

Gabon

2011



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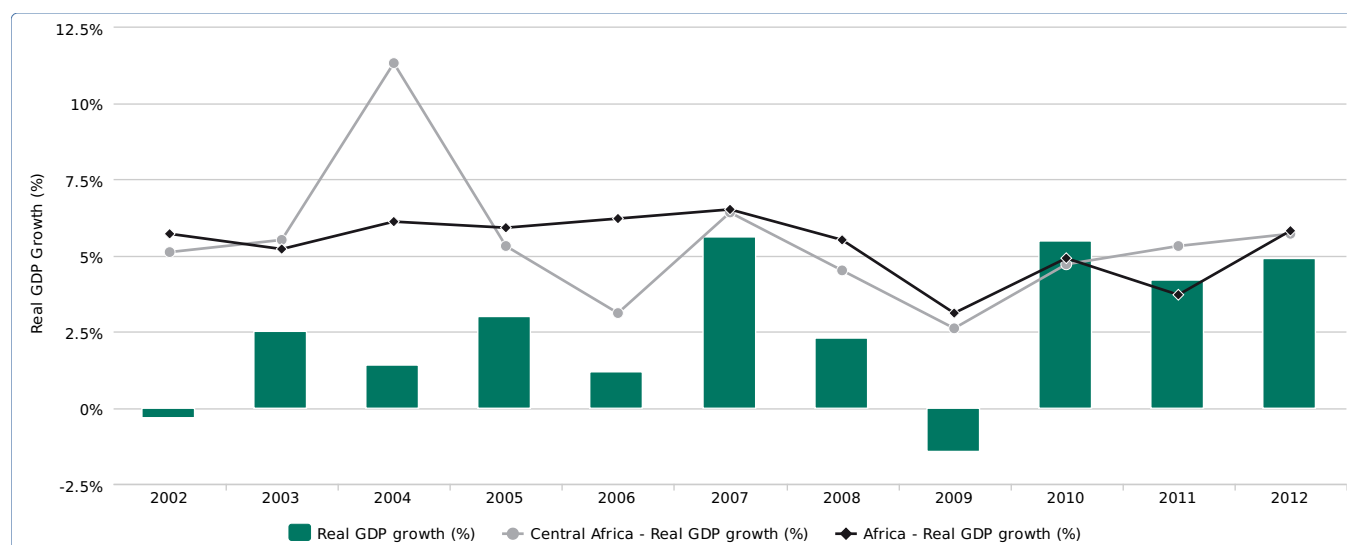
Gabon

Overview

The country's main economic and social indicators improved in 2010, with restored overall growth (5.5%) and a healthier budget situation. The current account surplus grew despite inflation above the target level.

These advances were due to higher investments for the construction of facilities for the Africa Cup of Nations football tournament (*Coupe d'Afrique des Nations - CAN 2012*) and infrastructure projects for the 50th anniversary of independence celebrations, and to improved international circumstances bringing about better prices for Gabon's raw material exports.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932404104>

Despite a projected slowing of growth in 2011, budget and current balances should improve in 2011 and 2012 after the start, in the second semester of 2010, of projects to upgrade main roads, process timber locally and build low-cost housing.

These projects should meet the serious concerns of the population by providing material benefits, jobs, housing and welfare.

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	-1.4	5.5	4.2	4.9
CPI inflation	1.9	3.2	2.7	2.7
Budget balance % GDP	0.2	3.7	4.4	4.6
Current account % GDP	13.6	14.3	16.4	16.6

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

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932406460>

Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	4.9	5.4
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	53.2	43.9
Mining, manufacturing and utilities	-	-
of which oil	50.7	41.8
Manufacturing	5.2	5.1
of which hydrocarbon	-	-
Electricity, gas and water	1.2	1.7
Electricity, water and sewerage	-	-
Construction	1.7	2.2
Wholesale and retail trade, hotels and restaurants	5.6	6.8
of which hotels and restaurants	-	-
Transport, storage and communication	4.6	5.2
Transport and storage, information and communication	-	-
Finance, real estate and business services	0.5	0.5
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	23.1	29.2
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department; national authorities (DGE).

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932407429>

The economy is very closely tied to world demand for its raw materials and has benefited from the economic

recovery of its partner countries. Gross domestic product (GDP) grew 5.5% in 2010 after shrinking 1.4% in 2009 but growth is expected to slow again in 2011 (to 4.2%) before speeding up slightly in 2012 (4.9%).

Public investment's share of GDP growth is set to advance from 0.1 percentage points in 2010 to 0.2 points in 2011 and 2012 and public consumption from 0.3 points to 0.5 in 2011 and 2012. This is due to infrastructure projects such as the building over three years of 1 000 kilometres of tarred roads by the Indian firm Ramky Infrastructure, the institution of a special economic zone at Nkok (27 kilometres from Libreville) for processing logs locally, developing palm-oil plantations in Mouila (Ngounié province) and Tchibanga (Nyanga province) and building 5 000 low-cost housing units in Libreville.

These projects should generate some 50 000 direct and indirect jobs over the next three years and are mainly funded directly by China, Singapore and India.

The 2009 world recession especially affected the primary sector, with a sharp drop in oil revenue, to 9.5% of real GDP.

Recovery in 2010 was based on a 3.4% increase in oil production with the opening of new oilfields, a 13.5% rise in oil export prices and continuing efforts to extract marginal deposits. In the last quarter of 2010, the Anglo-Dutch company Shell brought into production an oilfield at Koula with estimated reserves of 64 million barrels, which should boost national output by about 10%.

Exports have largely recovered from their 2009 slump and, though not yet back to 2008 level, were 59.7% of real GDP in 2010 (up from 56.4% in 2009) and the second-biggest contributor to GDP growth (2.2 percentage points) after private consumption (2.3 points). This contribution is projected to drop to 1.8 points in 2011 and rise again in 2012 to 2.5.

This mixed performance in exports is partly due to the reorganisation of the forestry sector where, a year after exports of unprocessed logs were banned, 11 factories opened to process them locally. This increased the sector's industrial capacity to 1.625 million m³ in 2010 (from 1.6 million in 2009). The industry will be required to process 75% of all logs in 2011 and 80% in 2012.

Private consumption rose in 2010 because of improved roads in Libreville for the 50th anniversary of independence festivities (in August 2010) and preparations for the CAN 2012. Most small and medium-sized contractors had to hire extra temporary workers to meet three-month delivery deadlines. Private consumption's share of GDP growth has been projected to fall (to 2.1 percentage points) in 2011 and 2012, after completion of the construction work for both events.

The fall in 2009 was due to an overall fall in contribution to GDP growth by demand factors: gross fixed capital investment (-1.6 percentage points), final consumption (+0.9 points) and exports (-2.1 points). The 2010 recovery is explained by the rise in the contribution of investments to 0.7 points and of exports to 2.2 points. This trend should continue in 2011 as the GDP growth share of final consumption stabilises at 2.6 points, with similar projected in 2012.

The primary sector contributed 54.7% of real GDP growth in 2010 (up from 49.3% in 2009) and should rise further to 55.8% in 2011. Oil continued to dominate the sector, providing 47.5% of real GDP (up from 41.8% in 2009) owing to investment by oil companies Total Gabon, Shell and Maurel & Prom in the wake of the 2007 renewal (for 25 years) of their agreements with the government. The GDP share of oil should fall, however, in 2011 (to 45.3%) and 2012 (44.1%) because of costly maintenance work and deep-sea and coastal exploration.

Agriculture is focused on market gardening at the edge of cities run by the development support body IGAD (*Institut Gabonais d'appui au développement*) and on individual cash- and food-crop farmers. The sub-sector's share of GDP fell to 3.8% in 2010 (from 5.4% in 2009) and is expected to decline further to 3.7% in 2011 as production and sales of cash-crops such as rubber, coffee and cocoa fall (along with those of industrial fishing).

Agriculture and quasi-agriculture is expected to recover in 2012 as a result of IGAD's provision of training in market gardening, food crops, and pig and poultry farming to small and medium-size business start-ups.

The world manganese market slumped in 2009 because of stockpiling by major customers (mostly China) and the more than halving of the metal's price. With recovery of the world steel industry and China no longer drawing on its stocks, the GDP share of the mining sector grew to 3.0% in 2010 (from 2.1% in 2009). This share should more than double in 2011 to 6.5%, before dipping slightly again (to 6.3%) in 2012, thanks to investments since 2008 in new equipment, and the building of a plant to produce manganese metal (high manganese) to the tune of 20 000 tonnes a year and of another plant producing silicomanganese (65 000 tonnes). In addition, the Broken Hill Proprietary Company (BHP Billiton) has started operations in Franceville.

Forestry's share of GDP growth fell from 1 percentage point in 2009 to 0.3 points in 2010 and was expected to

remain steady in 2011 before rising to 0.4 points in 2012. The sharp fall was due to the ban on exporting unprocessed logs and the slight recovery will be due to the start of local processing.

The secondary sector accounted for 8.3% of GDP in 2010, down from 9.0% in 2009. The biggest contributors to this share were construction (2.4%), electricity and water (1.5%), agro-industry (1.4%) and other industries (1.8%), all of them except construction down from 2009 mainly because of reorganisation problems. Construction did well thanks to road repair work and stadium construction for CAN 2012 and is expected to boom in 2011 (to 8.3%) and 2012 (8.5%) thanks to industrialisation, which is being supported and is expanding.

The service sector was 28.5% of GDP in 2010 (down from 41.7% in 2009) and should slip further in 2011 to 27.0% owing to closure of some businesses for repairs to be done and poor management of some government-subsidised establishments. The GDP contribution of hotels, restaurants and tourism, which dominate the sector, declined slightly to 11.0% in 2010 (from 12.9% in 2009), but the sector should recover to 27.7% of GDP in 2012 as hotels finish repairs in time for CAN 2012.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	31.6	24.9	2.4	11	2.5	0.7	3	0.7
Public	6.8	6.9	1	13.6	3	0.1	1	0.2
Private	24.8	18	2.9	10	2.3	0.6	2	0.5
Consumption	52.2	55.1	4	4.1	3.9	2.6	2.7	2.6
Public	15.1	15.4	1.6	2.8	2.8	0.3	0.5	0.5
Private	37	39.7	4.9	4.7	4.3	2.3	2.2	2.1
External sector	16.2	20	-	-	-	2.2	-1.5	1.6
Exports	55.5	56.4	4.5	3.7	5.3	2.2	1.8	2.5
Imports	-39.2	-36.4	-0.2	8.2	2.1	0.1	-3.3	-0.9
Real GDP growth rate	-	-	-	-	-	5.5	4.2	4.9

Source: Data from national authorities (DGE); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Macroeconomic Policy

The 2010 budget, largely based on domestic funding, focused on infrastructure projects (two-thirds of government investment), including repairing roads and building new ones. This policy, backed by Gabon's emerging-country partners, eased budgetary tensions, boosted GDP growth and improved the external balance.

The search for emerging partners should strengthen macroeconomic policy in 2011 and 2012 and perhaps curb inflation better and make debt more sustainable.

Fiscal Policy

Repayments on the government's external debt are set to increase because of higher interest, while internal-debt servicing will decrease by a greater amount because of lower payments of both interest and the principal, resulting in a slight drop in overall debt service in 2010, to 1.8% of exports (from 1.9% in 2009), with a further fall in 2011 (to 1.6%) and 2012 (1.4%).

Budget policy since 2009 has aimed at limiting the primary non-oil deficit to 9.5% of non-oil GDP, but this target was greatly exceeded (rising to 14%) because big wage increases for health and education workers pushed it up to XAF 379.7 billion (CFA francs BEAC), XAF 43.7 billion more than the budgeted XAF 336 billion.

The 2010 budget policy, which continued to focus on diversifying the economy, reduced government spending to 21.1% of GDP (from 24.8% in 2009), and this should keep falling in 2011 (to 20.0%) and 2012 (to 19.6%) with less recurrent expenditure – wages and salaries were 6.2% of nominal GDP in 2010 (7.2% in 2009), after a survey found non-existent government employees and enabled various administrative irregularities to be corrected.

Government revenue fell slightly to 24.8% of nominal GDP (25.0% in 2009) owing to reduction of the tax burden to 12.9% (from 14.3% in 2009) which should continue to fall slightly in 2011 and 2012. Oil revenue rose to 10.7% of GDP (9.5% in 2009) and should slightly increase due to higher production and the higher average price of Brent crude. This boosted the overall surplus to 3.7% of GDP (up from 0.2% in 2009), which is expected to rise to 4% in 2011 and 4.6% in 2012.

The policy of curbing government spending and increasing revenue, begun in 2009, continued in 2010 with modernisation of public-finance management by centralising (by computer) all goods and services supply bids under current purchases (spending not subject to public procurement laws), meaning that the government cannot buy items from a supplier not registered as government suppliers in its *Fichier des fournisseurs de l'Etat* (2FE).

Steps have been taken since January 2011 to increase wage earners' buying power through lower taxes and a simpler tax system. Value added tax on a bag of cement and on metered water and electricity bills was cut from 18% to 5% and on bills from classic meters to 10%. The special tax per cubic metre of water was cut by 15% and on each kW/hour of electricity by 2.5%. The price of butane gas was brought down to XAF 5 450 from 6 000 per 12.5 kg bottle, and the electricity-metre rental charge was reduced.

The government issued bond loans in 2010 to help ease the public debt and this raised XAF 445 billion, according to the general directorate of the economy. Budget liquidity, which averaged 30% between 2002 and 2006, has steadily fallen to an expected 11% average between 2007 and 2012 as debt-service commitments made at the 5th, 6th and 7th Paris Club meetings come to an end.

The primary balance had a 5.5% surplus in 2010 (up from 2.1% in 2009) thanks to higher oil revenue, and this could improve to 6.2% in 2011 as current expenditure falls and oil and non-oil revenues decline slightly.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	31.7	29.9	32.2	25	24.8	24.8	24.6
Tax revenue	12.4	11.1	9.9	14.3	12.9	12.7	12.5
Oil revenue	17.7	17.5	21.1	9.5	10.7	11	11
Grants	-	-	-	-	-	-	-
Other revenues	1.5	1.3	1.2	1.1	1.1	1.1	1.1
Total expenditure and net lending (a)	28.2	21.3	20.1	24.8	21.1	20.4	20
Current expenditure	23.7	16.6	15.1	19	16.3	15.4	15.1
Excluding interest	19.3	14.4	13.4	17.2	14.5	13.9	13.7
Wages and salaries	6.4	5.5	5	7.2	6.2	6	6
Goods and services	4.6	3.5	3.2	3.9	3.3	3.1	3
Interest	4.4	2.2	1.8	1.9	1.8	1.6	1.4
Capital expenditure	4	4.5	4.6	5.8	4.8	5	4.9
Primary balance	7.9	10.8	13.9	2.1	5.5	6	5.9
Overall balance	3.5	8.6	12.1	0.2	3.7	4.4	4.6

a. Only major items are reported.

Source: Data from national authorities (DGE); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

Gabon is a member of the Central African Economic and Monetary Community (CEMAC) and its monetary policy is set by the Bank of Central African States (BEAC), which since the end of 2009 has aimed to recapitalise banks and further reduce debtor rates, as well as maintaining a steady and flexible compulsory minimum reserves policy.

The BEAC's recapitalisation policy has had no effect on banks that create money, because of their excess liquidity, so the recapitalisation target remained XAF 2 billion.

The BEAC's intervention rates and conditions were also unchanged in 2010, with the tendering interest rate at 4.25%, the repurchase rate at 6.00% and the minimum credit rate at 3.25%.

The interest rate on 7-day deposits was kept at 0.85%, at 0.85% plus 1/13 of a percentage point for 28 days, and at 0.85% plus 2/16 of a percentage point for 84 days. The interest rate for public investments in the reserve fund for future generations (TISPP0) was 1.25%, for public investments of budget revenues (TISPP1) 2.05% and for special deposits (TISPP2) 0.85%.

The BEAC confirmed obligatory reserve requirement coefficients for demand deposits (11.75%) and time deposits (9.25%), along with the return on these reserves (0.05%), which were XAF 376 billion at the start of 2010 (a 10.4% fall from XAF 419.8 billion in 2009).

The BEAC intervenes by injecting liquidity through operations on tender offers and 2- to 7-day repurchase agreements by credit establishments, but since 2009, banks have not bid on positive offers because they have had comfortable cash balances, no banks have sought advances from the central bank and there has been practically no trading between banks. The only interbank transaction since 2009 amounted to just XAF 1.5 billion.

Inflation rose substantially in 2010 to an estimated 3.2% (up from 1.9% in 2009) but is expected to ease in 2011 and 2012 to 2.7%. All sectors contributed to higher prices, including transport (12.4%), communications (9.5%), housing, water and electricity (9%) and food items (7.5%).

The rise was because of dearer fuel as well as the indexing of petroleum-product prices and the rise in the price of crude, along with costlier imports and higher prices of electricity and water, as well as of housing as a result of strong demand.

External Position

The balance of payments improved substantially in 2010 after a reduction in the capital-balance deficit.

The same year, the current-account surplus rose to 14.3% of GDP (from 13.6% in 2009) as a result of an improved trade balance estimated at 46.3% of GDP thanks to higher export earnings (59.7% of GDP, up from 53.7% in 2009) with good prices and a greater volume of crude oil and manganese exports.

The trade surplus should improve in 2011 to 48.3% of GDP and in 2012 to 48.5% thanks to higher export earnings, which should rise to 61.0% of GDP in 2011 and then slow a little to 60.8% of GDP in 2012.

Imports are steadily falling from 15.3% of GDP in 2009 to 13.4% in 2010, to 12.3% in 2012, owing to efforts to reorganise agriculture in order to boost market gardening, pig rearing and leafy-vegetable growing. Introduction at the end of 2009 of a no-breaks working day appears to have sparked this enthusiasm for this type of agriculture.

The services deficit deepened to 13.8% of GDP in 2010 (from 10.2% in 2009) because of the contraction in the "freight and insurance" (-19.3%) and "travel and subsistence" (-9.0%) sub-sectors caused by problems in the country's maritime firms and airlines and the deterioration of most of its hosting facilities.

The revenues deficit also increased, to 16.7% of GDP from 12.8% in 2009, because of simultaneous increases in returns on private capital (+57.1%) and in interests due on public external debt (+3.2%).

The capital deficit improved by 25.8% because of a 64.6% rise in foreign direct investment (FDI) largely through reinvested profits (+51.7%) and rescheduling of the public debt (the balance of which should move from -XAF 61.8 billion to +XAF 116.6 billion). The government sought to strengthen the country's macroeconomic position by means of a three-year (2007-10) programme with the International Monetary Fund (IMF) that will focus amongst others on the sustainability of public finances with a strategy adapted to manage reserves and the public debt.

The overall balance should show a XAF 78.7 billion surplus in 2010 after a XAF 400 million deficit in 2009, and be funded by building up the net external assets of the monetary authority by an equivalent amount.

Gabon, an active member of regional groupings CEMAC and the Economic Community of Central African States (ECCAS), broke off negotiations in February 2009 for economic partnership agreements (EPAs) with the European Union (EU) because of disagreement over the method for calculating the fiscal impact on the Central Africa sub-region. The EU wanted 71% access for its imports but Central Africa is pressing for only 60% over 25 years.

The dispute arose after a UN Economic Commission for Africa (ECA) study showed that EPAs could undermine regional integration and economic growth, and alter production processes. In fact, Cameroon's EPA signature in 2009 has not made it more competitive in the European market. Controlling the effects of EPAs on Central African economies requires gradual implementation, with a transition phase and assistance.

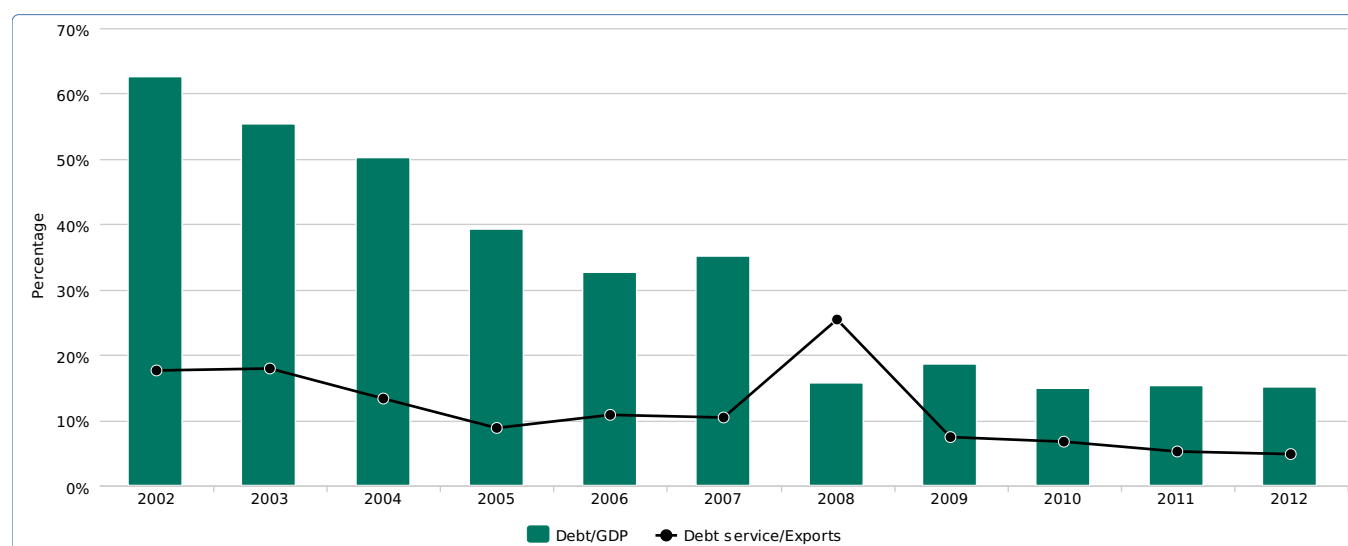
Table 5: Current account (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Trade balance	32.7	47	51.8	38.4	46.3	47.7	47.9
Exports of goods (f.o.b.)	51.8	61.9	66.4	53.7	59.7	61	60.8
Imports of goods (f.o.b.)	19.1	14.9	14.6	15.3	13.4	13.4	12.9
Services	-13.5	-11.3	-10	-10.2	-13.8	-13.8	-14.2
Factor income	-9.7	-15.7	-16.2	-12.8	-16.7	-15.9	-15.6
Current transfers	-2.6	-2.2	-2.1	-1.8	-1.5	-1.6	-1.5
Current account balance	6.9	17.9	23.5	13.6	14.3	16.4	16.6

Source: Data from Central Bank BEAC & national authorities (DGE); estimates (e) and projections (p) based on authors' calculations. Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932410336>

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932404104>

Structural Issues

Private Sector Development

Efforts to encourage investment so as to further diversify the economy and expand industry continued in 2010. The government, aware that raw materials will not be the key to overall growth for ever, seems convinced of the need to boost small and medium-sized enterprises and industries (SMEs and SMIs). The private sector has been in steady decline for more than a decade for lack of clear, bold policy, and 80% of the 10 000 firms set up every two years fail by the end of that time.

Despite the institution in 2009 of the *Agence de promotion des investissements privés* (APIP) to encourage private investment, the business climate has remained sluggish owing to complex procedures, long delays and the cost of starting a firm in the country, aggravated by corruption, bad governance and the size of the informal sector, even though Gabon gained two places in the World Bank's annual *Doing Business* report, to 156th out of 183 countries, in 2010.

The government wants to help the private sector expand, attract FDI and produce strong and lasting growth that will generate jobs. To move in this direction, partnership agreements have been made with several emerging countries (China, Singapore and India) to boost the private sector with assistance and more financial services with easier access. The government has set up a postal bank and a risk capital firm and curbed the cost of loans by introducing an attrition rate.

Other Recent Developments

The world financial crisis has underscored the need to diversify an economy still over-dependent on hydrocarbons. Growth of the private sector and better governance also required faster structural reform, which has had to take the 2009 recession into account.

Diversification of the national economy is therefore being pursued but there is now greater focus on international action, including strategic and structural agreements and partnerships such as a USD 4.5 billion deal signed in the last quarter of 2010 with multinational corporations in India and Singapore.

Pay and benefits to the heads of state and parastatal enterprises in the non-oil sector were capped at the start of 2010 to boost growth in this sector. Related steps involved lowering government subsidies, widening the tax base, abolishing special tax arrangements and exemptions, taxing the informal sector, stricter land taxation, combating special levies, strengthening consolidated revenue collection, reducing wage costs and helping firms be more competitive.

The government intends to limit current spending with internal cuts that can be used to pay for investment amounting to 42.8% of its own funding.

Some government ministries and political posts are to be abolished, ministry staff reduced and audits done of civil service personnel and wages, including arrears so their settlement can be scheduled.

The government planned in 2010 to be stricter with spending by boosting the public-procurement office's ability to process bids, streamlining inspection for faster handling of cases and better certification of work done before it is paid for.

Since the last quarter of 2009, the authorities have reduced the cost of managing the debt by using the stock market.

Sectoral policies have aimed at diversifying production and upgrading infrastructure as well as generating jobs in priority sectors such as forestry, agriculture, livestock and fisheries.

The *Fonds national de développement agricole et rural* (FONADAR) has been set up to fund agricultural policy. The special economic zone being built at Nkok has buoyed the hopes of the forestry sector.

The government plans to continue developing national parks for tourism, training staff to look after them and setting up an attractive institutional, legal and regulatory framework.

Special efforts are being made to encourage sustainable development, including rational, economic and cautious use of community-owned forests and getting local people involved in managing eco-systems.

The government plans to give the country quality basic infrastructure for serious economic diversification by providing legal and regulatory support for private-public partnership and setting up an office to deal with major works projects.

The African Development Bank (AfDB) and the French Development Agency (*Agence française de développement* - AFD) is helping the government to tar 2 000 kilometres of roads by 2015. Some sections (Fougamou-Mouila) are nearly done, while others are being upgraded and built (Alembe-Franceville) and iron bridges over highways are being built throughout the country. Other sections (such as Ndjolé-Medoumane) are under consideration.

The government is also trying to monitor more closely the quality of work being done and has decided to turn the *Ecole des techniciens des travaux publics* at Fougamou into a training centre for all construction and public works skills.

A framework agreement has been signed with the BGFIBANK group to build government offices and decide the exact nature and extent of the estimated XAF 120 billion programme and how it will be funded. It will involve leasing or renting a complex of offices in Libreville to be built by the government with BGFIBANK help.

Emerging Economic Partnerships

Gabon has acquired more foreign partners since the beginning of 2010, giving it access to new funding from emerging countries for major infrastructure projects to meet the country's needs for investment, economic benefits and demand for jobs, housing and welfare.

The funding, expected to generate more than 50 000 direct and indirect jobs, will come in the form of FDI from China, India and Singapore and is a good example of government plans for partnership and co-operation with emerging-country multinationals, as also mentioned in the section "Recent economic developments and prospects".

The Nkok special economic zone will focus on wood processing (and the sector's value chain in particular), which is one of the country's strategic sectors after oil, with Olam, owned by a Singapore sovereign fund, as the government's main partner. The zone is 27 kilometres east of Libreville and 40% of its 1 146-hectare area will be occupied by industry, mainly wood processing with an annual capacity of 1 million m³, which should attract nearly USD 1 billion in investments and create about 9 000 direct jobs. A one-stop shop will be set up in the zone to speed up investor formalities. The project should encourage the opening of development zones elsewhere in the country.

Palm-oil plantations were inaugurated in October 2010 at Mouila (Ngounié province) and Tchibanga (Nyanga province), savannah areas in the southwest, with a first phase of 50 000 hectares for an investment of USD 200 million and the creation of 7 000 direct and 21 000 indirect jobs. The second phase will be 150 000 hectares planted for USD 600 million, and 4 000 direct and 8 000 indirect jobs. Output should reach 1 million tonnes and make Gabon one of Africa's leading palm-oil producers.

The partner will be Olam, with 30% of the plantations held by about 3 000 Gabonese farmers who will be given training in palm-oil plantation management. The new industry should eventually bring in annual export earnings of about USD 800 million.

An Indian firm, M3M, is building 5 000 housing units costing less than USD 20 000 each. The two-year USD 100 million project, entirely funded by M3M, was due to start in October 2010.

Political Context

The national constitution was amended by parliament on 28 December 2010 by more than the required two-thirds majority (177-16) and involved 36 articles and three paragraphs.

Disagreement about how to revise the electoral register for the 2009 presidential election could have set off a serious constitutional crisis that year. The president of the constitutional court also called for amendment of the constitution, the electoral law and laws about the multi-party system, to bring the legislation into line with the constitution so as to improve the rule of law in Gabon.

The president of the parliamentary group of the majority Gabonese Democratic Party (*Parti démocratique Gabonais* - PDG) said the changes would correct “weaknesses” in the constitution and settle the problem of challenges to election results, the length of political-transition periods and the eligibility of presidential candidates.

The main constitutional amendments were to extend the interim period from 45 to 60 days were the presidency to be vacated; to specify the interim president’s oath of office (not previously mentioned in the constitution); to alter clauses about freedom of association and of religion, which remain basic rights; to define the president’s national defence powers; and to provide the latter with extra powers when national independence and territory are seriously threatened.

During the previous early elections in 2009, the constitutional authorities themselves had blown the whistle on a number of constitutional weaknesses. These referred most particularly to Article 13, which stated that new elections were to be held within 30 days in case of presidential vacancy unless there were exceptional circumstances noted by the constitutional court. Critics said this was unrealistic and not long enough to draw up electoral lists, issue voting cards, declare candidacies and establish polling stations.

The amendments approved by parliament in December 2010, however, were criticised by the opposition. The key changes were to Articles 4 and 10, which the opposition said gave the government a “free hand” to rig the next elections. A new paragraph inserted in Article 4 provided for maintaining public services in case of a major event, natural disaster or declaration of war on the country requiring national mobilisation, which would prevent holding elections. Without depriving citizens of the right to vote, it said, the duty to express solidarity or fight for the country could in such circumstances lead to postponement of the elections and extension of current terms of office.

The clause allows the president to decide when to hold an election, giving him an advantage, critics say. Access to the presidency is further restricted by an amendment to Article 10 excluding candidates with double nationality, who have held political or administrative positions in other countries or do not reside in Gabon.

Some consider this a wise move to avoid difficult situations seen in other African countries, but the opposition disagrees and also objects to the changes to Article 4.

The PDG, which has been in power since 1968, were able to push the amendments through parliament, though one of its members opposed them and two others were disciplined for criticising the method of amendment.

The opposition *Union nationale* (UN) party was disbanded in early 2011 after its secretary-general had himself sworn in as president of the country and appointed a parallel government, after which all its members took refuge on 25 January in the offices of the United Nations Development Programme (UNDP) in Libreville.

The government announced the dismissal of all civil servants belonging to the parallel government and said the parliamentary immunity of the parallel president might be removed pending prosecution.

Social Context and Human Resource Development

About one-third of the population lives below the poverty line and more than 27% are unemployed, according to the central statistics office. The government is trying to expand primary and secondary school intake capacity, to reach a maximum of 30-40 pupils per class instead of the current 150. Science education has been reorganised, with some schools specialising in it, while vocational and technical education also needs to expand its enrolment capacity.

Schooling is compulsory between the ages of 6 and 16 and enrolment was over 96% in 2010. Nonetheless, 22% of the population describes itself as having no education and about half only received primary education, 16% junior secondary and only 6% completed all stages of secondary education.

The current LMD (*Licence, Master, Doctorat*) system (bachelor, master's, doctorate) should lead to more profession-oriented higher education and quicker access to jobs, but funding is an obstacle. Each doctorate student costs about XAF 3 million, and universities have trouble finding this money in the absence of tuition fees. The national education conference in the second half of 2010 recommended improving infrastructure and equipment and upgrading the status of teachers and their living and working conditions.

Health care is seen as a priority but is still in next worst shape after education, with a pressing need for local clinics, treatment capacity and access to it.

The HIV/AIDS pandemic is fading, according to the programme fighting it, PLIST (*Programme de lutte contre les infections sexuellement transmissibles et le Sida*). Some 49 000 people are believed to be infected and a survey began in 2010 to update this figure. PLIST says sex workers are among the hardest hit, with a 20% prevalence rate of the disease, four times higher than the national average. The figure in the army is about 4%.

Social welfare has advanced with the introduction of the welfare fund *Caisse nationale d'assurance maladie et de garantie sociale* (CNAMGS) and retired civil servants have been subject since January 2011 to a 1.5% levy on their gross pension and indexed bonus, which goes to the CNAMGS. In return, they get health-care coverage.

Access to safe drinking water and to electricity is still a major problem and the state firm supplying both needs to be reorganised. The government is considering regulating the sector.

The 2010 UN Human Development Index (HDI) ranks Gabon 2nd among sub-Saharan states with a rating of 0.648, and 93rd among 169 countries, in the Medium Human Development category. The HDI ranking does not match the ranking based on per capita income. Life expectancy has risen from 54.4 years in 1980 to 61.3 in 2010, and the average length of schooling from 2.3 years to 7.5. Per capita income at purchasing power parity fell 23%, however.