <li>• Industrial heat builder (fire bricks)</li> <li>• Tower crane driver</li> <li>• Plasterer</li> </ul> <p><b>Civil engineering, roads and railways</b></p> <ul style="list-style-type: none"> <li>• Foreman and civil engineer</li> <li>• Civil engineering site manager</li> <li>• Profiling engine driver (grader)</li> <li>• Metal construction</li> <li>• Scaffolding team leader</li> <li>• Wood</li> <li>• Automated saw, sharpener driver</li> <li>• Cabinet-maker</li> </ul>	<p><b>Metal processing</b></p> <ul style="list-style-type: none"> <li>• Chief engineer of boiler making and industrial piping</li> <li>• Welding technician</li> <li>• NDT technician</li> <li>• Milling setter-operator</li> <li>• Lathe setter-operator</li> </ul> <p><b>Logistics and transport</b></p> <ul style="list-style-type: none"> <li>• Transport logistics senior technician</li> <li>• Industrial production</li> <li>• Industrial production unit foreman</li> <li>• Mine site operation foreman</li> <li>• Geologist</li> <li>• Mine site foreman</li> </ul>

*Source: Ministry of Mines and Industry*

## **APPENDIX 2: Several job market concepts and indicators**

**Working-age population:** All persons aged 10 years and older.

**Employment:** Persons in employment are in the following categories of employees (persons who performed some work for wage or salary in cash or in kind) or self-employed (persons who performed some work for profit or family gain, in cash or in kind) during the last seven days. Persons who were not at work during the reference period but who had a formal attachment to their job (annual leave, sick leave, maternity leave, technical leave, strike, vocational training, etc.) are considered as persons in employment.

**Employed worker:** Any person aged 10 or older who has worked at least one hour over the seven days preceding the study for a salary (wage in cash or in kind), a benefit, or a family gain (in cash or in kind) is considered to be an employed worker.

**Unemployed person:** An unemployed person is someone 10 years or older who is unemployed (in the above sense), and who is looking and available for work.

**Inactive person:** A person who is neither an employed worker or an unemployed person.

**Active population:** All of the employed workers and unemployed.

**Inactive population:** All the inactive persons.

**Activity rate:** Ratio of the employed workers on the working-age population.

**Unemployment rate:** Ratio of unemployed people to the working active population.

**Multiple job-holder:** A person who holds more than one job.

**Migration:** Changing habitual residence for an agreed minimum stay.

**Migrant:** An individual who undertakes a migration, as opposed to a non-migrant person who never changed residence according to the agreed criteria.

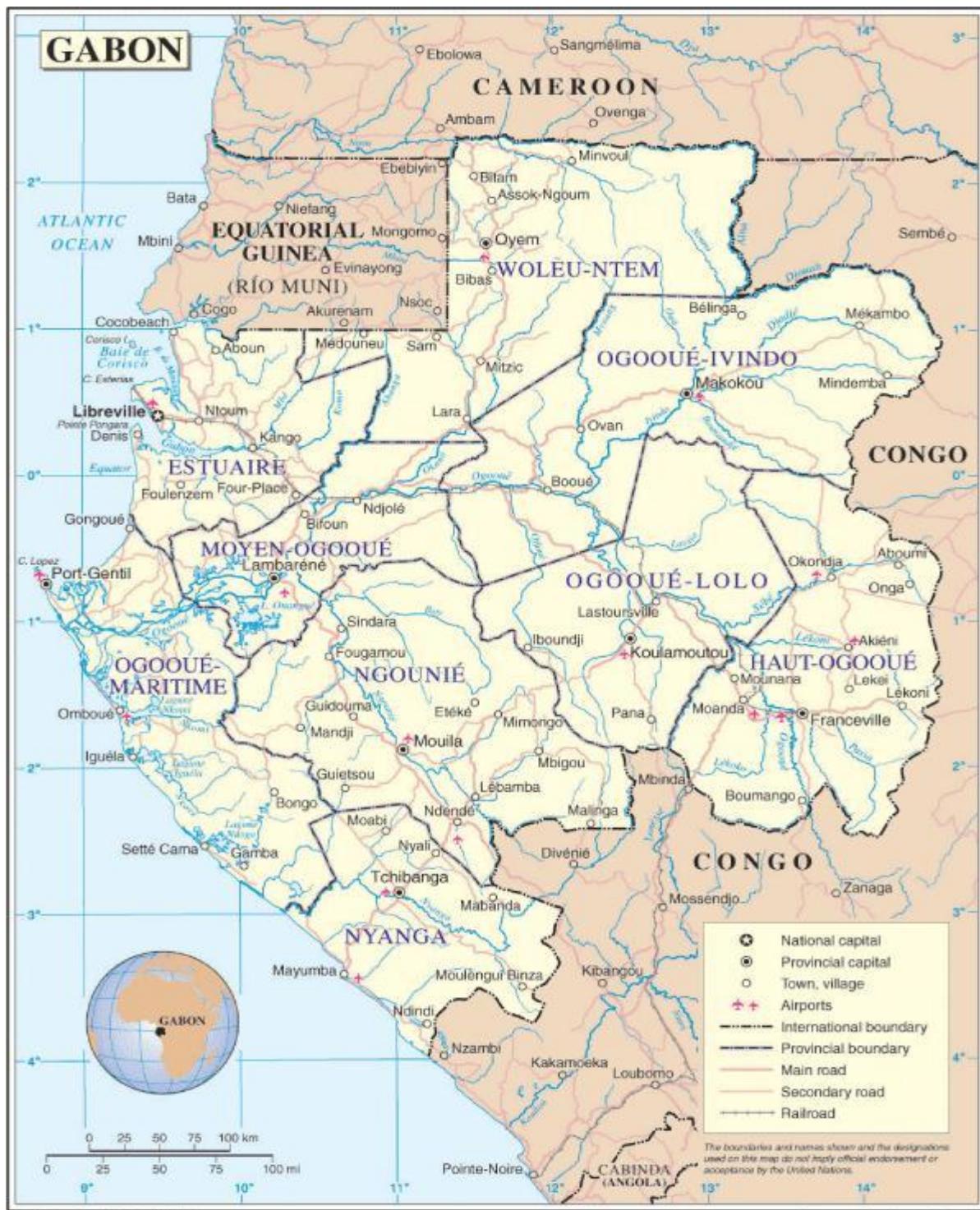
**Employment contract:** A written or oral agreement whereby an employed person engage in an activity for an employer in exchange for a salary.

**Dismissal:** The breach of a contract for an indefinite period or breach before expiration of a fixed-term contract, at the initiative of the employer.

## REFERENCES

1. French Development Agency (AFD), *Rapport d'état du système éducatif gabonais*, April 2012.
2. African Development Bank, African Development Fund, Gabonese Republic. *Etude sur la diversification des sources de la croissance économique, novembre2008*.
3. African Development Bank (ADB) Gabonese Republic. *Etude économique et sectorielle développement du secteur privée, 2010*.
4. World Bank, Republic of Congo (2011): *Etude sur la croissance et l'emploi: de la croissance sans emploi à la croissance inclusive. Département Réduction de la Pauvreté et Gestion Economique 3; Région Afrique*
5. World Bank. *La pauvreté dans une économie de rente*. Report on Gabon, volume: Summary; volume 2: Main report, March 19<sup>th</sup> 1997.
6. Barro Chambrier, Alexandre. *L'économie du Gabon: analyse des politiques d'ajustement et d'adaptation*. Economica, Paris, 1990.
7. International du Labor Office (ILO), Mohammed Bensaïd (coordinator), Aomar Ibourk, Ayache Khellaf, *Évaluation des emplois générés dans le cadre du Document de Stratégie de Croissance et de Réduction de la Pauvreté au Gabon*, Employment Sector Working Paper No. 80 on Employment.
8. Djima Moussiliou Moustapha. *Education et Insertion des jeunes et des femmes sur le marché du travail au Gabon*, World Bank, June 2012.
9. C. Maldonado, B. Gaufryauet other authors, *L'Economie informelle en Afrique francophone, structure, dynamique et politique*, International Labor Office, Geneva, 2001.
10. Djima Moussilou, *Education et Insertion des jeunes et des femmes sur le marché du travail au Gabon, Note préparée pour le compte de la Banque mondiale*, juin 2012.
11. Etienne Nsie, *Législation du travail, système de protection sociale des travailleurs et politiques de promotion de l'emploi au Gabon, Note préparée pour le compte de la Banque mondiale*, juin 2012.
12. Katy Hull, *Understanding the Relationship between Economic Growth, Employment and Poverty Reduction*, World Bank.
13. Kuépié, M. et Nordman, C.(2011): *Éducation et marchés du travail à Brazzaville et Pointe Noire (Congo-Brazzaville)*;
14. Ministry of Development, Public Performance, Prospective and Statistics, Gabonese Republic, Directorate General of Statistics and Economic Studies, *Annuaire statistique du Gabon 2001-2007, N°11–juillet 2009*.
15. Ministry of Economy, Employment, and Sustainable Development. *L'emploi, le chômage et les conditions d'activités au Gabon, premiers résultats de l'enquête nationale sur l'emploi et le chômage, Rapport principal*, Avril2012.
16. Ministry of Economy, Finances, Budget, and Privatization. *Tableaux de bord de l'économie de 1981 à 2001*.
17. Ministry of Economy, Commerce, Industry and Tourism, Gabonese Republic, Directorate

- General of Statistics, *Annuaire statistique du Gabon 2004-2008 n° 12-juin 2010.*
- 18. Ministry of Economy, Trade, Industry and Tourism, Gabonese Republic, *Compte satellite du tourisme 2008-2010*
  - 19. Ministry of Planning and Regional Development, *Recensement général de la population et de l'habitat du 1<sup>er</sup> au 31 juillet 1993: principaux résultats*, July 1995.
  - 20. Gabonese Republic, Ministry of Family, the Promotion of Women, and Protection of Widows and Orphans (2005), *Stratégie nationale d'égalité et d'équité de genre*.
  - 21. National Employment Office, *Rapport d'activités 1999*, March2000.
  - 22. *Audit Comptable et tarifaire, financier, technique de la convention de concession avec la Société d'Energie et d'Eau du Gabon (SEEG), Ministère de l'Énergie et des Ressources hydrauliques. Synthèse des contrats et recommandation (sub-mission F)*, January 15<sup>th</sup> 2011
  - 23. Secretariat General, UPDEA, *Etude comparative des tarifs d'électricité pratiquée en Afrique, December2009*



Map No. 4050 Rev. 3 UNITED NATIONS  
June 2004

Department of Peacekeeping Operations  
Cartographic Section