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Macroeconomics, Trade & Investment

GABON

Toward More Inclusive and Greener Growth

COUNTRY ECONOMIC MEMORANDUM

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GABON

Toward More Inclusive and Greener Growth

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ABBREVIATIONS AND ACRONYMS

AEAFF	Forestry and timber sector implementation agency (*Agence d'Exécution des Activités de la Filière Foret- Bois*)
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFW	Western & Central Africa
AGEOS	Gabonese Agency for Space Studies and Observations
ANINF	National Agency of Digital Infrastructure
ANPI	Investment Promotion Agency
ANS	Adjusted Net Savings
APEC	Professional Association of Gabon Credit Institutions
ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
BAT	Best Available Techniques
BEAC	Bank of Central African States
BREF	Best Available Techniques Reference Document
CAFI	Central African Forest Initiative
CAR	Central African Republic
CBAM	Carbon Border Adjustment Measure
CCT	Conditional Cash Transfer
CDE	Constant Difference of Elasticities
CEMAC	Economic and Monetary Community of Central Africa
CES	Constant Elasticity of Substitution
CET	Common External Tariff
CFAD	Forestry Concession Under Sustainable Management (*Concession Forestière sous Aménagement Durable*)
CFAF	CFA franc
CGE	Computable General Equilibrium
CNAMGS	National Health Insurance and Social Guarantee Fund (*Caisse Nationale d'Assurance Maladie et de Garantie Sociale*)
CNSS	National Social Security Fund *(Caisse Nationale de Sécurité Sociale*)
CO2	Carbon dioxide
CPI	Corruption Perception Index
CPPF	Pension and Family Benefits Fund (*Caisse des Pensions et des Prestations Familiales*)
CWON	Changing Wealth of Nations
DGEPN	Directorate General on Environment and Nature Protection

DHS	Demographic and Health Survey
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
ECE	Early Childhood Education
ECOWAS	Economic Community of West African States
eGDI	e-Government Development Index
EGEP	Gabonese Survey on Poverty, Evaluation and Monitoring
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
EITI	Extractive Industries Transparency Initiative
ENVISAGE	Environmental Impact Sustainability Applied General Equilibrium
EU	European Union
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
FGIS	Gabonese Fund for Strategic Investments
FIES	Food Insecurity Experience Scale
FNAS	National Social Assistance Fund (*Fonds National d'Aide Sociale*)
FSC	Forest Stewardship Council
FSRG	Sovereign Fund of the Gabonese Republic
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GEF	Economically Weak Gabonese (*Gabonais Economiquement Faibles*)
GFCF	Gross fixed capital formation
GHS	Global Health Security
GICD	Green Investment Climate Diagnostic
GRAINE	Gabonese Initiative for Achieving Agricultural Outcomes with an Engaged Citizenry (*Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés*)
GSEZ	Gabon Special Economic Zone
GVC	Global Value Chain
HCI	High Council for Investment
HCI	Human Capital Index
HHI	Hirschman-Herfindhal Index
IBRD	International Bank for Reconstruction and Development
ICPE	Installations classified for environmental protection
ICT	Information and Communication Technologies
IDB	Inter-American Development Bank
IGA	Income Generating Activity
IIMAC	International Institute of Mediation, Arbitration and Conciliation
ILO	International Labor Organization

IMF	International Monetary Fund
ITTO	International Tropical Timber Organization
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Low and Middle-Income Country
LPI	Logistics Performance Index
M&E	Monitoring and Evaluation
MERCOSUR	Southern Common Market
MPO	Macro and Poverty Outlook
MSME	Micro, Small, and Medium Enterprises
NCR	New Convergence Rules
NDC	Nationally Determined Contribution
NGO	Non-governmental organization
NICT	National Institute of Communications Technology
NTFP	Non-timber forest product
NTM	Non-Tariff Measure
OEC	Observatory of Economic Complexity
OHADA	Organization for the Harmonization of Business Law in Africa
ONE	National Office for Employment
PADEG	Gabon Economic Diversification Support Project
PAFC	Pan-African Forest Certification
PASEC	Program for the Analysis of Education Systems (*Programme d'analyse des systèmes éducatifs de la CONFEMEN*)
PAT	Accelerated Transformation Plan (*Plan d 'Accélération de la Transformation*)
PCGS	Partial Credit Guarantee Scheme
PEFC	Program for the Endorsement of Forest Certification
PFA	Associated Forestry Permit
PGG	Permit by Mutual Agreement (*Permis de Gré à Gré*)
PID	Provision for Diversified Investments
PIMA	Public Investment Management Assessment
PNPS	National Social Protection Policy *(Politique Nationale de Protection Sociale*)
PPP	Public-Private Partnership
PREF	Economic and Financial Reform Program of CEMAC
PRODECE	Skills Development and Employability Project (*Projet de Développement des Compétences et de l'Employabilité*)
PSD	Private Sector Development
PSGE	Strategic Plan for an Emerging Gabon (*Plan Stratégique Gabon Émergent*)
PTA	Preferential Trade Agreement
PWT	Penn World Table
SCLT	System of Control of Legality and Traceability of Timber
SEZ	Special Economic Zone
SFNAS	Services of the National Social Action Fund (*Services du Fond National d'Action Sociale*)

SIHG	Gabon's Human Investment Strategy (*Strategie d'Investissement Humain du Gabon*)
SITC	Standard Industrial Trade Classification
SME	Small and medium enterprise
SOE	State-owned enterprise
SSDS	Singapore Skills Development System
SPS	Sanitary and Phytosanitary measures
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering, and Mathematics
STRI	Services Trade Restrictiveness Index
TBT	Technical Barriers to Trade
TF	Trade Facilitation
TFP	Total Factor Productivity
TVET	Technical and Vocational Education and Training
UIS	UNESCO Institute for Statistics
UK	United Kingdom
UMIC	Upper Middle-Income Countries
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States of America
VAT	Value Added Tax
WB	World Bank
WBL	Women, Business and the Law
WDI	World Development Indicators
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WITS	World Integrated Trade Solution
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Over-reliance on natural resources has held back diversification of Gabon's economy, as growth, exports, and fiscal revenues are still largely dependent on extractives. Despite Gabon's abundant natural resources, growth has been slow to reduce poverty. In the context of dual shocks from low oil prices and the COVID-19 pandemic in 2020, government authorities committed to fiscal consolidation, structural reforms, and economic diversification as part of the Accelerated Transformation Plan (PAT). In addition, at their exceptional summit in August 2021, the Economic and Monetary Community of Central Africa (CEMAC) heads of state provided a strong political endorsement for structural reforms, with emphasis on improved management of public funds and governance, business environment reforms, and regional integration of human capital. This Country Economic Memorandum (CEM) is framed along the new reforms supported by the CEMAC heads of state to achieve faster, more inclusive, and sustainable growth. In this CEM, the green economy is viewed as an opportunity for Gabon to position itself as a champion.

Economic transformation is necessary to find a better, sustainable model for job creation: reinforcing labor supply through better skills and job-search training, and creating economic opportunities in a more conducive environment for investment and trade. This CEM aims at supporting policy makers in their reform efforts. Their goal is to help Gabon, a small economy of 2.3 million people, break free from its resource-dependent growth model and create the conditions to move people into jobs in promising green sectors. Thus the CEM's four chapters provide insights on the following: (i) the mismatch of skills and aspirations in the labor market, and the need to provide more efficient social protection systems to protect the most vulnerable against shocks, including climate change shocks; (ii) reducing the footprint of state-owned enterprises (SOEs) and building an environment more conducive to private sector development; (iii) exploring Gabon's potential for trade in goods and services and their regional integration; and (iv) greening sectors and how to protect the green economy. Each chapter includes a menu of actionable policy recommendations for achieving faster and more sustainable economic growth and accelerating job creation.

Weak economic fundamentals and Gabon's poor growth performance so far

Gabon has so far not been able to translate its resource wealth into sustained economic growth. Immediately after independence in the 1960s, the oil boom allowed Gabon to achieve levels of growth over 9 percent, which propelled it to upper-middle income (UMIC) status. However, per capita income has fallen over the last two decades as aggregate income growth has failed to keep up with population growth. Today, real GDP per capita is 20 percent lower than in 1990. A third of citizens live below the USD 5.5/day poverty line and 14 percent of the population is unemployed. The country suffers from poor governance and human capital lags behind its peers. It also contends with inadequate logistics and trade infrastructure, which both work against the country's export potential by inflating trade costs.

Sustained and inclusive economic growth in Gabon has been hampered by several key bottlenecks. Significant institutional and governance weakness such as inefficient bureaucracy and persistent corruption has constrained entrepreneurship and private sector development, and resulted in low private investment and foreign direct investment (FDI), especially in the non-oil sector. The creation of special economic zones has led to an increase in investment since 2012. However, further efforts are needed to promote private sector development. Moreover, a historically procyclical fiscal policy (tightly linked to oil price movements) has affected the impact of business cycles. Expansionary fiscal policy during oil booms translated into a high-cost structure across the economy, including high and rigid public sector wages and dominance of the public sector in the economy; meanwhile, sharp cuts in public capital spending during downturns undermined the accumulation of physical capital and limited the leverage effect of public investment on private investment.

Although Gabon's economy has been experiencing structural change over past decades, lack of diversification keeps penalizing the economy. With the Strategic Plan for an Emerging Gabon (PSGE) in 2010, Gabon embarked on an ambitious agenda to jumpstart diversification and economic transformation.[1] Gabon's strategy relies extensively on a combination of tax exemptions and the use of special economic zones (SEZs) and public-private partnerships (PPPs). As a result, the oil sector's share in the economy has been declining since 2010, with non-oil activities the main drivers of growth. In particular, activities in mining and forestry significantly increased their contribution to growth. For example, the creation of the Nkok SEZ near Libreville in 2010 greatly expanded the timber industry through acceleration of investments in timber processing industries. However, the strategy has not significantly reduced oil's domination of the economy. With a wide array of constraints,[2] private sector dynamism and associated job creation have not fully materialized.

Gabon has positioned itself as a climate champion in Africa[3] and undertaken a series of actions toward a transition to a green economy.[4] Climate is integral to the PSGE. and the COVID-19 pandemic confirms the urgency of accelerating diversification. As a framework for post-COVID-19 recovery, the PAT identifies priority projects for 2021–2023 that redirect Gabon's economic model toward sustainable growth. Agroforestry[5] is seen as an alternative to an oil-based economy; and Gabon's current initiatives to diversify are reliant on sustainable development of the timber industry. Actions Gabon is taking favor a green economy – developing potential in agriculture, sustainable fishery

[1] Similar to previous 5-year plans launched by the Gabonese authorities, the PSGE aims to diversify the Gabonese economy and seeks to make greater use of private sector investment to achieve the development of the country. However, unlike previous plans that mainly formulate the principal development objectives, with the elaboration of the PAT, the PSGE was translated into action and projects. The PAT makes these objectives more operational and actionable and provides operational guidelines on how to achieve the development objectives set out in the PSGE.

[2] See the IMF/WB Joint Paper on enhancing sustainable and inclusive growth in suggested CEMAC policies and structural reforms, 2021.

[3] Gabon is nearly 90 percent covered by rainforest and holds great biodiversity. The forest sector is part of the Congo Forest Basin continuum, the second so-called green lung on the planet after the Amazon.

[4] Green growth – a growth process sensitive to environmental and climate change concerns – can be favorable for current poverty reduction when the social costs are duly integrated (Dercon 2014)[1] while also serving intergenerational equity.

[5] The creation of the Nkok SEZ in 2010 has specialized in the trade and the processing of wood and allowed the creation of more than 5,000 direct jobs (65 percent of which are held by Gabon nationals).

resources, clean energy, and ecotourism. Gabon's commitment to protect its forests and reduce its greenhouse gas emissions is bearing fruit, becoming the first African country to receive a payment of over USD 17 million for reducing carbon emissions by protecting its rainforest. Looking ahead, Gabon must continue to support economic transformation in order to reduce growth volatility and over-reliance on natural resource exports, by allocating factors of production to sectors with good potential for domestic value added. Doing so will unlock existing and new opportunities for diversification, job creation, and stronger economic resilience to various shocks, including those linked to climate change.

Matching aspirations with opportunities

Gabon's skills mismatch has been well documented. Human capital is a central driver of sustainable growth and poverty reduction. Yet, Gabon's Human Capital Index (HCI) currently stands at 46 percent. This means that a child born today will be only half as productive by not having access to a comprehensive education and health care system. While basic education enrollment has increased significantly and the country was named the best-performing country among African Francophone countries by the Program for Analysis of Education Systems (PASEC) 2019, the quality of the country's education system remains low when compared to structural and aspirational peers, stifling educational attainment and skill development. Due to a lack of corresponding profiles, two-thirds of job offers go unfilled. Youth are particularly hard hit, with one out of three currently unemployed.

There is also a disconnect between people's aspirations and available economic opportunities. The demand for jobs in far exceeds available supply. Gabon's government is working hard to close the youth skills gap; however, rapid population growth complicates social and economic development and impedes the increased scale of investment and effort required to ensure future inclusive growth and job creation. However, as the country with the highest urbanization rate in Africa, most Gabonese live in the capital and in the other urban centers. A huge challenge facing the country is to attract Gabonese who are either unemployed or engaged in low-productivity activity in the informal sector to the growing sectors in rural areas such as forestry and agriculture. Managing to attract the young labor force to green sectors, and strengthening Gabon's capacity of green growth skills are especially important at this critical juncture in the country's development.

Gabon's social protection system has steadily evolved over the last 15 years, yet non-contributory social assistance for the poor is underfinanced, fragmented, and poorly targeted. An ambitious government process to restructure the national social protection system in 2007 resulted in a set of reforms aimed at achieving universal health insurance and improving the country's support of economically weak Gabonese (GEF). However, non-contributory social assistance spending is low and focuses almost exclusively on health insurance subsidies. Gabon spends 0.2 percent of GDP on social assistance, compared to a UMIC average of 1.7 percent, of which 89 percent is allocated to fee waivers. Social assistance is also highly fragmented: Gabon's Human Investment Strategy (SIHG) includes 19 interventions for seven vulnerable groups. This excessive fragmentation dilutes the limited funding available and complicates implementation. While Gabon has made strides toward achieving universal health insurance, its social assistance coverage is limited and broadly regressive. Less than one-fifth of the poor receive health insurance subsidies and only 6 percent receive any other type of social assistance. Most of the spending – 63 percent for subsidized health insurance and 67 percent for other programs – goes to non-poor households.

A flagship safety nets program would improve efficiency and have transformational impact on reducing poverty and inequality. Despite having the building blocks of an inclusive social protection system in place, Gabon trails behind in terms of safety nets, or non-contributory transfers targeted to the poor and vulnerable. Integrating the eight cash transfer

programs into a single flagship program targeting poor households would reduce administrative costs, simplify coordination, and facilitate access for beneficiaries. If accompanied by a meaningful increase in spending and coverage, the program could have transformative impacts. Our simulations show that Gabon could reduce poverty by 7 percentage points and extreme poverty by 3 percentage points if it matched the UMIC spending average on safety nets. Investments to the scale of best-performing African UMICs could reduce poverty by almost half (to 20 percent) and essentially eradicate extreme poverty (to 3 percent). Moreover, consolidating benefits at the household level would improve targeting accuracy and reduce duplication. Targeting assistance based on economic status rather than social vulnerability, in line with the 2018 law on GEF eligibility, would further maximize impacts on poverty reduction and value for money.

Toward a more favorable business environment

Gabon has long relied on the public sector to create jobs through the distribution of oil rents. Over 50 percent of the formal labor force is actively employed and working for the public sector and SOEs. The reliance on oil has crowded out development in other sectors – limiting economic diversification, job creation, and private sector development. The dominance of SOEs acts as a barrier to contestable markets and creates an uneven playing field for private businesses. Developing and strengthening the private sector serves as an efficient tool for achieving desired economic diversification – shifting from an oil-reliant economy and acting as an engine for private sector-led job creation.

Private sector development is constrained by low competitiveness, economic governance, and business climate. Binding constraints are found in accessing finance, an inadequately educated workforce, corruption, inefficient government bureaucracy and lack of institutional capacity, and inadequate supply of infrastructure. In addition, FDI tends to concentrate in resources and extractive sectors, thus limiting spillover to the rest of the economy.

There is momentum to reduce barriers to investment and improving competitiveness. Considerable progress has been made by setting up a digital one-stop shop for entrepreneurs wishing to establish a limited liability company or a sole proprietorship; commercial courts to improve processing times for commercial litigation; agencies such as the International Institute of Mediation, Arbitration and Conciliation (IIMAC) and those promoting gender equity; and an ongoing reform of the 1998 Investment Charter. In addition, there is potential and opportunity for improvement across institutions, policies, and factors that determine the level of productivity of Gabon, as well as its attractiveness to private investors.

Despite a growing contribution of the non-oil sectors to the economy, private sector growth and investment outside of extractive industries are constrained by a business regulatory environment that is stifled by burdensome regulatory procedures and obstacles and thus not conducive to private sector development. Despite a strong reform momentum aimed at reducing barriers to establishing a business, further improvements remain to be done, particularly when it comes to applying a risk-based approach to obtaining sectoral licensing and fully digitalizing the establishment process. This, coupled with a lack of pro-competition regulation (such as legal or de facto monopolies in key sectors), tends to limit domestic competition and market contestability. Government inspections add a layer of uncertainty and transaction costs on firms, and tax payment and structures further create a complex business environment. Registering property is arduous, and firms face impediments with contractual enforcement. Many of these challenges align with those outlined in the PAT 2021–2023 and must be addressed through the necessary regulatory and institutional adjustments.

Harnessing export markets through diversification

Gabon ranks among the most highly commodity-dependent economies in the world. The country

benefits from abundant natural resources such as oil, manganese ore and other extractives and wood-related products, which together accounted for nearly 98 percent of the country's merchandise exports in 2021, a level that has hardly shifted in recent years. Countries like Gabon with above average levels of export concentration on a handful of primary commodities tend to specialize in only a few products. Few of them manage to achieve and sustain trade-driven growth and poverty alleviation. Therefore, there is the need to assign trade a central role in diversification efforts by boosting the competitiveness of firms involved in the production and trade of a greener basket of non-oil goods and services. An encouraging trend in Gabon's recent trade performance is the fact that the number of exporting firms has increased in all sectors over the 2017–2021 period.

Despite decades of effort directed at scaling up and facilitating regional trade and financial and monetary ties, Gabon's trade with partners in Africa remains exceedingly low and exports are chiefly destined for countries outside Africa. The challenge of scaling up Gabon's exports to the African continent in response to AfCFTA is evidenced by the fact that only one African country – the Republic of Congo – ranks among the country's top 20 export destinations. In addition, much of Gabon's trade with African partners, principally in agricultural products, remains informal in nature and thus weakly captured by official trade statistics.

Gabon's high tariffs impede its quest for export diversification and greater insertion in continental and global value chains (GVCs). CEMAC's common external tariff (CET) stands at 18.1 percent (simple average), little changed since 2006. Gabon maintained the second highest tariffs in the world in 2018, a policy stance to revisit (in the context of CEMAC) in deepening its commitment to a diversification agenda and concomitant rise in FDI inflows that would allow greater levels of GVC insertion.

Despite its predominant role in the domestic economy, the services sector contributes virtually nothing to Gabon's export performance. This reflects a high level of informality and a services ecosystem comprised mainly of micro and small firms with a lower export propensity. In pursuing its strategic aims in services, there is a need to address the high level of policy restrictiveness of Gabon's regulatory regime.

The African Continental Free Trade Area (AfCFTA) represents a potentially important means of stimulating and diversifying Gabon's trade, and can thereby contribute to industrialization, accelerated economic growth, creation of new jobs, and poverty reduction. However, the simulation results produced in this report show that, without sustained advances in diversification and stepped-up efforts at attracting greater injections of non-oil FDI, implementing AfCFTA will result in only modest increases in Gabon's aggregate real income, output, and trade by 2035.

Greening Gabon's economic and trade structure

Like many resource-rich developing economies afflicted by poor economic governance, decades of reliance on the oil sector have left the Gabonese economy with a weak industrial base. Diversifying production away from oil sector dominance would help generate the inclusive growth needed to create more and better-quality jobs for the country's youth. Without sustained job creation, itself contingent on far-reaching structural change, the rapid increase in the Gabonese labor force could lead to an unemployment crisis with potentially adverse social consequences.

As Gabon looks to diversify its economy, green growth presents itself as an opportunity to achieve its goal. Eighty-eight percent of Gabon is covered by ecologically diverse and dense tropical rainforest, which allows Gabon to set the gold standard for forestry in Africa and beyond by employing modern sustainable forestry management practices. This allows the country to preserve its unique asset while also generating significant revenue and jobs. A deep dive analysis of the forestry sector reveals that sectoral constraints must be lifted to achieve inclusive and sustainable growth in green sectors, and to avoid the oil

sector's history of (i) weak policy coherence and regulatory predictability; (ii) non-transparent business entry procedures; (iii) uneven administration of certification requirements and incentives (including an absence of support for research and development [R&D] in the sector); and (iv) operational barriers such as poor access to finance for domestic firms, insufficient skilled labor, and inadequate transport infrastructure. Much of this goes hand in hand with improving the investment climate and transparency – procedures, regulations, and institutions concurrently. A policy shift toward green sectors and green growth will greatly benefit Gabon even if long-term transition to greener production has challenges for a country of Gabon's population size.

In diversifying and greening Gabon's non-oil export basket, several sectors offer promising potential. Looking ahead, Gabon needs to assign trade policy the task of securing access to larger markets and to shift incentives for a successful transition away from an oil-dependent economy to one that is more diversified, with a lower carbon footprint and an enlarged basket of competitively priced exports of goods and services. While scope exists to direct diversification efforts within the extractive sector, goods-related sectors offer significant promise in agriculture, forestry and wood-related products, and fisheries. Promising areas in services trade include development of ecotourism, aligned to Gabon's notable biodiversity, along with a range of business and professional services associated with enhanced environmental stewardship. Gabon should also prove capable of harnessing its digital strengths, including a host of digitized government services for export-oriented information and communications technologies (ICT), focusing on neighboring markets. This will need greater engagement in AfCFTA and World Trade Organization (WTO) negotiations on services and digital trade.

The policy agenda is summarized in Table 1.

TABLE 1. Main policy recommendations for higher, sustainable, and inclusive growth in Gabon

1. MATCHING ASPIRATIONS WITH OPPORTUNITIES
■ Improve primary school children's science, technology, engineering, and mathematics (STEM) proficiency to boost the foundational skills of all Gabonese youth; and address the underlying causes of the exclusion of certain population groups from the school system to avoid compromising the overall quality of the country's future labor force.
■ Adapt Gabon's educational system to the country's employment opportunities by improving collaboration between schools and the private sector; improve the performance of technical and vocational training.
■ Address the challenge of meeting skills requirements for green jobs by improving job career guidance for green sectors; enhance systems for identifying and anticipating skills requirements.
■ Increase spending on non-contributory social assistance. This should be coupled with efforts to improve effectiveness and accountability (e.g., reduce administrative costs and improve budgeting and expenditure data).
■ Promote economic inclusion and reliance through labor market interventions for youth and women. Layered on top of cash transfers, time-bound income generating activity (IGA) support interventions that can boost earnings and asset accumulation, thus providing a potential exit strategy for safety nets beneficiaries able to lift themselves out of poverty.
■ Invest in shock-responsive delivery systems such as social registries and digital payments. Gabon is making progress on the ongoing targeting reform and database for GEF to establish a social registry. A foundational identification for development (ID) system and digital payment system would further strengthen access to basic services and improve transparency.

TABLE 1. Main policy recommendations for higher, sustainable, and inclusive growth in Gabon (continued)

2. BUILDING A STRONGER DOMESTIC MARKET: TOWARD A MORE FAVORABLE GABONESE BUSINESS ENVIRONMENT

- Reform the 1998 Investment Charter and put in place a new investment law to implement the state's commitments regarding guarantees of investor protection, good governance principles, and the simplification of procedures.
- Reinforce the competition regulatory framework, including modernizing the setup of the competition authority, in accordance with the Competition Regulation recently adopted by Economic Community of Central African States (ECOWAS) (Regulation No. 06-19-UEAC-639-CM-33 of April 7, 2019).
  - Design an institutional strategy and institutional performance indicators to facilitate monitoring of enforcement activities.
- Revisit the current SEZ legal framework and amend and improve investment laws and incentives pertaining to SEZs, especially those that offer fiscal exemptions.
- Rationalize investment incentives (incl. SEZ) by defining a limited number of development objectives for the incentives and replacing current exemptions with more targeted instruments to accomplish the defined objectives.
- Develop and implement a comprehensive national ICT strategy for adoption of key laws, infrastructure development, training, digital entrepreneurship, and the promotion of digital application of different sectors.
- Create incentives that support R&D by private operators on innovative and sustainable practices and their subsequent implementation and remove tax burdens that would limit their competitiveness.

3. HARNESSING EXPORT MARKETS THROUGH DIVERSIFICATION

- Develop a strategic road map highlighting the role that cross-border trade and investment should play, particularly within the AfCFTA context; ensuring that the various sectoral plans guiding such efforts are fully implemented, closely monitored, and evaluated; strengthen Gabon's trade policy formulation and implementation capacity through enhanced agency in trade governance discussions at the continental and multilateral levels.
- Direct priority attention to strengthening Gabon's logistics and trade infrastructure, particularly its road network, both of which hamper the country's export potential by inflating trade costs and lessening regional trade ties.
- Address, with CEMAC partners, the punitively high level of the regional grouping's CET, which are more attuned to import substitution. CET levels impede Gabon's export diversification and weigh on the insertion of Gabonese firms in regional, continental, and global value chains.

4. GREENING GABON'S ECONOMY AND TRADE SECTOR

- Streamline procedures to facilitate cross-border trade (including digitalization), particularly for exporting wood products and importing equipment and machinery for afforestation and wood-processing activities.
- Wean Gabon off its primary commodity dependence through focused attention by policy makers on growing and/or reviving the country's agricultural, fishery, and manufacturing production and exports, and on generating an export response in services centered on ecotourism, environmental services, and digital trade.
- Sustain Gabon's efforts in promoting sound environmental practices across all sectors with an export potential, including in leveraging trade in carbon credits linked to the preservation of rainforest and the carbon capture potential this offers.

CHAPTER 1

UNDERSTANDING GABON'S GROWTH PERFORMANCE

The CEMAC authorities had been trying to set in motion a process to address the root cause of the region's vulnerability – a largely undiversified economic basis overly dependent on oil. The CEMAC Commission had put in place a large-scale strategy of CEMAC Economic and Financial Reform (PREF).[6] This plan defines a set of reforms, organized around five pillars, to create the basis for more diversified, inclusive, and private sector-led growth and enhanced public sector governance. As the first generation of IMF-supported programs were ending, and CEMAC countries had to cope with the social and economic fallout of the COVID-19 crisis, the urgency was to identify key reforms that would underpin second-generation programs to boost progress on the PREF and focus on addressing bottlenecks to faster and more inclusive growth. The CEM responds to this need.[7] It highlights a set of priority reforms at country level that can support the objective of putting Gabon on a more sustained and inclusive path. It builds upon progress already achieved by the regional institutions and country authorities as part of the PREF.

To break the curse of volatile economic growth and over-reliance on natural resource exports, Gabon should: i) improve its education system and close the skills mismatch, and improve social protection; ii) strengthen competitiveness and the business climate; and iii) harness the potential of trade to support economic transformation by allocating factors of production to sectors offering greater potential for domestic value added. Doing so would improve inclusiveness, unlock existing and new opportunities for economic diversification, and strengthen the resilience of the Gabonese economy to various shocks, including those linked to climate change.

[6] See Annex 1 for more details on the PREF and on Gabon's implementation progress.
[7] The scope of the CEM has been driven by a comprehensive diagnostic analysis (country scan, which is an integral part of the new CEM 2.0 analytical framework) and consultations with stakeholders and the WB Country Management Unit (CMU).

FIGURE 1. Growth of real GDP per capita, 1990–2020 (%)

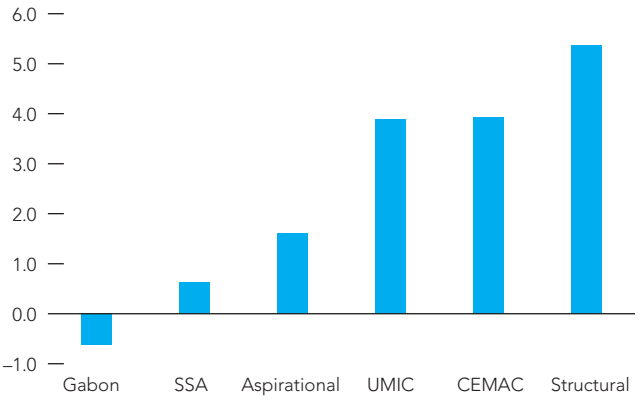
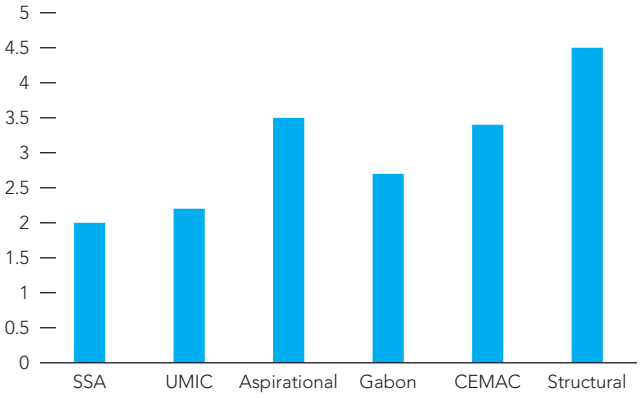


FIGURE 2. Volatility of GDP growth per capita, 1990–2020 (%)



Source: WDI
Note: Volatility is determined by using the standard deviation.

1.1 Growth history: reform, setbacks, and achievements

Gabon has so far not been able to translate its resource wealth into sustained economic growth. Immediately after independence in the 1960s, the oil boom allowed Gabon to achieve levels of growth over 9 percent and propelled the country to upper-middle income status. However, in the past decades Gabon did not seize the opportunity of its vast natural resource endowment to diversify its assets and productive base through investment in physical and human capital. Overall, growth has been significantly sluggish and volatile (at an average of 2.4 percent), mainly reflecting oil prices variations. Per capita income has fallen over the last two decades, as aggregate income growth has failed to keep up with population growth. Today, real GDP per capita is 20 percent below what it was in 1990. This chapter begins by providing Gabon's growth trajectory and the historical drivers of growth. It next takes a focused look at economic transformation in Gabon, patterns of structural change and job creation over the past three decades, and the relationship between growth and poverty reduction. Lastly, the chapter sheds light on the weak foundations of the current growth dynamics using the World Bank (WB) framework developed in Gill et al. (2014).[8]

1.1.1 Since 1990 growth has been slow and volatile

Gabon's GDP per capita is 21 percent lower today than in 1990. Over the past three decades, the average annual growth rate of GDP per capita in Gabon was in negative territory at –0.6 percent, lower than that of the Sub-Saharan Africa (SSA) region (0.6 percent), the CEMAC region (3.9 percent), and UMICs (3.9 percent) (Figure 1).[9] Per capita GDP in constant USD peaked in 1998 at over USD 9,000 and its growth remained on a declining trend thereafter (Figure 3). Gabon's 2020 GDP per capita was 21 percent lower than in 1990, reflecting average low levels of GDP growth. In addition, the volatility of GDP growth per capita in Gabon was higher than in SSA and other UMICs (Figure 2).

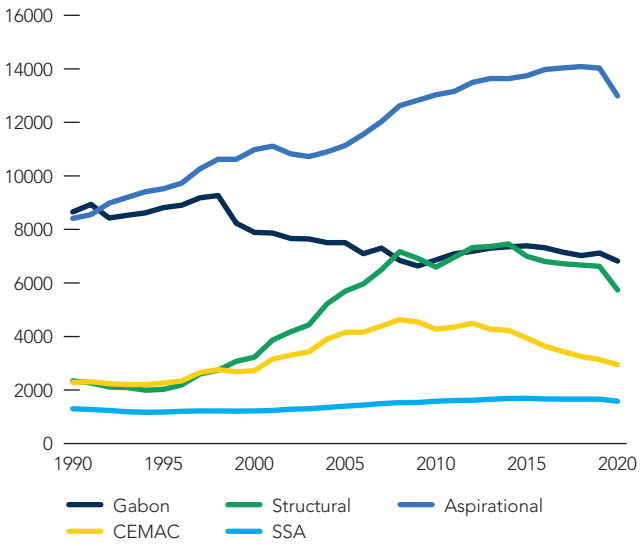
Gabon's economy experienced a challenging three decades of volatile and erratic growth. Structural analysis shows that Gabon's growth path in the past three decades can be divided into four periods: 1990–2002, 2003–2008, 2009–2014, and 2015–present (Figure 4).

The first sub-period (1990–2002) was marked by highly volatile economic growth, with oil exploitation playing a pivotal role in Gabon's growth trajectory. After the negative oil price of 1996, underlining the fragility and vulnerability of the Gabonese economy, the

[8] *Diversified Development: Making the Most of Natural Resources in Eurasia.* Washington, DC: World Bank. doi:10.1596/978-1-4648-0119-8

[9] See Annex 1 for the selection of peers used throughout the report.

FIGURE 3. GDP per capita, 1990–2020 (constant 2015 USD)



Source: WDI

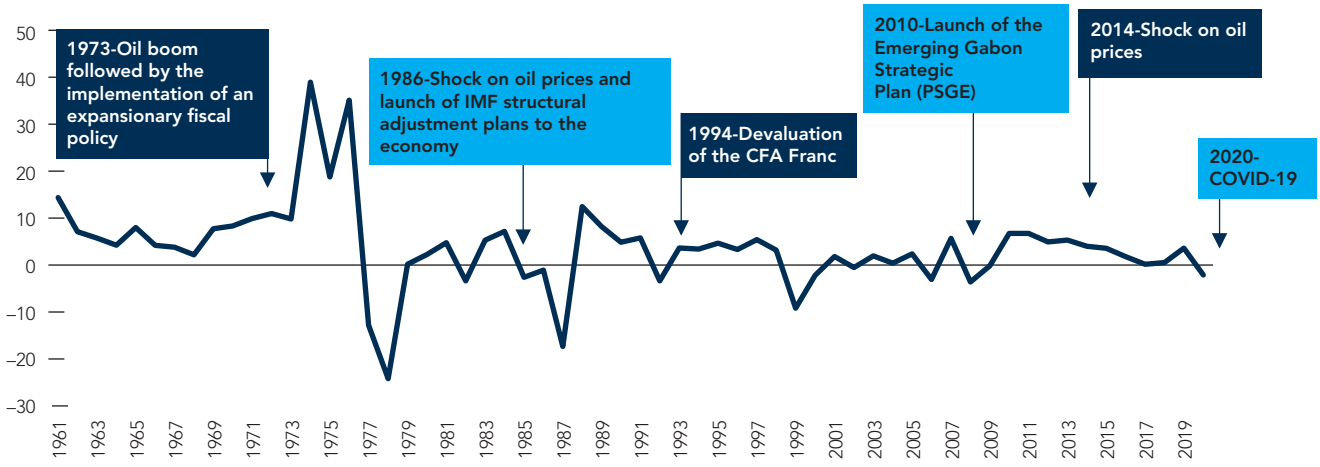
government attempted to implement several adjustment plans supported by the IMF. However, the political and social unrest resulting from the political transition to a multiparty system hampered the government's ability to fully implement its structural reform plan. Annual GDP growth averaged 1.9 percent per year while Gabon's GDP per capita decreased at an average rate of 0.6 percent during this period.

During the second period (2003–2008), economic growth remained modest, but the expansion of the non-oil sector contributed positively to growth for the first time. This sub-period, marked by a rise in commodity prices, was characterized by acceleration in macroeconomic reforms to support economic recovery and provide the foundations for more diversified growth. Gabon's real GDP grew by an average of 0.9 percent per year. However, Gabon's GDP per capita growth remained in negative territory over the same period, with an average growth of –1.8 percent per year. Government-led reforms with respect to private sector development included the privatization of public companies involved in telecommunications as well as palm oil and rubber production.

Growth accelerated during the third period (2009–2014), with a sustained average annual growth of 4.9 percent, mostly driven by significant structural changes. This sub-period was marked by the launch of the Strategic Plan for an Emerging Gabon (PSGE) in 2010, the country's development strategy. This followed the election of Ali Bongo as president, marking a turning point both in the fiscal policy implemented by the government and in the government's commitment toward the diversification of the economy. Over this period, Gabon's GDP per capita growth was positive and averaged 1.2 percent per year (see Annex 3 for more information on Gabon's national development plans).

Exogenous shocks undermined Gabon's growth performance in more recent years. The fall of oil prices

FIGURE 4. Growth cycles, 1961–2020 GDP growth (%)



Source: WDI

in 2014 and the dual shock of low oil prices and the COVID-19 pandemic in 2020 contributed to Gabon's sluggish economic performance since 2015 (at an average of 2 percent) and increased vulnerabilities on the macro-fiscal side. During this period, Gabon's GDP growth per capita was negative, at an average rate of –1.2 percent per year. Overall, fiscal adjustments were made at the expense of social and investment spending. Despite a reduction in oil production in 2021 and amid the recession caused by the COVID-19 pandemic in the previous year, the Gabonese economy expanded by an estimated 1.5 percent in 2021 (see Annex 4 for more detailed analysis of the impact of the COVID-19 pandemic). Growth was driven by the non-oil sector, in particular the booming mining and forestry sectors. More recently, the war in Ukraine has impacted Gabon through global inflationary pressures, with an impact on domestic food prices (especially wheat since Gabon is a net-food importer) (see Box 1).

1.1.2 Growth decomposition post-1990

On the demand side, growth between 1990 and 2008 has been mostly driven by consumption. Government consumption between 1990 and 2002 and private consumption between 2003 and 2008 were driving growth (Figures 5 and 6). The positive contribution of private consumption between 2003 and 2008 mostly came from job creation (linked to the expansion of the non-oil sector), the increase of the minimum wage in 2006, and the increase in the civil service workforce.

Since 2010, the accumulation of capital has played a significant role. Gabon's average performance from 2010 to 2020 was in line with that of the selected comparators (Figure 6). Since 2010, the contribution of investment has been significant. Public investment, backed by implementation of a series of priority public works projects within the framework of the PSGE, sharply increased after 2010 and made a significant

BOX 1. Impact of the war in Ukraine on the Gabonese economy

GABON'S ECONOMIC OUTLOOK IS SUBJECT TO ADVERSE EFFECTS OF THE WAR IN UKRAINE

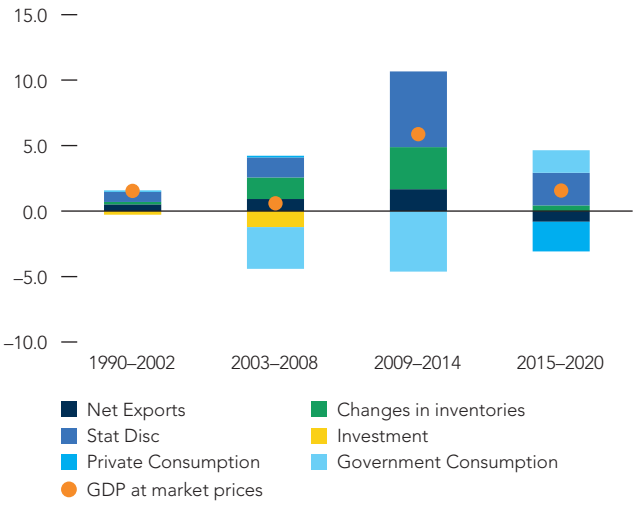
The economic impact of the Russian invasion of Ukraine will occur primarily through higher global oil prices, which will benefit Gabon's oil revenues and boost its export earnings. Investment flows into Gabon from both countries are insignificant. Hence, the tightening of global financial conditions impacting foreign financing flows is not expected to have a significant impact in Gabon. One could expect that a sustained rise in oil prices could possibly boost oil-related FDI, while non-oil-related FDI may be postponed as global uncertainty looms.

Trade disruptions: The invasion increases the headwinds in the global recovery by further disrupting supply chains, especially those between both Russia and Ukraine and the rest of the world. However, direct trade exposure is limited as Gabon's imports from Ukraine and Russia account for 0.44 percent and 0.24 percent of its imports, respectively.

High global oil prices: Higher global oil prices will benefit Gabon's oil revenues and boost its export earnings through a significant terms of trade increase. Tax revenue will also be boosted by an improvement in oil companies' performance. Higher global oil prices will positively impact Gabon's trade balance as oil exports represent more than 64 percent of total exports of goods, which will more than offset the impact of higher agricultural commodity prices on Gabon's imports.

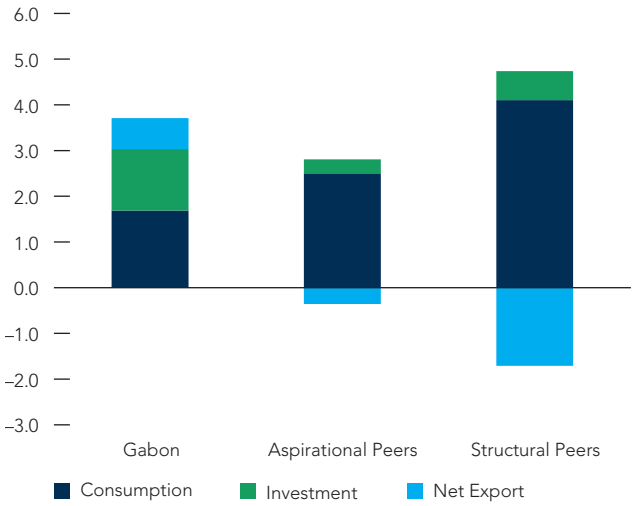
Increased inflationary pressures due to higher commodity prices: The high cost of living is a subject of growing concern in Gabon due to the expected increase in food prices as a result of the war. Higher agricultural commodity prices such as wheat will feed inflationary pressures as Gabon is a net-food importer. Some pass-through effect from higher global energy prices is also expected. Food insecurity has been on the rise in the past two years (73.3 percent of households were food insecure in November 2021) and may increase further. To contain the rise in food prices, Gabon's president instructed the government to monitor the mechanisms put in place to stabilize oil prices, as well as bread prices and several other staple foods prices. While these mechanisms should contain the rise in inflation, they are also expected to weigh increasingly on the country's budget. There is a risk that the government will introduce additional subsidies to contain these prices, which will also weigh on the budget. Stabilizing prices may also be needed to avoid social tensions before the presidential election next year.

FIGURE 5. Contribution to real GDP growth (pp)



Source: WDI (CEM country tool and MFMod).

FIGURE 6. Gabon vs. comparators: contribution to total GDP growth, 2010–2020 average (pp)



Source: WDI (CEM country scan tool).

contribution to economic growth starting then. Private investment also increased in some of the dynamic sectors of the economy (such as agribusiness, transport, and forestry). For example, the partnership signed in 2009 with the international company Olam, which covers several sectors of activity, contributed to the surge in private investment. The contribution of net exports to growth had been volatile over the past 30 years; however, it has been positive since 2015.

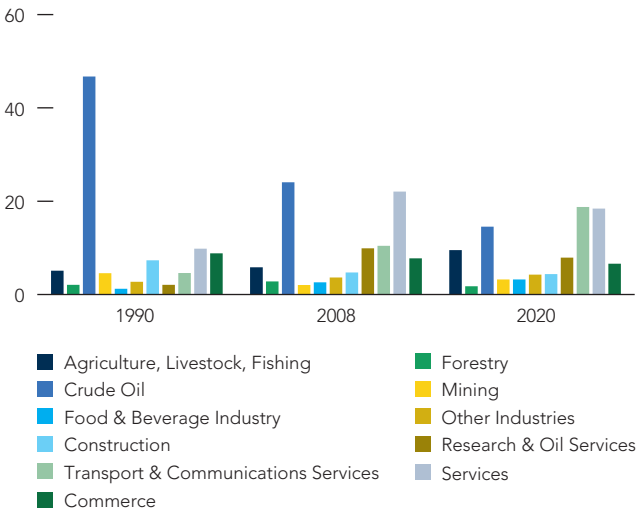
On the supply side, Gabon's economic growth was mostly driven by the performance of the oil sector until 2009, but its contribution to growth has been on a declining trend over the past two decades. From 1990 to 2009, the oil sector accounted for 33.2 percent of GDP, on average. Gabon's oil output increased significantly in the 1990s before reaching its peak in 1998. From 1998 to 2002, a period of strong decline in oil production followed, from 350,000 barrels per day (bpd) to 251,000 bpd in 2002, reflecting the decline in productivity of Gabon's main oil field, Rabi-Kounga. Thereafter, new technologies helped increase the yield of existing oil fields and the exploration of marginal fields became profitable in a context of rising oil prices. Thanks to these efforts, oil production has stabilized at around 10 million tons per year since then.

Since 2010, the share of the oil sector in the economy has been on a declining trend, replaced by a more dynamic services sector (Figures 7 and 8). Lower oil prices have coincided with the decline in Gabonese production, resulting in a gradual decline in the oil sector's share of growth (at an average of 15.9 percent of GDP over the past 5 years), with services becoming the largest driver of economic activity in Gabon (Figure 8). Services, transport, trade, and, more recently, the telecommunications branch represent the bulk of this sector. However, services remain partly dependent on public sector demand. Growth in telecommunications in particular recorded a strong growth over the past thirty years, boosted by the expansion of mobile telephony. This sector was one of the most impacted by the COVID-19 pandemic, which resulted in a significant drop in the contribution of services to growth. Despite significant potential, the contribution of the tourism sector remains marginal.

Despite some positive developments in recent years, the agriculture sector has remained relatively small. The performance of the sector has been hampered by structural factors, including low productivity,[10] the rural

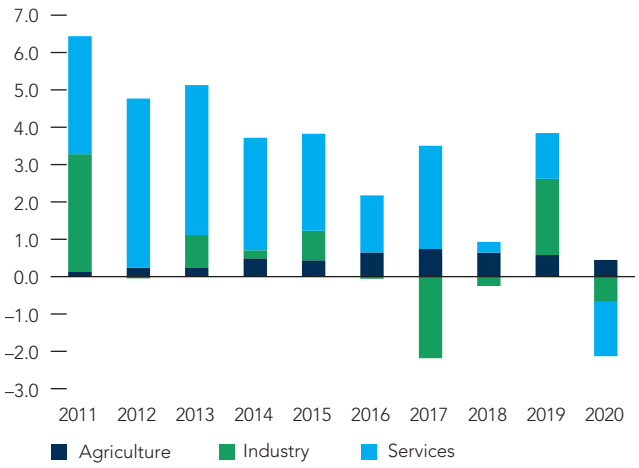
[10] Gabon uses five times less fertilizer than does Uruguay despite roughly equivalent agricultural productivity levels.

FIGURE 7. Gabon's economic structure, 1990–2020 (% of GDP)



Source: WDI

FIGURE 8. Gabon: supply side decomposition (pp)



Source: MFMOD

exodus, the aging of the rural population, and the poor state of roads and other transport infrastructure. Even though the country benefits from a considerable availability of arable land, the share of agriculture into GDP declined from around 15 percent of GDP in the 1960s to 6 percent of real GDP in 2010. In line with the PSGE, the Gabonese Initiative for Achieving Agricultural Outcomes with an Engaged Citizenry (GRAINE), launched in 2014 and ratified in 2017, and agricultural projects supported over the past decade by donors including the French Development Agency (AFD) and African Development Bank (AfDB) helped to boost national agricultural production on both export crops and food crops for some specific products (Box 2). Consequently, the share of the agricultural sector in total output started to increase to reach 9.5 percent in 2020. Agricultural productivity remains low compared to its peers, explaining the overall poor performance of the sector (Figure 15).

The expansion of forestry and mining has contributed positively to growth. Given the strong potential of forestry, the government invested heavily in the sector and implemented reforms that enabled its development. Thanks to these efforts alongside private investment, the contribution of forestry to GDP increased from 0 percent in 1981 to 3.5 percent in 2005. The mining sector has also increased its contribution to growth, averaging about 3 percent of GDP over the period 1980–2020.[11] Supported by the sustained global demand for steel, Gabon's manganese production increased, and its share of GDP increased from 0 percent in 1981 to 1.2 percent in 2019.

The industry sector has been rising in importance, representing almost a third of GDP in 2020. The sector has gained in importance in the past decade, mostly reflecting rising levels of investment in infrastructure, heavily boosting growth of the construction sector, the main component of industry. Consequently, its share in the total output increased to almost 10 percent in 2013 before declining, as the fall in oil prices in 2014 eroded Gabon's oil revenue and led to a decline in public investment, negatively impacting the performance of the sector. In addition, the contribution to GDP growth of the timber industry has increased in recent years following the ban of the export of timber logs in 2009. This ban aimed to shift Gabon from a source of cheap raw materials to a supplier of finished products, therefore contributing to the creation of additional value added in this sector. The creation of the Nkok

[11] Gabon owns about a quarter of the world's manganese reserves as well as the largest unexploited iron field in the world; other mining resources including gold, phosphate, rare earths, and alluvial diamonds.

FIGURE 9. Employment shares (% of total employment)

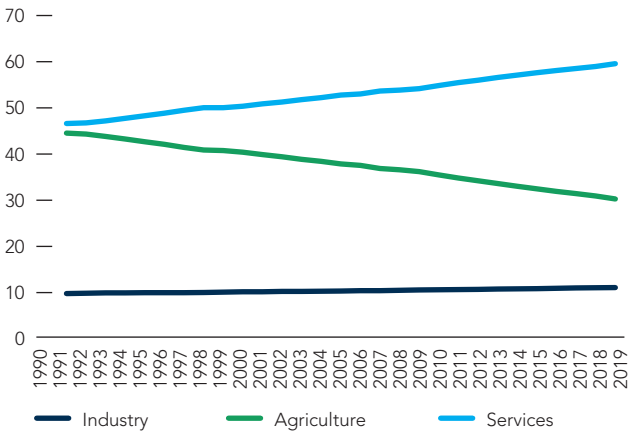
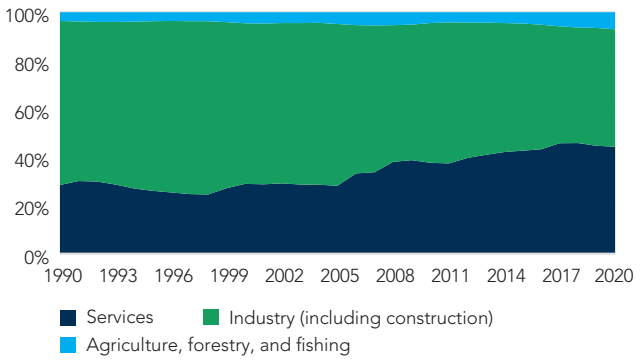


FIGURE 10. Value added composition (% of total value added)



Source: WDI

Special Economic Zone (SEZ) near Libreville in 2010 also contributed to the expansion of the timber industry through the acceleration of investments in timber processing industries.[12] This measure also intended to contribute to professionalizing the sector and generating a drop in total wood production, thereby reducing emissions. The share of the wood industry in total output, which was estimated at around 1.6 percent in 1980, increased to 2.6 percent of GDP in 2020. Agribusiness has also been a dynamic sector in recent years thanks to the partnership signed between Olam and Gabon in 2009 and to strategic choices made by the government favoring the creation of agro-industrial complexes organized by sector. Agribusiness, whose importance was estimated at around 1.2 percent of GDP in 1980, has seen its contribution increase to 3.2 percent of GDP in 2020.

1.1.3 Limited structural change so far

The composition of employment has shifted away from agriculture to services. Between 1990 and 2020, the share of employment in agriculture declined from 44 percent to 30 percent while the share in industry remained broadly constant (Figures 9). The number of people working in services has increased sharply since 2000, making the services sector the largest employer in Gabon in 2019.

The composition of value added also shifted away from industry toward services. Despite a marginal contribution of agriculture to total value added, the launch of the small-hold farming program GRAINE and the dynamic activity of the forestry sector contributed to the broad increase in agriculture value added. Agriculture, including forestry, has also seen its productivity increase since 2015, although this has not been accompanied by a significant rise in the employment share of this sector (Figures 9 and 10). Figure 11 shows that during the period 2009–2014 there was a substantial rise in the value added of the service sector, albeit gains in productivity were almost null thereafter. Despite an increased contribution of the industry sector to total value added, there has only been a marginal movement of workers to the industry sector between 2000 and 2019, likely explained by the lack of skilled labor (Figure 12) (see Chapter 2 on education and skills for job creation).

Although Gabon's economy started experiencing structural change over the past two decades, the contribution of structural change to growth has been limited. The shift of labor from agriculture to more productive sectors is corroborated by a Shapley

[12] The complex is home to 104 companies involved in milling wood into sawn wood, veneers, and plywood; furniture production, moldings and builder wood, glue, and varnishing.

FIGURE 11. Correlation between change in sectoral productivity and employment shares, 2009–2014

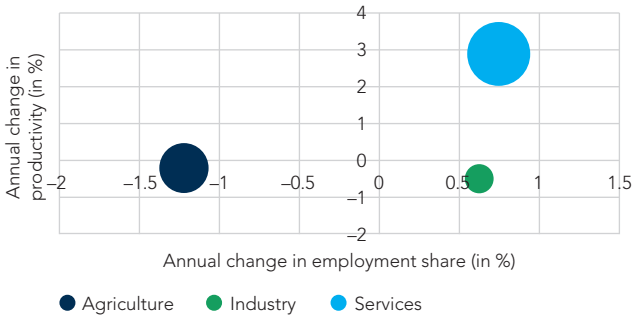
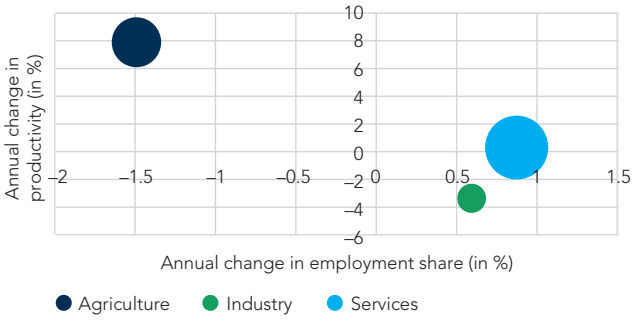


FIGURE 12. Correlation between change in sectoral productivity and employment shares, 2015–2019



Source: WDI (CEM tool)
Note: Bubble size represents employment in 2019.

decomposition.[13] Intersectoral productivity shifts in industry and services contributed positively to productivity growth, meaning the movement of workers across sectors contributed to productivity growth to some extent. However, over the period from 2010 to 2019, per capita value added contracted (–0.2 percent of growth). The overall outcome for Gabon reflects that labor moved from agriculture into other activities, such as non-tradable sectors. Although these are more productive than agriculture, their productivity growth remained relatively low because of the high level of informality (see Chapter 2 for a closer look at informality in Gabon). The productivity growth stemming from within-sector labor shifts was negative in services and agriculture. Overall, low employment movement to higher-productivity services negatively impacted productivity growth and indicates that job creation has been limited.

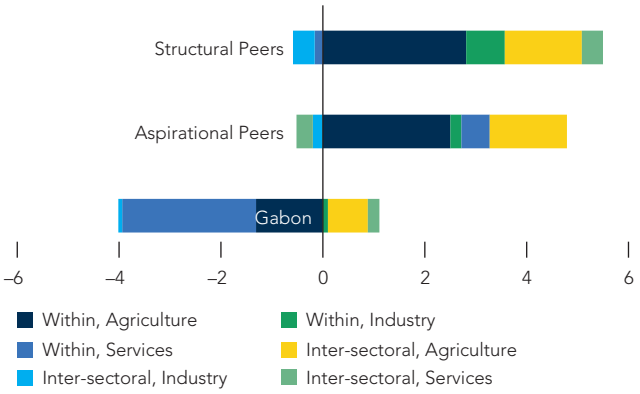
Consistent with the evidence of a minimal structural change in Gabon, limited resources may have moved toward more productive companies. As seen previously, both intersectoral and within-sector labor shifts contributed to higher productivity from 2006 to 2014 and reflect the increase in the value added of the industrial and services sector (Figures 13 and 14). This may potentially reflect improvements in firms' managerial skills, or an upgrade of their internal capabilities more broadly, in the context of overall political and economic stability. The positive contribution of intersectoral growth suggests that the reallocation of resources among firms has favored the most productive firms in industries and services. This suggests that the firms that contributed most to overall productivity growth gained in value added, while some of the least productive exited the market.

Gabon's productivity growth has been low. Productivity growth has been extremely modest over the past three decades. During the sub-period 2010–2019, capital accumulation accounted for over 90 percent of GDP growth in a context of limited contribution from labor and negative total factor productivity (TFP) contribution to growth (Figure 17). Over the same period, factor accumulation rather than productivity was also the major driver of growth for Gabon's structural and aspirational peers.

The economy-wide lack of productivity growth is also observed in agriculture, which is critical to reducing poverty in rural areas. Given the high concentration of the poor in rural areas working in

[13] A methodology that decomposes growth in GDP per capita in two consecutive periods in its employment, productivity, demographic components, and structural changes to disentangle the sources of output per worker growth. Static gains (or losses) in productivity occur due to labor shifts from below- to above-average productivity level sectors (or vice versa), while dynamic gains (or losses) in productivity stem from relocation of workers from below- to above-average productivity growth sectors (or vice versa). The growth in value added per worker can increase for various reasons: rising labor productivity within each sector (if each worker produces more), structural change (if workers move from low- to higher-productivity activities), demography (if the relative share of the working age population rises), and employment (if a larger share of the working age population is employed).

FIGURE 13. Gabon vs. Peers: productivity change decomposition. Annual contribution to per capita value added growth by major sector, 2003–2019 (pp)



Source: WDI (CEM tool)

FIGURE 14. Gabon vs. Peers: aggregate decomposition of per capita value added, 2003–2019 (pp)

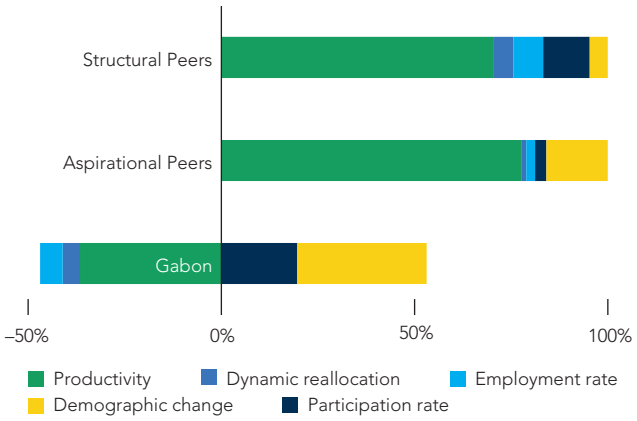
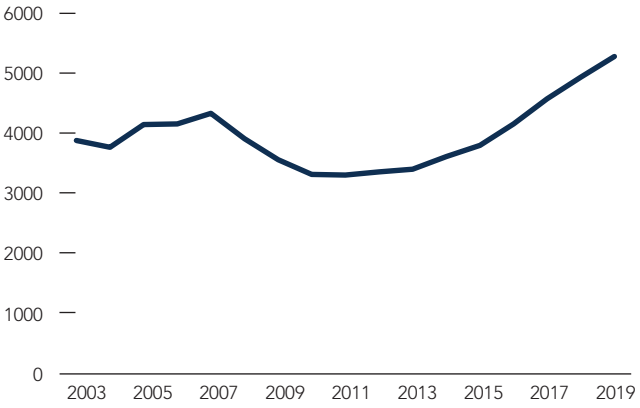
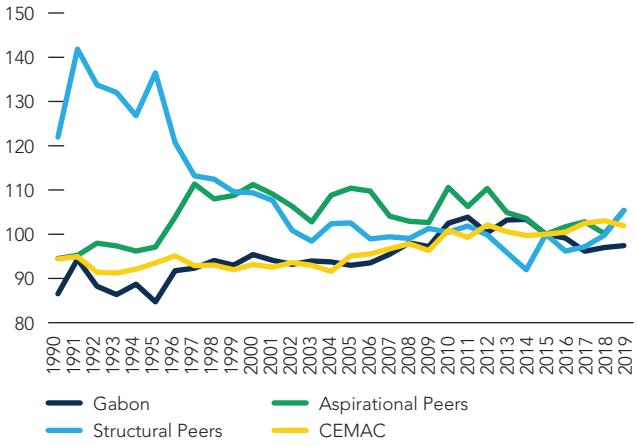


FIGURE 15. Agriculture, forestry, and fishing, value added per worker (constant 2015 USD)



Source: WDI

FIGURE 16. Agricultural TFP Index (2015 = 100)



Source: US Department of Agriculture

agriculture (see section 1.2 below on poverty), the productivity of the sector is especially crucial to tackle poverty reduction. Data shows that agricultural productivity has been on an upward trend in Gabon since the early 1990s, with value added rising to over USD 5,200 per worker (in constant 2010 USD) by 2019 from less than USD 4,000 in 1991 (Figure 15).[14] Gains in agriculture productivity, especially since 2010, reflect the launch of the PSGE, later complemented by the development of GRAINE in 2017 (Box 2). These initiatives allowed Gabon to catch up with most of its peer countries in agricultural productivity (Figures 15 and 16).

Over-reliance on extractives

Growth in Gabon was largely driven by natural resource extraction. The standard Solow decomposition shows that capital accumulation, rather than productivity improvements, was the major driver of past growth per worker (Figure 18). When considering the contribution of natural resources to growth using the model developed by Calderón and Cantú

[14] Source: WDI.

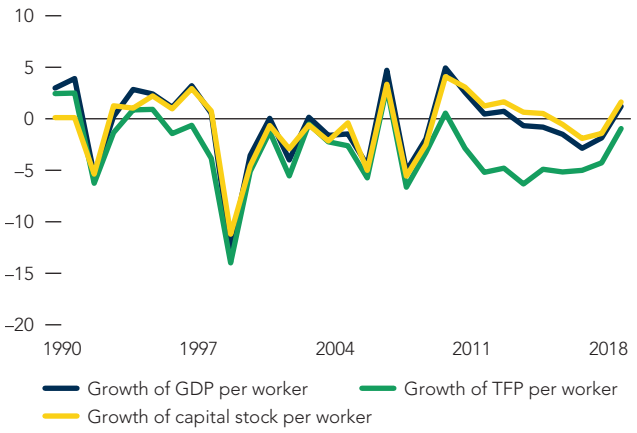
BOX 2. The GRAINE program

Set up at end of 2014 by the government in partnership with Olam International to foster agricultural production in Gabon, GRAINE was established in a context of unfavorable agricultural development. This was mainly due to (i) a small rural population, less than 15 percent of the population; (ii) obsolete and insecure land tenure; (iii) high labor costs and agricultural jobs unattractive to young people; and (iv) lack of infrastructure networks to market and transform agricultural products. This program has essentially been based on (i) support for the creation of industrial agricultural cooperatives through the distribution of plots of land to farmers; and (ii) the establishment of specific pre-financing methods to facilitate access to equipment.

GRAINE originally included both a subsistence and a cash crop component. The cash crop component helped improve the contribution of the agricultural sector in Gabon; e.g., the partnership with Olam saw palm nut production improve significantly.[15]

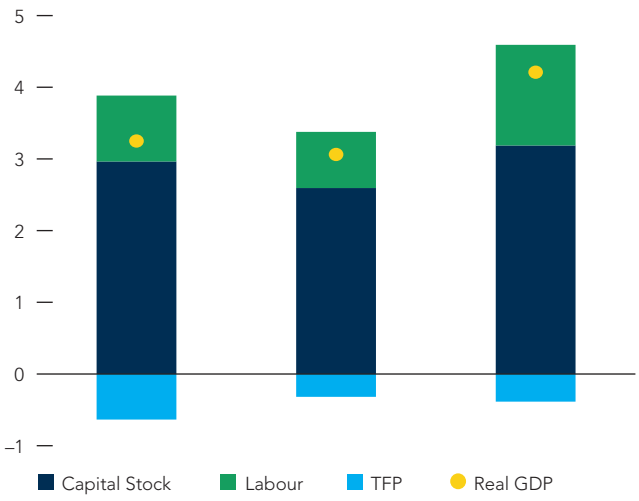
However, since 2017, GRAINE has refocused on subsistence crops, with more mixed results. Contrary to its objectives, the program failed in reducing poverty, particularly in rural areas, mainly because of its design, based on the creation of cooperatives. However, this approach had implementation issues (unequal involvement between cooperative members), and many people ended up leaving the cooperatives before the end of the project. Moreover, the distribution of an initial financial contribution to support farmers distorted incentives and attracted candidates who abandoned the plantations once the distribution of premiums ceased.

FIGURE 17. Annual stock of output, real capital stock, and TFP per worker, 1990–2019 (%)



Source: Authors based on PWT 10.1.

FIGURE 18. Gabon vs. comparators: contribution to growth, (average 2010–2019, in pp)



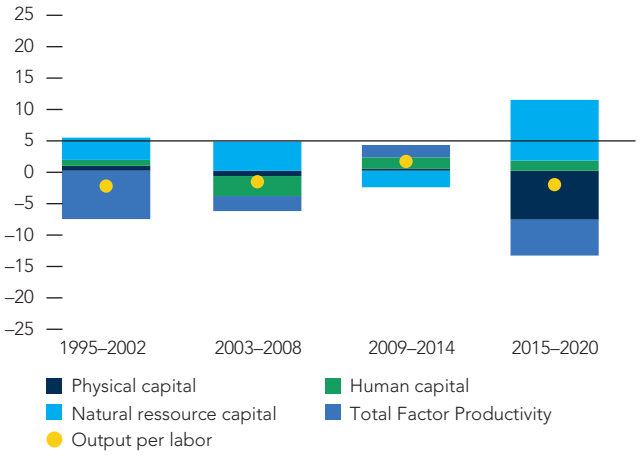
Source: WDI (CEM country scan tool).

(2019), natural capital becomes, by far, the major contributor to growth per worker (Figure 19). This reflects the importance of production in oil, manganese, and forestry in the economy. Gabon is indeed among the 5 major oil producers in SSA. Meanwhile, the TFP contribution remains negative for most sub-periods, a result that is in line with the one Calderón and Cantú found for other SSA resource-rich countries.

Gabon's wealth accumulation has almost entirely come through capital accumulation and the intensive use of natural capital. Real wealth per capita declined by 12.7 percent from 1995 to 2018 (or USD 78,543 to USD 68,567) (Figure 20). Albeit also declining in recent years, natural resources, especially non-renewable, were

[15] In 2021, Gabon produced 449,748 tons of palm nuts and 107,336 tons of palm oil. Gabon supplies Cameroon with palm oil for its industrial sector.

FIGURE 19. Decomposition of growth per worker (%) – standard Solow including natural capital



Source: PWT 10.1, the Changing Wealth of Nations (2021), and authors' calculations.

the major driver of wealth accumulation over the past three decades, representing almost half of the country's total wealth.[16] Gabon also saw a deterioration of renewable natural capital per capita caused by the loss of renewable assets (Figure 21) – mostly in forestry in the 2000s. Human capital per capita decreased during the same years, which reflects the fact that Gabon did not manage to compensate for the depletion of its natural resources to strengthen its human capital, which is key to boosting productivity and increase future wealth. However, Gabon's aspirational peers such as Mauritius, Uruguay, and Costa Rica appear to have been more successful in doing so, with the highest share of their wealth represented by human capital (Figure 22).

1.2 The fragile link between growth and poverty reduction

1.2.1 Poverty trends and international comparison

Slow and volatile economic growth translated into slow poverty reduction in Gabon between 2005 and 2017,[17] with progress taking place mostly in urban areas. Figure 23 shows that since 2005, poverty has been reduced by 8.4 percentage points, falling from 41.8 percent in 2005 to 33.4 percent in 2017. It fell across the board but faster in urban areas driven by

FIGURE 20. Per capita wealth (constant 2018 USD)

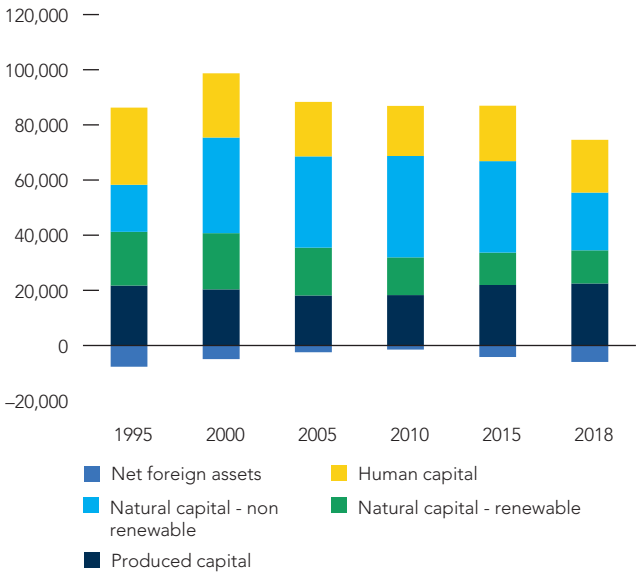
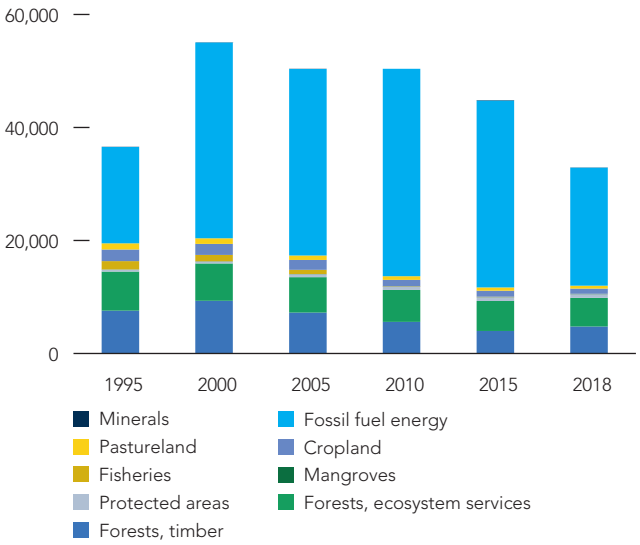


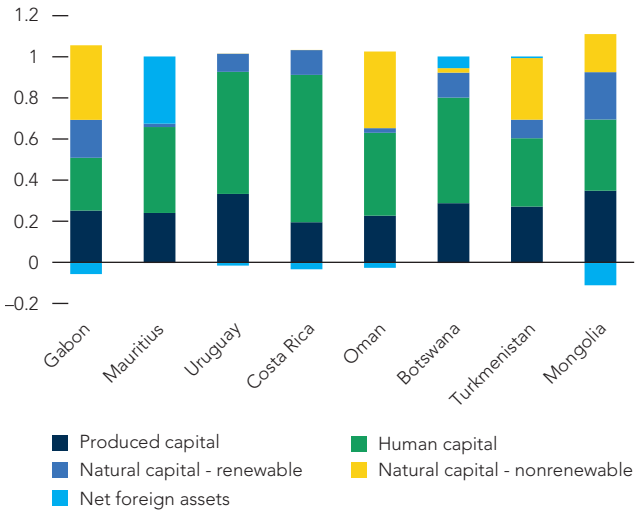
FIGURE 21. Natural capital per capita (constant 2018 USD)



[16] Gabon experienced a large decline in wealth per capita in 2015 resulting from the fall in fossil fuel prices after 2014.

[17] The analysis focuses on 2005 and 2017 because of monetary poverty data available. Gabon had two Living Standards Measurement Study (LSMS) household surveys completed, in 2005 (EGEP I) and 2017 (EGEP II).

FIGURE 22. Gabon and peers: share of wealth in 2018 (% of total wealth)



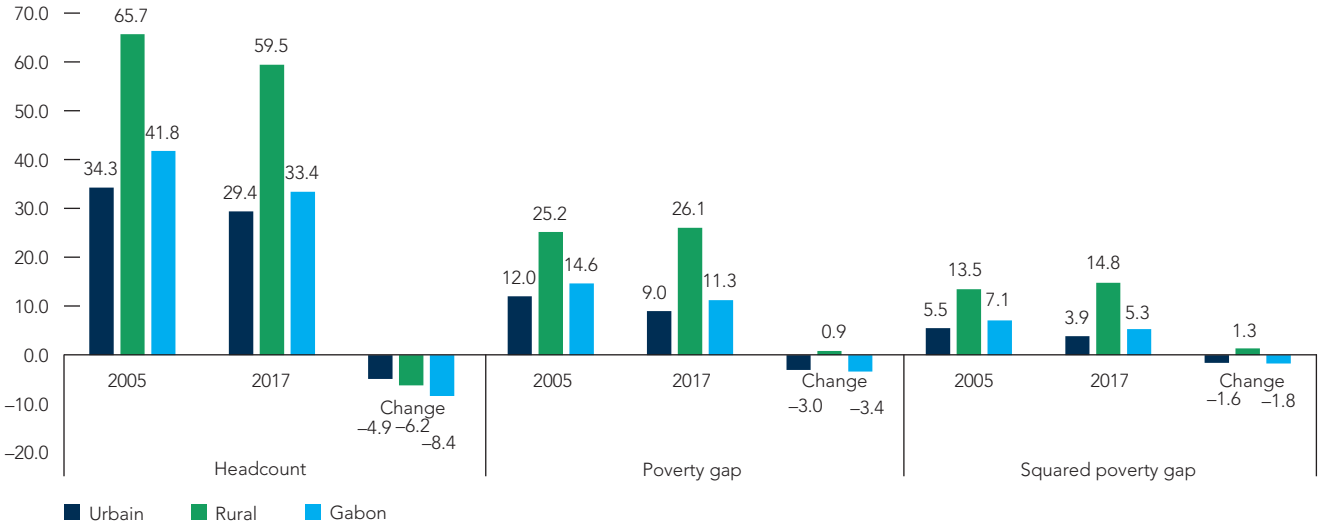
Source: CWON 2021.

secondary urban areas[18] (with a decrease of 12.3 percentage points compared to a drop of around 5 percentage points in Libreville and Port-Gentil). However, in rural areas the poverty incidence fell only slightly from about 65.7 percent to 59.5 percent in 12 years, so that between 2005 and 2017 the poverty incidence gap between rural and urban area remains.[19]

Even though Gabon's poverty rate is below the SSA average and is the lowest in the CEMAC region, the country is not performing as well as expected in poverty reduction compared to its peers. Considering the extreme poverty line of USD 1.90 per capita per day (at the 2011 PPP exchange rate), Gabon's poverty rate in 2017 is well below the SSA aggregate (41.2 percent), low income countries (LICs) (46.8 percent), and its regional peers such as Cameroon, Chad, and Congo (Table 2). Furthermore, compared to UMICs and aspirational peers like Mauritius, Gabon is doing less well. Gabon's poverty rate is almost 2 percentage points and 3.2 percentage points higher, respectively. In addition, in comparison with peers, Gabon recorded the lowest average annualized poverty reduction.

Gabon seems to have a relatively strong relationship between poverty reduction and GDP growth, suggesting signs of pro-poor growth since 2005.

FIGURE 23. Poverty indicators in 2005 and 2017 by area of residence



Source: EGEP 2005, EGEP 2017, WB Open Data Catalog (March 2022), and authors' calculations.

[18] Urban area except Libreville and Port-Gentil.

[19] Other monetary poverty measures show the same pattern of change as the poverty incidence. The poverty gap, which measures the average shortfall in consumption of those who live below the poverty line, also decreased by 3.3 percentage points. Both the poverty gap and severity have increased over the period in rural areas, suggesting that, even though poverty decreased in 2017 compared to 2005, people fell more deeply into poverty in 2017.

TABLE 2. Performance in terms of poverty reduction in Gabon and selected countries

COUNTRY	YEAR 1	YEAR 2	POVERTY HEADCOUNT YEAR 1	POVERTY HEADCOUNT YEAR 2	AVERAGE ANNUAL POVERTY REDUCTION	GROWTH ELASTICITY TO POVERTY
Botswana	2009	2015	17.2	14.5	–0.5	–0.6
Cameroon	2007	2014	31.8	26.0	–0.8	–0.6
Congo	2005	2011	55.1	39.6	–2.6	–0.8
Gabon	**2005**	**2017**	**8.0**	**3.4**	**–0.4**	**–1.6**
Mauritius	2012	2017	0.6	0.2	–0.1	–3.5
Chad	2003	2011	60.0	38.1	–2.7	–0.5
SSA	2005	2017	51.9	41.2	–0.9	–0.4
LIC	2005	2017	54.5	46.8	–0.6	–0.3
LMIC	2005	2017	25	10.8	–1.2	–0.8
UMIC	2005	2017	13.4	1.5	–1.0	–1.2

The growth elasticity of poverty[20] estimated at 1.6 suggests that every 1 percent increase in GDP per year can decrease the poverty rate[21] by 1.6 percent (Table 2). This implies that Gabon may have the potential to reduce poverty four times more than the SSA average (0.4). However, the aspirational peer Mauritius has more than double Gabon's elasticity of poverty reduction to GDP growth (3.5 for Mauritius), meaning that for 1 percent of GDP growth, Mauritius could reduce poverty by twice as much as Gabon. The country's poverty-reducing effect of growth was observed through the consumption of the bottom 40 percent of the income distribution, although the participation of the poor in productive sectors, which would enable strong benefits from economic activity, remains a challenge.

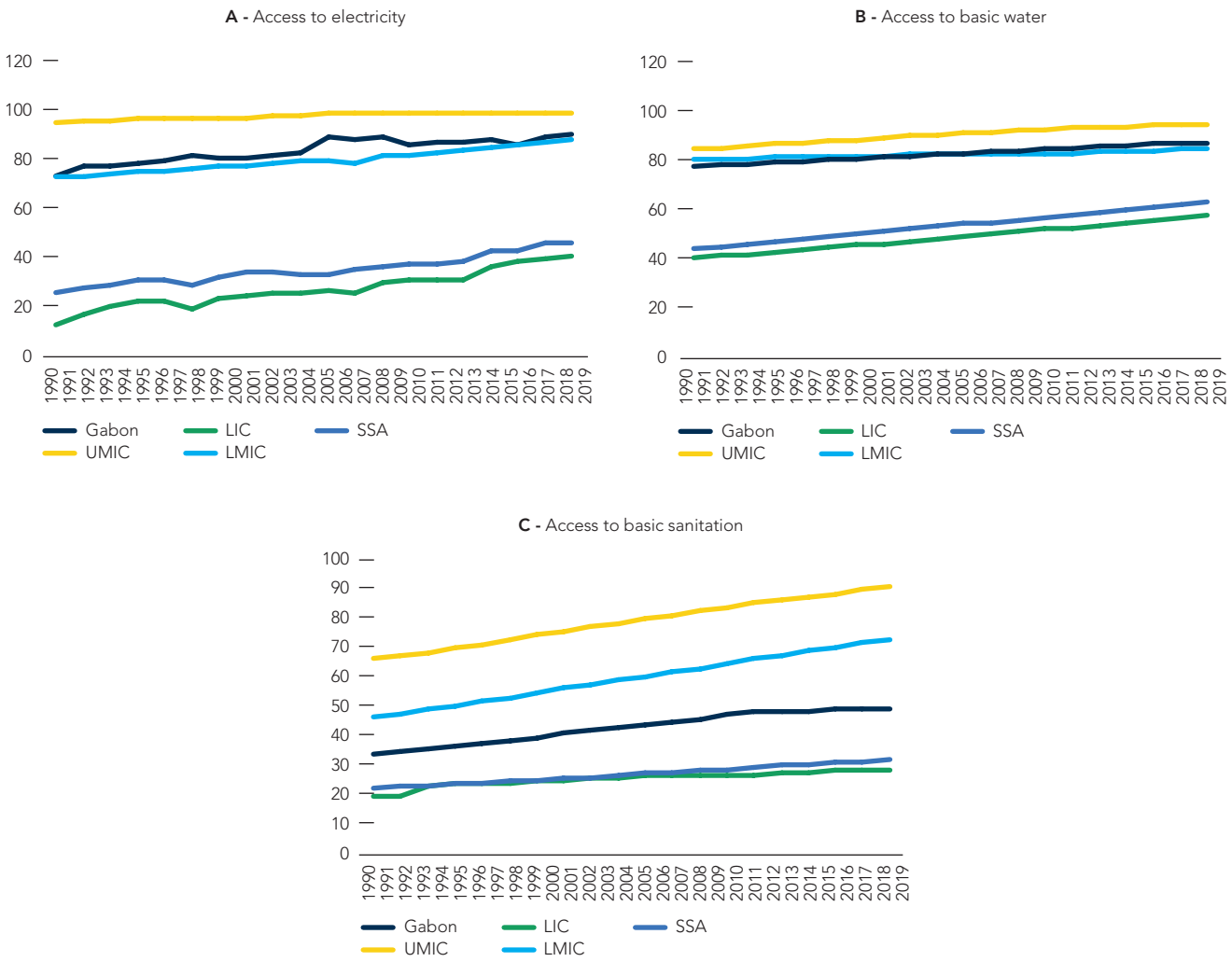
Since 2000, Gabon has made significant progress in improving access to basic services to the population, yet the country is performing below its potential. Gabon's provision of basic services is better than the SSA average (Figure 24). If the country compares favorably with LMICs in terms of access to electricity and basic drinking water, access to sanitation is significantly worse, scoring almost 20 percentage points lower in 2018. Limited access to improved sanitation and to safe water sources in some of Gabon's regions has led to a high related mortality rate – 21 per 100,000 people[22] – which is below averages observed in SSA but remains above both LMIC and UMIC averages. In the same time frame, multidimensional poverty decreased, revealing progress in some aspects of well-being. (See Annex 5 on Gabon's urbanization process and regional disparities).

1.2.2 Growth and shared prosperity

Inequality in Gabon slightly declined between 2005 and 2017, indicating a small improvement in the distribution of resources. The Gini index[23] fell from 39 in 2005 to 38 in 2017, indicating that Gabon made some progress in reducing inequality (Figure 25). This decrease hides a large disparity among geographic regions and household characteristics. For example, in urban areas, the Gini declined by 2 points suggesting that economic growth also contributed positively to the substantial poverty reduction observed during that period. However, data from the 2017 Afrobarometer perception survey shows that over 75 percent of Gabonese feel they are being treated unequally, and a large share report serious gaps in basic services.[24]

[20] This elasticity is computed using the GDP growth: percentage change in poverty per 1 percentage change in GDP.
[21] Using the international poverty line of USD 1.9.
[22] WB, Gabon Poverty Assessment 2020.
[23] The Gini index is generally not heavily affected by the upper tail of the distribution (Cowell and Flachaire 2002).
[24] WB, Gabon Poverty Assessment, 2020.

FIGURE 24. Access to basic services in Gabon and comparators (% of the population)



Source: WB Open Data Catalog, March 2022, and authors' calculations.

This is explained by the fact that the reduction in the poverty headcount was mostly driven by the increase in mean household consumption (growth effect) with limited distribution effects, as inequality seems to have only marginally declined (Figure 26).

The positive picture of relatively limited inequality in consumption distribution may hide persisting inequalities between groups. In terms of regional heterogeneity, inequality measured by the Gini coefficient declined faster in the Eastern region (from 38 to 33) and in Port-Gentil (from 36 to 34) between 2005 and 2017 (Figure 25). In addition, over the same period, households led by men were able to benefit from growth more than those led by women. During this period, inequality experienced in female-led households remained unchanged. In a labor market dominated by self-employment and unqualified employment, which represents over half of total employment, women tend to have lower employment opportunities and status. For example, 43 percent of those self-employed or working as household helpers are female compared to 26 percent of men, resulting in female-headed households being more likely to be poor.[25] Furthermore, education mobility is lower among the poor and among women and intergenerational mobility across economic sectors is also limited, perpetuating vulnerability and gender inequality in future generations.

[25] Ibid.

FIGURE 25. Gini coefficient by geographic area and gender of the household head (scale 1–10)

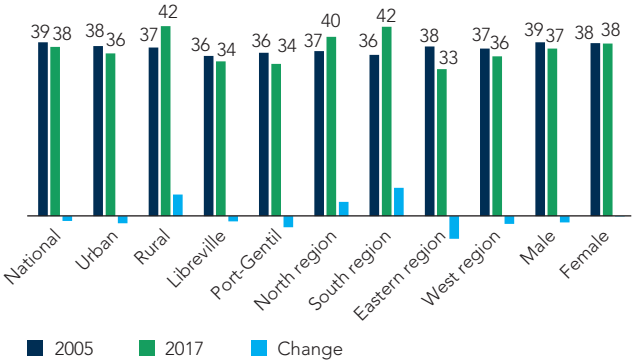
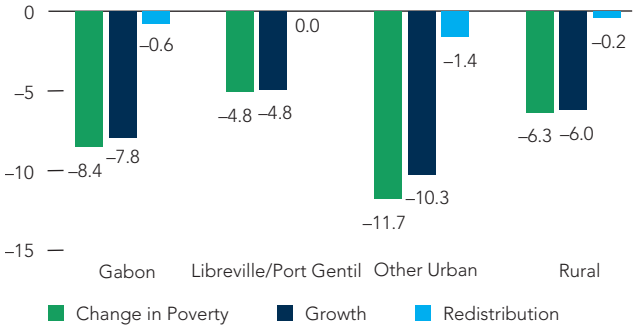


FIGURE 26. Growth and redistribution effect of poverty reduction (%)



Source: EGEP 2005, EGEP 2017, WB open data catalogue March 2022, and authors' calculations.

Considering that the family background of poor households contributes to the intergenerational persistence of poverty and inequality, poor female-headed households are more likely to produce the same generational pattern.

Gabon is making progress in fulfilling the shared prosperity goal, albeit this progress is only visible in urban areas. The annualized growth rate of Gabon's bottom 40 percent of the population was 1.2 percent for the period between 2005 and 2017 while the annualized growth rate of the consumption of the total population grew at a rate of 0.9 percent (Figure 27). This result suggests a pro-poor pattern of consumption growth from 2005–2017 in Gabon. A breakdown of the evolution of shared prosperity[26] across areas of residence shows that the evolution of shared prosperity in 2005 and 2017 was urban. Over the period, the shared prosperity premium was 0.5 in an urban area compared to 0.2 nationwide. Unfortunately, for rural households the shared prosperity was negative, –0.1 percent, meaning that the shared prosperity observed nationally is driven by urban areas.[27]

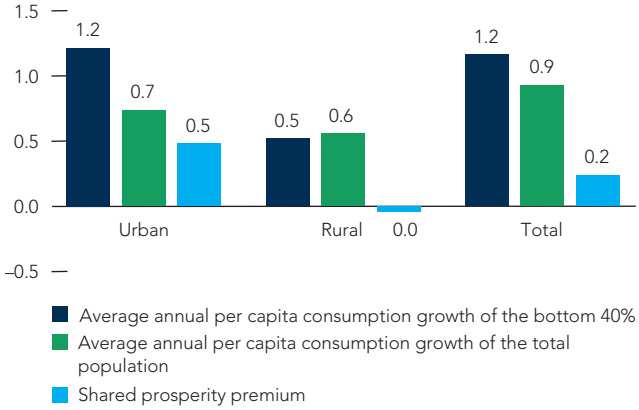
[26] Shared prosperity is meant to complement poverty concerns in that it emphasizes simultaneous promotion of growth and equity. The criterion focuses on the economic welfare of the poorest 40 percent of the population (the bottom 40). This premium is the difference between the growth rate of mean real per capita income of the bottom 40 and the growth rate of mean real per capita income for the entire population.

[27] Moreover, the growth incidence curves (GICs), which display annualized consumption growth over the entire distribution of the population, also reveal that economic growth in Gabon has been pro-poor in urban areas from 2005 to 2017 and mostly urban at other times (see figures in Annex 6). Furthermore, most of the gain in shared prosperity comes from the eastern region (1.4 for the shared prosperity premium) and the western region (0.4).

1.2.3 The impact of the COVID-19 pandemic on poverty

The COVID-19 pandemic has exacerbated poverty, with a poverty rate measured at USD 1.90 per capita per day (at the 2011 PPP exchange rate) estimated at 34.1 percent in 2021 and projected to slightly decrease to 33.9 percent in 2022–above the 32.4 percent observed in 2019. Since the onset of the pandemic, the Gabonese economy has suffered from multiple stages of stringent measures imposed by the government to mitigate the spread of the virus. According to high frequency phone survey results, the first wave (March to August 2020) of the pandemic has had the biggest impact on the economy and

FIGURE 27. Shared prosperity indicators by area of residence



Source: WB open data catalogue (March 2022), and authors' calculations

FIGURE 28. Job stoppage after pandemic

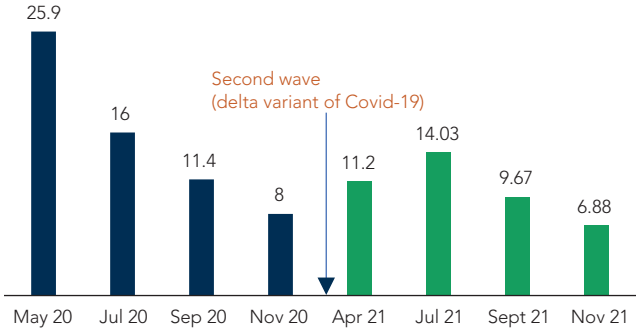


FIGURE 29. Work stoppage by employment type

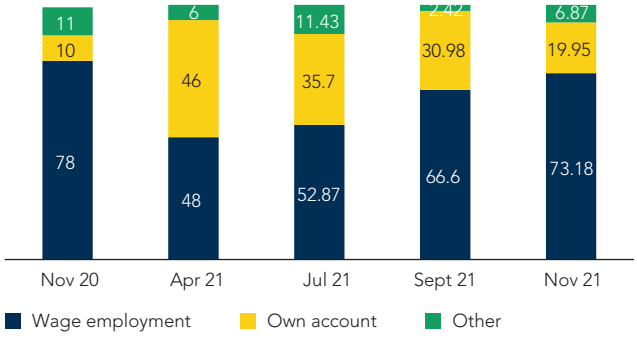


FIGURE 30. Proportion of households with children engaged in education activities during the 2020 lockdown

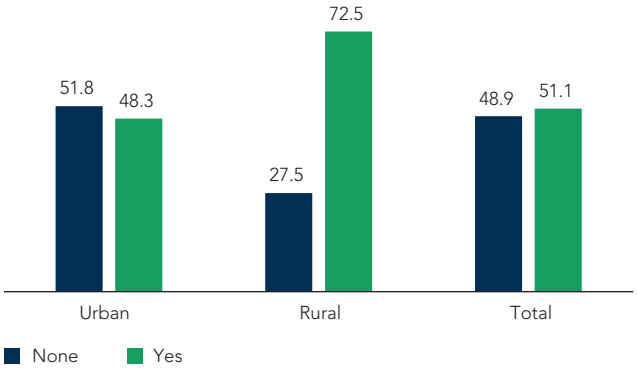
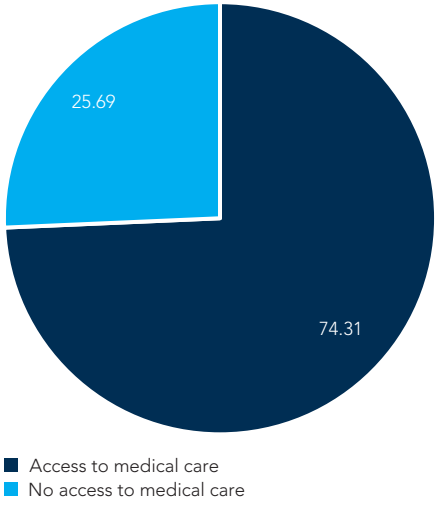


FIGURE 31. Difficulty accessing medical care service during the 2020 lockdown



Source: High frequency phone surveys results, March-August 2020.

households, with 25.9 percent of households experiencing job losses in May 2020 (Figures 28 and 29). The commerce, service, and education sectors were the most affected by the pandemic, especially self-employed workers. The negative effect of the pandemic on employment reduced households' income across the board, with income from domestic transfers, property, investments and savings, and agriculture, livestock, and fishing being the most affected.

The pandemic has also had a significant impact on human capital that could potentially shape future generations. One of the first measures to prevent the spread of the virus in Gabon was to close all schools and universities across the country. As a result, half of children nationwide reported not having any learning activity during the lockdown and subsequent months until the reopening of schools (Figure 30). The pandemic may also have led to an increase in food insecurity,[28] which is more pronounced in urban areas. The ongoing war in Ukraine may also be amplifying food insecurity with rising food prices. There was also a sharp reduction in households' ability to afford medicines during the second wave and lockdown, followed by a gradual recovery (Figure 31).

[28] Food insecurity is measured by the composite indicator based on Food Insecurity Experience Survey (FIES) module questions, which record self-experience episodes of food shortage by at least one household member over the past 30 days before the survey.

1.3 Weak foundations for higher and more inclusive growth and structural transformation

This section focuses on the most binding constraints to economic growth in Gabon based on the framework developed in the World Bank's *Diversified Development Report* (WB2014) that proposes to decompose a nation's wealth into three types of assets: (i) natural resources, (ii) built capital combining human and physical capital, and (iii) national institutions.[29]

1.3.1 Better managing resource rents

Gabon's procyclical fiscal policy

Gabon's fiscal policies magnified rather than reduced the impact of business cycles in the past decades. Evidence points to the procyclicality of fiscal policy in Gabon, which is tightly linked to the dependency on natural resource wealth and the associated volatility of oil revenues (Box 3). Procyclical fiscal policy hampers long-term growth because it often results in sharp cuts in public spending during downturns (capital spending in particular) as well as limited resources for social sectors, undermining the accumulation, respectively, of physical and human capital (see section 1.3.2.) In 2016, a new regional reference fiscal rule was adopted in CEMAC.[30] The reference fiscal balance is a welcome step (especially in the current context of high oil prices associated with the war in Ukraine) as it prevents governments from increasing spending immediately during years of high oil prices, and could therefore lead to less procyclical fiscal policies in the future. Notwithstanding, the efficacy of the new fiscal rule would be dependent on improving the quality of institutions, including improving the transparency in the implementation of the budget and fiscal rule, providing lawmakers, markets, and citizens with the information they need to hold governments accountable (see section 1.3.3.).

Oil revenue resources have historically financed a high-cost structure across the Gabonese economy, with spending focused on public sector wages, transfers, and subsidies. Comparing the period before (2006–2014) and after (2014–2020), the oil price drop shows that the collapse of oil revenues marked a significant shift in public spending (Figure 33). Indeed, before 2014, capital expenditures were significant (at just over 30 percent of total expenditure), but since then these have been cut by half, with most government spending absorbed by current expenditures (especially wages, which grew from an average of 25 percent to 40 percent of total expenditure after 2014). This evolution is in line with the findings in the literature, which document the low likelihood of public current spending contraction even in a context of lower revenues when they are extremely rigid and political resistance is high.[31] Such a significant shift in the government's spending pattern reflects spending rigidity in regard to public payroll, and a fluctuation of public investment aligned with oil revenues.

Although Gabon's public debt remains sustainable, vulnerabilities are high. Despite reaching historic highs in 2020 at 77.4 percent of GDP, public debt remains sustainable according to the latest Debt Sustainability Analysis performed in July 2021,[32] although vulnerabilities are high. Current skyrocketing energy prices[33] will boost Gabon's oil revenue, and public debt is projected to stay on a downward trend to reach 62 percent of GDP at the end of 2022.[34] In addition, the change in global demand preferences affected by efforts at decarbonization poses another challenge for fiscal sustainability. Looking ahead, Gabon's global demand for oil may be affected by the change in consumer spending habits as the world decarbonizes and relies less on fossil fuels.

[29] Source: Diversified Development: Making the Most of Natural Resources in Eurasia. Washington, DC: World Bank. doi:10.1596/978-1-4648-0119-8

[30] The 2016 new reference fiscal criterion was adopted under the New Convergence Rules. The new reference fiscal balance (with a floor of –1.5 percent of GDP) can be defined as the overall non-oil balance plus 80 percent of the average oil revenue-to-GDP ratio over the 3 previous years. Therefore, it is fully disconnected from the current year's oil revenue, and thus does not allow governments to increase spending immediately when oil revenue increases.

[31] Herrera et al. 2019.

[32] IMF 2021.

[33] The price of crude oil rose to over USD 100/barrel in April 2022 and is expected to average USD 100 in 2022 (WB Pink Sheet).

[34] WB Macro and Poverty Outlook (MPO) Spring Meetings 2022.

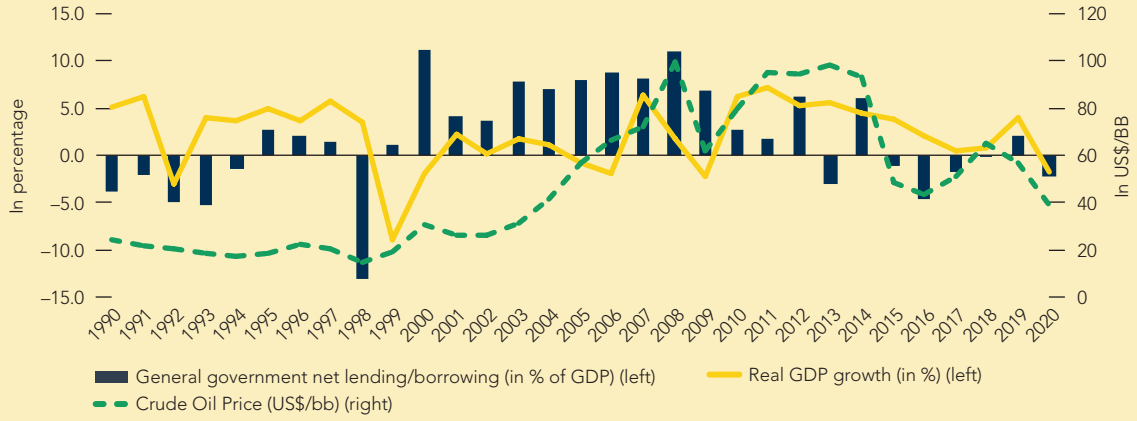
BOX 3. Evidence points to the procyclicality of fiscal policy in Gabon

Fiscal policy in Gabon and in the CEMAC region has been historically procyclical, undermining the capacity to create fiscal buffers. Using 1990–2020 data, the World Bank (2022) finds strong evidence that the fiscal policy response in the CEMAC region has been more procyclical than in other SSA countries. Since CEMAC economies are relatively undiversified, highly dependent on commodity exports and oil revenue, and suffer from significant institutional weakness, the tendency for fiscal policies in the region to be procyclical has been high. Consistent with the literature, the WB (2022) finds that an improvement in the quality of institutions (e.g., clear and enforceable fiscal rules and transparency) could considerably decrease procyclicality.

Gabon follows the same trend of the region, with a history of large swings in fiscal policy, mostly procyclical, largely influenced by oil price shifts (Figure 32). From the early 2000s and up to the oil price drop in 2014, Gabon benefited from soaring oil prices, which marked a period of ratcheting up public expenditure. The favorable oil conditions and the lack of countercyclical fiscal rules were translated into a long period of expansionary fiscal policy, which gave rise to a high-cost structure across the economy, with high public sector wages and excessive dominance of the public sector.

With the end of the oil boom decades, the country improved its macroeconomic management when oil prices fell in 2014 and GDP growth started to slow down. The successive oil bust period and lack of fiscal buffers from the oil boom decades forced the country into many years of fiscal consolidation, which were repeatedly undermined by tax revenue shortfalls and expenditure overruns. The decreasing oil revenues were accompanied by widening fiscal and current account deficits, along with rising debt stocks, and accumulation of domestic and external arrears. In 2020, amid the sharp deterioration of economic activity due to COVID-19, Gabon resorted temporarily to countercyclical fiscal policy to help mitigate the initial economic fallout of the pandemic. Increased public spending, however, was only possible thanks to large international support.

FIGURE 32. Gabon - real GDP, oil prices, and overall fiscal deficit (1990–2020)



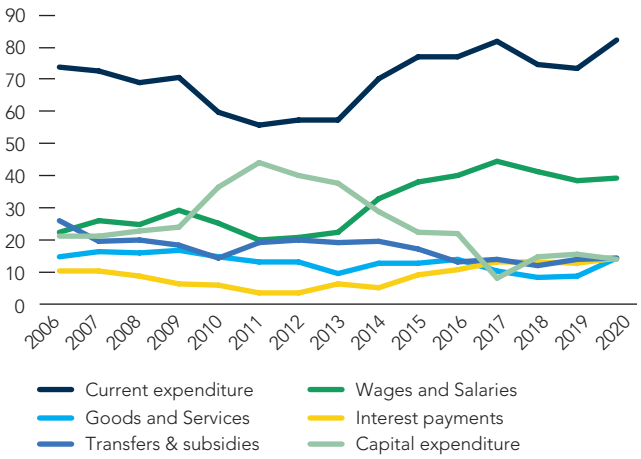
Source: EIA and WEO.

Gabon's management of oil revenue

Some initiatives have been undertaken recently to better manage oil revenues. In 1998, Gabon created the Sovereign Fund of the Gabonese Republic (FSRG), to be financed by oil revenues, but it has received only a small part of promised resources over the past decades.[35] The FSRG was to be funded until 2021 through a 10 percent levy on annual oil revenues and half of all additional budgetary revenues above the budget law target, but only in 2002 was a substantial

[35] The Fund for Future Generations (FFG) was created in 1998 and renamed FSRG in 2012.

FIGURE 33. Current and capital spending (% of total expenditures 2006–2020)



Source: National authorities.

deposit made, 4 years after the creation of the Fund, totaling 2 percent of GDP. Moreover, no cyclical use of these amounts was set and, overall, deposits to the fund were not made on a regular basis.[36] The Gabonese Fund for Strategic Investments (FGIS), which has a development purpose (rather than a stabilization or savings mandate), was created in 2012 to manage FSRG funds. These are meant to be distributed among priority sectors that are in alignment with the government's development plan. However, a FGIS audit carried out in 2021 found substantial weaknesses in governance, organization, and investment management. The government has committed to improving the management of the FGIS, adhering to the Association of Sovereign Funds, i.e., following activity reports on the association website, establishing an entity in charge of monitoring SOEs (including the FGIS), and increasing efforts to separate the FGIS accounts from those of the state.

Gabon reintegrated the Extractive Industries Transparency Initiative (EITI) in 2021 and committed to improving the governance, transparency, an accountability of the use of oil revenues. Despite having been excluded from the EITI in 2013 for non-compliance,[37] Gabon reintegrated the EITI in October 2021 with the commitment to publish regular information on revenues from oil and mining activities. Some specific achievements ahead of the publication of the first post-reintegration EITI report (expected by April 2023 at the latest), will be key to demonstrating the government's actual commitment to more transparency in the extractive sector. In particular, completion of the diagnostic of Gabon's extractive industries, and preparation of a diagnostic study on transparency and citizen control mechanisms for contract granting, would signal that progress is on track. Expectations are that the EITI membership, which implies reporting of all revenue streams (including SOE transactions); exploration/production/export data from the mining, oil, and gas sectors; and information such as revenue allocation and socioeconomic contributions by companies, will generate several sector reforms.

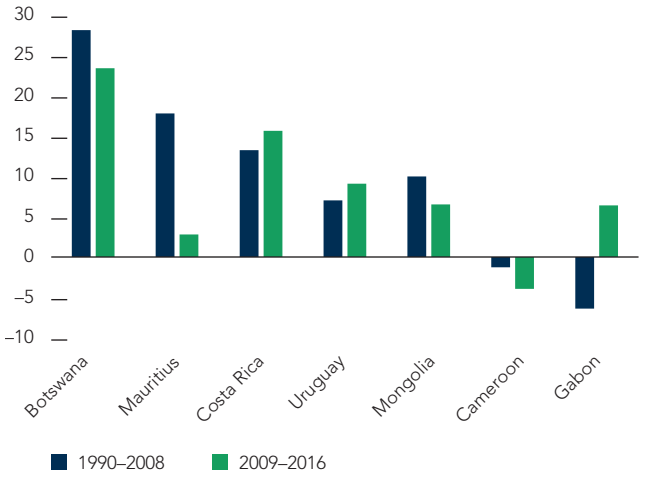
Because of poor oil revenue management, adjusted net savings (ANS) were negative for two decades, but in the past decade the trend has been reversed. High national savings typically finance high investment in a sustained manner. Whether total ANS are adequate depends on whether they exceed the depreciation of physical capital and the depletion of nonrenewable resources. Only then does investment from these savings avoid a reduction in total economic endowment of natural, human, and physical capital.[38] From 1990 to 2008, Gabon's ANS in percent of GNI were negative and the depletion of natural resources has been significant (Figures 34 and 35). On the other hand, investment in human capital (measured through government spending in education) was negligible, which suggests that the country has been exhausting its natural resources

[36] The Provision for Diversified Investments (PID) is dedicated to economic development projects, and the Provision for Investments in Hydrocarbons (PIH) establishes the share of this fund/provision financing of investments related to the development of the oil and gas sector. Recently in 2021, the funding framework was replaced by other sources of financing, including a portion of the dividends received from the shares held by the state in private companies and 25 percent of the annual PID-PIH provision made up by oil companies.

[37] Gabon first became member of the EITI in 2007.

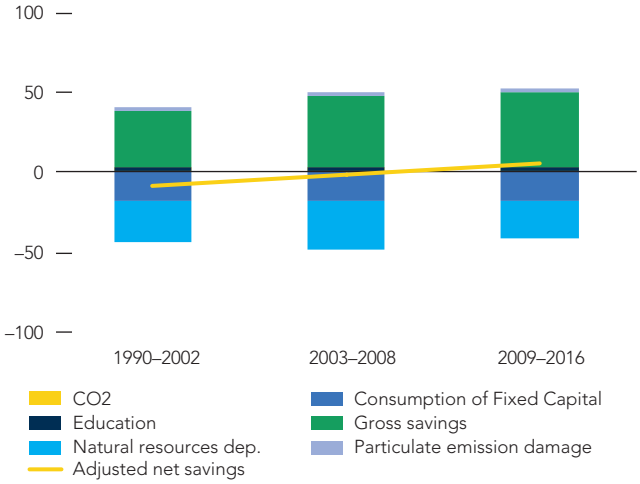
[38] ANS measures the true rate of saving in an economy by taking gross national savings adjusted for investments in human capital and net of depletion of natural resources (including fossil fuels, minerals, and timber) and damages caused by pollution. Source: Diversified Development: Making the Most of Natural Resources in Eurasia. Washington, DC: World Bank. doi:10.1596/978-1-4648-0119-8

FIGURE 34. Adjusted net savings (ANS), including particulate emission damage (% of GNI)



Source: WDI.
Note: Data is not available for Gabon after 2016.

FIGURE 35. Gabon: Adjusted net savings subcomponents (ANS) (% of GNI)

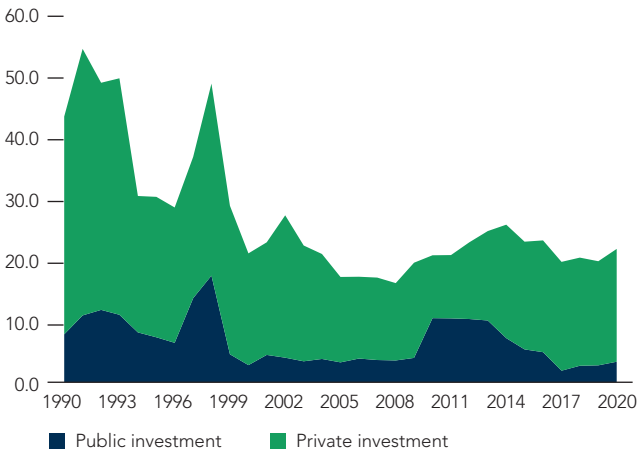


without converting its natural resource rents into productive capital, thereby not adding to its wealth (Figure 35). However, there was a reversal and, from 2009 to 2016, ANS were positive, coming from lower depletion of natural resources.

1.3.2 Built capital

Gabon has failed to use its vast natural resource endowment to increase physical and human capital.

FIGURE 36. Public vs. private Investment (% of GDP)

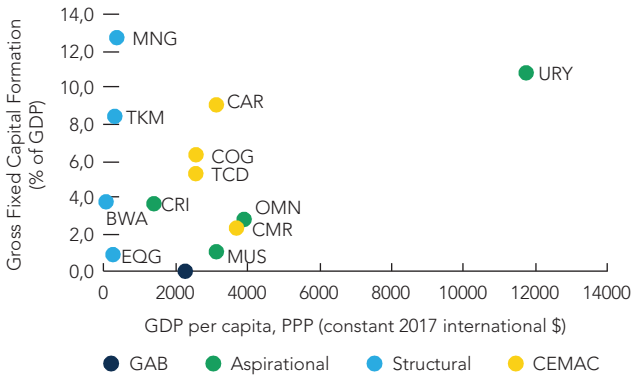


Source: National authorities, WDI.

Physical capital

Investment, including publicly financed, has been volatile. Gross fixed capital formation (GFCF) represented on average 25.3 percent of GDP over the period 1990–2020, above the trend observed for SSA (22 percent) but below that of UMICs (29.1 percent) (Figures 36 and 37). Public investment grew continuously from 2009 to 2013, averaging 10.3 percent of GDP, while it averaged 6.6 percent growth from 1990 to 2020. Since 2010 and the implementation of the PSGE

FIGURE 37. Investment and GDP per capita: Gabon and peers



Source: WDI.

that includes a pillar on the development of infrastructure, the government decided to finance a large part of public investment with the country's own resources in addition to recourse to public debt. As a result, public investment was used as an adjustment variable in the event of deceleration of growth, such as the period following the 2014 oil price shock. In 2017, it reached its lowest level since 1990, at 1.7 percent of GDP.

Private investment is being crowded out by government. The results of the latest Public Investment Management Assessment (PIMA) carried out in 2019 showed that the correlation between public investment and private investment is negative (coefficient of –0.23), reflecting the lack of leverage effect of public investment on private investment. Since 2010, the phases of increased public investment were almost systematically accompanied by a decline in private investment. Conversely, when public investment fell sharply in 2014, private investment increased from 14.5 to 18.4 percent of GDP during that same year.

Structural deficiencies in planning procedures and institutional arrangements hamper public investment efficiency. The results of the latest PIMA reveal structural failures in organization and planning procedures due in particular to the confusion between the strategic and operational roles in public investment management. A multiplicity of actors develop their own projects in an uncoordinated way. In addition, planning tools are non-existent, dispersed, or ineffective, and the definition of projects and their financing methods is not based in practice on objective criteria relying on prior studies. These planning failures directly affect the allocation of resources and the execution of projects. Indeed, in the absence of rigorous planning, finance law on budget allocations to investment is incomplete and subjective.

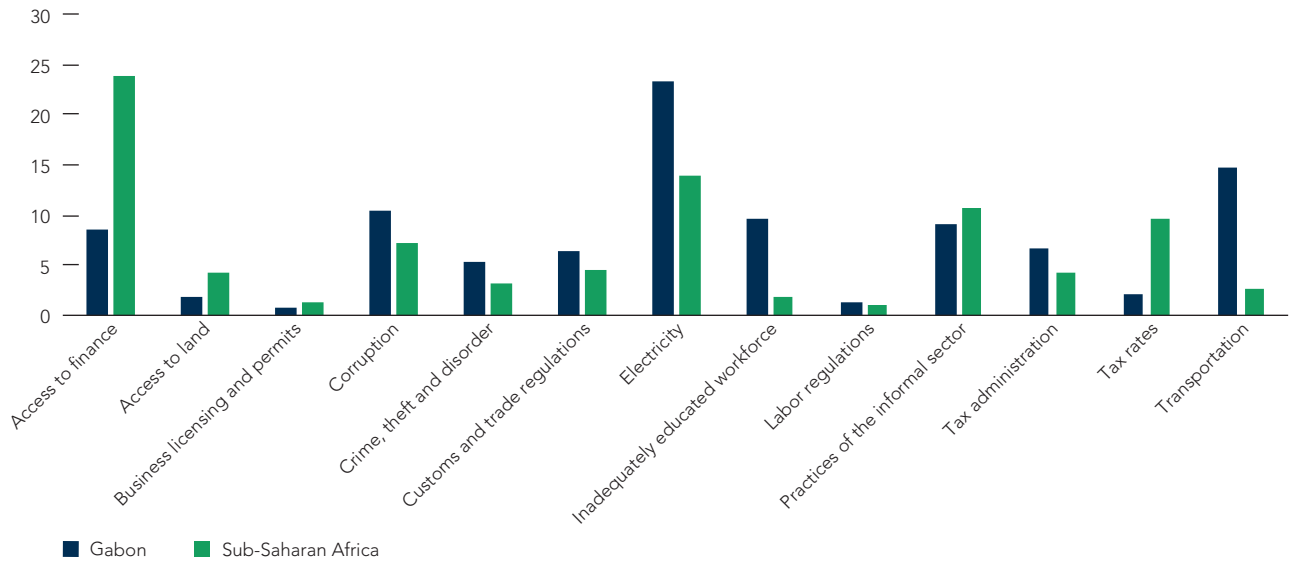
Gabon's abundant natural resources and sociopolitical stability helped the country attract significant FDI, albeit mostly in the extractive sector. Gabon's capacity to attract FDI has improved since 2000 as illustrated by the country's net inflows increase from 1.4 percent of GDP in 1981 to more than 9 percent in 2019. The international surge of oil prices in the first half of 2014 combined with some efforts of economic liberalization boosted foreign investment, with a peak at USD 1.048 billion in 2014. The share of FDI to GDP is significantly greater in Gabon than in SSA and UMIC countries. Similarly, Gabon net inflows of FDI are higher than for its aspirational and structural peers. However, FDI, while being much greater than in any other SSA country, has remained concentrated in the extractive sector and has had little impact on the rest of the economy; furthermore, the extractive sector employs a highly qualified but limited workforce, thus with limited effect on the labor market. At the same time, recent significant foreign investment in agriculture (cash crops), energy, and the wood industry are supporting the government's efforts toward economic diversification (see section 3.5.1 for a closer look at FDI).

While infrastructure, connectivity, and logistics are crucial to enable economic diversification, Gabon faces a critical infrastructure gap. Poor and inadequate infrastructure is a key barrier to private sector-led growth and in expanding economic opportunities for households. The government started to address the infrastructure gap through the gradual implementation of the PSGE, but efforts need to continue as realization so far remains insufficient and many bottlenecks persist. Progress has been very limited with the notable exception of access to water and health infrastructure in recent years. Users' perception of the quality of overall infrastructure is better in Gabon than in its structural comparators but has tended to deteriorate over the recent period.[39]

Gabon has a large gap in electricity infrastructure. In Gabon's Enterprise Surveys, electricity was mentioned as the first obstacle to private sector activity (Figure 38). In 2017, the Global Competitiveness Index (GCI) ranked the quality of electricity supplied in Gabon 114th out of 138 countries. The country is confronted with major shutdowns and power cuts that stem from: (i) a low

[39] In the infrastructure quality perception index developed by the World Economic Forum (WEF), Gabon was ranked 119th in 2016 (latest data point available), above its structural comparators but below the SSA average, and ranked below its rank of 116th in 2015.

FIGURE 38. Main obstacles to business



Source: Enterprise Surveys, WB 2009.

level of spare capacity, indicating that the country generates just enough electrical capacity and faces shortages when demand spikes; and (ii) fragmentation of the network, preventing compensatory supply from one region to another and inducing significant price differences between regions. Given Gabon's current generation capacity, an electrical supply gap could potentially arise. Government efforts to increase generation capacity are ongoing, with the planned construction of four new dams – and potentially a fifth one – under public and private partnerships (PPPs) with Chinese and French investors.

Gabon made tremendous progress in the development of information and communications technology (ICT) in recent years. Gabon possesses today the largest digital capacity of the region – ranked 6th among African countries by the International Telecommunications Union in 2017 – and is way ahead of its neighbors in terms of equipment, retail prices for internet, and mobile internet penetration. In January 2020, 51.4 percent of the population were using internet against 28.6 percent in SSA.[40]

[40] Source: International Telecommunications Unit.

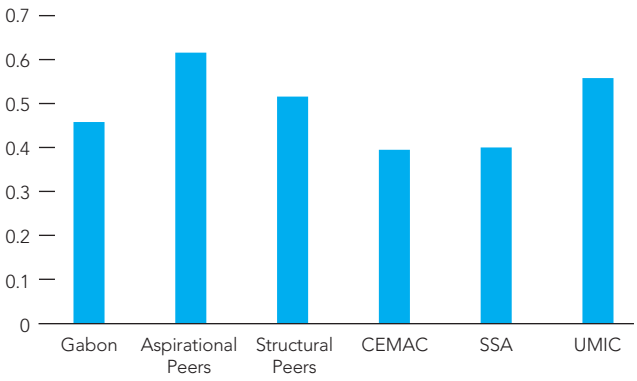
Human capital

In the first decades following its independence, Gabon's economic growth was translated into significant progress in human development and living conditions. Since 1976, revenues generated by oil enabled the country to invest heavily in social services and infrastructure. As a result, in the early 1990s, basic welfare indicators had reached UMIC levels and were much higher than the averages for SSA and LICs. However, over the past decade, progress in human development started to erode. The dependence on oil revenues and the lack of adequate countercyclical policies and mechanisms to safeguard economic and financial gains led to wide fluctuations in both revenues and expenditures, with a negative impact on resource allocation for human development (see chapter 2 on education, skills, and social protection). As seen earlier, Gabon's share of human capital in total wealth dropped from 32 percent in 1995 to 26 percent in 2018 and Gabon's human capital per capita decreased during the same years.

Despite significant progress in human capital development, Gabon's still lags behind its peers. Human capital is a vital ingredient for economic growth as it

is the ultimate source of innovation and productivity and one of the key mechanisms for transferring wealth across generations. The Human Capital Index (HCI) measures the amount of human capital a child born today can expect to attain by age 18, and Gabon's HCI is below the UMIC average and its peers (Figure 39). Among the HCI categories, Gabon performs relatively well in harmonized test scores but lags when it comes to learning-adjusted years of school. Overall, a child born in Gabon today will at age 18 be only 46 percent as productive as child that enjoyed complete education and full health. In addition, in the aftermath of the COVID-19 pandemic and to be prepared for potential future health and sanitary crises, it is important for Gabon to promote its health security agenda and enable the building of resilience (Box 4).

FIGURE 39. Human Capital Index (HCI) 2020 (1 = low; 6 = high)



Source: HCI 2020.

BOX 4. Health Security vs. Human Capital: a resilience building case

When an epidemic occurs, many lives are lost, and it causes immense economic disruption that can weaken communities. For example, the COVID-19 pandemic threatens to reverse the human capital gains of a decade.[41] The COVID-19 pandemic is disrupting essential health services, such as maternal-infant healthcare, routine vaccinations, lifesaving treatments (HIV; malaria, tuberculosis, etc.).[42]

Health emergencies, such as infectious disease pandemics and outbreaks, are a tremendous strain to healthcare systems, diverting resources from other health objectives to fight the crises. Investments in health security are on the rise to reduce the pressure on national and global healthcare[43]. It entails investing in preparedness and response for health emergencies and in making health systems more resilient to infectious diseases (COVID-19, ebola, measles, etc.) and other outbreaks resulting from natural disasters (such as cholera and dengue) as well as endemic diseases such as malaria.

Access to adequate healthcare has great impact on whether a person will reach their full potential and be able to work efficiently. A healthy person can be more productive and, hence, better contribute to the development of their country. The health, skills and knowledge that people accumulate throughout their lives constitute their human capital[44].

Investing in health security is cost-effective, as it bolsters preparedness, reduces service and budget allocation disruptions during health crises, and reduces the general anxiety. Better preparedness will make the country more resilient to infectious disease-related emergencies and the health crises resulting from natural disasters.

Gabon ranks 182nd in the Global Health Security (GHS) Index, among 195 countries. The GHS Index benchmarks health security in the context of other factors critical to fighting outbreaks, such as political and security risks, the strength of the health system, and country adherence to global norms[45]. Despite being an UMIC, Gabon must invest heavily in the foundational elements necessary to be prepared for any outbreak: prevention, detection, reporting, and rapid response.

[41] https://www.worldbank.org/en/news/press-release/2020/09/16/pandemic-threatens-human-capital-gains-of-the-past-decade-new-report-says.
[42] https://blogs.worldbank.org/health/killer-2-disrupted-health-services-during-covid-19.
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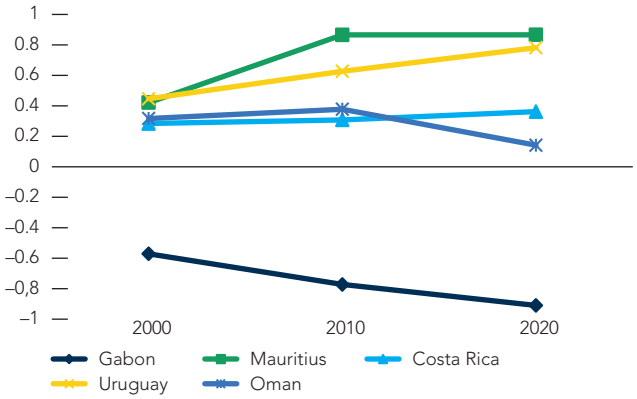
1.3.3 Institutional and governance weakness

Weak institutions do not contribute reliably to reducing economic volatility, an unavoidable aspect of natural resource-based development. Natural resource wealth can negatively affect economic and social outcomes by creating opportunities for rent-seeking practices and exposure to volatility (Sala-i-Martin and Subramanian 2013). Human capital and institutions determine whether natural resources are managed for socioeconomic development. When governance and institutions are weak, resource rents can lead to inefficient redistribution of revenue, greater social inequality, underinvestment in human capital, and corruption, which in combination allow low-quality institutions to persist (Mehlum et al. 2006; Wiens 2013; James 2015; Cockx and Francken 2014 and 2016). Inadequate governance is also a major challenge to investment and competitiveness.

Gabon benefits from broad political stability but institutions and governance are weak and lag behind peers. The political patronage system, which has prevented pro-equity reforms, has become deeply rooted in the administration, promoting the privatization of public resources and persistent corruption within the administration. Gaps related to governance quality measured by World Governance Indicators (WGI) show that Gabon lags far behind most of its SSA and UMIC peers and its score has deteriorated over time, falling far below the levels of its aspirational peers (Figures 40 and 41). Moreover, public perception of corruption is high; according to the 2017 Afrobarometer survey, over 95 percent of Gabonese believe that government officials are involved in corruption and over 80 percent believe that corruption has been rising over time. Despite an ambitious reform agenda to enhance governance and curb corruption, anchored in the 2010 Strategic Development Plan (PSGE), Gabon is ranked 124th out of 180 countries in the 2021 Corruption Perceptions Index (CPI).

Corruption and poor institutional framework are among the main factors weakening the business environment in Gabon (Figures 41 and 42). These

FIGURE 40. WGI: Government effectiveness (overall estimate)



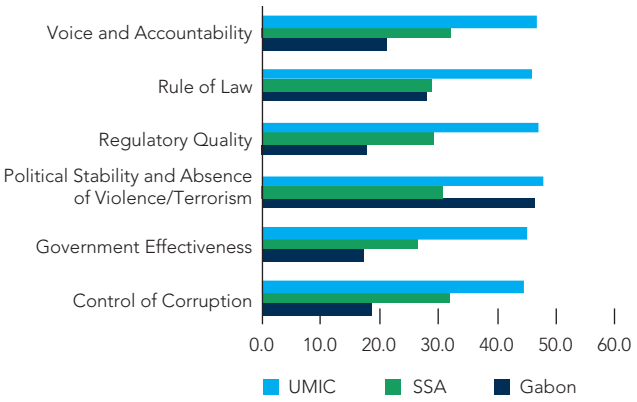
Source: WGI 2000, 2010, 2020.

factors deter new investments and constrain domestic entrepreneurs from expanding their operations. Entrepreneurs rank the inefficient government bureaucracy and corruption as, respectively, the fourth and fifth most problematic factors for doing business in the 2017 GCI (see more in chapter 3 on cross-cutting constraints to investment and competitiveness). Lack of transparency in administrative processes and lengthy bureaucratic delays raise questions for the private sector regarding discretionary treatment and a level playing field for the private sector.[46]

Similarly, judicial capacity is weak, and enforcement tends to be difficult. Overall, Gabon's judicial bodies are subject to political influence, creating an unequal playing field that is detrimental to private sector growth. While several government agencies, such as the recently inaugurated *Institut International de Mediation, d'Arbitrage et de Conciliation* (Arbitration, Mediation and Conciliation Center, IIMAC), have been created to address some of these issues, they require further support to be able to effectively ensure the application of these reforms in competition, business regulations, and investment promotion.

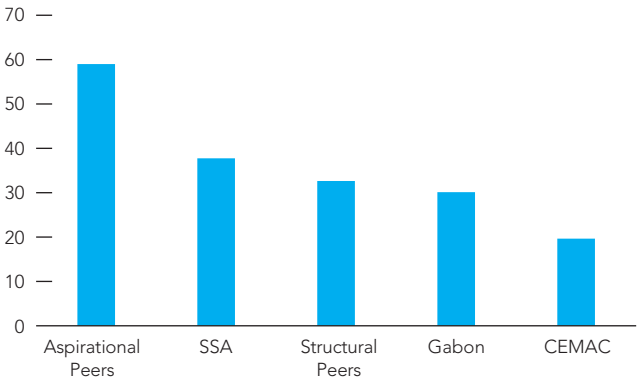
[46] International Trade Administration. Gabon – Market Challenges. 2021. https://www.trade.gov/country-commercial-guides/gabon-market-challenges

FIGURE 41. Governance Indicators 2020 (percentile rank: ranges from 0 (lowest) to 100 (highest)



Source: WGI 2020.

FIGURE 42. Corruption Perception 2020 (Score 0–100)



Source: CPI 2020.

Reforms are needed to bring about better governance and accountability, better coordinated policy, and more realistic and consistent policy-making that aligns better with budgetary constraints. A comprehensive governance reform package consisting of improving governance in the relationship of firms, reducing waste/improving efficiency in public capital expenditures, and expanding the tax base through an improvement in tax administration efficiency will deliver a much higher growth and fiscal space, according to a 2018 study by the International Monetary Fund (IMF). The IMF study showed that this reform package would lead to significant increase in private investment, private consumption, and non-oil output. Public debt would fall, allowing the tax rate to fall given the fiscal reaction function, and to further stimulate private demand. This package of reforms would result in an approximate additional annual non-oil growth of 1.44 percent (optimistic scenario) or 0.75 percent (moderate scenario).

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CHAPTER 2

ACHIEVING INCLUSIVENESS AND MATCHING ASPIRATIONS WITH OPPORTUNITIES

Human capital is critical to inclusive and sustainable growth, and there is growing recognition of the role of human capital in the long-term success of growth around the world. This chapter has two parts: the first focuses on Gabon's education system and provides insights on the skills and aspiration mismatch in the labor market; the second focuses on social protection's role in mitigating poverty and income inequality. The chapter concludes with some key recommendations to improve the delivery of education, social protection, and economic inclusion in Gabon.

2.1 Investment in education and skills promotion policies

This section examines inclusiveness in Gabon by analyzing disparities in education, vocational training, and skills mismatch. It begins with a discussion of basic education in terms of access and quality, and performance compared to countries with a similar per capita income. Then it examines disparities in skills development, specifically why the transition to higher education in Gabon is particularly challenging. Finally, it discusses the skills and aspiration mismatch and the external efficiency of education, with a focus on skills supply in Gabon versus actual labor market needs.

2.1.1 Contextual factors for supply and demand of skills in Gabon

Rapid population growth in Gabon complicates social and economic development and increases the scale of the investments and effort needed to ensure that no one is left behind. The population of Gabon grew from 440,000 in 1960 to 1,015,000 in 1993 and then to 1,811,000 in 2013. According to the General Directorate of Statistics, Gabon's population increased by 2.7 percent

per year from 2013 to 2020 and is projected to grow by 1.7 percent from 2020 to 2030, reaching 2,643,000 in 2030. Gabon's population is relatively young, with 36 percent under the age of 15 and 59 percent aged 15 to 64. Seniors (age 65+) account for approximately 4 percent of the population. In addition, Gabon is highly urbanized: 87 percent of the population live in cities, indicating a concentrated demand for skills and training services.

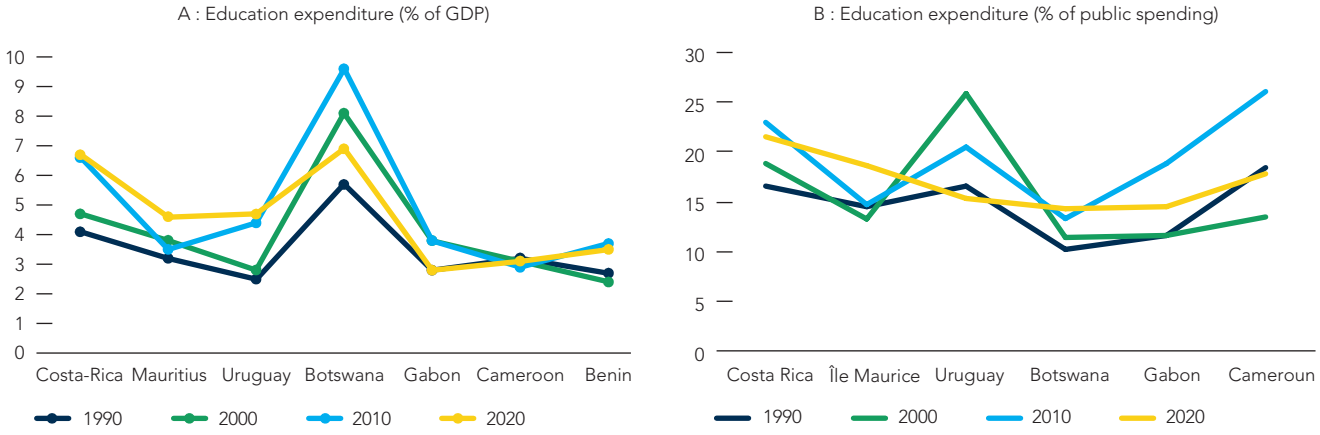
Limited progress has been made in terms of spending on human capital in Gabon. Public investment in human capital has been very low relative to total resources available in the economy when compared to structural peers like Botswana and aspirational peers like Mauritius, Uruguay, and Costa Rica (Figure 43). Given the magnitude of the challenges in the education sector, as a UMIC, Gabon should allocate at least 4–6 percent of GDP and at least 15–20 percent of public expenditure to education; however, as shown in Figure 43, the country is struggling to meet that target and only spends at levels similar to LMICs on education. For example, Gabon spent only 2.8 percent of its GDP on human capital in 2019, compared to 4.2 percent for middle-income countries globally.

2.1.2 Fundamental learning in Gabon

Gabon has made tremendous progress in primary education enrollment over the last 50 years; access to basic skills acquisition is a prerequisite for higher levels of education. Learning poverty in Gabon is estimated at 30.7 percent, far better than the region's average and many other UMICs (Figure 44). Gabon has one of the highest rates of primary school enrollment in Africa, with 95.5 percent of boys and 97.2 percent of girls enrolled (Figure 45). If the trend in gross enrollment rates in primary education is higher than in other UMICs, Figure 46 panel B shows that entry does not always occur at the legally required age of 6 years; 47.1 percent of children enter the first grade after age 6. Despite extensive research demonstrating that early childhood education (ECE) prepares children to be more effective in future primary and secondary levels of education, only about 49 percent of children in Gabon benefit from ECE programs and most of these are provided by private institutions (Figure 46). Despite a favorable learning poverty rate that propels Gabon to the top of the international rankings, the country still faces significant deficiencies in its basic education level, particularly its quality, which could be argued to have roots in the failure of countries to invest in ECE and build strong foundations for future learning. The benefits of quality ECE include improved school readiness, reduced repetition and drop-out rates, and higher achievement in school.

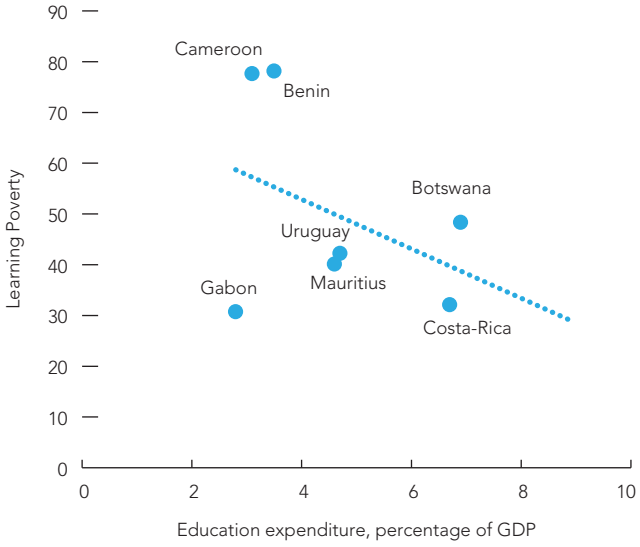
Children in Gabon do not progress easily through grades, implying low internal efficiency of the

FIGURE 43. Public expenditure on education



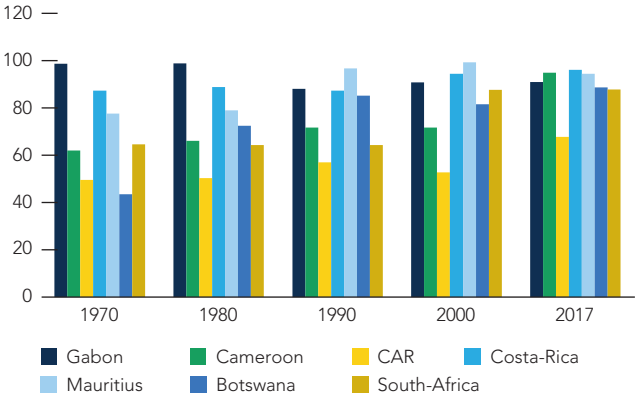
Source: UNESCO and authors calculation.

FIGURE 44. Learning poverty in Gabon



Source: UNESCO and authors calculation.

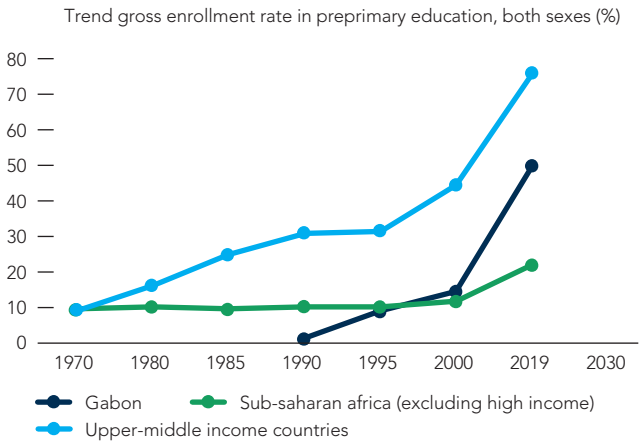
FIGURE 45. Trend net enrollment rate in primary, both sexes (%)

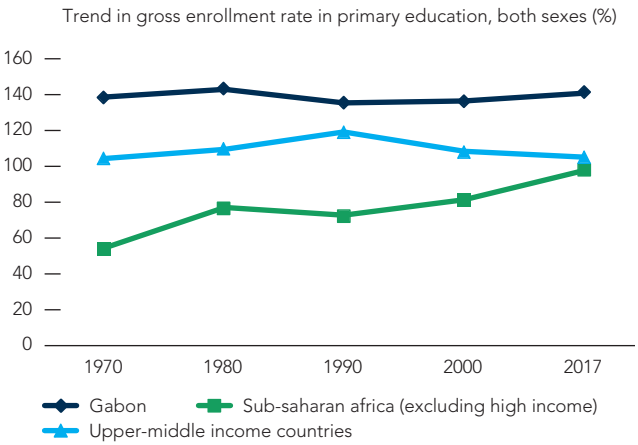


education system. Even though primary education is free in Gabon, an estimated 9 percent of primary school-age children were not in school in 2019. These children live in poor areas with limited educational infrastructure. The country also has some of the highest rates of school repetition in Africa, with primary school repetition at 30 percent compared to the African average of 15 percent. Repetition has become common at all levels of education, particularly in public schools: the percentage of repeaters in general lower secondary education reached 26.5 percent in 2018, and 23 percent in upper secondary. Other issues continue to stifle educational achievement and skills development – e.g., primary school overcrowding; secondary school high dropout rates, particularly among girls, who make up a large proportion of dropouts; and poor working conditions for teachers.

Despite these challenges, students in Gabon achieve some of the most encouraging results at the end of primary school, with reading proficiency levels among the highest even among UMIC students.

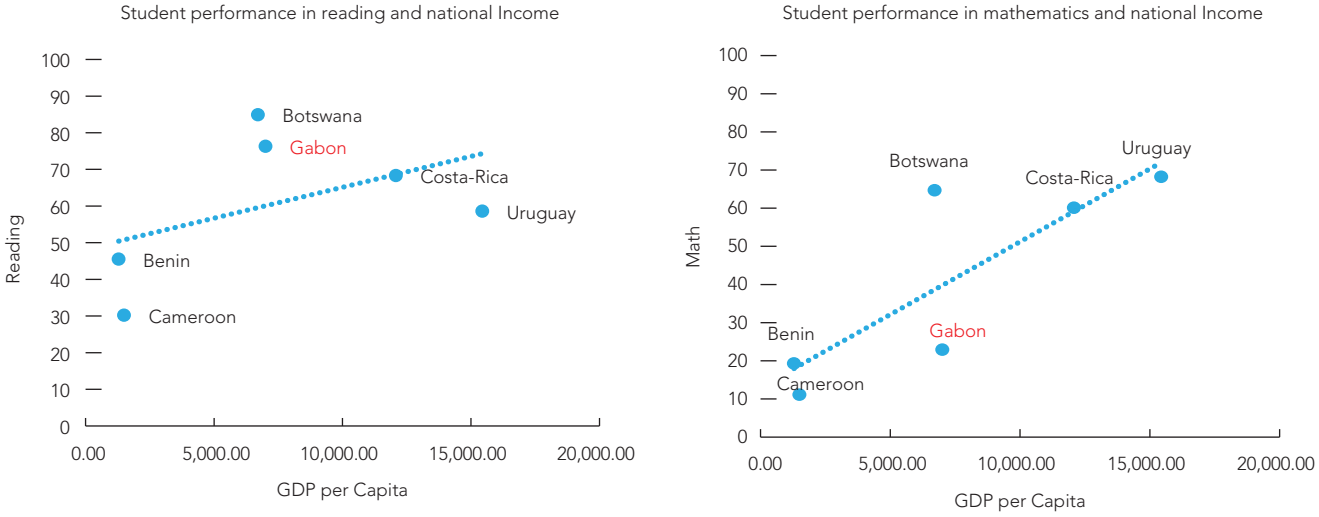
FIGURE 46. Trend gross enrollment rate in preprimary & primary education, both sexes (%)





Source: UNESCO and authors' calculation.

FIGURE 47. Students' achievement at the end of primary school in reading and mathematics

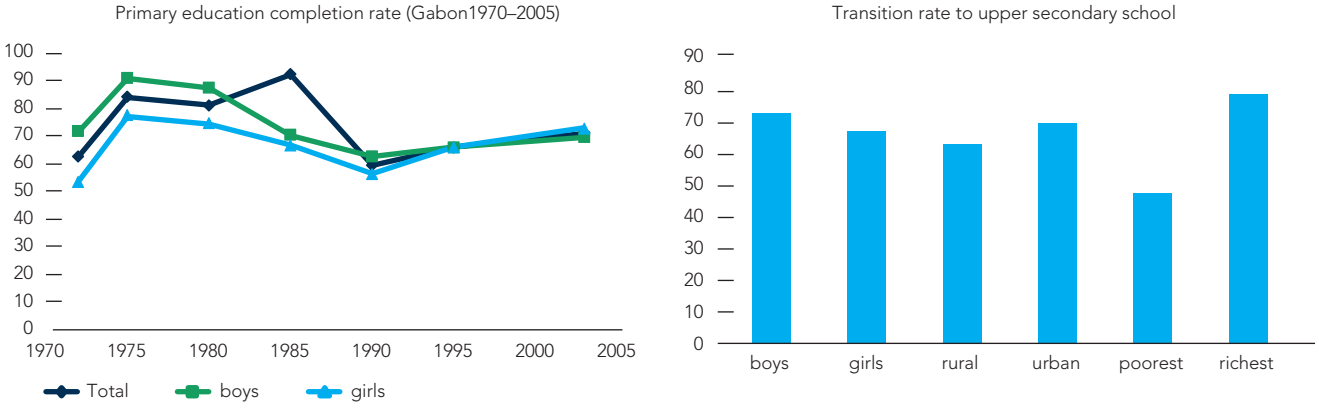


Source: UNESCO and authors calculation.

Children in Gabon outperformed other countries in reading and mathematics at PASEC 2019. However, significant inequalities and inequities remain hidden beneath these PASEC assessment results, and the quality of the country's education system remains low when compared to structural and aspirational peers. When learning achievement is combined with children out of school, the country's learning poverty drops to 30.7 percent; in other words, 30.7 percent of Gabonese children in late primary school today are not able to understand a simple paragraph. Furthermore, when compared to children from similar wealth countries, only about 20 percent of primary school children are proficient in mathematics (Figure 47).

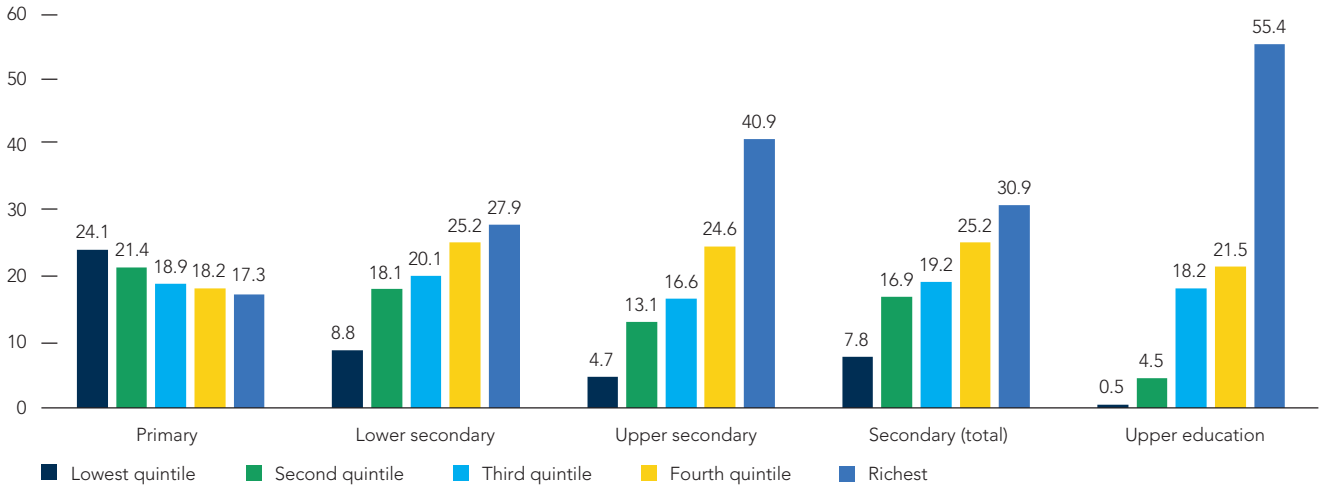
Gabon faces significant challenges in ensuring that students transition effectively and smoothly from primary to secondary school and higher education, while maintaining quality standards. The low transition rates of students from primary to secondary and tertiary education are a recurring issue in the country. As illustrated in Figure 48, many students do not complete primary and secondary education. Among the factors that may help explain the low transition rate

FIGURE 48. Transition from primary to secondary school and higher education



Source: UNESCO, DHS, 2012 and authors' calculation.

FIGURE 49. % of enrollment by quintile and education level



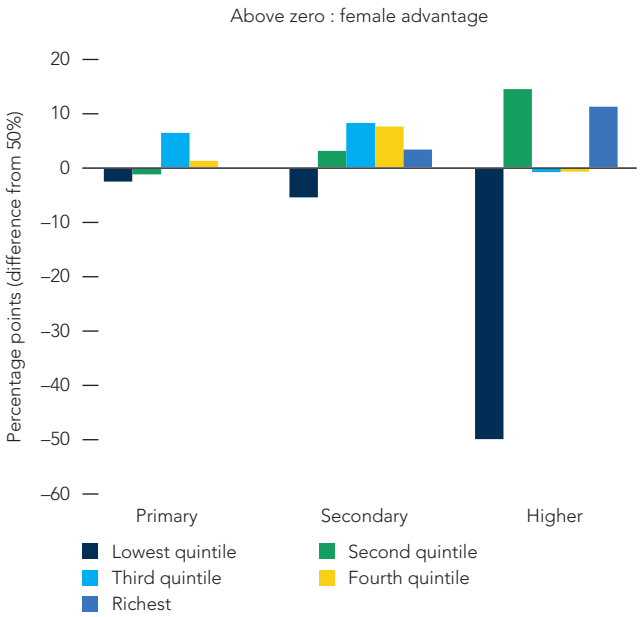
Source: DHS 2012 and authors' calculation.

in Gabon are the following: (i) compulsory education in the country spans 10 years, ages 6–16, which puts pressure on the education system, with overcrowded classrooms in primary school and a high dropout rate in lower secondary school; it is also evident that when the compulsory years are over students abandon the idea of continuing their education; (ii) due to poverty in remote areas of the country and a lack of secondary education cycles in villages, many rural households discourage their children from pursuing an education, especially female children who are expected to contribute to the household. Despite this, the overall school transition rate has been narrowing by gender and geographical location in the country, although a significant socioeconomic gap in the transition rate to secondary schools and higher education remains, with only 49 percent of students from the poorest households completing lower secondary.

2.1.3 Disparities in skills development in Gabon

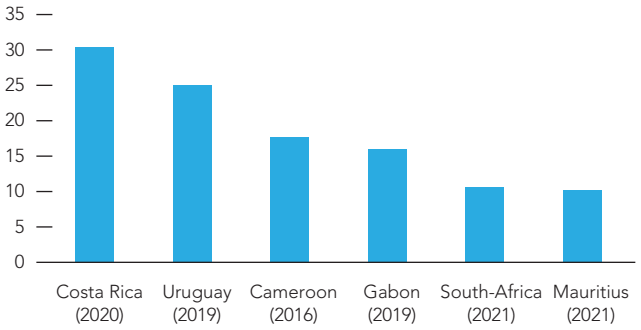
Gabon's public education spending benefits the poor only in primary school. All wealth groups are represented in primary education, as shown in Figures 49 and 50. In contrast, only 9 percent of students in lower secondary education come from the poorest quintile, while 28 percent come from the richest. At the upper secondary level, distribution becomes highly unequal, with 41 percent of students belonging to the richest quintile and only 5 percent belonging to the poorest, implying regressive public spending. Although enrollment per quintile is not available for preschool, the fact

FIGURE 50. Transition from primary to secondary school and higher education



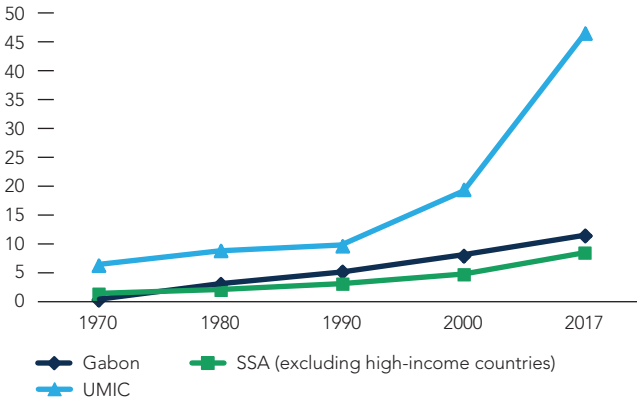
Source: DHS 2012 and authors' calculation.

FIGURE 51. Percentage of vocational and technical enrollment



Source: UIS data (2021 or most recently available).

FIGURE 52. Gross enrollment rate in tertiary education



Source: UIS data (2021 or most recently available).

that it is essentially private and urban suggests that the children from poor households and from rural areas are poorly represented. Furthermore, Figure 50 shows that students from the top three quintiles attended higher education the most, with over 55 percent coming from the richest households, highlighting extreme education inequities and high levels of regressive spending at this level.

While Gabon lags behind countries with comparable wealth in secondary and/or pre-tertiary technical and vocational education and training (TVET), gender disparities in TVET have narrowed. Gabon's TVET enrollment rate in 2019 was 17.7 percent, significantly lower than the UMIC average of 30–40 percent and lower than the SSA average of 20 percent (Figures 51 and 52). From 19.6 percent in 1985, the percentage of TVET students has decreased in Gabon. Participation of young women in TVET is relatively encouraging; they account for 37 percent of enrolled TVET students and 51 percent of students enrolled in vocational training. Key challenges confronting Gabon's secondary education and skills development systems include: i) lack of funding for TVET; ii) poor geographical distribution of training; iii) inadequate skills recognition systems; iv) outdated curricula overly theoretical for the labor market, leaving job seekers' skills mismatched to skills expected by the productive sector; and v) lack of teacher training and teaching and learning materials. In addition, the private sector is not sufficiently involved in the management of training institutions. Even if infrastructure and equipment appear to be on track with World Bank and other donors' support, challenges associated with teacher training and governance persist. Consequently, the links between the training institutions, skills development programs, and sectors of activity are weak, hampering the growth of the private sector.

The low enrollment rate in tertiary education, which is also a result of disparities, indicates that Gabon is facing a skills shortage and an insufficient future supply of skilled workers (Figure 52). Gabon's higher education system remains inefficient. This is reflected in students' failure, repetition, and drop-out rates, as well as the relative lack of supervisory personnel and facilities. According to the 2018/19 statistical yearbook, 50 percent of the 33,844 students enrolled in tertiary education choose literature, humanities, and arts, 18 percent choose social sciences, business, and law, and 15 percent choose health and social protection, with the proportion in science, technology, engineering, and mathematics (STEM) unknown due to the embryonic stage of the STEM field in Gabon and lack of data. To address this problem, the country has modestly begun training teachers in STEM, with UNESCO support in 2021 at the Ecole Normale Supérieure (ENS), and a few curricula on various STEM themes are being developed. This is a paradox, given that most available jobs are in STEM-relevant fields. In general terms, students are underprepared because of secondary school's lack of academic rigor, which has a negative impact on skills development.

BOX 5. The Singapore Skills Development System (SSDS) may serve as an example for developing countries like Gabon

Singapore is the most well-known example of a country that has consistently and successfully upskilled its workforce over the past four decades. The skills development system unquestionably contributes to Singapore's consistent top rankings in comparative surveys of human resource development. The SSDS is supported by the government and managed in collaboration with the private sector. The following elements form the structure's foundation:

1. **Structure and institutional pre-requisites**: There are a number of significant actors and institutions involved in SSDS. (i) A ministry charged with implementing broad economic development policies; (ii) An agency that attracts FDI and meets foreign investors' demands for skilled labor; (iii) An independent body tasked with balancing the economy's demand and supply of skills; (iv) Education Ministry overseeing schools, polytechnics, universities, and institutes of technical education.
2. **Linkage between Economic Development Strategies and Skills Development**: Singapore molded its national human resource policy to provide the skills needed for each of its four economic development stages. (i) During the import substitution industrialization period (1959–1965), the national imperative was to have a standardized education system that provided science, math, and technical education for economic development while preserving ethnic roots and values; (ii) 1966–1973 saw an export-oriented industrialization phase following the import-substitution phase of economic development. This phase required technically trained workers for foreign investments; (iii) In Phase three of Singapore's economic development (1973–1984), the export-oriented strategy shifted to higher value-added and more technologically advanced products that required both general skills and specialized skills germane to the growing industries due to foreign investment; (iv) Since the mid-1980s, economic development has focused on fostering young people's creativity, entrepreneurial and risk-taking.
3. **Degree to which the private sector is involved**: The SSDS offers foreign investors incentives to establish training centers in partnership with the state. Foreign investors are guaranteed the right to hire a percentage of these centers' graduates. This ensures that foreign investors will not experience skill shortages on a tight labor market, given that they control the supply of skilled workers. Several training institutes were founded, which were subsequently merged into larger institutions.
4. **Long-term sustainability of the system:** The Skills Development Fund System (SDF) was created in 1984 to encourage firms to invest in skill development. Employers must contribute 1% of gross salaries ($1500 in July 2000) to the skills development fund. Training grants cover 80% of their investment. Training grants penalize companies that continue to use low-skilled workers. National Training Awards are given to companies that do well with workforce training.
5. **Potential for being a model for developing nations:** Singapore has prioritized ensuring the availability of skills for economic growth. In 1979, the Ministry of Education proposed a new school-level education system and significant curriculum revisions at universities, particularly in engineering. Since the 1990s, education policy has been rethought in order to emphasize the development of creativity. The Ministry of Education intends to redesign and improve five areas. These include a conducive school environment, a curriculum and assessment system, the development of teachers, pre- and post-school education, and the establishment of Singapore as an Education Hub.

Developed by authors based on Kuruvilla et al. (2002) & Yusuf and Nabeshima (2012).

2.1.4 Skills mismatch and external efficiency of education in Gabon

Education and training in Gabon are failing to provide the skills required by the labor market, nor does the economy create jobs that match individuals' skills. This market structural imbalance is not a new phenomenon in Gabon, which has a low rate of job vacancy absorption and a troubling unemployment trend, with 1 in every 5 Gabonese unemployed. Youth in Gabon are even more affected, with 1 in every 3 youth currently unemployed. For example, Table 3 shows that demand for jobs significantly exceeds available supply, and that more than two-thirds of jobs offered go unfilled due to a lack of corresponding profiles. This low level of fulfilment is observed across all

TABLE 3. Demand and offer of skills at different levels

	JOBS WANTED	JOBS OFFERED	JOBS FILLED	SATISFACTION RATE OF JOB OFFERED IN PERCENT	SATISFACTION RATE OF JOBS WANTED IN PERCENT
Engineers/Cadres	971	188	64	34.0	6.6
High skilled Technicians	1324	321	149	46.4	11.2
Technicians	302	217	68	31.3	22.5
High Skilled artisans	1086	82	19	23.2	1.7
Skilled artisans	835	142	67	47.2	8.0
Low skills	142	42	25	59.5	17.6
Total	4660	992	392	39.5	8.4

Source: State of Skills: Gabon, ILO 2019/20, Pg. 23 and the GCR 2019.

qualification categories. However, it is lower for applicants who are skilled workers, technicians, or engineers. Furthermore, Table 4 indicates a disconnect between education level and job quality, suggesting that in Gabon educational attainment generally has little influence on labor-market participation, particularly among females as compared to males. While it is clear from Figure 53 that the higher the quality of TVET, the easier it is to find a skilled employee, Gabon's TVET quality was rated 3.2 out of 7 by the Global Competitiveness Report, placing the country 130th out of 141 economies, and the graduates' skills set was rated 3.4 out of 7, placing the country 120th globally.

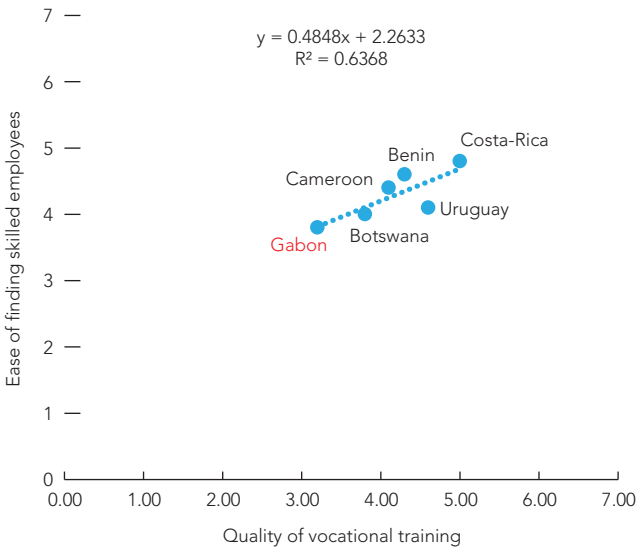
Gabon also faces a disconnect between people's aspirations and available economic opportunities. As the country with the highest urbanization rate in Africa, most Gabonese live in the capital or other urban centers. A huge challenge facing the country is to attract Gabonese who are either unemployed or engaged in low-productivity activity in the informal sector to the growing sectors in rural areas (such as forestry and agriculture). Managing to attract the young labor force into green sectors and strengthening Gabon's capacity of green growth skills are especially important at this critical juncture in the country's development process.

TABLE 4. Proportion of occupation for adults aged 25–59, by highest educational attainment and gender

	NO EDUCATION		PRIMARY		SECONDARY		HIGHER	
OCCUPATION	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Not working	8.37	0.00	11.73	16.47	9.99	18.60	9.35	44.83
Professional/technical/managerial	0.40	0.00	1.60	3.53	13.93	9.92	55.88	24.14
Clerical	0.00	0.00	0.25	0.00	0.22	0.41	0.24	0.00
Sales	34.66	0.00	7.28	1.18	6.26	7.02	5.28	3.45
Agriculture, self employed	5.98	16.67	10.74	9.41	3.89	2.07	0.00	0.00
Agriculture, employee	12.75	16.67	23.46	27.06	10.10	10.74	1.68	0.00
Household and domestic	0.40	0.00	0.25	1.18	0.54	0.83	0.00	0.00
Services	33.86	16.67	28.52	22.35	34.83	31.40	13.91	20.69
Skilled manual	1.20	33.33	7.16	9.41	8.05	9.09	5.28	0.00
Unskilled manual	2.39	16.67	8.52	8.24	7.94	7.85	3.60	3.45
Armed forces	0.00	0.00	0.49	1.18	4.27	2.07	4.80	3.45

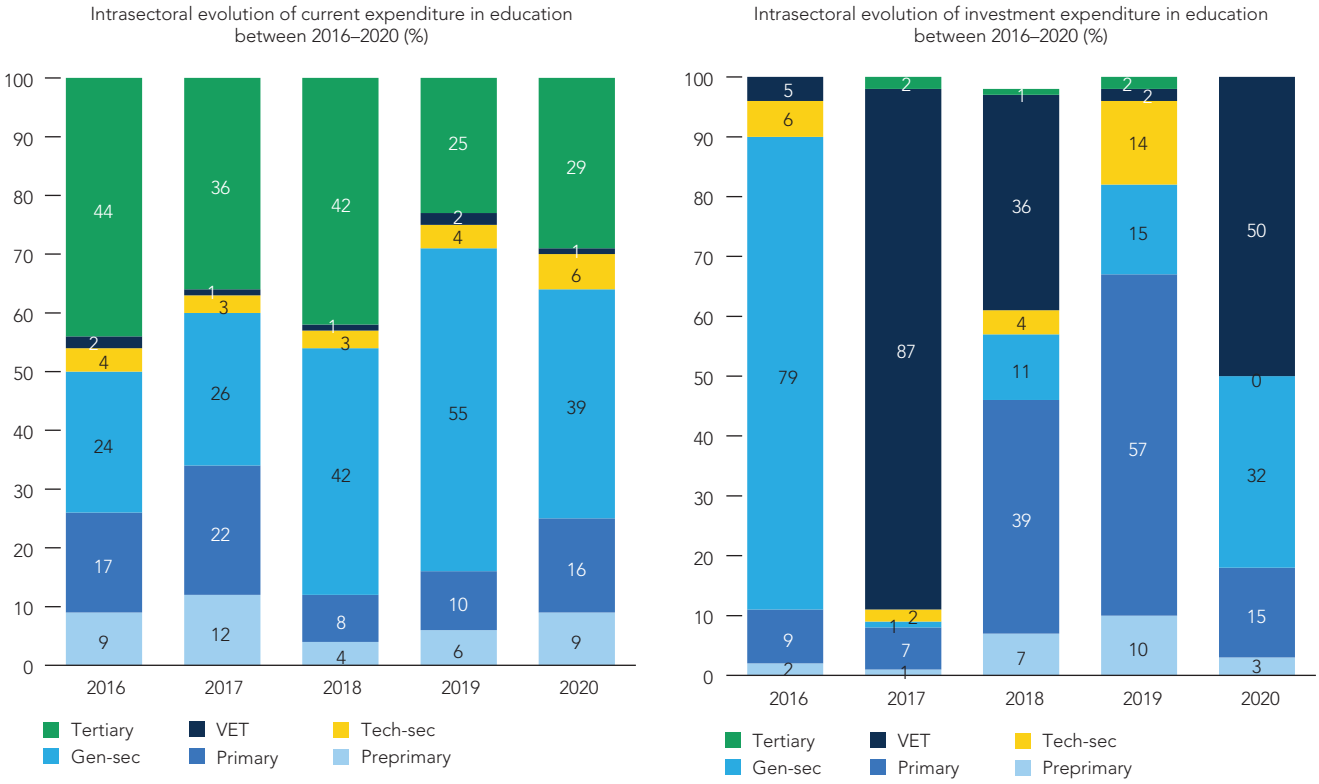
Source: DHS 2012 and authors' calculation.

FIGURE 53. Relationship between TVET quality and the availability of skilled workers



The Gabonese government is working hard to close skills gap among youth and the specialized demands of globalized labor markets. Skills are part of Gabon's Emerging Strategic Plan for 2025, which includes initiatives such as improving school and university infrastructure and reforming education and training programs. Figure 54 shows that between 2016 and 2020 expenditure in education across sectors were focused on addressing TVET quality and graduates' skills set. The result has been the construction of many training facilities with funds from Morocco, China, the AfDB, and the World Bank. With WB support, the Gabon Skills Development and Employability Project (PRODECE) is pushing to implement a new governing board with strong representation by the private sector in all centers and a pedagogical council to allow for autonomy, accountability, and collaboration with the private sector. To address the skills mismatch, the project also supported the development of 49 new curricula in targeted growth sectors aligned with relevant employers.

FIGURE 54. Current and investment expenditure in education across sectors 2016–2020



Source: Authors' calculations based on data from Ministry of Finance.

BOX 6. What is green growth, and how can it contribute to Gabon's sustainable development?

Gabon, like the rest of the world, is faced with a dual challenge: expanding economic opportunities for all in the context of a growing global population, and addressing environmental pressures that, if ignored, threaten the ability to capitalize on these opportunities. Green growth is the intersection of these two challenges, and it is about seizing opportunities to address both at the same time. Green growth entails promoting economic growth and development while ensuring the availability of natural resources and environmental services critical to well-being. It must do so by catalyzing climate-resilient investment and innovation to sustain growth and create new economic opportunities. Gabon's Emerging Strategic Plan for 2025 includes an entire green pillar that calls for the full exploitation of Gabonese soil wealth, particularly its forest heritage and exceptional biodiversity, allowing Gabon to claim an advantageous position in the 21st century's green economy. However, the country's development of a green economy is impossible without STEM skills, as the green economy relies heavily on them. The ability of Gabon to green its economic structure will require creative thinking and a thorough understanding of the sector. There are STEM fields that promote greening through ICTs, which utilize the power of digital technologies to make the energy sector more eco-friendly (e.g., smart grids, renewable energy). Smart cities, smart transportation, sustainable mining, and smart agriculture would all require a workforce with strong STEM backgrounds and local expertise.

Green Growth and Sustainability in Gabon

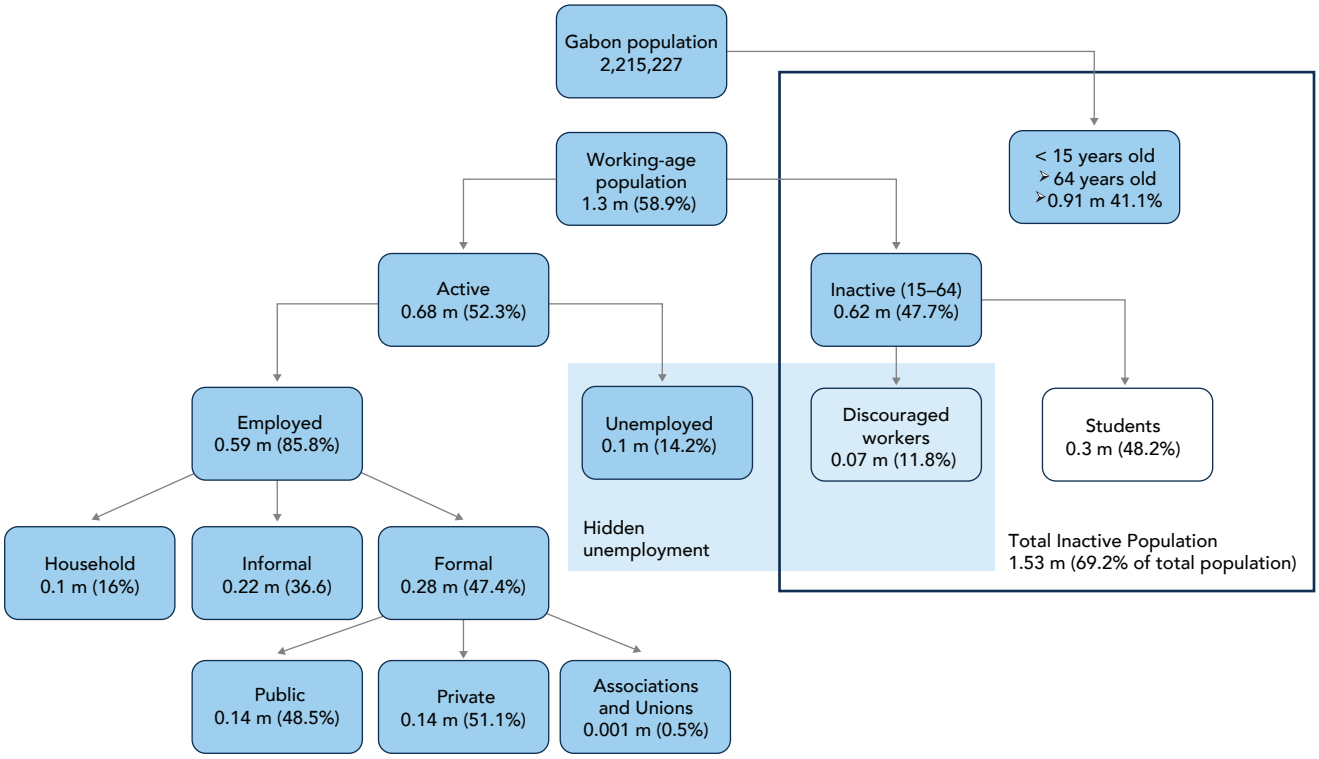
The wood product manufacturing sector suffers from a lack of skilled labor, hampering productivity. The Forest Code only indicates that operators in the sector may contribute to training programs and research and development projects under the supervision of the Ministry in charge of Forests (Forest Code, Chapter IV, Articles 242 and 243). The Water and Forests National School trains technicians and engineers able to work in public administration, for NGOs, or as private operators. However, some operators[47] have argued that there is need for a school dedicated to wood processing and transformation at the national or regional level (such as the School of Mines and Metallurgy of Moanda). This deficiency complicates the government's attempts to enforce local preferences for employment in the Labor Code (Article 105).[48] Foreign workers must obtain permits before working in Gabon, which depends on the availability of Gabonese nationals to fill the required tasks (lack of skills, nature of the work performed, location, etc.).[49]

Gabon fails to develop skills in food production (tubers, fruits and vegetables, vegetable products) and short-cycle livestock farming that would increase agricultural potential and food security in periurban areas. Gabon has the potential to transition from an economy based on mining and oil to one based on agriculture through the development of a sustainable, modern, and competitive agricultural sector. Currently, the majority of Gabon's domestic food consumption is met through imports. To combine intensive and subsistence agriculture, Gabon lacks agricultural and farm workers with the necessary skills. As part of a larger education initiative and the country's strategy to become an emerging nation by 2025, TVET schools, specialist schools, and colleges for agriculture are being developed.

Gabon still needs to develop fishing trade skills and professionalize the fishing industry to maximize and sustainably exploit fishing resources. Gabon is a fish-rich nation, but the fisheries industry has been neglected – lack of infrastructure, development strategies and organization, funding, skilled labor, and high market prices. Therefore, the country must import fish to meet domestic demand because fish-catch and production are insufficient. The fisheries industry has the potential to stimulate the economy through the creation of jobs to combat the high unemployment

[47] Interviews; Union des Forestiers et Industriels du Gabon et Aménagistes (UFIGA). 2019. *Etude de l'état des lieux des acteurs du secteur privé de la filière forêt-bois au Gabon.*
[48] Law No. 3/94 of November 21, 1994 on the Labor Code.
[49] Moreover, the Labor Code does not mention any quotas to regulate the local vs. foreign workforce.

FIGURE 55. Overview of the Gabonese labor market



Source: EGEP 2017.

rate; the provision of food to combat poverty; and the establishment of the fish industry as a key source of income for the transition away from oil dependence; thereby attracting investors, which would help finance its growth and other development.

2.2 Socioeconomic inclusion through safety nets for the poor

Despite recent progress on poverty reduction, inequality and human capital underutilization remain high. Despite Gabon's upper middle-income status (USD 14,420 PPP per capita income), a third (33.4 percent) of the population lives below the national poverty line equivalent to USD 4 per day. Moreover, the absolute number of poor is on the rise as population growth outstrips poverty reduction rates. Its Human Capital Index (HCI) reached 0.46 in 2020 but remains more comparable to SSA and LMIC averages (0.40 and 0.48, respectively) than the UMIC average of 0.56. Moreover, the basic, utilization-adjusted-HCI falls to 0.21 and the full utilization-adjusted-HCI to 0.25, further highlighting Gabon's untapped human capital potential. See section 1.2 for more detailed information on poverty and inequality.

Socioeconomic inclusion is undermined by the fact that less than half of the working-age population in Gabon is employed. Gabon has high inactivity and unemployment rates: 52 percent of the population age 15–64 are inactive, including many discouraged workers, and 14 percent of the population are unemployed (see Figure 55 above). Both figures are substantially higher than in peer countries.[50] The unemployment rates referred to in Figure 55 are particularly high among youth (21 percent) and women (19 percent vs. 11 percent for men), and rise to 32 percent and 29 percent,

[50] Gabon's inactivity rate (52 percent) is substantially higher than UMICs (36 percent) and SSA (28 percent) averages. Similarly, Gabon's unemployment rate is much higher than UMIC and SSA (7 percent) averages. https://ilostat.ilo.org/.

BOX 7. Despite high unemployment rates and high informality, foreigners comprise an important share of the Gabonese workforce

Almost a quarter of employed workers come from other countries. Overall, foreign workers account for 20 percent of the labor force and 23 percent of all employed workers. Foreigners appear to be coming for a dual purpose: (a) to take generally undesirable jobs, performing 35 percent of informal jobs and 28 percent of household work; and (b) to take jobs for which local workers do not have the necessary qualifications, causing companies to recruit foreign workers with the required skills. In the formal private sector, 20 percent are foreign workers, due to the lack of specific skills for Gabon's labor market. The profile of the migrants is largely drawn along gender lines: women represent about a third of foreign workers in Gabon and are more likely than men to work as own-account workers (52 percent vs. 37 percent). Conversely, men are more likely to engage in skilled work (16 percent vs. 6 percent). Most foreign workers in Gabon are from Cameroon, Mali, Benin, Togo, and Senegal.

respectively, when discouraged workers are considered (hidden unemployment). Around 50 percent of the unemployed are less than 30 years old and/or first-time job seekers, underlying the difficulty of young generations to access the labor market. In addition, a high share of the workforce – around 300,000 people – are currently in school and expected to enter the labor market over the next 3–10 years,[51] which highlights the urgency of job creation to avoid a spike in unemployment and poverty. While the unemployment rate among the poor appears similar to the non-poor, their hidden unemployment rate is much higher (30 percent vs. 17 percent for the non-poor), suggesting the presence of many workers among the poor no longer searching for a job but willing or available to work.

Among those who are employed, informality and low-pay employment are widespread. More than half of those employed work either in the informal sector (37 percent) or at the household level (16 percent). In addition, the labor market is dominated by low-pay and precarious forms of employment: 33 percent of workers are self-employed, or household helpers/apprentices, and another 20 percent are unqualified. The rates are even higher for women (43 percent are self-employed vs. 26 percent of men) and the poor (48 percent vs. 29 percent). Household work and self-employment reach 68 percent in rural areas and 35 percent in other urban zones compared to only 21 percent in the main cities, Libreville and Port-Gentil. Low-profile jobs are also common among people with primary education or less, among whom only 20 percent are employed as managers or qualified workers, compared to over 70 percent among those with upper secondary and higher education.

Public sector employment accounts for an outsized share of the (small) formal sector. Only 41 percent of active workers are employed in the formal sector and half of them work for public institutions. Public administration remains an important provider of jobs, underscoring Gabon's historical tradition of large bureaucratic public administration. The formal private sector is very small, accounting for half of formal employment and 25 percent of total employment. While the oil and mining sector weighs heavily in Gabon's GDP, it contributes only 5 percent to employment. Although employment in manufacturing is also currently limited,[52] growing sub-sectors like agribusiness and wood manufacturing show promise of ultimately generating more jobs. Instead, the public sector has been the main provider of employment: before the hiring freeze in 2016 due to austerity measures, there were 109,564 jobs in the public sector and 90,327 in the private sector.[53]

[51] Fifty-five percent female, on average 20 years old; 30 percent are poor. School level: 7 percent were enrolled in primary level, 75 percent secondary, 18 percent tertiary.

[52] Private sector employment is concentrated in the services sector, with a large share of the poor working in agriculture. In the formal private sector, 92 percent of jobs are in services, 3 percent in mining, and 2 percent each in agriculture and manufacturing.

[53] https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/genericdocument/wcms_742205.pdf.

2.2.1 The social protection sector

Social protection in Gabon is centered on human capital development, combining a diverse set of instruments to support the vulnerable and promote economic inclusion. Gabon's 2014 Human Investment Strategy (SIHG) announced a paradigm shift from social aid to human investment. Specifically, the SIHG expanded Gabon's strategy of assisting disadvantaged groups, moving from a policy focused exclusively on social assistance to an integrated policy covering four complementary pillars: (a) social safety nets, (b) income-generating activities, (c) access to basic services, and (d) socioeconomic integration infrastructures. With the goal of building human capital and responding to labor market challenges, the SIHG further emphasized a cross-sectoral approach through which an Economically Weak Gabonese (GEF)[54] would receive a tailored package of support. Programs targeting youth are also in place (Box 8). It proposed a total of 19 instruments for seven types of vulnerable groups across the four pillars.

Gabon's social protection system has steadily evolved over the past 15 years. The government started an ambitious restructuring of the national social protection system in 2007, resulting in a set of reforms aimed at achieving universal health insurance and improving the country's social safety nets. In addition to the existing National Social Security Fund (*Caisse Nationale de Sécurité Sociale*, CNSS) for formal private sector employees, three new institutions were created to offer benefits and services depending on the labor market and socioeconomic status of beneficiaries: (a) the National Health Insurance and Social Guarantee Fund (*Caisse Nationale d'Assurance Maladie et de Garantie Sociale*, CNAMGS), which is in charge of health insurance and social transfers for GEF; (b) the National Social Assistance Fund (*Fonds National d'Aide Sociale*, FNAS), which helps low-income households develop income-generating activities and become economically self-sufficient;[55] and (c) the Pension and Family Benefits Fund (*Caisse des Pensions et des Prestations Familiales*, CPPF), which manages pension and social benefits for public employees. In addition to the 2014 SIHG, the National Social Protection Policy (PNPS) was approved in 2016 and a new Social Protection Code was adopted in 2017.

BOX 8. Active labor market programs to tackle youth unemployment

The National Office for Employment (Office National de l'Emploi, ONE) is the agency in charge of supporting unemployed individuals by providing intermediation services and linkages to training programs. It includes internship and apprenticeship programs, such as the Youth Training Contract linking first-time job seekers (age 16–35) with private companies with more than 50 employees. ONE covers the cost of registering the intern at the CNAMGS, while the hiring company provides the compensation. Participants need to hold a university degree, but the field of their internship can differ from their degree field. In addition, a dual apprenticeship program targets youth age 16–24 without any degree or professional training. ONE places participants in training centers and finds them an internship over the course of one to two years. The program attracts up to 250 new registrations per day[56], according to the Gabon Poverty Assessment 2020.

The Ministry of Vocational Training and Youth Integration has also implemented active labor market programs. First, the Skills Development and Employability Project (PRODECE) was launched in 2016 with funding from the International Bank for Reconstruction and Development (IBRD). Second, the "Young person = a trade – from Existence to Employment" was a pilot program also launched in 2016 but is currently suspended. It aimed to provide 2,500 young Gabonese with training opportunities in small trades across more than 50 sectors. Three-month training courses were offered in the Nkémbo and Complexe Basile Ondimba vocational training and development centers as well as through NGOs.

[54] A GEF was initially defined as an individual who: (a) is of Gabonese nationality, (b) is at least 16 years of age, and (c) earns less than FCFA 80,000 per month. However, a new poverty-based definition was introduced in 2020 and is being applied to recertify GEF.

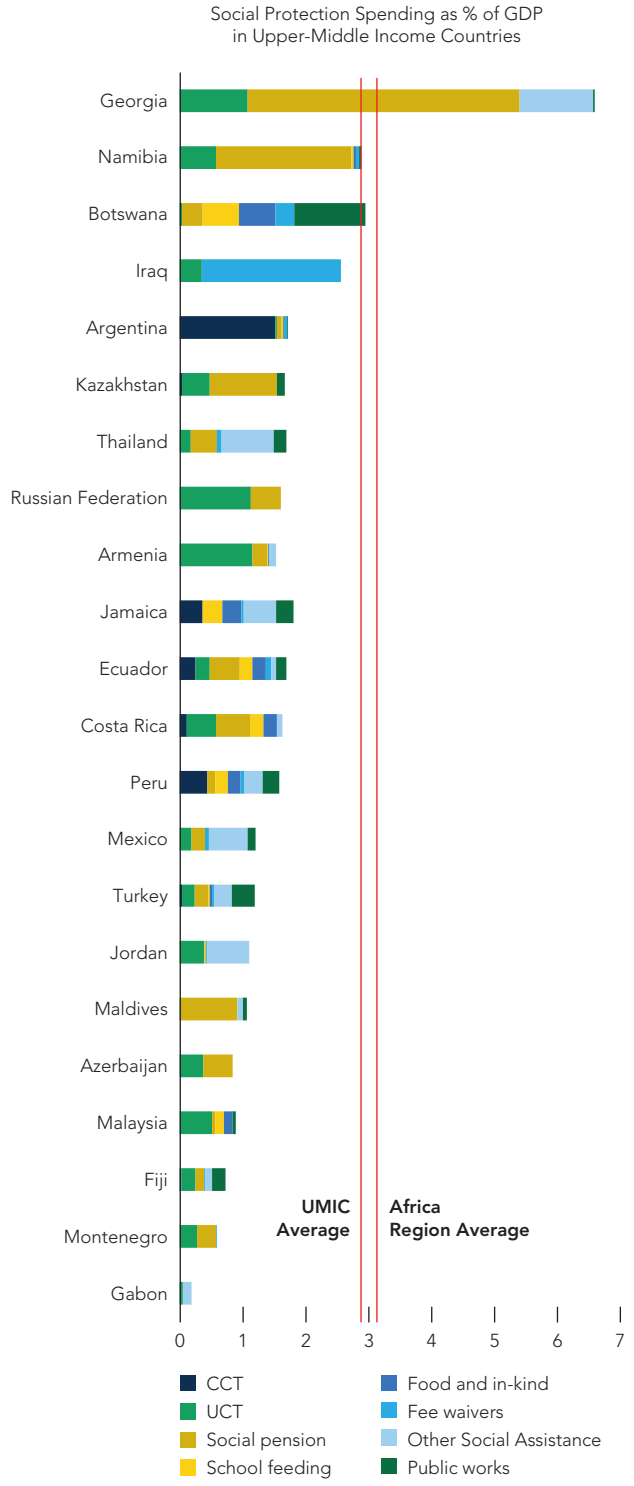
[55] The FNAS was suspended in 2019.

[56] Gabon Poverty Assessment 2020

Low and inconsistent funding has hampered Gabon's ability to implement social protection reforms and promote socioeconomic inclusion. The economic difficulties of recent years have slowed the restructuring process, and a significant number of reforms put forward in the SIHG have yet to be fully implemented. Notably, non-contributory social assistance spending in Gabon remains well below its peers: it amounted to 0.2 percent of GDP in 2014, i.e., four times lower than UMICs and eight times lower than Africa region averages (Figure 56). Across social protection instruments, social assistance mechanisms receive less funding than contributory instruments. In 2021, civil servant pensions (Mission 20) received 50 percent more than social security services for the disadvantaged (Mission 22).[57] While allocations for mission 20 have steadily increased in recent years, allocations for Mission 22 have fluctuated widely.[58] Moreover, most of the spending to non-contributory mechanisms is allocated to health insurance. Contrary to the SIHG, targeted health subsidies accounted for 89 percent of expenditures devoted to supporting GEF in 2015, while cash transfers represented only 10 percent.

Social assistance programs are not just underfinanced but also highly fragmented. The SIHG contains four types of interventions and 19 mechanisms designed for seven specific vulnerable groups. They are classified in four broad groups: (a) non-contributory health insurance schemes for GEF; (b) cash transfers for elderly, widowed, and disabled citizens; (c) family benefits (i.e., childbirth bonus and schooling costs for children under the age 18); and (d) in-kind benefits (free school lunch, subsidies for water and electricity). However, this excessive fragmentation keeps administrative costs high and complicates coordination and implementation. It also dilutes the already limited financing provided to non-contributory social assistance programs. For example, family and school cash

FIGURE 56. Social protection spending in UMICs (% of GDP)



Source: ASPIRE

[57] Based on the 2021 Finance Law, public pensions were allocated FCFA 70.5 million and social security programs FCFA 52.6 million.

[58] Mission 20 spending increased from FCFA 26 million in 2014 to FCFA 71 million in 2021. Mission 22 spending increased from FCFA 36 million in 2014 to FCFA 53 million in 2021, with substantial year-to-year variation. For example, funding was FCFA 90 million in 2019 before abruptly dropping to FCFA 47 million the following year. Conversely, funding for Mission 20 remained relatively constant over the same period: FCFA 62 million in 2019 and FCFA 60 million in 2020.

TABLE 5. Coverage of non-contributory social assistance

COVERAGE OF TRANSFERS (%)											
			QUINTILES OF PER CAPITA CONSUMPTION					NON-			
TRANSFER	IN FRENCH	TOTAL	Q1	Q2	Q3	Q4	Q5	POOR	POOR	URBAN	RURAL
Health insurance plan for GEF	Frais médicaux - GEF	20.1	15.6	17.2	19	23.9	25.6	16.4	22.1	20.9	15.8
Cash transfer for elderly, widowed, disabled	Allocations monétaires spéciales pour vieux, veufs, handicapés	0.5	0.4	0.8	0.7	0.2	0.2	0.7	0.4	0.6	0.2
Monthly allowance family	Allocations familiales	8.6	4.9	6.3	6.3	11.9	12.4	5.4	9.9	9.4	3.8
School year allowance	Allocations de rentrée scolaire	6.2	2.8	3.2	5	8.8	10.5	2.7	7.8	6.9	2.8
Maternity grant in kind	Prime à la naissance	5.9	7.8	6.1	2.5	4.1	9.9	7.3	5.1	6.1	4.2
In-kind benefits (school feeding)	Autre allocations en nature	0.4	0.2	0.3	0.4	0.7	0.3	0.3	0.4	0.4	0.2
Services of the National Social Action Fund	Services du Fond National d'Action Sociale	0.02	0.03	0.04	0.01	0.02	0	0.04	0.01	0.02	0.04

Source: Authors' calculations based on EGEP 2017.

allowances have been suspended since 2015 due to lack of funds. The FNAS, which was intended to provide income-generating support to GEF, only financed 40 business activities before being defunded in 2019.

Gabon has made strides toward achieving universal health insurance, but its social assistance coverage is limited and broadly regressive. The health insurance subsidy, although the largest form of non-contributory support to GEF, covers less than a fifth of the poor (see Table 5). Conversely, it reaches a substantial share of the non-poor (22 percent) and even the best-off (26 percent of Q5), which suggests inefficiency. Just over 6 percent of the poor receive other forms of social assistance – a share nearly the same among the non-poor (5 percent). Family transfers (i.e., the monthly family allowance and yearly school allowance) have the highest coverage, apart from the subsidized health insurance; however, both are more likely to go to the non-poor than the poor. Analyzed differently, 63 percent of the spending on subsidized health insurance and 67 percent of the spending on other forms of social assistance goes to non-poor households (see Table 6). Notably, the top quintile (15 percent) was as likely as the bottom quintile (16 percent) to receive health insurance subsidies.

Efforts are underway to correct targeting inefficiencies and better channel resources to the poor. In 2018, the government promulgated a law redefining GEF as any person of Gabonese nationality who lives below the poverty line.[59] This was intended as a shift away from a declarative to an objective, poverty-based approach. A multisectoral commission, including the Ministry of Health and Social Affairs, CNAMGS, and the Department of Statistics, has developed a roadmap to retarget GEF, based on the new poverty-based definition, and is planning a national survey to update and expand the current GEF database by the end of 2022. Once completed, this exercise will be the foundation for a social registry that can help target social assistance interventions to address poverty more effectively and efficiently.

[59] "Within the meaning of this law, every person of Gabonese nationality who lives below the poverty line is considered to be an Economically Weak Gabonese. The poverty line is determined on the basis of a multidimensional approach combining variables related to average income, health, education, and standard of living."

TABLE 6. Distribution of benefits

DISTRIBUTION OF TRANSFERS (TARGETING ACCURACY) (%)										
		QUINTILES OF PER CAPITA CONSUMPTION								
TRANSFER	IN FRENCH	Q1	Q2	Q3	Q4	Q5	POOR	NON-POOR	URBAN	RURAL
Health insurance plan for GEF	Frais médicaux - GEF	15.8	27.6	15.2	25.9	15.5	37.4	62.6	81.1	18.9
Cash transfer for elderly, widowed, disabled	Allocations monétaires spéciales pour vieux, veufs, handicapés	43.7	15.6	15.3	13.3	12.1	56.2	43.8	78	22
Monthly allowance family	Allocations familiales	10.8	14.6	15.6	25.6	33.4	17.1	82.9	82.5	17.5
School year allowance	Allocations de rentrée scolaire	44	8.3	13.9	14.1	19.7	47.9	52.1	89.8	10.2
Maternity grant in kind	Prime à la naissance	34.7	11.8	9.7	26.6	17.2	43.1	56.9	92	8
In-kind benefits (school feeding)	Autre allocations en nature	10.5	26	8.6	47.3	7.7	22.9	77.1	90.9	9.1
Services of the National Social Action Fund	Services du Fond National d'Action Sociale	20.2	20.2	8.1	35.3	16.2	40.5	59.5	46	54

Source: Authors' calculations based on EGEP 2017.

In addition, a new health insurance fund for non-poor informal sector workers was formally created in 2018. The Gabonese government has made remarkable efforts to achieve universal health coverage, including by creating the CNAMGS in 2007 and then introducing health insurance funds for (i) GEF, in 2008; (ii) the public sector, in 2011; and (iii) the formal private sector, in 2014. However, there was no public mechanism for non-GEF informal sector workers, who account for more than half of the workforce. As thousands of current GEF are expected to become ineligible because of ongoing data cleaning and retargeting efforts, a new fund for non-poor informal sector workers will be implemented. It aims to provide subsidized health insurance for informal sector workers and foreigners otherwise excluded from the existing three funds – thus filling in the final gap toward universal health coverage.

Despite these important developments, the COVID-19 pandemic has highlighted the need for a more robust and inclusive social assistance mechanism. Globally and in Africa, the social protection response to the adverse economic impacts of the pandemic has been unprecedented: 223 countries have invested over USD 3 trillion – 2 percent of GDP, on average – in social protection measures, with social assistance representing the most prevalent form of support across regions and country income groups (see Box 9).[60] Gabon launched a food assistance program in April 2020, although it had limited coverage[61] and was marred by allegations of favoritism and leakage.[62] It also represented a small share of the total COVID-19 solidarity funds, with the bulk of the funding allocated to general subsidies and fee waivers.[63] However, although the government's preferred policy response, universal value-added tax (VAT) and tariff exemptions on consumer goods have been shown to have limited impact on reducing the cost of living for the poor.[64] Moving forward, Gabon should strengthen its social assistance system and better leverage its potential to offer targeted support in response to covariate shocks – pandemics as well as those related to climate change or global price increases.

[60] Gentilini et al. 2020.
[61] The Food Assistance Program was allocated a budget of FCFA 5 billion (USD 8 million) to provide 31,000 food vouchers and 4,700 food kits for 60,000 households.
[62] The distribution of food vouchers and food kits was entrusted to local authorities (mayors and deputies), which led to capture and leakage. Protests broke out in many locations, as people aware of the program felt unfairly left out. There was wide criticism of the program in social and mainstream media.
[63] Out of the FCFA 25 billion, electricity and water subsidies received FCFA 7 billion, free public transportation FCFA 6 billion, food banks FCFA 5 billion, tax cuts to SMEs FCFA 3.5 billion, rent freeze compensation FCFA 2.5 billion, and repatriations FCFA 1 billion.
[64] General subsidies have been found to mostly benefit upper income levels, with only very small amounts (between 1 percent and 13 percent depending on the food item) benefiting the poorest 40 percent. (Poverty Assessment 2020)

BOX 9. The surge of social safety nets in Africa[65]

Africa has seen a remarkable expansion in access to social safety nets programs over the past two decades. The expansion accelerated during and in the aftermath of the global food, fuel, and financial crises of the 2000s. Just prior to the COVID-19 pandemic, 45 SSA countries – three times as many as those at the end of the 1990s – had introduced social safety nets programs to tackle chronic poverty by increasing consumption among poor and vulnerable people. The pandemic further triggered an unprecedented expansion, with social protection emerging as the policy response tool of choice both globally and in Africa. Across the continent, 48 countries adopted social protection response measures in 2020: either horizontal expansions of cash transfer programs to cover additional beneficiaries, or vertical expansions with higher benefits for existing recipients, or both.

Africa's social safety nets expansion over the past two decades was motivated by stalled progress in poverty reduction, high inequality, and persistently poor human capital outcomes. Policy makers have increasingly looked to social safety nets and modernization of delivery systems as tools to promote human capital formation. Social safety nets programs, far from being handouts, promote human capital by using cash transfers as incentives to promote school enrollment and attendance, utilizing health and nutrition services, and complementing cash with services focused on encouraging good parenting practices and delivering knowledge about child development. By targeting the poor, social safety nets can also help narrow within-country inequalities in human capital attainment.

In view of SSA's multiple challenges, the objectives and design of social safety nets have started to diversify. Today, most cash transfers are delivered with so-called accompanying measures (or cash plus) focused on: (i) early childhood development and human capital, especially through behavioral change components; (ii) shock response and mitigation in view of growing vulnerability in particular to climate shocks; or (iii) economic/productive inclusion interventions to help households build resilience to shocks and diversify their livelihoods. Such interventions typically include small productive grants, savings groups, coaching, and training, and often focus on empowering women and girls. They open a pathway to self-employment. In some contexts, public works programs provide a safety net through temporary employment; expand access to basic social infrastructure such as school and health centers; and advance greener projects such as watershed management, which can help manage climate change through adaptation and mitigation.

2.2.3 The untapped potential of social safety nets

Gabon's social protection system rests on a solid foundation, yet its potential for poverty reduction and socioeconomic inclusion remains underutilized. Despite having put in place the building blocks of an inclusive social protection system, Gabon trails behind in terms of safety nets – or non-contributory transfers targeted to the poor and vulnerable. Based on their success in Latin America,[66] social safety nets have become a core part of development strategies to address poverty and inequality (see Box 10). They have further expanded during the COVID-19 pandemic, which has highlighted the role of targeted support in helping poor households better manage risks and build resilience to cope with ever more frequent and disruptive shocks. While Gabon has already established safety nets instruments, the efficiency of these initiatives has been undermined by excessive fragmentation, poor targeting, and lack of funds.

Merging current initiatives into a flagship safety net program would reduce administrative burden and improve implementation efficiency. As previously discussed, Gabon's social assistance system includes four types of interventions and 19 mechanisms targeting seven vulnerable groups. Combining mechanisms of the same type – a process that has already started with a decree that specifies priority groups for monetary transfers and exemptions – would reduce administrative costs, simplify coordination, and facilitate access for beneficiaries. Specifically, the eight cash transfer programs could be merged into a single flagship program targeting poor households. The amount of the

[65] Zeufack et al. 2022. https://openknowledge.worldbank.org/handle/10986/37281

[66] Social safety nets, in particular conditional cash transfers (CCTs), were first implemented in Latin America to reduce current poverty and develop the next generation's human capital, thus breaking the intergenerational transmission of poverty. Pioneered in Brazil and Mexico in the late 1990s, by 2011 CCTs had spread to 18 countries in the region and covered as many as 129 million beneficiaries.

BOX 10. Proven impact of safety nets on poverty reduction and inclusion

Among the best evaluated interventions in development policy, social safety nets are proven to have wide-ranging effects on poverty reduction, human capital formation, and resilience to shocks. A systematic review of 165 studies from LMICs found that non-contributory cash transfers had clear and significant impact on household consumption, access to schooling, and use of health services;[67] and on secondary outcomes such as savings, productive investments, and diversification of livelihood strategies.

Safety nets programs have been found to have positive impacts on household consumption and reduce poverty. Among the 79 countries for which household surveys are available (including 23 SSA countries), household consumption rose by an average USD 0.74 for each USD 1.00 transferred, making transfers an effective way to alleviate poverty and reduce inequality.[68] Concerns about the use of cash transfers to buy alcohol, tobacco, or other temptation goods have been shown to be unfounded.[69]

Far from being handouts that create dependence and passivity, safety nets facilitate productive investments, improve earnings, and boost economic self-reliance. Beneficiary households are between 4 and 20 percentage points more likely to be saving relative to comparable non-beneficiary households and evaluations suggest that households are also using transfers to reduce borrowing and indebtedness. Livestock ownership rose an average of 34 percent across seven programs reporting on this outcome. Moreover, impacts are reinforced when involving a plus approach, supporting beneficiaries to start or grow income-generating activities.

The recent pandemic experience has also demonstrated the critical role safety nets play in responding to covariate shocks. Cash transfer programs help households build resilience to shocks, including climate shocks, by enabling them to protect consumption in the face of shocks and to protect and invest in productive assets (particularly livestock holdings) to diversify livelihoods and strengthen coping mechanisms.

Safety nets have strong impacts beyond direct beneficiaries, making them a smart investment. Safety nets have proven to have a multiplier effect: for each USD 1 transferred to beneficiaries, non-beneficiaries can experience estimated income increases of USD 0.30 or more. Together with the impacts on beneficiaries, these additional income effects lead to local economy multipliers of from 1.08 to 1.84; i.e., each dollar transferred through a social safety net to a beneficiary household is projected to add more than one dollar to the local economy.

transfer or access to complementary services could vary according to the characteristics of the household as a whole (e.g., household size) or of individual members (e.g., disability status); but distribution mechanisms, monitoring and evaluation systems, and grievance and redress instruments would be combined and managed by the same agency or institution.

Moreover, consolidating benefits at the household level would improve targeting accuracy and reduce duplication. The SIHG identifies seven vulnerable groups, called segments, in need of government assistance (see Table 7). However, this approach suffers from several limitations. First, the criteria are broad: 69 percent of households in Gabon meet at least one of the vulnerability criteria. This is mainly driven by the fact that most households have at least one child (59 percent across segments 1 and 2); but the share remains high even when only focusing on the other dimensions (28 percent across segments 3 to 7). Second, there is overlap between the segments. For example, most widows are women over the age of 60 and therefore doubly counted under segments 3 and 4. The use of vulnerability criteria at both household level and individual level leads to further duplication. Among households that meet at least one vulnerability criterion, almost a third (28 percent) meet two or more across different household members. Therefore, targeting households would reduce duplication and improve efficiency.

Channeling benefits to poor households most in need of government assistance would further maximize

[67] Bastagli et al. 2017. Hyperlink : https://www.cambridge.org/core/journals/journal-of-social-policy/article/impact-of-cash-transfers-a-review-of-the-evidence-from-low-and-middleincome-countries/F8273371A30A504CBDCAFA32BF6F2EAD.
[68] Beegle et al. 2018.
[69] Evans and Popova 2017. https://www.journals.uchicago.edu/doi/full/10.1086/689575.

TABLE 7. Distribution across the seven vulnerability segments (EGEP 2017)

		TOTAL HOUSEHOLDS		POOR HOUSEHOLDS		POOR AS SHARE OF TOTAL
		SHARE	NUMBER	SHARE	NUMBER	
Segment 1	Households (only father or two parents) with 1–2 children	26%	139,666	5%	27,848	20%
	Households (only father or two parents) with 3–4 children	16%	85,610	7%	34,572	40%
	Households (only father or two parents) with 5+ children	9%	47,861	5%	27,107	57%
Segment 2	Woman (only adult in hh) 18+ with at least one child	7%	36,584	2%	10,112	28%
Segment 3	60+ years old living alone	3%	15,248	0%	2,118	14%
	60+ years old	13%	66,445	4%	23,719	36%
Segment 4	Widows living alone	2%	8,577	0%	1,482	17%
	Widows living with at least one child	4%	23,454	2%	11,701	50%
Segment 5	person with diability	15%	81,851	5%	25,890	32%
Segment 6	students 18+ living alone	1%	7,359	0%	—	0%
Segment 7	orphans	1%	4,606	0%	2,488	54%
	Total		**517,262**		**167,038**	
	Any of the 7 categories above	69%	366,372	21%	109,912	30%
	Any of segments 3 to 7	28%	149,831	8%	44,473	30%

Source: authors' calculations based on EGEP 2017.

impacts on poverty reduction and improve value for money. Not all seven segments are intrinsically economically vulnerable: for example, a woman may be living alone with her children because she was financially independent enough to get away from an abusive relationship. Many people with disability lead productive and independent lives. Indeed, the share of the poor among the seven segments is not higher than the share of the poor in the overall population (30 percent vs. 33 percent). A few categories are, in fact, regressive: only 20 percent of households with 1–2 children are poor; of the elderly or widows living alone, 14 percent and 17 percent, respectively, are poor; and no students living alone are poor (see Table 7). Providing government assistance to individuals or households who do not appear to be in need is inefficient, especially in a context where social assistance coverage among the poor remains very low. Targeting assistance based on economic status rather than social vulnerability is hence more likely to be perceived as fair and achieve the desired poverty-reduction and inclusion impacts.

Substantially higher investment, either from government or development partners, is needed for an inclusive safety nets program. Gabon trails behind its peers in terms of spending on safety nets. To reach the mean of its income group, Gabon would need to spend an additional 1.5 percent of GDP – or around USD 225 million annually. Among Gabon's income level peers in the region, Botswana spends six times more (1.3 percent of GDP), while Namibia, South Africa, and Mauritius all spend over 15 times more (3–3.4 percent of GDP). To catch up with the top performers, Gabon would thus need to spend an additional 3 percent of GDP (USD 450 million). Alternatively, countries unable to increase government spending on safety nets have accessed donor financing instead. The share of safety net spending provided by development partners ranges from 0 percent in Namibia, Mauritius, Gabon, Botswana, Angola, and the Seychelles to 100 percent in the Central African Republic (CAR), Congo, Democratic Republic of Congo (DRC), Malawi, Somalia, and South Sudan, with most other African countries relying on a mix of government and donor financing.[70]

[70] Beegle et al. 2018.

TABLE 8. Simulated impacts of safety nets on poverty reduction

	SCENARIO A	SCENARIO B
Safety nets spending (% of GDP)	1.5%	3%
Safety nets spending (US amount)	USD 223,942,334	USD 451,770,000
Number of poor households	176,938	176,938
Yearly hh transfer (average)	USD 1,139	USD 2,553
Simulated poverty rate (baseline: 33.4%)		
100% targeting accuracy	26.4%	20.5%
90% targeting accuracy	27.2%	22.1%
80% targeting accuracy	28.0%	23.2%
Simulated extreme poverty rate (baseline: 8.2%)		
100% targeting accuracy	5.3%	2.8%
90% targeting accuracy	5.6%	3.4%
80% targeting accuracy	5.9%	3.8%

Gabon could achieve transformative effects on poverty and inequality if it gradually matched the UMIC spending on safety nets. Table 8 below presents two scenarios depending on the annual budget allocated to safety nets: scenario A assumes spending equivalent to 1.5 percent of GDP (USD 225 million), while scenario B assumes spending equivalent to 3 percent of GDP (USD 450 million).[71] Although expressed as a share of GDP, the funding for safety nets may be provided by the government, development partners, or a mix of the two. Next, given Gabon's relatively small population size, the simulations assume that the safety nets program would aim to cover all poor households. Based on a population size of 2.26 million inhabitants and a poverty rate of 33.4 percent, the number of poor households in estimated at 176,938. The yearly amount of the direct transfers to poor households, assuming 10 percent administrative costs, is estimated at either USD 1,139 or USD 2,553, depending on the scenario. While the amounts may vary based on household characteristics, the simulations assume a constant amount for simplicity. Note also that this represents an underestimate of the potential impacts. Based on these assumptions, conservative estimates show that safety nets could reduce poverty by 7 percentage points (to 26 percent) and extreme poverty by 3 percentage points (to 5 percent). Investments to the scale of best-performing African UMICs could reduce poverty by almost half (to 20 percent) and essentially eradicate extreme poverty (to 3 percent). The results hold when accounting for moderate targeting errors.

Safety nets can contribute to a range of other development objectives, especially when cash transfers are coupled with accompanying measures. Safety nets programs are increasingly leveraged to promote investments in human capital and reduce the intergenerational transmission of poverty. To do so, programs may promote the adoption of good practices or the use of specific basic services by encouraging or requiring health care visits, growth monitoring sessions, or school attendance. These mechanisms or conditionalities used to promote positive behavior or service use may include verification of compliance and, increasingly the norm, be clearly labelled with the intended objective.[72] Moreover, additional activities layered on top of the cash transfers may include the provision of short-term skills training, start-up capital, mentorship, and savings support to improve income generating capacity. Indeed, there has been a surge of economic inclusion programming in Africa based on global evidence that a multifaceted, time-bound package of support can sustainably increase earnings and enable beneficiaries to lift themselves out of poverty.[73]

Robust delivery systems, including a social registry, are key for enabling a timely and efficient response to shocks. As programs grow, investment in delivery platforms is needed – i.e., social registries, interoperable management information systems, and digital payment systems – to allow administrative cost savings and facilitate planning and coordination. Effective

[71] For simplicity, we assume all safety nets spending goes to cash transfer programs targeting the poor. In practice, a variety of instruments can be adopted to further tailor support and strengthen its impact as discussed in this section. Government financing of the health insurance subsidy also remains critical and should unquestionably be maintained. Simulations subtracting the current allocation to GEF health insurance (using 1.36 percent and 2.86 percent of GDP) yield comparable results and are available upon request.

[72] Hyperlink: https://www.nber.org/papers/w19227#:~:text=We%20use%20a%20large%20randomized,as%20an%20education%20support%20program.

[73] State of Economic Inclusion Report 2021, WB.

delivery systems are also key for enabling governments to respond to shocks, such as those related to climate change or food price increases, promptly and efficiently. In particular, social registries (or systems that collect socioeconomic information and identify poor and vulnerable households) provide governments with a central mechanism to identify potential beneficiaries and coordinate different programs. In Gabon, data collected during the GEF recertification process could be leveraged to form the foundation for a social registry serving a variety of social assistance programs.

Finally, safety nets are essential for promoting socioeconomic inclusion and contributing to green growth. Notwithstanding its clear links to poverty reduction, the transition to a green economy risks disruptions in labor markets that can disproportionately affect the poor. In addition, due to their initial poverty and their relatively high dependence on environmental capital for their livelihoods, the poor are likely to suffer most due to their resource constraints. Therefore, green growth policies should be designed to maximize benefits and minimize costs to the poor and most vulnerable.[74] This includes ensuring that skills are upgraded and jobs are decent; vulnerable groups are not marginalized or left behind; and revenues from fiscal reforms are also channeled into broader social protection and health measures. In particular, inclusive and shock-responsive safety nets have an important role to play in easing the burden of transition on the most vulnerable by improving their economic resilience and strengthening the social contract.

2.3 Recommendations

2.3.1 Invest in education and policies promoting skills

To improve primary school children's STEM proficiency, the government should improve overall education quality by focusing on basic STEM instruction at the preschool and primary levels (Table 9). STEM is more likely to be successful if taught early, and evidence suggests[75] that mathematics skills entering kindergarten are a better predictor of future academic success than reading skills, attention skills, or socioemotional behaviors. Focus should be put on underserved rural areas and targeting children from poor families. Furthermore, students in high school require STEM proficiency to succeed in coursework that serves as a gateway to technological literacy and digital skills as well as higher education. The government can make significant efforts to promote math and science skills, but also softer STEM skills like creativity and problem-solving, encouraging schools to find new ways to improve fundamental learning, even by devoting a few hours per week to teaching methods that help students learn effectively. Short-term, this would necessitate the upskilling of existing primary school teachers in mathematics along with extensive STEM teacher training; long-term, reevaluating and upgrading teacher training programs to improve pedagogical aspects of their math and sciences curricula. The government can also work to promote teaching and learning approaches that foster both cognitive and socioemotional skills.

Expanding access to skills and higher education will require diversifying student financing options to support marginalized and vulnerable youth. Tuition fees and the costs of school supplies often make it difficult for these groups to pursue studies at secondary and higher levels. Specific policies must be developed to address the primary impediments to educating youth. Among the measures to be implemented are ensuring that labor-market-oriented school curricula are available. The government can also take steps to encourage more qualified adolescents from the last two quintiles to continue their education, especially in growth sectors and STEM. More effort should be made to expand remedial programs in order to improve the quality in the pipeline of those transitioning from primary school who are of secondary-school age from the lowest two quintiles, which should also help to reduce repetition rates. Concerning youth of secondary-school age who have dropped out, policies have been planned aimed at the integration of young people in situations of vulnerability. The Government could step up efforts in favor of the effective implementation of second chance and

[74] Hyperlink: https://imagebank2.worldbank.org/search/16283976.
[75] Duncan et al. 2007.

acceleration programs, along with other skilling opportunities, to help these young people reintegrate into the formal education stream (either general or TVET) or transition into the workforce. For trainees in pre-tertiary TVET programs, enrollment of youth from underprivileged families can be increased through voucher schemes and stipends,[76] and, for example, free skills training packages. Regarding tertiary education, some schemes offer low-interest loans and targeted scholarships for job-relevant training areas such as STEM or for specific youth groups such as girls.[77]

Adapting Gabon's educational system to the country's employment opportunities addresses the root causes of youth skills mismatch and improves governance, with greater private sector involvement. Participation of the private sector in skills development in Gabon remains challenging, but the government has made a considerable effort to establish a policy framework for PPPs. However, more efforts and specific policies are needed to build trust with the private sector, reinforcing micro-level collaboration with training centers to develop relevant skills. The following steps must be taken to accomplish this: (i) increase private sector participation to 50 percent of TVET institution boards; (ii) improve collaboration between schools and businesses; each TVET institution must have a partnership agreement with the representatives of the relevant private sector,[78] these PPPs to include at a minimum internships, apprenticeships, training by professionals, work-exposure of trainers; (iii) improve the autonomy and accountability of TVET institutions through performance-based contracts between the institution and the government. Performance criteria could include (a) strong private sector representation on the board of directors; (b) enrollment in job-relevant training,[79] including youth from the lowest quintiles and a proportion of females; (c) graduate numbers and rates of employment within one year of graduation; and (d) the number of professionals providing training at the institution, along with workplace exposure of trainers. These recommendations are also valid for universities.

New jobs are emerging and will continue to emerge as countries commit to a green transition, generating new skills needs and also opening up new frontiers for scientific research in the country and the region. Gabon's government must address the challenges of meeting skills requirements for green jobs. Some actions are underway to diversify the offer of TVET, such as the construction of new centers (including the International Multisectoral Training and Vocational Education Centers in Nkok, Mvengué, and Ntcengué, as well as centers dedicated to training in the sectors of ICT, construction and public works, the wood industry, and logistics and transport). There are other concrete actions that the government of Gabon could take: (i) As in Chile, set up a well-managed fund based on tax revenues or oil and mining revenues,[80] (which should be distinct from the current companies and other legal entities' contribution to TVET[81]) to finance qualified but marginalized students' tertiary education (for example, in the STEM fields). The government can send some of these students to other African countries with stronger programs. The fund can also support green research; (ii) Companies must set up a skills fund (funded, for instance, through levies) which can be used for workforce upskilling, especially for the green and digital economies. Management of the fund should be given to the companies. (iii) Forming PPPs to create an innovation hub/tech park around a few priority industries in clusters (e.g., agriculture/forestry/fisheries) to promote private sector skilling and support youth job placement after training at these hubs/parks (e.g., Sèmè city in Benin[82] and Edo Tech Park in Nigeria[83]). In addition to the

[76] For example, the Tanzania Skills Development Fund Bursary Scheme.
[77] Examples include Rwanda's student loan and bursary program, and the Ghana Education Trust, which dedicates a share of the value added tax (VAT) to scholarships for gifted but financially needy students. (Source: Western and Central Africa [AFW] Education Strategy, WB 2022).
[78] The PPP model developed under PRODECE could be utilized.
[79] This includes ICT.
[80] African Development Bank. 2016.
[81] Since January 1, 2017, companies, other legal entities subject to corporation tax, and natural persons subject to personal income tax in Gabon must pay a contribution to vocational training (CVT) levy to finance technical and vocational education and training (TVET). This is meant to help organizations and structures implement vocational training programs.
[82] Sèmè City in Benin. https://www.semecity.bj/en/
[83] Edo Tech Park. https://guardian.ng/news/obaseki-inaugurates-edo-tech-park-to-produce-global-talents/

TABLE 9. Gabon: Matrix of policy reforms in education and skills promotion, and time frame

OBJECTIVES	POLICY RECOMMENDATIONS	TIME FRAME
I. Improve primary school children's STEM skills proficiency.	1. Devote a few hours per week to teaching methods that help students learn effectively.	ST
	2. Re-skill existing primary school teachers in STEM.	ST
	3. Encourage schools to find new ways to improve fundamental learning.	MT
	4. Make significant efforts to promote calculation learning.	LT
	5. Assess and upgrade teacher training programs to enhance pedagogical aspects of their STEM curriculum.	LT
II. Address the underlying causes of exclusion of certain population groups from the school system.	6. Encourage more qualified adolescents from the last two quintiles to continue their education.	ST
	7. Expand remedial programs to improve the pipeline of low-income secondary students.	ST
	8. Develop school curricula more oriented to labor markets.	MT
	9. Provide second chance, acceleration, and skills programs to help young people reenter formal education or enter the workforce.	MT
	10. Strengthen financial support for low-income youth to pursue secondary and higher education.	LT
III. Adapt Gabon's educational system to the country's employment opportunities.	11. Improve collaboration between schools and businesses.	ST
	12. Increase private sector participation to 50 percent of TVET institution boards.	MT
	13. Improve the autonomy and accountability of TVET institutions by means of performance-based contracts with the government.	LT
IV. Address the challenges of meeting skills requirements for green jobs.	14. Encourage individuals and businesses to invest in green growth skills development.	ST
	15. Develop STEM-based job market skills at the tertiary level.	MT
	16. Improve green job career guidance.	MT
	17. Enhance systems for identifying and anticipating skills requirements.	LT

above, specific policies must be developed to address the primary barriers to youth learning those skills. In SSA, energy, construction, and agriculture will create the largest number of green jobs in coming years.[84] Compared to non-green jobs, jobs in the green economy typically require higher levels of cognitive and interpersonal skills as well as prior preparation through formal education, work experience, and on-the-job training.[85] Therefore, education is the only way to build the skills to power the transition to green and resilient economies and jobs.[86] Among the measures to be implemented are, but are not limited to: (i) encouraging individuals and businesses to invest in green growth skills development; (ii) improving green job career guidance; (iii) enhancing systems for identifying and anticipating skills requirements; (iv) encouraging mutual learning in order to green TVET and skills development; as described in Box 5, the Singapore Skills Development System (SSDS) may serve as a model for developing nations such as Gabon.

2.3.2 Socioeconomic inclusion through safety nets for the poor

Social protection is a powerful tool to reduce poverty and inequality, improve labor market outcomes, and provide a cushion against shocks. While Gabon's social protection system has steadily evolved over the

[84] United Nations Women and African Development Bank 2021.
[85] Consoli et al. 2016.
[86] Korea has long offered an exemplary curriculum on environmental issues to secondary students, including education model schools and school-forest initiatives. In the Philippines, the Dark Green Schools program offers a distinctive whole-institution approach and accreditation system for environmental topics. (Source: AFW Education Strategy, WB 2022)

TABLE 10. Matrix of policy reforms for socioeconomic inclusion, and time frame

POLICY RECOMMENDATIONS	TIME FRAME
1. Increase spending on non-contributory social assistance.	ST
2. Establish a flagship safety nets program for poor households.	ST
3. Expand labor market interventions for poor youth and women.	MT
4. Invest in shock-responsive delivery systems (social registry, digital payments).	ST

last decade, its efficiency has been undermined by inadequate funding, excessive fragmentation, and regressive coverage. To realize the full potential of social protection – particularly non-contributory social assistance – and ensure that the gains from Gabon's economic growth are more equally shared among the population, the government should implement the following reforms (Table 10):

First, Gabon should close the gap with its peers in terms of social assistance financing. At 0.2 percent of GDP, Gabon's social assistance spending is substantially lower than the UMIC average of 1.7 percent of GDP. Nevertheless, achieving inclusive growth and sustainable poverty reduction depends on adequate and reliable funding for non-contributory social assistance programs. Potential strategies to increase the social assistance budget include reallocating funding from general subsidies and tax exemptions to targeted support for the poor and reinforcing contributory schemes and revenue collection. Therefore, the government should guarantee adequate funding each year to go beyond health insurance subsidies and establish an inclusive safety nets program for poor households. In addition, spending increases should be coupled with efforts to improve effectiveness and accountability by reducing administrative costs and improving budgeting and expenditure data collection and analysis.[87]

Second, a flagship safety nets program for GEF would improve both efficiency and cost-effectiveness. Gabon's social assistance system is not just underfinanced but also highly fragmented, with the 19 interventions for seven vulnerable groups across four pillars set out in the SIHG. The large number of instruments keeps administrative costs high and complicates implementation, while the multiplicity of vulnerable groups leads to coordination challenges and duplication. Therefore, it is recommended that the government consolidate its cash transfer initiatives into a single, flagship safety nets program targeting poor households. The program should rely on three principles to maximize its impact on poverty reduction and ensure value for money: (a) poverty, or GEF status, as the primary eligibility condition, with additional social vulnerability criteria potentially used to further tailor the support package; (b) the household as the unit of targeting, not only because poverty is estimated at household level, but also to reduce overlaps and implementation complexity; and (c) integrated targeting, distribution, and monitoring and evaluation (M&E) systems. Finally, the program could consist exclusively of cash transfers – appropriate especially in emergency situations – and/or cash transfers plus accompanying measures to promote human capital development and economic inclusion.

Third, labor market interventions for the poor and vulnerable, especially youth and women, would promote economic inclusion and self-reliance. Gabon's labor market is characterized by high unemployment rates (26 percent) and informality (53 percent), with the poor, women, and youth being particularly disadvantaged.[88] Expanding safety nets coverage and performance will facilitate productive investments and improve economic resilience. In addition, complementary interventions to support income-generating activities (IGAs) would strengthen these impacts and provide a path to self-reliance. Layered on top of cash

[87] There also needs to be more clarity and accuracy in the budget nomenclature to enable the government to properly evaluate and plan expenditure. The authorities need to undertake household surveys on a regular basis to improve the quality of the pre-analysis plans (PAPs), (PER 2020).

[88] The unemployment rate includes discouraged workers (12 percent). The informal sector rate includes those working for households (16 percent).

transfers, time-bound IGA support interventions have been proven to boost earnings and asset accumulation, thus providing a potential exit strategy for safety nets beneficiaries able to lift themselves out of poverty.[89] Expanding and strengthening active labor market programs for youth is also important to address existing unemployment and inactivity challenges while also better positioning Gabon to capitalize on its demographic dividend.

Fourth, investments in modern and robust delivery systems are key to ensuring the efficiency and shock-responsiveness of the sector. Social assistance has been the preferred policy response tool during the COVID-19 pandemic both globally and in Africa. Countries able to mobilize support fastest and most efficiently were those with robust systems in place to identify those in need and make the transfers. As shocks become increasingly common and severe, including those related to climate change and global price increases, developing robust and inclusive delivery systems is more important than ever. Gabon is well placed to build on the ongoing targeting reform and GEF database to establish a social registry. It should incorporate best practice in this area and support dynamic inclusion rather than rely on census sweeps, which are not only costly but also prone to rising inclusion and exclusion errors as the information becomes out of date.[90] In addition, a foundational ID system is critical for ensuring access to safety nets and other basic services, while a digital payment system has the potential to improve transparency and traceability while also promoting financial inclusion.

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CHAPTER 3

TOWARD A MORE FAVORABLE BUSINESS ENVIRONMENT

3.1 Introduction

Gabon has a pressing need to improve the investment climate and economic governance. Persistent challenges related to governance and the investment climate, coupled with lack of sound fiscal policy and budgetary planning, hinders the development of a strong private sector and prevents effective creation of a diversified economy. A competitive private sector is crucial for efficient allocation of capital and resources, driving innovation and the diffusion of technology while leading the creation of quality jobs. Markets and policies should support the emergence of new local firms that challenge unsustainable incumbents. Business environment reforms should help remediate key constraints faced by businesses through their lifecycle. In order to incentivize greater private investment across different sectors, Gabon could intensify its efforts to improve the overall environment for doing business.

Government needs to enable the private sector to realize its potential. The private sector serves as the main engine in this process, while the government plays a critical role by devising policies and regulations that facilitate private sector participation. To further the diversification agenda and also to mitigate the economic impact of the COVID-19 pandemic, the country has designed a strategy focusing on supporting seven key sectors identified as growth promoters: mining, hydrocarbons, agriculture, fishing, trade, tourism, and energy. While the initiative to develop non-oil sectors is underway, a significant shift toward more dynamic tradable sectors is yet to be achieved.

Gabon's economic growth is also inhibited by the dominance of SOEs.[91] SOEs in Gabon operate across many sectors – including but not limited to the energy sector, extractive industries, and public

[91] While there is no agreed universal definition of SOEs, for the purpose of the analysis, SOE is a legal entity that is majority owned or controlled by a national or local government, whether directly or indirectly, or where the government has substantial minority ownership. This definition is drawn from the Approach Paper, *World Bank Group Support for the Reform of State-Owned Enterprises, 2007–2018*. Independent Evaluation Group (IEG). https://documents1.worldbank.org/curated/en/107181548340490150/pdf/World-Bank-Group-Support-for-the-Reform-of-State-Owned-Enterprises-2007-2018-Approach-Paper.pdf.

utilities where the government maintains monopolies. In this context, the government may be tempted to grant certain privileges to SOEs that risk an unlevel playing field to the detriment of the private sector. Government support for SOEs and inadequate assistance for small enterprises impede the emergence of a vibrant private sector. The problem is further exacerbated by inadequate governance, involving issues with effective service delivery, and lack of institutional capacity, both of which inhibit the creation of a business climate conducive to private sector competitiveness and investment.

This chapter first looks at economy-wide barriers hampering private sector growth and investment outside of extractive industries. Second, the chapter provides insight on how to restore competitiveness by leveraging FDI and reducing price controls and distortions. The chapter concludes by providing a closer look at the constraints faced by the afforestation and wood product manufacturing sectors,[92] and provides a set of recommendations.

3.2 The private sector is key to job creation and growth

The private sector is central to growth and job creation, but in Gabon it remains underdeveloped and struggles to drive long-term transformation of the economy. Under-investment from the private sector in an economy that has historically been dominated by the public and publicly controlled extractive sectors has prevented the private sector from building its productive capabilities and, in turn, from contributing to a sustainable structural transformation. The size distribution of companies is skewed toward micro and small-scale businesses (less than 20 employees) – 90 percent are considered micro or small. Larger companies account for about 10 percent of enterprises, prevalent primarily in the extractive industries sector.

A defining feature of Gabon's sectoral landscape is the presence and dominance of SOEs that inhibit private sector competition and development by crowding out possible resources that may help strengthen private sector firm capabilities. SOEs tend to have an informally induced preferential advantage compared to private companies, even though there are no laws that specifically accord preferential treatment. Government support for SOEs and inadequate assistance to small enterprises tend to limit business-led growth.

The state's presence through SOEs acts as a barrier to contestable markets and creates an uneven playing field for private businesses. This can discourage entry by private businesses and it lowers investment in economic activity that enhances productivity. Years of poor governance and under-investment in the private sector have cost the country millions of dollars, annually, and also affected the country's level of competitiveness. A preference for the public sector along with challenges in the investment climate have thus contributed to a small formal private sector.

SOEs also tend to be – both explicitly and implicitly – the engine of employment, as many small and medium enterprises (SMEs) in the private sector exist as part of the value chain feeding into SOEs. This creates a model of employment that accords great power to a sectoral landscape dominated by the presence of SOEs. Formal employment makes up only 47 percent of total employment. Fifty percent of formal employment is in the public sector, and only 23 percent of the active population work for formal private employers, a small fraction of which is in the oil and mining sectors.

Private sector employment tends to be concentrated in the services sector (56.4 percent in 2019), and very few jobs are available elsewhere. Official unemployment has remained high, hovering near 20 percent over the last 20 years, in part due to the economy's reliance on the oil sector, which generates few jobs, as well as rigid labor regulation and skills mismatch. Further, Gabon's overall employment-to-population

[92] The sectoral deep dive is based on a newly developed diagnostic tool, the Green Investment Climate Diagnostic (GICD).

ratio has been low – below structural and regional peers. The figure is particularly pronounced for women in Gabon – only about 40 percent of women are in the labor market (as opposed to 64 percent of men), with even lower employment in industry, at 2.72 percent (against 14.1 percent for men). It is crucial for the country to foster the development of more formal jobs – across sectors and especially in urban centers – to be able to accommodate a growing urban population.

The private sector, and SMEs in particular, can serve as a force for economic diversification and an engine for employment generation. SMEs represent 90 percent of total formal companies, but account for only 30 percent of formal employment. Agriculture, fishery, agribusiness, wood and forestry, construction, and tourism sectors have the potential to provide avenues for job creation and growth but remain underdeveloped due to lack of investment and effective policies. The focus on some of these factors is only recent and will require years to manifest into sustainable job and wealth creation considering the existing challenges and non-competitiveness (on international markets).

The ICT sector is one that is promising as it has high multiplier effects; and leverages Gabon's comparative advantages within the region while sidestepping some infrastructure gaps such as lack of road networks (impeding growth of industries that rely on physical mobility and cross-country transportation of goods). Gabon possesses the largest digital capacity of the region – ranked 6th among African countries by the International Telecommunications Union in 2017 – and is far ahead of its neighbors in terms of equipment, retail prices for internet, and mobile internet penetration, which is near 130 percent. However, the sector concentrates less than 4 percent of employment. Gabon's regional comparative advantage – advanced high-speed fiber optics networks – carries great potential to develop a national IT industry with a regional outreach and beyond, leading to jobs' creation and transforming the country into a regional digital hub.

Structural changes are needed within the economy to enhance private investment in non-resource sectors, improve the business environment to attract job-creating investment, and build up the private sector and the productivity and growth of small firms. The country has made some effort in line with the reform agenda set out in the PSGE, namely, addressing competitiveness and building up priority sectors that have strong growth potential. These efforts have recently begun to bear fruit with a slight acceleration of private sector development, but the hoped-for private sector dynamism and associated employment creation have yet to materialize.

3.3 Barriers to Private Sector Development (PSD)

As a country that has historically relied on its public sector to create jobs through the distribution of oil rent, the development of the private sector would be key for Gabon. Developing the private sector will help achieve the diversification desired – i.e., facilitate the shift from an oil-reliant economy – and spur sustainable growth founded on the creation of value. To this end, enhancing investment competitiveness and improving the business climate and economic governance will likely create a conducive environment to private sector development.

According to the most recent competitiveness assessment by the World Economic Forum (WEF), Gabon has a Global Competitiveness Index (GCI) score of 47.46, ranking 129th among 141 economies. This highlights the need for improvement across the many institutions, policies, and factors that determine the level of productivity of Gabon, as well as its attractiveness to private investment. The most binding constraints, as identified by data and findings from a range of investment climate measurement instruments (Table 11), include access to finance, an inadequately educated workforce, corruption, inefficient government bureaucracy, and inadequate supply of infrastructure.

Addressing these constraints does not only mean a better environment for businesses, but also potential

TABLE 11. Constraints to competitiveness and diversification

ENTERPRISE SURVEY (2009)	DOING BUSINESS (2020)	GLOBAL COMPETITIVENESS INDEX (2016–17)
Access to finance	Registering property	Access to finance
Inadequately educated workforce	Paying taxes	Inadequately educated workforce
Corruption	Enforcing contracts	Corruption
Transportation	Starting a business	Inefficient government bureaucracy
Electricity	Electricity	Inadequate supply of infrastructure

Note: Similar colors indicate similar issues identified.
Sources: WB Enterprise Survey (2009); WB Doing Business (2020); WEF (2016–17).

windfalls and spillovers for the whole economy and for individuals. For example, establishing a more inclusive financial sector can alleviate access to finance constraints for businesses and individuals alike. It can also help manage the fiscal risks associated with a financial sector that is prone to vulnerabilities and a source of contingent public liabilities. Likewise, more transparent and formal ways of managing land issues may also enhance domestic resource mobilization through taxes and fees, as well as attract new investors.

This section will take a closer look at some of these barriers, namely access to finance, informality, and a weak business regulatory environment. PSD is hampered by other equally important constraints tackled in other parts of the report: gaps in infrastructure (see chapter 1.3.2) and in logistics and trade infrastructure (see chapter 4.4 on trade), an inadequately educated workforce (see chapter 2.1 on education and skills), and lack of governance and institutional capacity (see chapter 1.3.4).

3.3.1 Inadequate access to finance hinders enterprise development

Private sector firms, SMEs in particular, struggle with gaining access to finance. Fragile financial and banking systems limit access to credit for the local private sector. Financial inclusion has improved, from 19 percent in 2011 to 59 percent in 2017, largely on the back of an increase in mobile money accounts (vs. the UMIC average of 73 percent). However, the financial system is failing to cater to businesses, especially SMEs. According to the Gabonese banking association (APEC), loans to SMEs are limited because of their lack of capacity to provide complete loan files and guarantees to repay loans, along with prohibitively high interest rates.

Local investors and entrepreneurs struggle to access finance due to weaknesses in the legal framework and lack of available information. Weaknesses are noted with respect to legal rights, an absence of collateral registry, and no priority payments to secured creditors. The credit registry discloses very limited information, although Gabon has recently established a framework for licensing and operating credit bureaus in accordance with CEMAC. High loan rates – up to 15 percent – also discourage businesses. It particularly penalizes domestic investors, who do not benefit from international credit markets. For 30 percent of Gabonese companies, access to bank loans is regarded as a constraint for establishing a business. This difficulty has led, for example, to inefficient wood processing by entities that use more wood than their peers, leading to increased deforestation.

Additionally, most banks in Gabon are local branches of foreign banks, whose primary interest is to finance oil and mining projects rather than local enterprises. Confronted with immense difficulties to access finance and negotiate loans, SMEs remain trapped in small-scale operations and fail to expand their activity, which eventually leads to their

decline and bankruptcy after a few years of operation. According to a 2017 BEAC report on cost and credit conditions in CEMAC, SMEs in Gabon obtained less than 1 percent of short-term loans and only about 6 percent of medium-term loans. Enacting legislation to centralize and digitalize all movable collateral registries, improve the general business environment, protect creditors' rights, and clarify a solvency regime could contribute to addressing the finance issues.

Afforestation and wood processing firms also face difficulties in accessing finance. Local banks lack understanding of the business model and financial capabilities of firms in these sectors (e.g., in terms of collateral that can be used). Networking events have been initiated to support matchmaking and facilitate greater understanding, but they remain limited in number and attract few participants.[93]

3.3.2 Rampant informality hampers the productivity of formal firms

Informal economic activity is highly pervasive in Gabon and tends to be survivalist rather than entrepreneurial. The informal economy accounts for approximately 52 percent of Gabon's GDP and 50 percent of the employment – functioning as a dual labor market. It is imperative to note that government support for SOEs and inadequate assistance to small enterprises have acted as impediments to formal business-led growth. Coupled with historically generous public sector wages, an unattractive investment climate, and limited access to finance have given the economy a high-cost structure. As a result of these factors, and in addition to others, the informal sector has continued to exist and grow. In urban settings, informality is concentrated in services, while in rural settings it is predominantly concentrated in agriculture. The informal sector being most prevalent among the poorest segments of society continues to perpetuate a vicious cycle of poverty.

[93] A project for creating State Guarantees to support the development of activities in these sectors has also just been initiated in collaboration with the AfDB.

While the informal sector may also act as a source of supplemental or otherwise unavailable income, its existence is partly a function of inefficiencies in the broader economy, including a weak business environment. Empirical evidence shows that the labor productivity of informal companies is about 25 percent of that of formal companies. Moreover, labor productivity of formal companies competing with informal companies is about 75 percent of average productivity with no such competition. The large informal economy tends to hold back growth and create unfair competition for formal companies, eroding their market share and resources available to boost productivity – in a weak business (regulatory) environment.

In addition to the challenges described, an unattractive investment climate is a major impediment to private sector growth and employment creation. Gabon's regulatory framework, marked by complex regulatory procedures and barriers throughout the business lifecycle, has been sustained by a one-dimensional economy, overly reliant on oil and, hence, unable to capture its true potential. To this end, improving the business environment, and reducing regulatory barriers to competition will unlock private sector development, as explained in detail in the following section. A closer look at the country's legal and regulatory framework for environmental protection, as well as the application of regulations and control mechanisms to ensure operators' compliance with environmental regulations is provided in Annex III.

3.4 The current business regulatory environment is not conducive to private sector development

A strong business regulatory environment is a key enabler for achieving productivity growth to attain the high levels of private investment, competitiveness, and economic diversification that Gabon aspires to. Sound regulations, policies, and related institutions that facilitate the entry, operation, growth, and exit of companies create a level playing field for all market actors and promote dynamic contestable

markets. At the same time, rule of law, strong institutions, and secure contractual and property rights encourage domestic and foreign investments. The findings of this chapter identifying regulatory barriers, and the subsequent strategic direction for enacting policy reforms, align with the government's Economic Recovery Plan (PRE) 2020–2023, which is structured on improving the investment climate, among other pillars.

Despite a strong reform momentum in the past decade, Gabon's business environment remains stifled by burdensome regulatory procedures and obstacles, which has constrained private sector growth and investment outside of extractive industries. Additionally, regulations are sometimes applied inconsistently, allowing larger firms with political influence to sidestep certain obligations and leaving smaller companies, which have little clout, to struggle. This may also explain why many micro and small companies choose to operate informally as noted above.

Barriers to entry

Despite substantive progress to improve the business registration process, there are still several constraints to market entry. Efforts to reduce delays have been taken by the National Investment Promotion Agency (ANPI-Gabon). However, understanding and navigating Gabon's regulatory requirements can still be difficult.

Suboptimal regulation in key sectors of the economy hinders market contestability by restricting entry and protecting incumbents. Barriers to entry and obtaining operating licenses coupled with a lack of pro-competition regulation (such as legal or de facto monopolies in key sectors) tend to limit domestic competition. For example, in the telecoms sector, access to essential infrastructure owned by incumbents is not mandated, which hinders market entry and innovation.

Registering property and legal enforcement

Strong institutions, and secure contractual and property rights encourage investment by extending greater transparency and security in attracting investment in distinct industries and sectors of the economy. Additionally, time-efficient procedures with respect to enforcing contracts and remediation of legal conflicts are indictors of greater protection (for creditors' rights).

Registering property in Gabon is arduous, notably because of the cost involved, and the absence of a Land Registry and deficient official property documents. The cost to register property is about 11.5 percent of the property value, compared to 7.3 percent in SSA and 4.2 percent in OECD HICs. In addition to a cumbersome procedure, taking 72 days to register land, Gabon's land administration system could be further improved in respect of transparency of information available, land dispute resolution, and equal access to property rights.

Companies of all sizes also tend to face impediments with contractual enforcement. Up until 2020, it would take nearly double the number of days in Gabon as it would elsewhere in SSA. The quality of judicial process has been significantly inferior. More broadly, as captured by indicators on alternative dispute resolution, case management, court automation, and court structure and proceedings, Gabon has had a virtually nonexistent case management process and court automation. To address this, the government adopted a law on specific courts in 2019 (Organic Law No. 008/2019), setting up commercial courts and installing magistrates in March 2020. Under this law, decisions are rendered as a last resort for disputes where interest is less than CFA 5 million; orders for summonses are issued within an average of 24 hours following the filing of the request; and the first hearing is held within 5 and 10 days following the filing of the request. This is a necessary step in the right direction: it improves the quality of justice procedures and reduces processing times for commercial litigation.

Redundant inspections and taxation

Government inspections add a layer of uncertainty and transaction costs on companies, particularly smaller ones. Inspection procedures in Gabon are often redundant, cumbersome, and overlapping between

various Ministries. For example, inspections for construction permits are considered overly burdensome; a company can expect four different inspections, which may be unscheduled and conducted by multiple authorities. Surveyed firms complain that the frequency of these audits demonstrates a lack of coordination between government and municipal administrators, given the fact that a multitude of agencies run similar inspections, with little communication between each other.

Stringent and excessive inspections, especially for businesses and sectors which pose low level of risk, impact the growth of firms not only through the direct cost of administrative burden, but also through its impact on investment decisions: starting a business, engaging in activities to expand, build, procure new equipment/assets, or hire staff, etc. The government is already taking steps to improve inspections and controls systems in two key economic sectors, agribusiness and forestry. Ongoing work is under way to promote harmonization of controls within the public administration to eliminate conflicts of jurisdiction and competence, and to simplify and align the inspection process with recognized good practices. In terms of paying taxes, the number of payments per year is significantly higher in Gabon than the SSA average (50 vs. 36.6 payments) and the time spent dealing with taxes is more than double (632 vs. 280.6 hours).

Gender equality

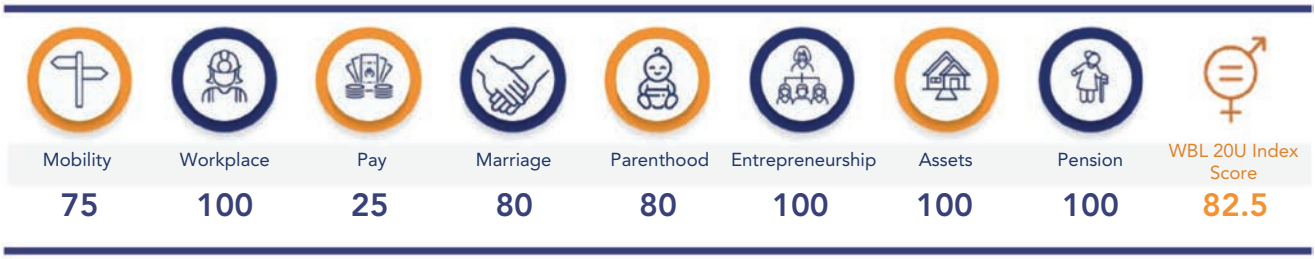
Closely linked to regulatory frameworks are women's legal rights, greatly improved since 2011 and more so recently, in 2021. Gabon adopted new laws to prohibit discrimination in the economy and revised the country's 1972 Civil Code enabling women to be the official head of household, choose where they live, and own and manage property in the same way as men. Women may also open a bank account independently of their husbands and apply to a broader range of jobs. Married women are no longer legally bound to spousal obedience. Amendments to the Criminal Code protect women from discrimination based on gender in accessing credit. In the *Women, Business and the Law 2022* report (WBL 2022), Gabon scores 82.5 out of the 100 (Figure 57) quantifying indicators structured around the life cycle of a working women. The overall score for Gabon is higher than the SSA regional average of 71.5.

However, when it comes to constraints on freedom of movement, women's pay, marriage, and women's work after having children, Gabon could consider reforms to improve legal gender equality. For example, one of the lowest scores for Gabon is on the indicator measuring laws affecting women's pay (WBL 2022 pay indicator). To improve on the pay indicator, Gabon might consider mandating equal remuneration for work of equal value; and allowing women the same access as men to jobs deemed dangerous, and to industrial jobs. Advancing gender equality will serve to raise productivity capacity and support Gabon's trajectory toward an emerging and diversified economy.

Access to public procurement

Public procurement is a powerful lever for achieving economic, environmental, technological, and social goals. Many governments around the world

FIGURE 57. Gabon's scores for WBL 2022



Source: WBL. 2022.

are pursuing various methods of incentivizing SMEs to partake in the public procurement market, given that SMEs make up a large share of businesses in their economies, are a significant source of employment opportunities, and make significant contributions to their GDP. In Gabon, there is still need to facilitate access by SMEs to government procurement. Simplifying the procurement framework and the process to access public tenders for SMEs can create opportunities for companies by opening up the public market and fostering competition – which may also help reverse the impact of the COVID-19 pandemic and accelerate economic recovery.

The challenges identified mostly align with those of the PAT 2021–2023 and must be addressed through the necessary regulatory and institutional adjustments. For example, land reforms directly respond to the concurrent parameters of investment potential in several key sectors, such as agribusiness or tourism, as these capitalize directly on the possibility of exploiting land. Moreover, a reformed competition climate is more likely to attract local and international investors – small and large. Such reforms include the fair allocation of markets and promoting entry by more sophisticated actors who would support related areas, such as access infrastructure to the sites concerned.

3.5 Reversing the trend – restoring competitiveness and fostering green growth

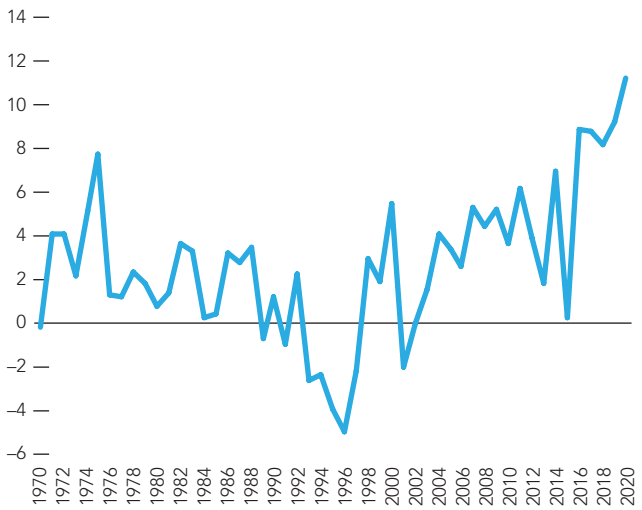
3.5.1 Foreign direct investment – a driver for diversification

Foreign Direct Investment (FDI) can be a key driver of diversification and improve export competitiveness if properly overseen, promoted, and protected. FDI has long focused on natural resources, with no evident spillover to the rest of the economy or benefit to the population. However, with the right enabling environment and investment policy for attraction, promotion, and retention, Gabon can help redirect investment flows into other strategic sectors. FDI can contribute to gaining export competitiveness much faster than the infant industry policies (such as import substitution, forced joint ventures, etc.) with which many countries have experimented.

FDI (net) inflow levels have increased from 3.1 percent of GDP in 2003 to around 9 percent in 2019, with most FDI going into extractive sectors. In recent years, Gabon's FDI as a percentage of GDP has been rising (Figure 58) and continues to be higher than that of SSA and some UMICs as well. However, because investments are concentrated in the extractive sectors – primarily oil and mining – which are by nature capital intensive and employ a highly qualified but limited workforce, they have had little positive spillover effects on the rest of the economy, which could lead to job creation or technology transfer to local enterprises. Recent foreign investments in cash crops and wood industries can help diversification to move forward if properly managed.

To attract greater investment, the government has created Special Economic Zones (SEZs), which tend to provide fiscal and operational benefits. However, such benefits need to be extended beyond these zones, otherwise they may create distortions. Amenities include but are not limited to priority access to

FIGURE 58. Gabon: FDI net inflows (% of GDP)



Source: WDI.

electricity and water, on-site legal and financial services, a single-window business service for participants, beneficial fiscal and tax incentives. While the incentive structure, characterized by fiscal exonerations, acts as a powerful incentive for foreign investors, it limits the government's fiscal gains and reduces the potential economic, social, and financial spillovers for the rest of the economy. The ad hoc and sometimes generous nature of exemptions accorded investors in SEZs can amplify distortions between SEZ investors and those outside of the zones – creating an uneven playing field between investors that benefited from exemptions and those that did not. By extending incentives to all investors alike, Gabon can improve its overall competitiveness as an investment destination. Furthermore, the current framework offers the opportunity to amend and improve investment laws pertaining to SEZs, which can be strengthened through regulation.

Among the challenges that Gabon faces in further increasing and diversifying its foreign investment, is the obstacle related to the implementation of the existing investment framework. The implementation of the existing investment framework is hindered by inefficient bureaucracy and lack of transparency. For example, new investment contracts require ministerial negotiations and approval by the president. This can be time-consuming and challenging to navigate, and the frequent turnover in government can further prolong and confuse the process.

The Investment Charter supports foreign investments and trade, but investors face significant issues for doing business in Gabon, given the complexity of the country's business climate. Gabon's 1998 investment Charter conforms with the CEMAC investment regulations and affords foreign companies operating in Gabon the same rights granted to domestic companies. The Investment Charter aims to support foreign investment, including allowing foreign investors to repatriate capital and profits and the savings on salaries they would have paid expatriate personnel (Title I, Art.1). Business law is governed by the rules of the Organization for the Harmonization of Business Law in Africa (OHADA), which harmonizes business laws among African countries. It aims to restore investor confidence, facilitate trade between countries, and develop an efficient private sector.

Investment Promotion has not yet realized its potential. To address some of these bottlenecks the government is reforming the 1998 Investment Charter and putting in place a new and reformed investment law to implement the state's commitments regarding guarantees of investor protection, good governance principles, and the simplification of procedures (Box 11). To help streamline the investment process, Gabon established the Investment Promotion Agency (ANPI-Gabon) in 2014 and operationalized a one-stop-shop in 2018. The ANPI and the High Council for Investment (HCI) can further benefit by defining and effectively implementing their promotion, expansion, and retention strategy.

3.5.2 Competition policy

Competition policy is a cross-cutting issue essential to improving the business climate and promoting foreign investment in Gabon, boosting long-term productivity. Several challenges seem to limit domestic competition in Gabon: (i) barriers to entry and lack of pro-competition regulation (such as legal or de facto monopolies in key sectors); (ii) limited implementation of the principle of competitive neutrality (e.g., the existence of discriminatory state aid and preferential access to finance that distorts competition among private and public operators); and (iii) limited implementation of competition rules, particularly through the absence of an independent competition authority and its lack of human and budgetary resources.

The Gabonese Competition Law of 1998 prohibits potentially legitimate practices and triggers antitrust scrutiny of mergers that may not have anticompetitive effects. Coupled with mild sanctions, this framework has failed to foster compliance and deterrence against infringements. Key concerns include: (i) the current competition framework seems to sanction dominant positions per se, which is at odds with international practices that only prohibit

BOX 11. A new Investment Code is expected to reinforce Gabon's appeal by increasing investor confidence

To attract and retain foreign investors, Gabon is working on a new Investment Code to replace the 1998 Charter. The goal is to provide a secure, clear, transparent, and stable legal framework for investment that is driven by an inclusive dialogue between the public and private sectors. The proposed reform also strives to reach a balance between the rights and obligations of the state and investors. The following key changes are being considered:

1. To include best practices for the protection of investors while preserving the right of the state to regulate for public purpose. The draft law ensures fair and equal treatment as well as protection against expropriation and indirect expropriation. It reiterates the right to repatriate profits.
2. To introduce provisions on dispute resolution between investors and the state for the enforcement of obligations under the law, with an emphasis on amicable settlement and recourse to mediation.
3. To provide incentives for investors both inside and outside of the SEZs to be introduced via the tax and customs codes. The objective is to replace (to some extent) the current exoneration regime for companies investing in Gabon prior to investment operations with a regime based on investment performance results. This new regime is a win-win deal, as the fiscal incentives are tax rebates on effective investment, whereas current investment policy grants exonerations before investment operations. The goal is also to incentivize investors willing to carry out their projects in less developed areas with a view to further the harmonized development of the country.
4. To develop incentives for existing operators to reinvest their money and pursue their investment goals in Gabon.
5. To better guide new operators with their investment goals in Gabon considering the lack of investment infrastructure.

abuses of dominance. Similarly, the law may prohibit other individual business practices that, in the absence of a dominant position, are not harmful, such as predatory pricing or refusals to deal. The lack of individual exemptions for agreements with innocuous or even positive competitive effects exacerbates this problem; (ii) merger control is based on market share thresholds, which are subjective and difficult to predict; as a result, companies might be forced to report insignificant transactions, giving rise to unreasonable burden on the private sector; and (iii) fines, set typically at 10 percent, are not based on turnover but on caps (maximum of FCFA 500 million; approximately USD 850,000) that do not foster sufficient deterrence for larger firms.

Limited independence and a complex mandate of the competition enforcement body might be hampering the effective enforcement of competition rules. The Competition and Consumer Protection Directorate (DGCC), under the Ministry of Economy, is not only in charge of competition enforcement, but also responsible for consumer protection and monitoring price controls.[94] Although this agency has already carried out some investigations and released some antitrust decisions (e.g., in the insurance sector), it still lacks sufficient material and human resources to ensure effective enforcement of competition rules in Gabon (e.g., limited tools for conducting inspections). Moreover, its limited advocacy role prevents competition principles from being introduced into Gabon's regulations.

Development and adoption of an implementing regulation for the law on competition, and capacity building for the competition enforcement agency, can serve to address the shortcomings in competition policy and practices. (Important to note: the WB has been working with Gabon's government on adoption

[94] Although the DGCC seems to be very active on the identification of counterfeit products and protection of consumer, competition rules enforcement seems to be limited. See also: https://www.ensafrica.com/doing-business/download/?termId=28 (last accessed: May 2020).

of improved practices under its African, Caribbean and Pacific [ACP] program.)

3.5.3 Price control and price distortion

Business risks related to lack of competition potentially hinder market dynamics in Gabon. Unfair competitive practices, such as those that tend to favor SOEs and price controls enacted by government are also considered as relevant constraints in Gabon, which are likely to have a negative impact on private investment.

Price control can distort market outcomes and create market failures. Although price regulation can be used to promote certain economic and social protection goals such as granting access to essential goods, broad grounds for imposing price controls can distort market outcomes and limit investment in competitive markets. Price control can act as a reference point for collusion and lead to an inefficient allocation of resources – with the corresponding increase in government expenditure to sustain the policy. Thus, it is critical to limit price controls to situations where they address specific market failures.

Among domestic competition subindicators, such as CGI's distortive effect of taxes and subsidies on competition, state intervention in the form of subsidies and tax breaks is perceived as the main source of competition-related market distortions. In Gabon, freedom to set prices is enshrined in the Competition Law[95] as a general principle. However, this law also anticipates the possibility of the government regulating the price of goods and services without being subject to any time limitation or objective justification. In this regard, the government is carrying out a strategy - the fight against the high cost of living (*Lutte Contre la Vie Chère*) – for regulating prices of basic goods and other products. As a result, price controls exist in markets where competition is feasible, such as staples, beverages, alcohol, tobacco, residential and commercial rents, sale of books and CDs, as well as for regulated professional services.

The relationship between competitiveness, shared prosperity, and environmental sustainability shows that there is no inherent trade-off in building competitiveness. Empirical evidence suggests that environmentally driven total factor productivity (TFP) losses may even outweigh the costs associated with transitioning to a low-carbon economy. With the changes in preferences of global consumers and investors alike, green business models and policies are disrupting markets. Greening the environmental footprint by promoting and strengthening green sectors is acknowledged as a decisive factor in international competitiveness and in the ability to attract international finance and investment.

The pathway to green growth presents an opportunity for Gabon to adopt and build upon efficiency gains. This could be done through expanding green industries, sectors, and technologies, supporting quality jobs, and proactively building up resilience to climate and disaster risks. This would require accelerating transition to a low-carbon economy (while advancing structural reforms). Much of this goes hand in hand with improving the investment climate: processes, regulations, and institutions concurrently. A policy shift toward green sectors and growth serves as an avenue that Gabon can greatly benefit from.

[95] Article 4 of Law No. 014/1998 on the competition regime in the Republic of Gabon.

3.6 Recommendations[96,97]

TABLE 12. Gabon: matrix of investment policy reforms, and time frame

OBJECTIVES	POLICY RECOMMENDATIONS	TIME FRAME
I. **Investment Climate** (Investment Policy and Promotion, Competition, Business Regulations:)	1. Finalize investment law and implementing decrees: reform the 1998 Investment Charter and put in place a new Investment Law to implement the state's commitments regarding guarantees of investor protection, good governance principles, and the simplification of procedures.	Short term/ Medium term
	2. Rationalize Investment Incentives (incl. SEZ) with the definition of a limited number of development objectives for incentives and the replacement of current exemptions with more targeted instruments that can accomplish the defined objectives.	Medium term
	3. Support the Investment Promotion Agency-Gabon (ANPI) and the High Council for Investments (HCI) to determine and effectively implement their promotion strategy; – Set up an investor relationship management system to track investor services and develop a project database to better direct resources and support sector studies; – Establish the conflict prevention mechanism or systemic investment response mechanism (SIRM), liaising with the HCI. – Reinforce the Aftercare Team, e.g., deploy the tools needed to improve services, and promote reinvestment and expansion of existing projects in accordance with international good practices.	Short term/ Medium term
	4. Reinforce the competition regulatory framework: – Implement regulations, guidelines, and internal manuals/procedures for antitrust enforcement in key areas such as assessment of cartels and other anticompetitive conduct; – Introduce regulations and guidelines for reviewing mergers; – Develop analytical methodologies to identify and remove anticompetitive regulations.	Short term/ Medium term
	5. Modernize and reinforce the structure of the competition authority, in accordance with the Competition Regulation recently adopted by Economic Community of Central African States (Regulation No. 06-19-UEAC-639-CM-33 of April 7, 2019): – Design an institutional strategy and institutional performance indicators to facilitate monitoring enforcement activities.	Short term
	6. Implement the recommendations identified in the in-depth diagnostic of the quality infrastructure system (standards, certification, metrology, institutional setup, etc.).	ST/MT/LT
	7. Facilitate SMEs' access to government procurement by providing capacity awareness programs to SMEs, training of procurement officials, incentives, and set aside SME quotas for contracts below a certain threshold.	Short term
	8. Continue to promote a level playing field for women (laws/enforcement) and to ensure that the new law is applied in practice in awareness-raising and training of judges and other authorities.	Short term/ Medium term
	9. Reduce the number of payments per year and facilitate tax administration processes to help and support entrepreneurs and SMEs.	Medium term

[96] Recommendations are defined in the small term (< 1 year) or medium term (< 3 years) and long-term (>3 years).
[97] The matrix is not an exhaustive list of all recommendations that need to be adopted, but of key ones that should be prioritized by the government.

TABLE 12. Gabon: matrix of investment policy reforms, and time frame (continued)

OBJECTIVES	POLICY RECOMMENDATIONS	TIME FRAME
II. Access to Finance	10. Enact legislation to centralize and digitize all collateral registries (e-platforms for secured transact ions).	Medium term/ Long term
	11. Establish a robust partial credit guarantee scheme (PCGS) that adequately addresses the need for guarantees to reduce the credit risk of SMEs; lower interest rates by allowing banks and SMEs to familiarize and gain experience in SME lending/borrowing, and improve access to finance.	Medium term
	12. Consider other instruments such as leasing and factoring that could help meet the investment financing and liquidity needs of SMEs in the absence of a guarantee fund.	Medium term
	13. Build capacity of local companies to present bankable projects and set up programs to improve the governance of SMEs and employee skills in managing and reporting financial and technical information.	Short term/ Medium term
	14. Promote digital entrepreneurship.	ST/MT
	15. Improve the policy and regulatory framework for digital services: – Adopt the four key draft laws on electronic communications, electronic transactions, cyber security, and the protection of personal data; – Create foundational law for digitization of public service administration and online procedures to support the implementation of the e-government strategy and online services, and revision of the Civil Code for e-ID; – Develop a comprehensive National Institute of Information and Communications (NICT) strategy that encompasses regulatory issues, infrastructure development, training, entrepreneurship and the promotion of digital applications for different sectors (infrastructure, finance, agriculture, mining, forests, etc.).	Medium term/ Long term

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CHAPTER 4

HARNESSING EXPORT MARKETS THROUGH DIVERSIFICATION

4.1 The end of business as usual – trade diversification for inclusive growth

As a small commodity-dependent economy, Gabon's economic prospects will hinge increasingly on its ability to export goods and services within the region and globally to sustain its economic growth. Such growth cannot be sustained unless the government continuously supports regional trade integration, invests in trade facilitation infrastructure, and enlarges the market access opportunities available to the country's exporting companies, while also addressing the twin imperative of decarbonization and climate change. Experience from other developing countries that have had strong and sustained trade-led growth suggests the benefits that would accrue to Gabon if local producers and service providers were able to increase their participation in regional and global value chains and diversify their export basket.

Export diversification away from carbon-intensive production and strengthened regional trade integration, including with partners on the African continent, can be key drivers of economic growth and job creation in Gabon. While both the structure and size of the Gabonese economy impose limits on the scale and pace of economic transformation, the country can reduce growth volatility and over-reliance on the export of natural resources by harnessing the potential of trade to support economic transformation in allocating factors of production to sectors offering greater potential for domestic value added. Doing so would unlock existing and new opportunities for economic diversification, both within and beyond resource-based activities, and strengthen the resilience of the Gabonese economy to various shocks, including those linked to climate change. Improving Gabon's trade performance will also be contingent on strengthening the country's trade policy formulation and implementation capacities, and the ability of Gabonese policy makers to assign economy-wide aims to trade and investment policy that connect trade with logistics, climate policy, and improved resource management.

This chapter examines the role of export diversification and regional trade integration in building a greener, more resilient, and inclusive economic recovery path. The chapter addresses two key questions: (i) what characterizes Gabon's recent trade performance? and (ii) how can cross-border trade and investment be harnessed to promote the twin imperative of diversifying and greening the country's export basket and reducing the share of oil and primary commodities in total exports?

4.2 Gabon's recent trade performance

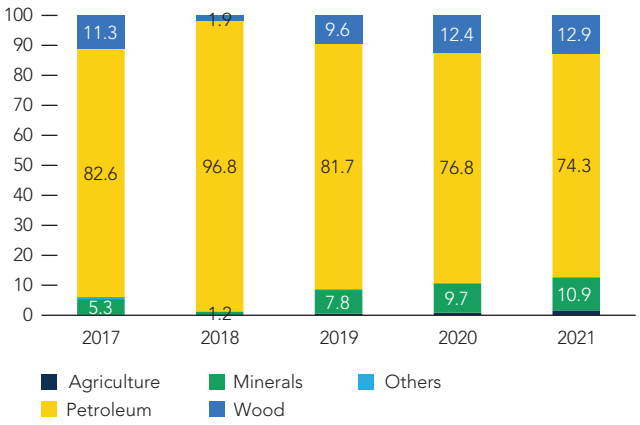
Gabon ranks among the most highly commodity-dependent economies in the world, with natural resources such as oil, manganese ore, and other extractives, and wood-related products; between them, these account for close to 98 percent of the country's merchandise exports in 2021, a level that has hardly budged in recent years (Figure 59).

To wean itself off its primary commodity dependence implies that Gabonese policy makers focus their attention on growing and/or reviving the country's agricultural and manufacturing production and exports, and generating an export response in services. These are sectors that together accounted for a mere tenth of Gabonese merchandise exports (6 percent for agriculture and 4.3 percent for manufactured exports), while services account for a negligible 0.4 percent share of aggregate exports.

The marginal contribution of manufacturing exports and of exports of associated goods-related services (which accounted for 0.2 percent of commercial services exports at latest count) attest to Gabon's virtual absence from the cross-border production networks (value chains) that have reshaped the geography of contemporary cross-border trade and investment activity in recent decades. Gabon's merchandise import profile further confirms the economy's limited productive capacity and inadequate diversification, with manufactures (73.2 percent) and agricultural products (23 percent), between them accounting for 96 percent of merchandise imports (Figure 60).

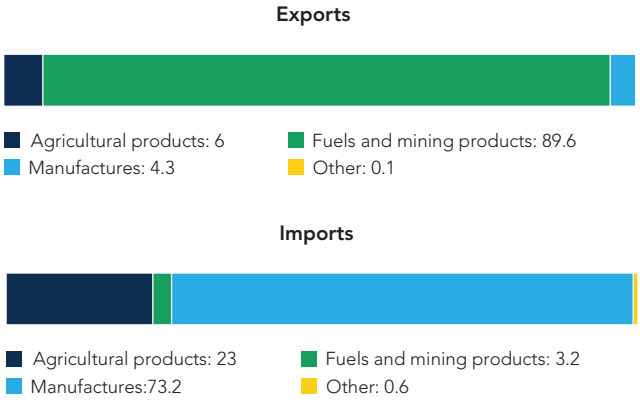
While Gabon's oil and extractive wealth produce hefty merchandise trade surpluses, equal to 12.6 percent of GDP in 2020, these contrast with the sizeable deficit the country runs on its services trade account. This deficit amounted to 10.4 percent of aggregate output in 2020, reflecting a near absence from global services

FIGURE 59. Gabon: share of merchandise exports by sector, 2017–2021



Source: Authors' calculations using customs firm-level transactions data.

FIGURE 60. Gabon: breakdown of merchandise exports and imports by main commodity group, 2019



Source: WTO Trade Profiles[98]

[98] See https://www.wto.org/english/res_e/statis_e/daily_update_e/trade_profiles/GA_e.pdf.

TABLE 13. Trade indicators, 2020[99]

Exports of merchandise (millions of USD)	+4,903.0
Imports of merchandise (millions of USD)	–2,937.0
Merchandise trade balance (millions of USD)	+1,966.0
Merchandise trade balance as a share of GDP (%)	+12.6
Exports of commercial services (millions of USD)	+203.0
Imports of commercial services (millions of USD)	–1,825.0
Services trade balance (millions of USD)	–1,622.0
Services trade balance as a share of GDP (%)	–10.4
Goods and services trade balance (millions of USD)	+344.0

Source: WTO Trade Profiles.

export activity and Gabon's high dependence on imports of commercial and transport services (Table 13).

As the discussion of firm-level data below confirms, Gabon is more diversified in terms of markets than products, but in recent years both markets and products have seen any diversification gains eaten away. This can be seen from trends in the Herfindahl-Hirschman Index (HHI)[100] over the 2005–2019 period (excluding petroleum). Product concentration has increased, and Gabon is less diversified relative to all comparator countries other than Angola and the Republic of Congo (Figure 61). Evidence shows that product and market diversification was highest in the period 2000–2008, after which concentration levels rose noticeably. Yet again, this points to vulnerabilities for which sustained efforts at diversifying product and market destinations, including in the context of the PSGE (see Annex 2), need to command continued attention and implementation focus.

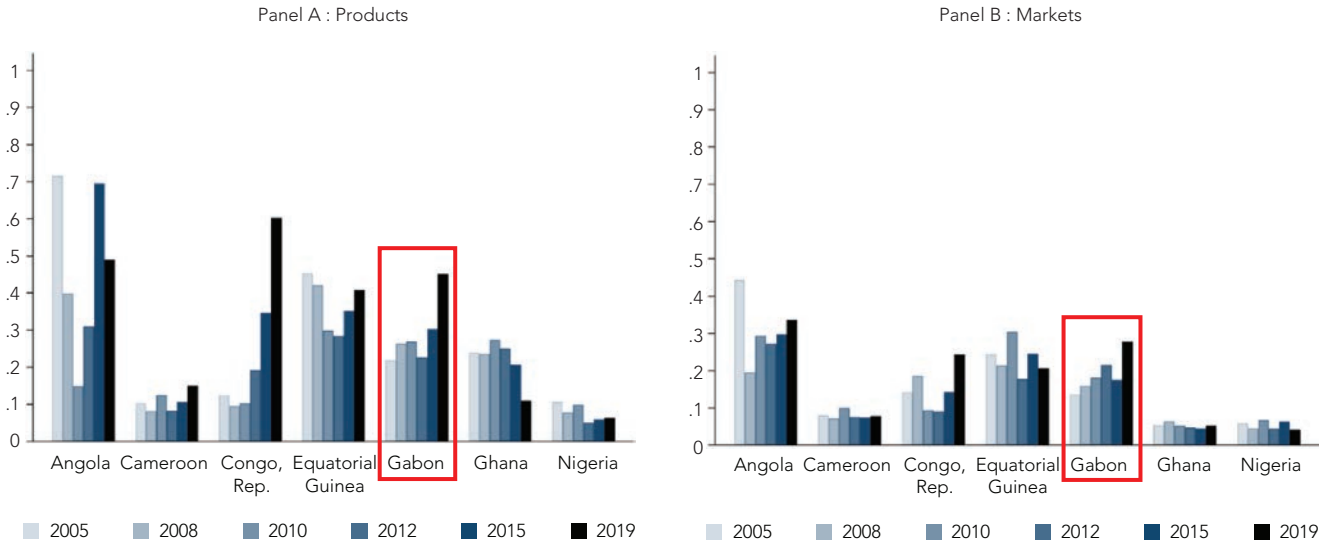
Gabon's highly concentrated export basket is chiefly directed to trading partners in Asia (South, South-East, and North-East) **and Europe** (EU and UK), which absorb the bulk of Gabon's exports (Figure 62). The country's top five export destinations accounted for four-fifths (81 percent) of merchandise exports at latest count, while the top 20 export markets absorbed 97 percent of total merchandise exports.[101]

Highlighting the weak levels of trade integration realized within Gabon's immediate periphery, Gabon's exports are chiefly destined for countries outside Africa. The challenge of scaling up Gabon's exports within the African continent, in response to AfCFTA, is evidenced by the fact that **only one African country – the Republic of Congo – ranks among Gabon's top 20 export destinations.** China was by far Gabon's most important export partner in 2020, accounting for 62 percent of Gabonese merchandise exports, followed by the Netherlands (6 percent), India (6 percent), Singapore (4 percent), and the Republic of Korea (3 percent). The last decade has witnessed significant changes in Gabon's leading export destinations, including a significant drop in exports destined for the US market;[102] only China remaining among the top five.

Gabon's trade across neighboring land crossings and with partners in Africa is exceedingly low despite decades of efforts to scale up and facilitate regional trade and financial and monetary ties. Much of Gabon's trade with African partners remains informal in nature and therefore weakly captured by official trade statistics. This is particularly the case in various categories of agricultural products. In 2020, the share exports destined to neighboring markets by means of land transport accounted for a mere 0.1 percent of aggregate Gabonese exports, down from 0.63 percent in 2010. This figure attests to the weakness of Gabon's regional connectivity links and the correspondingly low level of its intraregional trade ties. Gabonese exports destined to its SSA trading partners accounted for 2.6 percent of aggregate flows in 2020, up marginally from a decade earlier when it stood at 2.4 percent. The low level of exports delivered overland or directed to continental partners reflects weaknesses in the country's trade infrastructure and a commodity composition of trade that depends strongly on trade ties

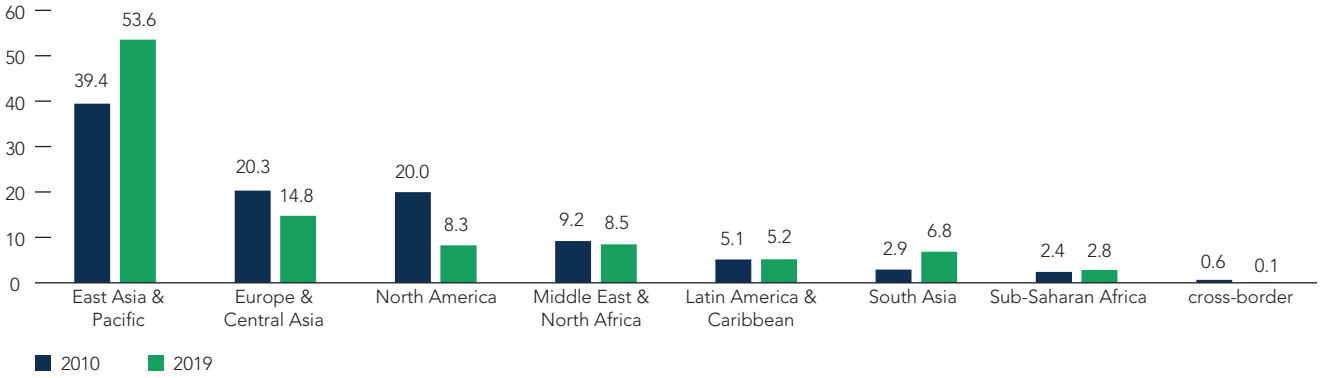
[99] See Annex Tables 1 and 2 for a disaggregated look at Gabon's top-20 merchandise exports and imports.
[100] The Hirschman-Herfindahl Index (HHI) is the sum of the squared export shares by product. Thus: 0<HHI<1. The higher the index the more concentrated exports are.
[101] See Annex Table 1.
[102] See Annex Table 2.

FIGURE 61. Gabon and its peers: export concentration metrics, 2005–2019



Source: Authors' calculations using WITS.

FIGURE 62. Gabon: regional breakdown of merchandise exports, 2010 and 2019



Source: Authors' calculations using WITS and mirror data.

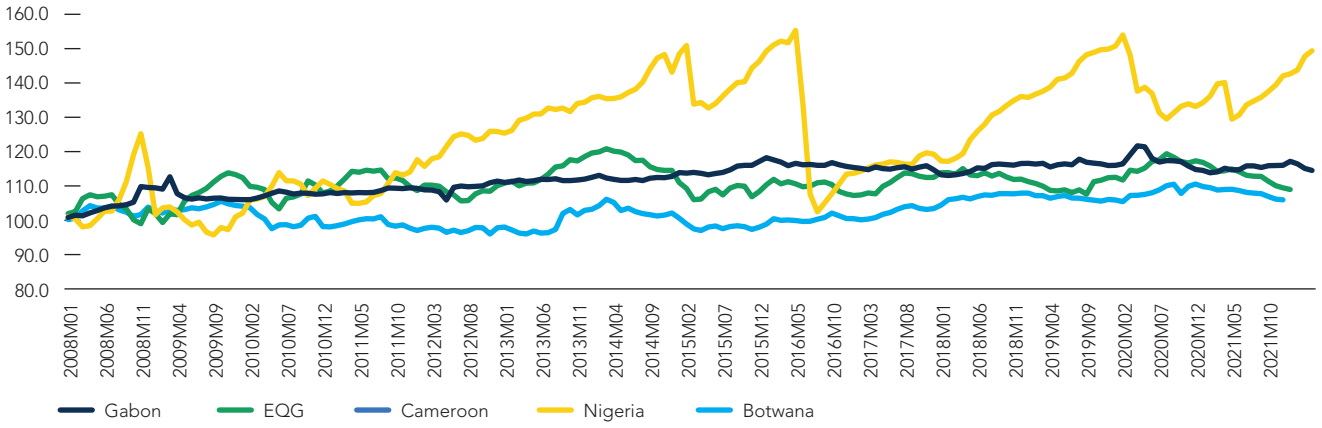
with geographically distant partners whose markets are predominantly served via air and maritime links.

Gabon's limited export diversification does not seem to be a reflection of movement in the real exchange rate. Over the past two decades, Gabon's real effective exchange rate (REER) remained broadly stable and aligned with its medium-term fundamentals, with some periods of undervaluation and others of overvaluation.[103] Notwithstanding, the REER was relatively stable compared to other oil exporters, registering a small and gradual upward trend (especially since 2016), implying only a slight loss of competitiveness. Recorded periods of over or under valuation do not necessarily translate to an impact on export diversification, according to recent literature (Sekkat, 2016; Tran, 2017).

In contrast to the country's export profile, the product composition of Gabonese imports is highly diversified. In 2020, Gabon's top 20 imported products accounted for 31 percent of aggregate imports. The country's import basket spans a wide range of products, including foodstuffs (per Gabon as a net

[103] See IMF Article IV (2012,2015, 2018, 2021).

FIGURE 63. Real effective exchange rate



Source: Darvas and Zsolt 2021.

food importing nation), pharmaceuticals, manufactures, and chemicals.[104] However, the sourcing of Gabonese imports is highly concentrated, with the top 20 markets supplying 89 percent of Gabonese imports at latest count. The bulk of Gabonese imports originate outside of Africa, with only three countries from the continent – DRC, Morocco, and South Africa – ranking among Gabon's top 20 suppliers.[105]

The data reveals the declining contribution of trade to the Gabonese economy. Table 14 situates Gabon's openness to trade relative to regional and continent-wide peers. Expressed as a share of GDP, aggregate trade (exports and imports of goods and services) recorded a 31 percent drop over the past two decades, fueled by proportionate declines in the value of two-way trade in goods and services. The world's 110th leading goods exporter (out of 190 economies) in 2020, accounting for 0.03 percent of world merchandise trade, Gabon ranked as the world's 167th leading exporter of commercial services. With weak longer-term prospects for exporting a highly carbon-intensive mix of products, Gabon needs to determine and assign to trade a central role in diversification efforts by boosting the competitiveness of companies involved in the production and trade of a greener basket of goods and services.

Despite its predominant role in the domestic economy, the services sector contributes virtually nothing to Gabon's export performance, reflecting once more a high level of informality and a services ecosystem comprising mainly micro and small companies with lower export propensity. At latest count, services exports stood at a mere USD 200 million, equivalent to one tenth of aggregate services imports. Much the same can be said of agriculture, where 3 in 10 Gabonese jobs are found, despite Gabon's high level of urbanization (estimated at 85 percent of the country's population), but which only generates 6 percent of the country's merchandise exports.

4.3 Gabonese trade performance: Insights from firm-level analysis

As noted above, Gabonese non-oil exporting firms generally supply a limited range of products to a number of distant market destinations, with most exports clustered in the minerals and wood sectors. Figure 64 shows that, on average, the number of exported products is 3.5. Such a level is lower than that of Gabon's regional peers.[106]

With respect to firm size, larger firms export slightly more products than do micro, small, and medium

[104] See Annex Table 3.
[105] See Annex Table 4.
[106] Using the WB's Exporters Dynamic Database for purposes of comparison.

TABLE 14. Gabon and its peers: trade openness metrics, 2000–2020

	ANGOLA		GABON		GHANA		NIGERIA		SUB-SAHARAN AFRICA	
COUNTRIES/METRICS	2000	2020	2000	2020	2000	2020	2000	2020	2000	2020
Exports of goods and services in GDP (%)	89.7	37.8	**69.0**	**47.7**	48.8	32.2	36.0	8.8	29.4	20.0
Imports of goods and services in GDP (%)	62.9	29.1	**32.7**	**22.7**	67.2	35.8	13.0	16.6	25.1	24.1

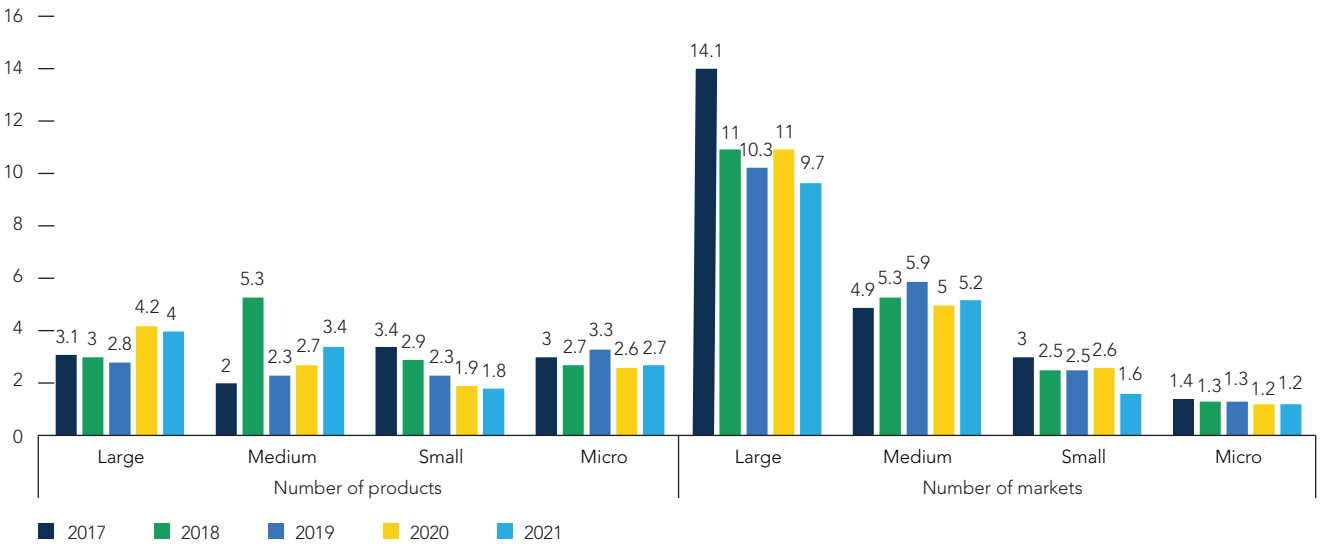
Source: World Bank, WDI.

enterprises (MSMEs), with an average number of exported products ranging between 2.8 and 4.2. However, company size does not seem to be a stronger indicator of product diversification. While such results suggest that even small Gabonese exporters can be relatively well diversified in terms of their export basket, it begs the question why Gabonese companies do not show demonstrably greater product diversification and what support measures are needed to grow the export baskets of companies typically endowed with a higher export potential.

As regards the number of export markets per firm, the performance of large exporters once again dominates that of MSMEs, with the average number of market destinations ranging from 9.7 to 14.1. While Figure 65 shows that the wood and petroleum sectors are dominant among exporting firms, it also showcases the welcome finding that the number of exporting firms increased in all sectors over the 2017–2021 period.

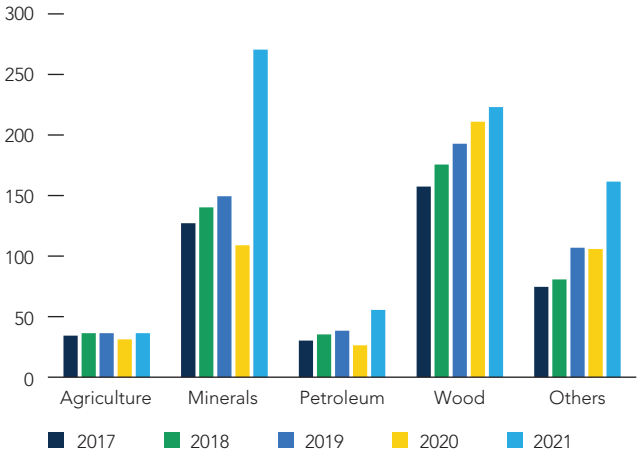
Some 70 percent of Gabonese exporting firms sold products in more than one market over the 2017–2020 period, a trend that declined noticeably to 50 percent in 2021 in the wake of disruptions from the COVID-19 pandemic (Figures 66 and 67). Such trends suggest that, with supportive policies aimed at

FIGURE 64. Gabon: average number of exported products and export markets per non-oil exporting firms, 2017–2021



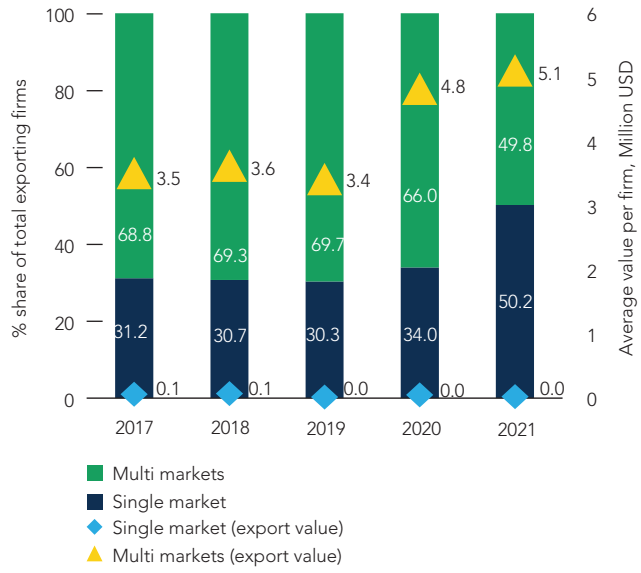
Source: Authors' calculations using customs firm-level transactions data. Note: Some firms export products to more than one sector and are therefore double counted.

FIGURE 65. Gabon: Number of exporting firms by sector, 2017–2021



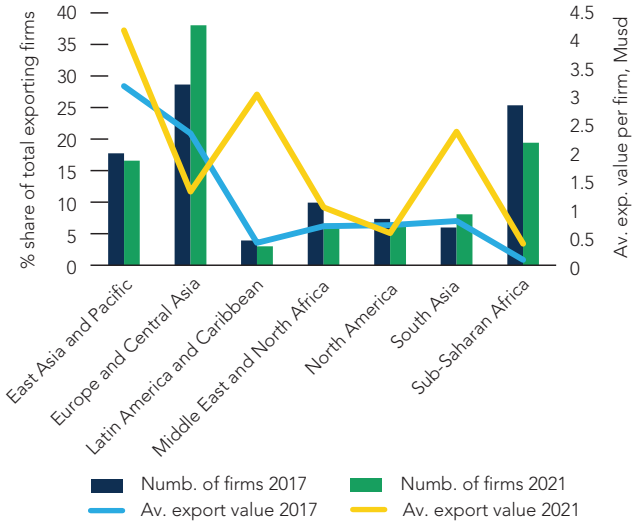
Source: Authors' calculations using customs firm-level transactions data. Note: Firm size is defined by annual export value: Micro <USD 0.1 million; small < USD 1 million; medium < USD 10 million; large > USD 10 million. This data excludes oil companies.

FIGURE 66. Gabon: Performance of non-oil exporting firms by number of market destinations, 2017–2021



Source: Authors' calculations using customs firm-level transactions data. Note: For firms that serve a single market, the average export value ranges from USD 0.02 million to USD 0.07 million. The data excludes oil exporting companies.

FIGURE 67. Gabon: Share of exporters and value of exports by destination markets, 2017–2021



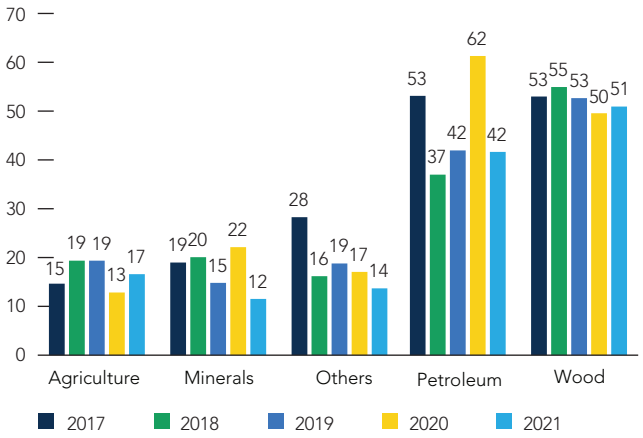
Source: Authors' calculations using customs firm-level transactions data. Note: Some companies export products to more than one market destination and are therefore double counted.

boosting the competitiveness of exporting companies and scaled-up efforts at trade and investment promotion, opportunities exist for Gabonese companies to diversify exports in terms of markets and products.

Firm-level data further indicates that companies exporting to more than one market generate higher export revenues (Figure 67). So do companies exporting to more distant markets, which typically requires stronger managerial skills to comply with diverse import country standards. This should certainly not reduce efforts to harness the growth potential of exports to regional (CEMAC) and continental (AfCFTA) markets; and continuing expansion in global markets, notably Asia and the EU, which absorb a predominant share of Gabonese exports, remains key for sustained export diversification. Figure 68 shows that exporting companies in the wood and petroleum sectors show a greater propensity to serve multiple markets than companies in the agricultural sector.

The capacity of a country or firm to maintain or grow existing trade flows or to enter into new markets, generally depicted as the process of

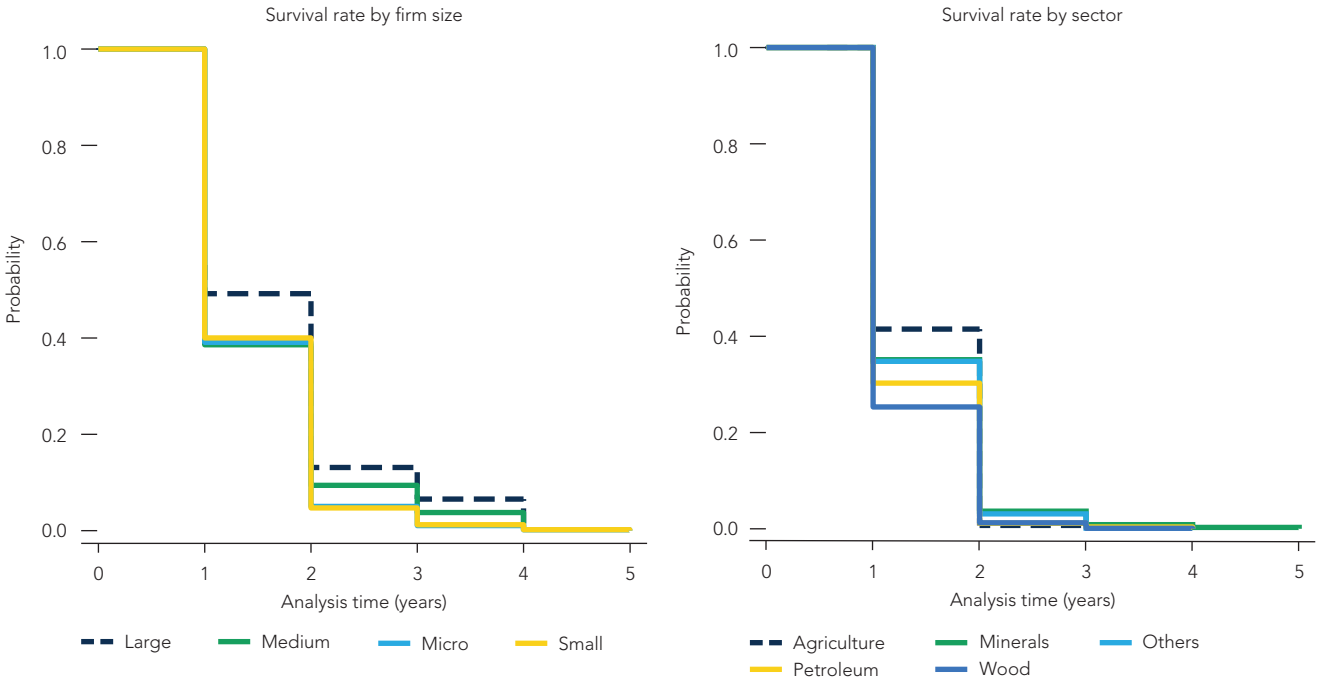
FIGURE 68. Gabon: sectoral breakdown of exporting firms serving multiple markets, 2017–2021



Note: Some firms export products to more than one sector and are therefore double counted.
Source: Authors' calculations using customs firm-level transactions data.

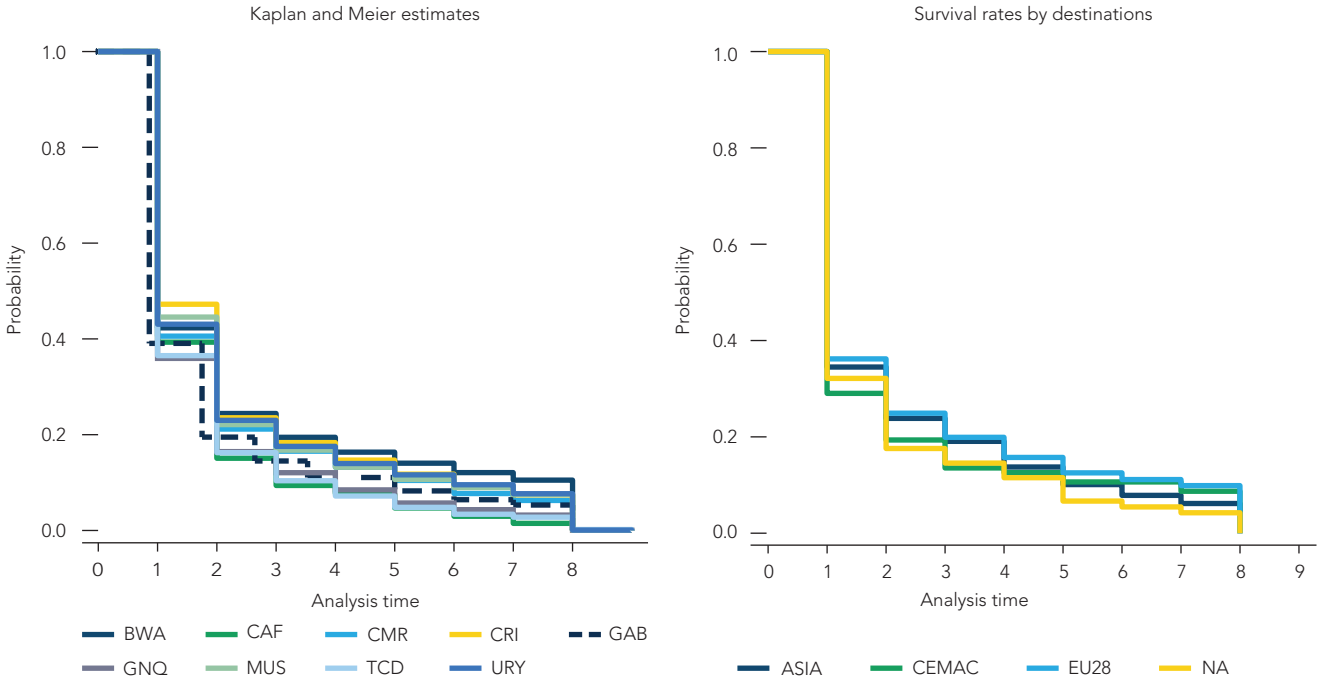
export survival, can represent a significant source of sustained growth. In Gabon, as elsewhere, larger exporting firms exhibit higher survival rates than do MSMEs. Measured by the entry into new markets and duration of export flows, export survival rates correlate strongly with export growth and diversification efforts (Brenton *et al.*, 2010). The survival rate of large exporting firms after the first year of operation is approximately 50 percent, a quarter higher than that of smaller firms (Figure 69). Such a difference is due to the fact that larger firms tend to be more productive, export more products, and serve more markets than their MSME counterparts. However, the probability of larger firms maintaining an export relationship for more than two years stands at 17 percent, only marginally higher than that of other companies (at just under 15 percent). Figure 69 panel B shows that agricultural exporters have the highest survival rate, at just over 40 percent compared to less than 30 percent for companies exporting wood and petroleum products. However, beyond the first year,

FIGURE 69. Gabon: survival rates of exporting firms by size (excluding oil exporting firms)



Note: Firms size by annual export value: Micro <USD 0.1 million; small < USD 1 million; medium < USD 10 million; large > USD 10 million.
Source: Authors' calculations using customs firm-level transactions data.

FIGURE 70. Gabon and its peers: export survival rates using Kaplan and Meier estimates



Note: GAB=Gabon, BWA=Botswana, CAF=Central African Republic, CMR=Cameroon, CRI=Costa Rica, GNQ=Equatorial Guinea, MUS=Mauritius, TCD=Chad, URY=Uruguay, NA=North America, EU28=European Union
Source: Authors' calculations using WITS.

agricultural exporters display the lowest survival rate among leading export sectors.

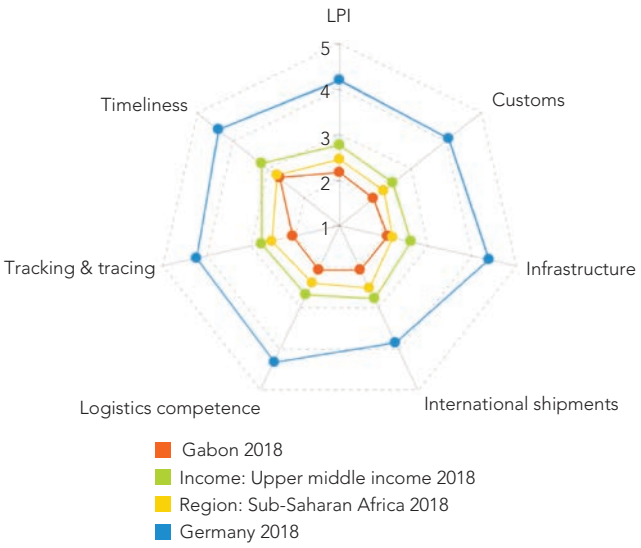
The data reported in Figure 70 suggest that the export survival rate of Gabonese exporters is low compared to regional peers. The probability that Gabon's export relationships survive beyond year one is 38 percent, a figure lower than all comparator countries – other than Chad, Equatorial Guinea, and CAR – with regional export survival rates hovering between 41 and 47 percent (Panel A). The likelihood of Gabonese companies maintaining export relationships for more than two years is less than 20 percent, again a level lower than that observed in regional peers, which ranges between 21 percent and 25 percent. Moreover, Gabonese exporters stand a better chance of surviving in the markets of the EU, Asia, and North America, where trade networks are already established, than in the neighboring CEMAC region despite the deep trade and monetary ties promoted by this economic union among its members (Panel B).

4.4 Key constraints to trade integration

Gabon suffers from poor logistics and trade infrastructure, both of which hamper the country's export potential by inflating trade costs. In 2018, the last year for which data under the World Bank's Logistics Performance Index (LPI) are available, Gabon ranked 150th out of 163 countries. In terms of international shipping, Gabon ranked poorly relative to its peers. Even though CAR is a landlocked country facing punitive trade costs, Gabon ranked poorly in comparison, even in terms of international shipments.

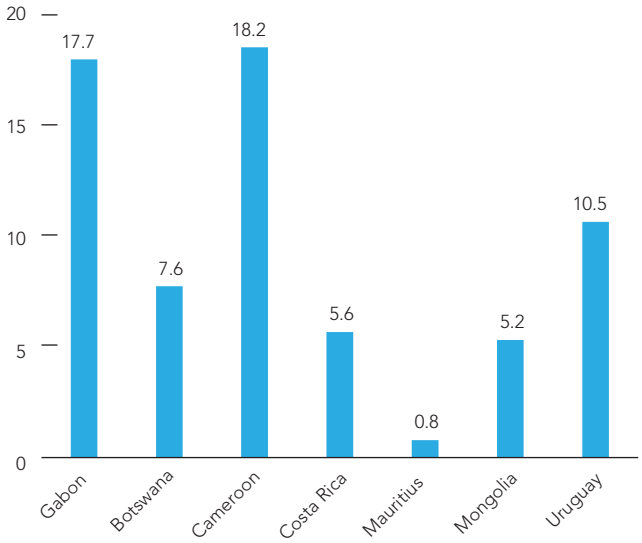
Gabon's weak trade infrastructure and logistics performance is problematic given that the country's exports are chiefly directed to more distant markets, which require advanced logistics and efficient air and maritime transport connectivity levels. Accordingly, shocks affecting the country's logistics infrastructure or the imposition of travel bans, as in the wake of the COVID-19 pandemic, can produce marked

FIGURE 71. Gabon and its peers: Logistics Performance Index, 2018



Source: WB, LPI.

FIGURE 72. Gabon and its Peers: Tariff Profile (simple averages)



Source: Authors' calculations using WITS, WTO-IDB.

swings in export activity. Figure 72, which situates Gabon's LPI performance relative to regional and income level peers as well as the world's top performer (Germany), points to a number of weaknesses in the country's overall logistics environment, particularly as regards logistics competence, international shipments, customs, and tracking and tracing metrics.[107] While roads represent Gabon's most important transport mode, their poor condition hinders competitiveness and prospects for industrial development. Meanwhile, the poor quality of Gabon's port infrastructure hinders the country's international competitiveness.

Inefficient transport and energy infrastructure harms competitiveness of the afforestation and wood product manufacturing sectors. Gabon has a single railway linking Libreville to Franceville – for both passengers and goods transportation – which leads to overcapacity and frequent train derailment. An upgrade program was launched in 2017 to repair the 35 defects identified in the rail infrastructure, but it needs to be accelerated.[108] This connection is essential, since Franceville constitutes a multimodal terminal which links Libreville's port to neighboring countries.[109] In addition, Gabon plans to create an SEZ including wood activities in Franceville[110] and to develop 300,000 ha of plantations of fast-growing wood species in the east and west of Franceville. Maritime ports also suffer from frequent saturation and inaccessibility, leading to production downtime. Moreover, they are poorly connected with each other and with other ports in the Congo Basin, which leads to high maritime costs. Regarding energy, most wood processing facilities located close to logging sites lack access to distributed electricity and rely on generators. This results in high energy costs for these companies.

Gabon's high tariffs further impede its quest for export diversification and greater insertion into continental and global value chains. As a member

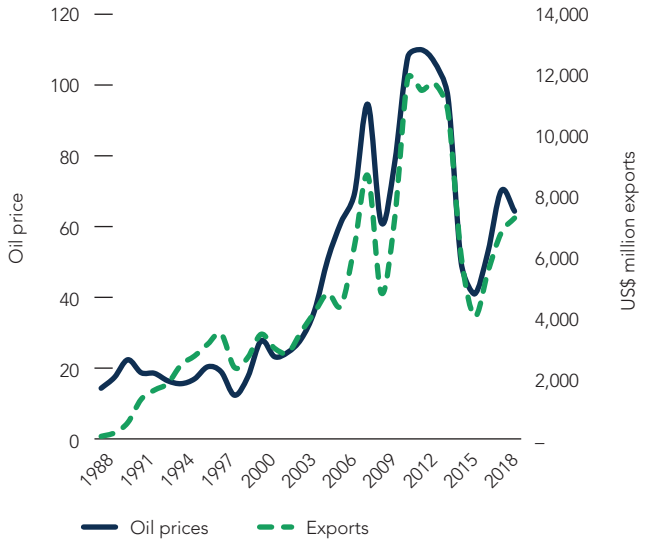
[107] Gabon's logistics weaknesses were confirmed by the WEF, which ranked it 108th out of 138 countries in the 2017 edition of its Global Competitiveness Index (GCI). The WEF ranked the quality of Gabon's trade infrastructure and roads 119th and 121st, respectively, out of 138 economies, whereas the country's port infrastructure ranked 101st. See http://reports.weforum.org/africa-competitiveness-report-2017/files/2017/05/Gabon.pdf.

[108] Le Nouveau Gabon. 2020. "Transgabonais : 35 défauts identifiés dont 33 présentent des risques de déraillement". Available from: Link [Accessed 06/04/2022].

[109] *Gabon Review*. 2021. "Franceville : L'Oprag veut recadrer les activités du port sec". Available from: Link [Accessed 25/04/2022].

[110] Trust Gabon. 2020. "GSEZ : Lambaréné et Franceville choisies pour accueillir deux nouvelles zones économiques spéciales". Available from: Link [Accessed 25/04/2022]

FIGURE 73. Gabon: export revenues and world oil price



Source: Authors' calculations using WITS exports mirror data and statista.com.

of the CEMAC customs union – a regional pact with whom Gabon maintains marginal trade ties, Gabon applies CEMAC's common external tariff (CET) on imports from outside CEMAC. These are subject to four different tariff rates: (i) 5 percent on products of first necessity; (ii) 10 percent on raw materials and equipment; (iii) 20 percent on intermediate goods; and (iv) 30 percent on consumer goods. Such a tariff structure appears more attuned to an import substitution model of industrial development than one predicated on value chain insertion. CEMAC's CET stands at 18.1 percent (simple average), little changed since 2006. By comparison, the simple average CET of ECOWAS, the Southern Common Market (MERCOSUR), and the Southern African Customs Union is 12.3 percent, 14.0 percent, and 8.3 percent, respectively. As Figure 73 shows, the average tariff for Gabon was 17.7 percent in 2019, a higher level than that of all comparator countries other than Cameroon. Gabon maintained the second highest tariffs in the world in 2018, a policy stance it will need to revisit (in a CEMAC context) in deepening its commitment to a diversification agenda and the concomitant rise in FDI inflows that would allow greater levels of GVC insertion.[111]

[111] https://www.worldfinance.com/strategy/top-5-countries-with-the-highest-trade-tariffs.

4.5 Gabon's diversification imperative

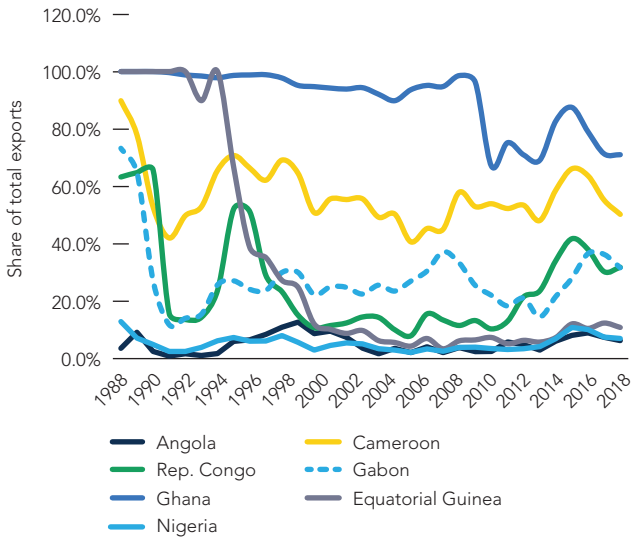
Gabon's Economic Complexity Index, which measures the accumulation and use of productivity knowledge in industries of varying complexity, offers a telling sense of the diversification challenge confronting the country's policy makers. The country ranked 138th out of the 146 economies surveyed by the Observatory of Economic Complexity (OEC) in 2020, a ranking that has changed little since 2010 when the country ranked 137th out of 139 economies subject to OEC rankings.[112] Harvard University's Atlas of Economic Complexity paints much the same picture, ranking Gabon 126th out of 133 countries in its 2019 sample.

Countries like Gabon, with above average levels of export concentration on a handful of primary commodities, tend to specialize in only a few products. Few such countries manage to achieve and sustain trade-driven growth and poverty alleviation. Countries with high commodity dependence struggle to increase their export growth because performance is driven by the prices of their primary export commodities, and these are set on international markets beyond the control of domestic policy makers. As a result, commodity-exporting countries are highly vulnerable to commodity price fluctuations and face significant macroeconomic challenges as they struggle to grow their economies in volatile environments. As Figure 73 shows, Gabon is no exception, with an almost perfect correlation between its export performance and world oil prices.

While Gabon is less dependent on oil exports than some of its regional oil-exporting peers, its most important non-oil exports – ores and wood products – remain heavily tied to commodity trade dynamics and their associated price volatility. Figure 74 draws attention both to the greater diversity of Gabon's non-oil exports relative to its regional peers (other than Ghana and Cameroon) and to the volatility of the country's non-oil export receipts over the past two decades.

[112] See https://oec.world/en/rankings/eci/hs6/hs96

FIGURE 74. share of non-oil exports in total merchandise exports, 1988–2019



Source: Authors' calculations using WITS exports mirror data.

Receipts peaked in 2008 and 2017 at about 38 percent of the country's total export basket before falling to 31.7 percent at year-end 2019.

Together with the carbon-intensive nature of its leading merchandise exports, Gabon's dependency on natural resources points to the urgent need to diversify and lessen the carbon footprint of the country's export basket. The prime benefit of export diversification, whether in terms of a country's basket of products or market destinations, lies in its ability to cushion the risks of external shocks and to harness productivity premia typically associated with exporting activity. Export diversification is associated with lower output volatility and faster sectoral reallocation of resources. Empirical evidence also shows that improvements in the quality of exported products strongly correlate with productivity growth (IMF 2014). Moreover, productivity gains from export diversification are widely believed to arise from learning-by-doing processes, technology transfers, and the need to comply with product standards under more contestable market conditions (Box 12).

It is essential that efforts to boost diversification through greater value added be sustained to lessen Gabon's economic vulnerability, including in the extractive and natural resources sectors in which Gabon already specializes, and in the growth of new and greener export sources. Gabon is faced with declining oil reserves and the increasingly pressing need to decarbonize its economy as the country's trading partners implement their climate commitments under the Paris Agreement and trade measures sensitive to the carbon footprint of imported products (so-called carbon border adjustment measures). Therefore, the government needs to accelerate the pace at which it implements the PSGE 2025 program and Gabon's complementary strategic plans – the Green Plan, Digital Plan, and the Plan to Support Diversification of the Gabonese Economy (PADEG).

The greater integration of Gabonese companies into SSA markets and regional value chains holds important implications for their diversification and survival prospects. Diversifying Gabon's export basket and the number of markets for its exports is key to strengthening the resilience of Gabonese companies.[113] Boosting regional trade ties and growing trade volumes with Gabon's neighbors – within CEMAC and with trading partners across the African continent through AfCFTA, where trade flows remain negligible – needs far greater policy attention. Indeed, as the section below suggests, without export diversification, Gabon's membership of AfCFTA will be a missed opportunity devoid of significant development gains.

Stepping up engagement in key negotiating fora

In pursuing its strategic goals for services, Gabon needs to show greater engagement in various trade negotiating fora and a readiness to address the high level of policy restrictiveness of its regulatory regime for services. As regards the first

[113] Regolo (2013) has shown that exports between countries with similar characteristics (i.e., South-South, and North-North) tend to be more diversified than exports between trading partners with marked differences in characteristics (i.e. ,South-North, and North-South).

BOX 12. Policy measures to sustain trade diversification

Recent research devoted to the determinants of successful export diversification in developing countries identified several key factors that can explain the variations observed in export diversification across countries and over time (Giri et al. 2019). The analysis suggests that, to diversify, policy makers should (i) prioritize human capital accumulation, and (ii) reduce tariff and non-tariff barriers to trade with a view to lowering transaction costs and promoting greater market contestability. Other key policy interventions include improvements in the quality of institutions and in financial sector depth. For commodity exporters like Gabon, reducing barriers to trade in sectors other than oil ranks among the most important drivers of diversification, followed by improvements to educational outcomes at the secondary level and increased financial sector inclusion.

Creating an enabling framework for public investment and policy reforms that can promote export diversification is no easy task. This is especially true for small economies like Gabon, where diversification is limited by the size of the domestic market and the limits of the country's productive capacity. Although there is no single blueprint for economic diversification, several trade and competitiveness policies should be considered as anchoring elements of a diversification strategy. These include: (i) an appropriate incentive framework; (ii) policy reforms aimed at improving the investment climate and attracting sustainable FDI; (iii) social and educational/training policy measures for the labor market, to support adjustment and the reallocation of resources to new activities and sectors; and (iv) government interventions that target specific market, policy, and institutional failures. Such horizontal policies are increasingly seen as critical for export diversification. Salinas *et al.* (2021) find that horizontal policies (mainly governance, education, infrastructure, and trade openness) are associated with the emergence and/or growth of sophisticated (non-hydrocarbon minerals) manufacturing and more complex exports and, to a lesser extent, to increased services exports.

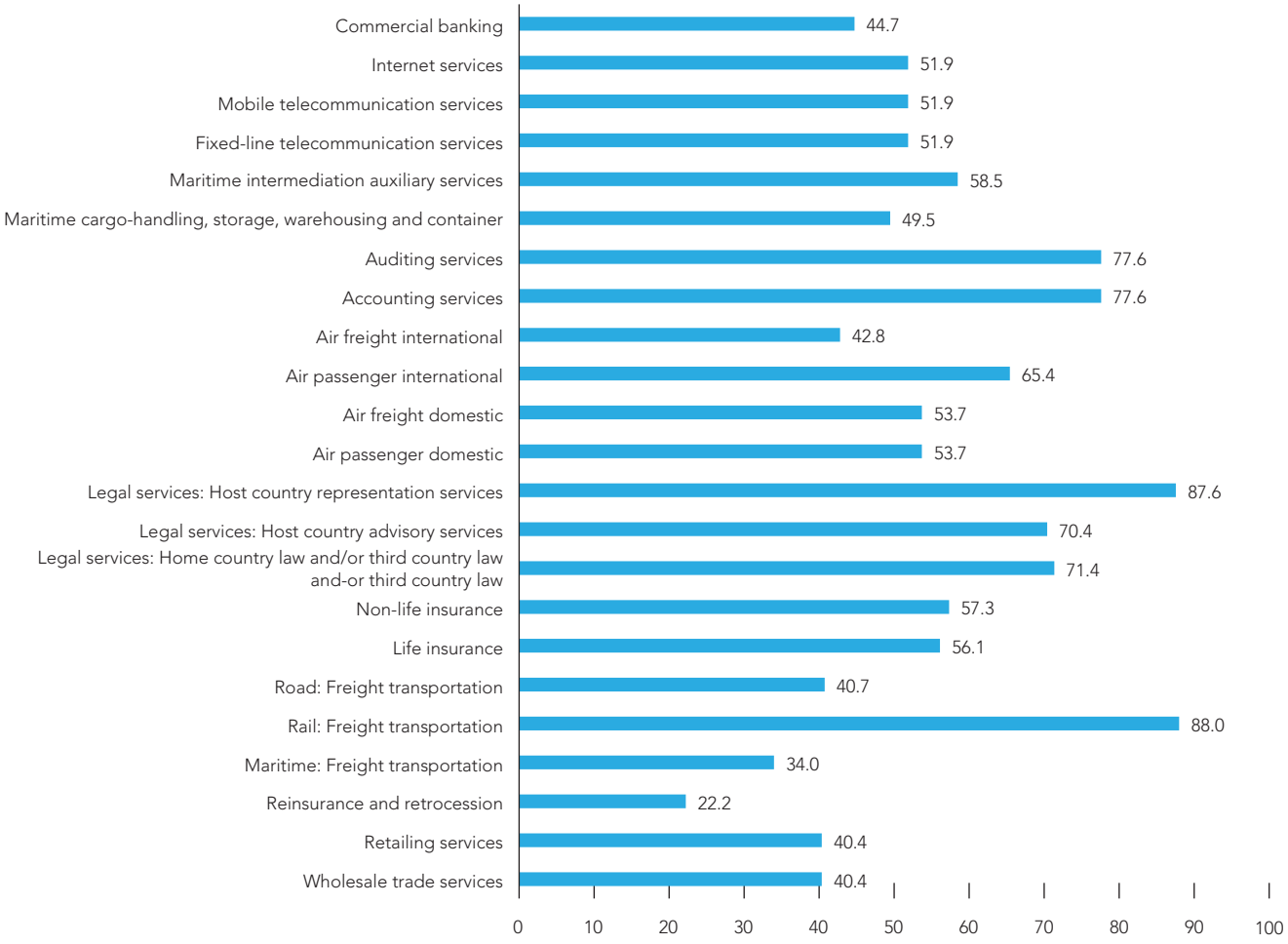
challenge, Gabon must leverage the market and technical assistance opportunities on offer in the AfCFTA and WTO contexts to boost the quality of its regulatory frameworks and the competitiveness of its offer of services in its immediate periphery. Gabon also needs to rethink the cautious stance it has exhibited by not participating in recently completed multilateral negotiations at the WTO on domestic regulation for services, which aim to improve overall governance in the sector by tackling a host of potentially growth-impeding regulatory practices. The country's decision to remain on the sideline in ongoing WTO Joint Statement Initiative discussions on e-commerce also sits uneasily with Gabon's aim to accelerate the pace of digitalization and empower a private sector response in the sector. Much the same holds true of ongoing WTO talks on trade and environmental sustainability, the aims of which are well aligned to Gabon's quest for more sustainable production and trade patterns. In leveraging the economy-wide and trade benefits flowing from more contestable services markets, Gabon must revisit what are often punitively high levels of policy restrictiveness across the broad spectrum of its service economy. As can be seen from Figure 75, Gabon's trade policy stance on services is trade restrictive in all sectors other than reinsurance.[114]

4.6 Diversifying through deeper regional ties

African countries have long identified regional trade integration as a key driver of economic development. This has led, most recently, to the conclusion of a continent-wide push for deeper integration through AfCFTA, signed in March 2018 in Kigali, Rwanda, and entered into force in May 2019, with Gabon as a founding member.[115] Gabon is also a member of CEMAC, a customs and monetary union formed in 1999 linking it to five other countries in Central Africa. Gabon is also a founding member of the WTO since its creation in

[114] On a scale from 0 (fully open) to 100 (fully closed), an STRI exceeding 25 is deemed restrictive, while measures above 50 reflect severe restrictions on entry and operation. See Annex Tables 5 to 10 on Gabon's STRI across sectors relative to regional peers Angola (AGO), Ghana (GHA) and Nigeria (NGA).
[115] Negotiations on some aspects of AfCFTA had not concluded at the time of this report. Trading under AfCFTA was due to start on July 1, 2020, but as a result of the COVID-19 pandemic was postponed to January 2021.

FIGURE 75. Gabon: Services Trade Restrictiveness Index (STRI) metrics by sector (all modes), 2021



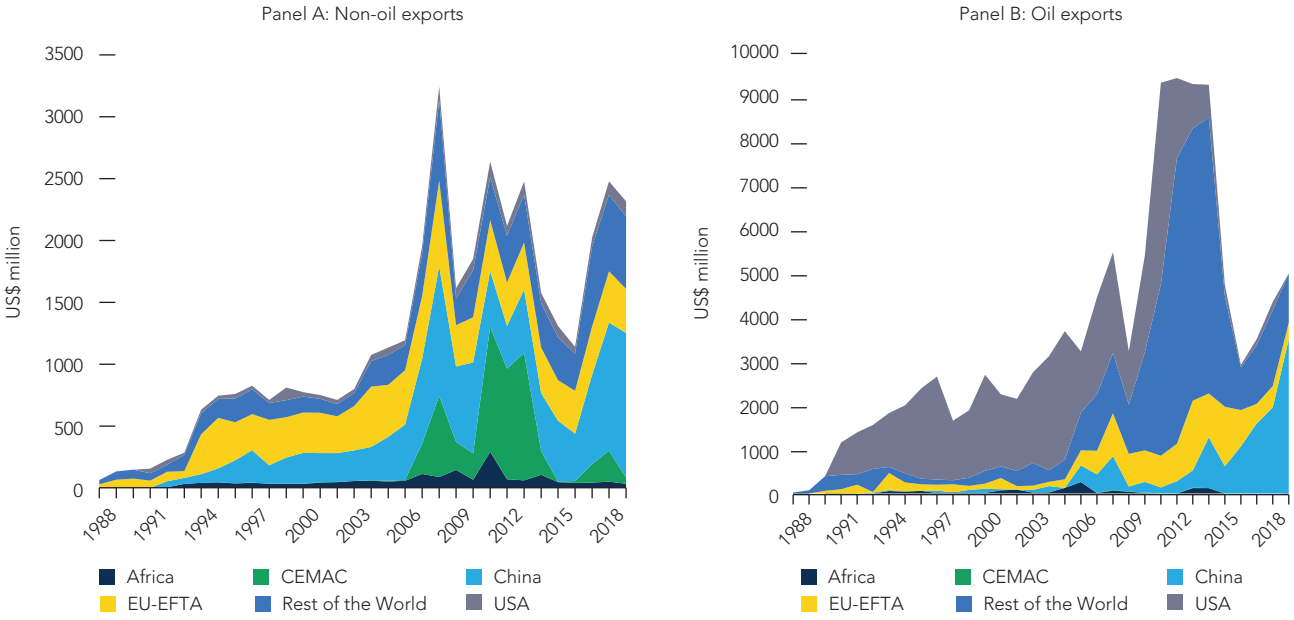
Source: WB and WTO STRI database.

1995. The country is not a party to other preferential trade agreements but has entered into bilateral investment treaties with several countries.

Gabon's trade at the regional level has been chiefly driven by non-oil exports, while global exports largely consist of petroleum products. At the regional level, non-oil exports to CEMAC partners grew between 2006 and 2014 but subsequently declined markedly. Meanwhile, oil and non-oil exports to other African countries are practically non-existent (Figure 76 Panel A). While exports of oil go to a wide range of global destinations, several important shifts in the geographical destination of Gabonese oil exports occurred over the past two decades (Figure 76, Panel B). In particular, oil exports to the US and the rest of the world registered a sharp decline after 2015, whereas oil exports to China have increased noticeably in recent years.

Other than exports to the Republic of Congo, there is little evidence of current trade ties between Gabon and other CEMAC countries. More worrisome is the virtual absence of Gabonese trade links with the rest of the continent other than sporadic exports of oil to Algeria, Angola, Morocco, and South Africa. Figure 77 traces the extreme volatility and sharply downward trend of Gabonese exports to the Republic of Congo and the declining share of exports destined to the African continent over the past decade. As the

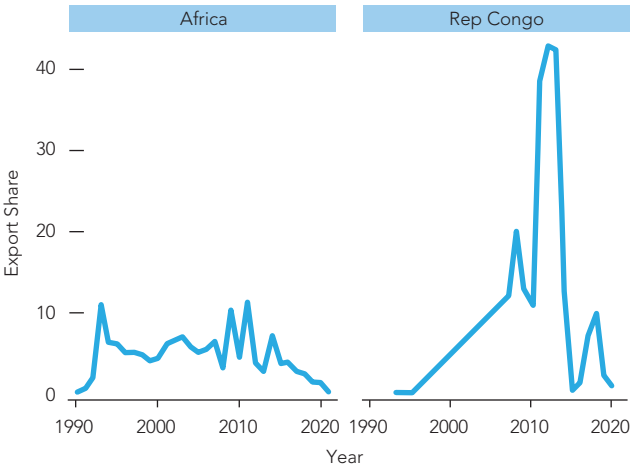
FIGURE 76. Gabon: oil and non-oil exports by destination, 1988–2019



Source: Author's calculations using WITS.

section below makes clear, without significant diversification of Gabon's product mix and export basket and a clear road map on how closer regional ties can serve the country's diversification aims, Gabon's CEMAC and AfCFTA membership may yield only tepid development dividends.

FIGURE 77. Gabon: Share of total exports to Africa and the Republic of Congo, 1990–2019



Source: Authors' calculations using WITS.

Assessing the potential impacts of AfCFTA on the Gabonese economy

Static impacts

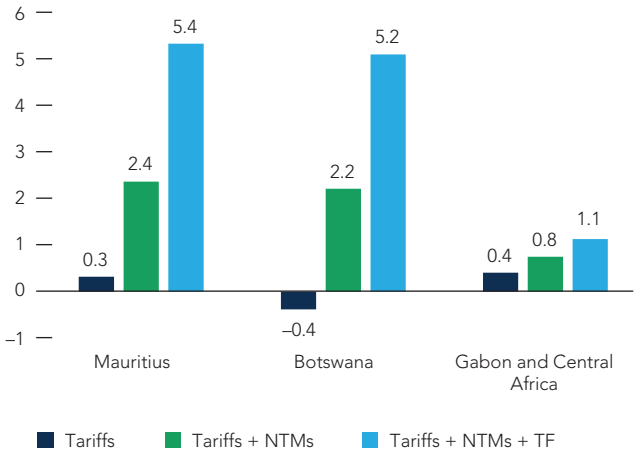
The African Continental Free Trade Area (AfCFTA) represents a potentially important means of stimulating and diversifying Gabon's trade, thereby contributing to the country's industrialization, accelerated economic growth, creation of new jobs, and poverty reduction. AfCFTA can offer Gabonese producers unfettered preferential access to a continent-wide market, reducing barriers to trade and investment and boosting competition, while also promoting adoption of a host of governance-enhancing measures. AfCFTA membership can also raise the investment attractiveness of Gabon and attract anchor foreign investors who can help Gabonese suppliers enter regional value chains. AfCFTA can significantly increase the size of the market that foreign investors can access by locating in Gabon and facilitate access to inputs from across the African region.

This section runs various scenarios to better understand the long-term quantitative impacts of AfCFTA on Gabon's economy, distinguishing static effects from the dynamic effects associated with a deepening

of policy areas, subject to negotiated commitments. The respective scenarios were assessed using an Environmental Impact and Sustainability Applied General Equilibrium (ENVISAGE) Computable General Equilibrium (CGE) model[116] (Annex VIII). Due to data limitations, Gabon is aggregated together with other Central Africa countries.[117] Four main scenarios are explored. The baseline, which contrasts with all three other scenarios, represents the business-as-usual policies prior to the implementation of AfCFTA. In the other three scenarios, all AfCFTA partner countries progressively implement additional parts of the AfCFTA agreement:

- **In the tariff-cutting scenario**, tariffs on intra-continental trade are progressively reduced in line with AfCFTA modalities. Starting in 2020, tariffs on 90 percent of tariff lines are gradually eliminated (over a 5-year period for non-LDCs and 10 years for LDCs). Starting in 2025, tariffs on an additional 7 percent of tariff lines are gradually eliminated (over a 5-year period for non-LDCs and 8 years for LDCs). Up to 3 percent of tariff lines, accounting for no more than 10 percent of intraAfrican imports, can be excluded from liberalization by the end of 2030 for non-LDCs and until 2033 for LDCs.
- **In the scenario addressing non-tariff measures (NTMs)**, NTMs on both goods and services are reduced on a most favored nation treatment basis. It is assumed that 50 percent of NTMs can be addressed by policy changes within the context of AfCFTA. It is also assumed that there will be additional reductions on NTMs on exports.
- **In the trade facilitation (TF) scenario**, AfCFTA will also be accompanied by measures to facilitate trade with commitments closely aligned to the WTO's Trade Facilitation Agreement. Estimates of the size of these trade barriers are borrowed from the existing literature (de Melo and Sorgho 2019). Reduction in trade costs flowing from the adoption of trade facilitation measures ranges between 2 and 10 percent over the 2020–2035 period.

FIGURE 78. Static impacts of AfCFTA on real income by region, percentage change in 2035 relative to baseline



Source: WB staff calculations from ENVISAGE simulations

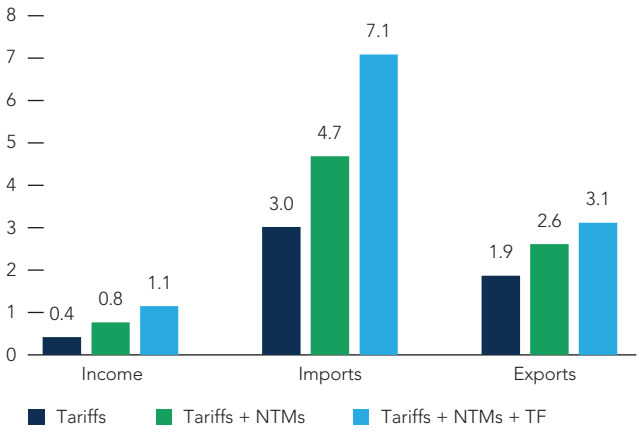
The simulation results suggest that implementing AfCFTA will increase Gabon's aggregate real income, output, and trade by 2035, but only modestly. When tariff-, NTM-, and TF-related reforms are all implemented, Gabon sees a 1.1 percent rise in income by 2035 relative to the baseline (Figure 78). Gabon's real income gain is much smaller than that registered by other AfCFTA signatories with comparable income levels, such as Mauritius or Botswana.[118] The income gain is equally distributed between the three parts of AfCFTA, with each contributing about one third of aggregate gains (Figure 79). Gabon's real income gain does not come primarily from an increase in output, which only grows by 0.05 percent (Figure 94 in annex VIII), but rather by a 7.1 percent increase in the country's imports relative to the baseline, concentrated in light manufacturing, processed foods, textiles, and chemicals (Figure 95 in annex VIII).

[116] CGE models offer useful insights into the static gains accruing from reallocating resources across sectors but sometimes struggle with more dynamic gains from trade. The ENVISAGE model used to carry out the AfCFTA simulations in this section capture what is arguably the most important dynamic force at play: changes in capital stocks, including from increased FDI.

[117] The XCF region of the GTAP database contains the following countries: CAR; Chad; Congo, Rep.; Equatorial Guinea; Gabon; and São Tomé and Príncipe. See https://www.gtap.agecon.purdue.edu/databases/regions.aspx?Version=10.131.

[118] In 2020 Gabon's GDP per capita was USD 6,882; Mauritius, USD 8,628; and Botswana, USD 6,405. See https://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

FIGURE 79. Static impacts of AfCFTA on aggregate macro indicators, percentage change in 2035 relative to baseline



The modest static gains accruing from AfCFTA are due to the undiversified nature of the Gabonese economy and its heavy concentration on fossil fuel exports. While AfCFTA does liberalize trade in fossil fuels, the baseline tariff, NTM, and TF barriers affecting the sector are already quite small. This implies that the fossil fuel sector's gains can only come from access to cheaper imported inputs. As a result, not only are gains from AfCFTA small relative to those of other countries without tangible export diversification, but AfCFTA also may heighten Gabon's dependence on fossil fuel exports which, as Figure 79 shows, account for more than half of the 3.1 percent gains in 2035 export volumes induced by the continental pact.

Dynamic (FDI-induced) impacts

A forthcoming World Bank report provides additional analysis of the impacts of AfCFTA, with a focus on the dynamic impacts of the continental pact induced by a rise in FDI inflows.[5] As with the above simulations, the latest report assesses four scenarios: (i) a baseline (business as usual) scenario, (ii) a Tariff + NTM +TF scenario, (iii) a broad AfCFTA scenario, and (iv) a deep AfCFTA scenario. The baseline and Tariff + NTM + TF scenarios are very similar to those discussed above but introduce slight methodological differences and updates. The AfCFTA FDI broad scenario builds on the Tariff + NTM + TF scenario but considers changes in net FDI inflows induced by AfCFTA. For its part, the AfCFTA FDI deep scenario includes all the impacts of the broad scenario while also assessing additional trade cost reductions brought about by commitments across a broader range of behind-the-border measures such as competition policy, services, and regulatory cooperation.

As in the case of the static analysis described above, without significant diversification of the country's export basket, Gabon registers negligible gains from AfCFTA-induced increases in FDI inflows. Such results highlight the urgency of enhancing Gabon's investment climate and redoubling efforts at attracting greater volumes of FDI in non-oil sectors of its economy. Gabon and the rest of Central Africa see approximately the same benefits from AfCFTA on income, imports, and exports under both the tariff + NTM + TF scenario and the broad AfCFTA scenario (which also includes FDI inflows). These modest gains once again are in contrast to results for other AfCFTA signatories (Figure 80).

Gabon stands to derive greater gains from a deep AfCFTA, with real income gains doubling from 1.3 percent under the Tariff + NTM + TF and the broad scenario to 2.6 percent under the deep scenario (Figure 25). Such results are chiefly driven by greater access to imported goods (including intermediate goods), as the increase in imports also doubles (from 8.7 percent to 15.6 percent),

FIGURE 80. Dynamic impacts of AfCFTA on real income by region, % change in 2035 relative to baseline

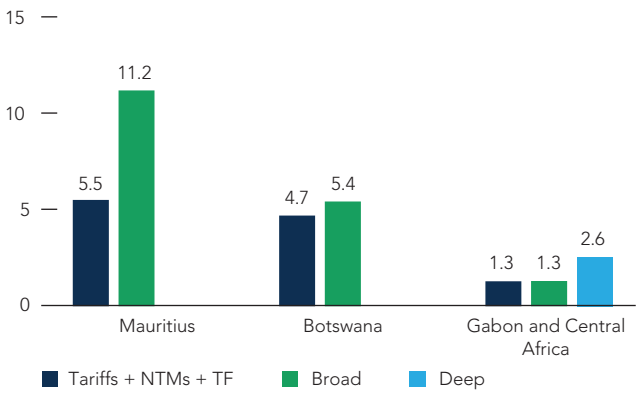
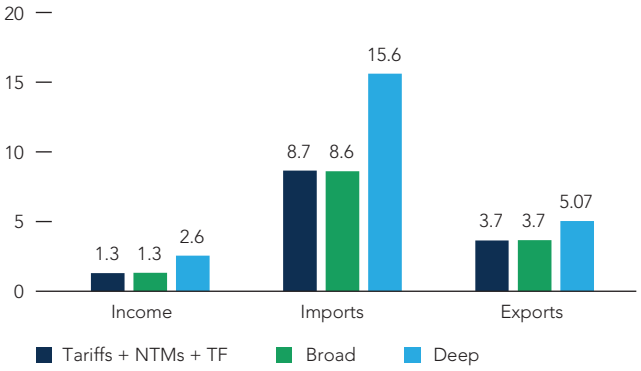


FIGURE 81. Dynamic impacts of AfCFTA on aggregate macro indicators, % change in 2035 relative to baseline



Notes: Impacts are not available for the deep scenario for Mauritius and Botswana.
Source: WB staff calculations from ENVISAGE simulations.

led by an increase in imports of processed foods. The export impact also increases, though not as much (from 3.7 percent to 5.0 percent) (Figure 81).

Overall, the sectoral composition of changes in output, imports, and exports is broadly similar under both the static and dynamic scenarios (Figure 92, Annex 8). Fossil fuels drive gains in output and exports while the rise in imports chiefly concerns light manufacturing goods. The only notable difference between the broad and deep scenarios is that the import increase in the deep scenario is driven by processed foods.[119]

The simulation results highlight the urgency of Gabon's diversification agenda and the need both to accelerate the implementation of the PSGE and to devise a strategic roadmap on how best to harness AfCFTA for purposes of trade diversification, FDI attraction, and GVC insertion in non-oil activities. While the risks associated with Gabon's undue reliance on the oil sector have long been acknowledged in Gabonese policy-making circles, progress in implementing needed reforms has been slow and, most recently, impeded by the COVID-19 pandemic.[120] The spike in oil prices induced by the war in Ukraine cannot be a reason for complacency, as pressures to diversify and decarbonize Gabonese output and trade remain compelling. The government can usefully direct the windfall gain from the current turmoil in energy markets toward a necessary green transition by removing investment and trade distortions and supporting private sector efforts to create opportunities in new sectors.

4.7 Addressing the trade and climate change nexus

Over the past few decades, climate change has emerged as a global concern exerting profound effects on countries at all development levels. While many developing countries, especially in Africa, are lower emitters of greenhouse gases, they rank among those likely to experience the strongest adverse effects of global warming and climate change through severe heat waves, floods, and droughts. Such vulnerability is compounded by the fact that many developing countries are heavily reliant on rain-fed agriculture and show above-average dependence on primary commodity exports as a means of sustaining their economies. Box 13 highlights how unfolding global climate dynamics are prompting a shift toward lower carbon intensive value chains.

Trade plays a key role in climate change. It does so both as an exacerbating factor and as an important means to combat climate and environmental degradation. Trade affects climate change through an increase in economic activity and concomitant rise in energy use and greenhouse gas emissions. However, trade also forms a key part of the solution to climate change by enhancing access to environmentally friendly technologies, goods, and services, all of which are key to promoting trade in green products and lessening the carbon footprint of production. This is especially important for developing countries, including

[119] As regards the distributional impacts associated to dynamic AfCFTA scenarios, the pursuit of deeper levels of integration increases wages in Gabon and the rest of Central Africa by 6 percent. This increase is driven by an 11 percent rise in the wages of unskilled female workers and a 9 percent gain in skilled female wages. Unskilled male wages increase by 1 percent, while the wages of skilled male workers rise by 6 percent, confirming the wage premia typically associated with FDI inflows.

[120] See Aki 2018.

BOX 13. Trade climate change and developing countries: promoting a transition to lower carbon-intensive value chains

Climate change is already affecting the trade of LMICs and could have a far greater impact on GVCs than recent shocks to global trade. The increasing prevalence and greater violence of extreme weather events as well as rising temperatures and changing precipitation are altering traditional comparative advantages. LMICs continue to be the most affected by climate change and are also the least able to afford its consequences. Fighting climate change and its consequences is an imperative for spurring development and fighting poverty. More extreme weather events are creating greater uncertainty and the need for greater trade resilience in LMICs. Moreover, the longer-term adaptation to the changing climate and the shift to a lower-carbon growth trajectory will be key challenges for countries with the fewest resources and weakest capacity to adjust to a changing climate.

Exporters in LMICs will also be affected by emerging policy responses to climate change. Measures to achieve Nationally Determined Commitments (NDCs) under the Paris Agreement, including carbon border adjustment mechanisms (CBAMs), will prompt a shift in demand away from fossil fuels and carbon-intensive products in major markets. Under the EU Green Deal, for example, imports of coal could be reduced by almost two-thirds. Most heavily affected will be fossil fuel exporters and countries that are heavily involved in carbon-intensive GVCs, such as chemicals. Hence, the prevalence of policies to support climate mitigation objectives, including through CBAMs, will increase the importance of export and output diversification in countries highly reliant on exports of fossil fuels and carbon-intensive manufactures.

The shift away from carbon-intensive GVCs will entail new opportunities in GVCs that are less carbon intensive. As trade in carbon-intensive manufactures declines, suppliers in GVC-intensive sectors, such as electronics, motor vehicles and parts, and other light manufacturing, will see higher demand for their goods, resulting in even stronger GVC linkages across countries. As a result, key exporters of these products, such as China, Malaysia, and Vietnam, can strengthen their integration into GVCs following carbon border adjustment measures. Thus, climate mitigation policies not only will lead to the decarbonization of the economy, but also will stimulate higher integration into the GVCs of low carbon-intensive commodities. Countries that are already heavily involved in these GVCs or have the potential to participate in them will see new opportunities for trade.

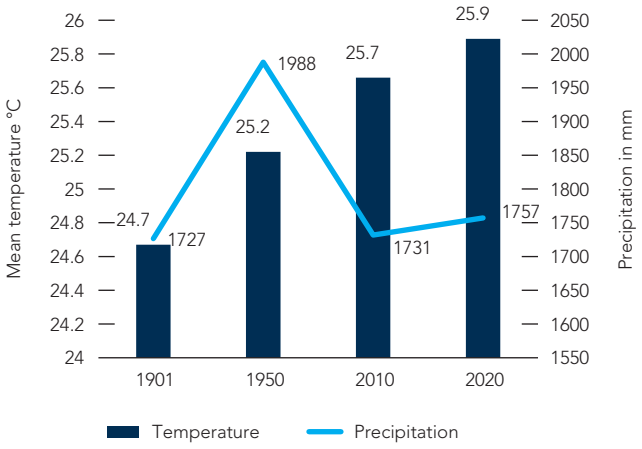
Source: Brenton, Ferrantino, and Maliszewska (2022).

Gabon, which often lack the technological capabilities required to produce environmentally friendly products.

Trade also provides countries with access to larger markets, affording them greater scale to diversify their exports and develop new products, services, and technologies, including those best able to mitigate the adverse effects of changing climates. Greater market access opportunities facilitate the transition from sectors generating high greenhouse gas emissions and large energy consumption to less carbon- or energy-intense sectors. Additionally, trade contributes to economic growth and, consequently, to gains in per capita income levels. Experience shows how gains in per capita income translate into vocal political demands for improved environmental governance and environmentally friendlier production and consumption baskets.

Gabon faces a triple challenge. Gabon's weakly diversified, commodity-dependent economy is a prime example of a country confronted with the triple challenge of mitigating the adverse consequences of climate change, decarbonizing its product and export basket, and leveraging the economic potential of its abundant natural resources, particularly its rainforest. Located on the equator, Gabon enjoys an equatorial climate. Over 20 million ha of forest cover 85 percent of its territory. Over the past century, Gabon has experienced noticeable changes in climatic conditions. Gabon's mean annual temperature increased from 24.7°C in 1901 to 26°C in 2020 (Figure 82). Meanwhile, average annual rainfall decreased from 1988 millimeters in 1950 to 1757 millimeters in 2020. Average temperatures in Gabon display considerable regional variance, with greater variability in coastal areas relative to the hinterland. At the same

FIGURE 82. Gabon: Mean annual temperature and precipitation levels, 1901–2020

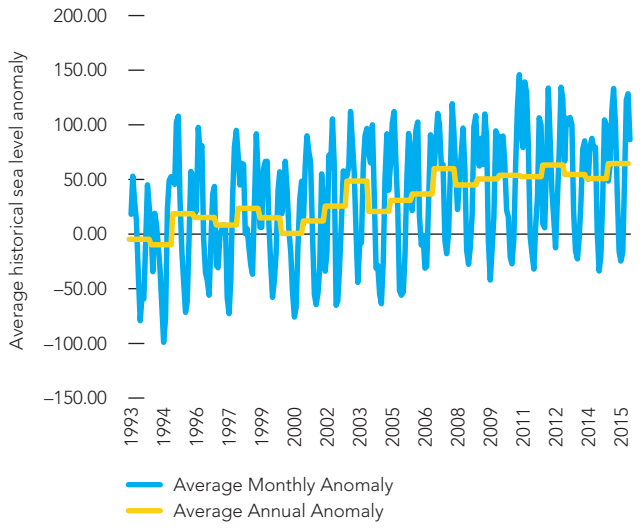


Source: WB.

time, coastal regions exhibit lower precipitation levels than inland areas. Gabon is already experiencing the effects of rising sea levels (Figure 83).

Gabon has higher CO2 emissions per capita than most surrounding countries. Gabon's CO2 emissions (measured in metric tons per capita) stood at least 4 times higher than those of the neighboring Republic of Congo, Cameroon, Chad and the Central African Republic. Importantly, Gabon's per capita level of CO2 emissions has decreased in the most recent period (Figure 84). As seen in section 3.6, Gabon is the first country in Africa to receive results-based payments for reduced emissions from deforestation and forest degradation. Gabon is one of the countries with the highest carbon sequestration rates in the world.[121]

FIGURE 83. Gabon: Evolution of sea level, 1993–2015 (observed anomalies relative to mean)



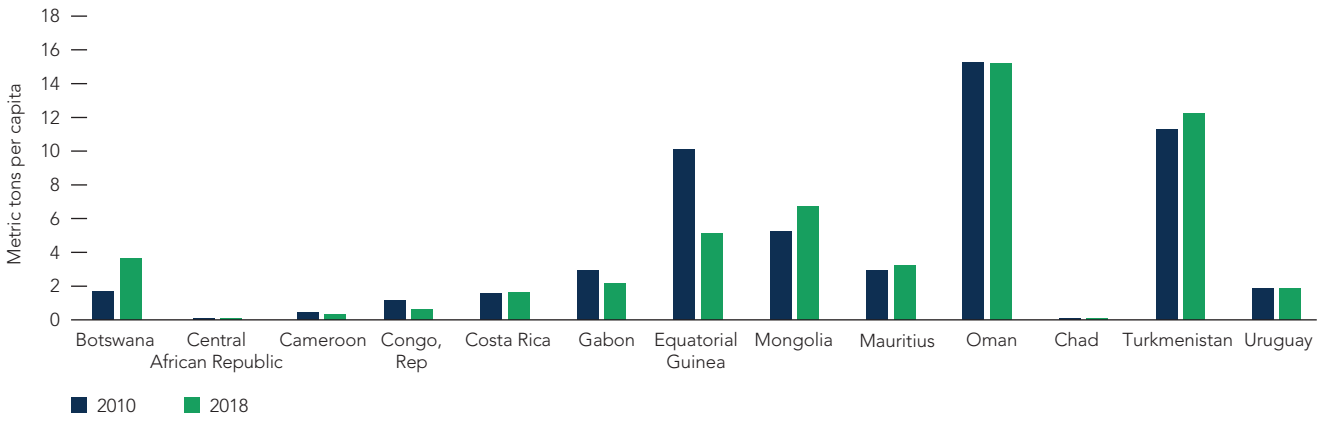
Source: Authors' calculations using WB data

Gabon's current export mix, dominated by minerals and fossil fuels (with oil and manganese contributing 85 percent of aggregate exports), contributes substantially to greenhouse gas emissions, pollution, and environmental degradation. While diversification toward wood and wood-related products, which contribute roughly 8 percent of merchandise exports, can be expected to lower the carbon footprint of Gabon's export basket, care must be taken to ensure the adoption of sustainable forestry practices to mitigate the potentially adverse effects of deforestation and associated loss of carbon capture. Chapter 5 of this report advances several recommendations on sustainable forestry practices. Similar considerations arise in agriculture, a sector in which significant scope exists for Gabon to leverage potential export gains, by focusing on climate and forest-friendly agricultural activities and on value added through scaled-up agri-food exports.

Several policy decisions have been taken by the government in recent years to address the adverse effects of climate change. Climate-related considerations were embedded in the PSGE, which features tools for tackling climate change and, by 2025, for cutting greenhouse gas emissions in half relative to the baseline scenario. Specific measures undertaken include the adoption of sustainable forest management practices, certification initiatives in forestry, the prohibition of flaring in the oil industry, and the adoption of sustainable palm oil standards.[122]

[121] Gabon's rainforests are able to sequester a total 140 million tons annually, making Gabon a net absorber of 100 million tons of carbon.
[122] This report has not been able to document to what degree PSEG climate-related targets are being met.

FIGURE 84. Gabon and its peers: CO2 emissions per capita, 2010 and 2018



Source: Authors' calculations using WDI data.

Moreover, in 2021 Gabon passed legislation allowing trade in carbon credits, linked to its efforts to preserve rainforest and the carbon capture potential this offers. Each credit equals the sequestering or preventing the emission of 1 metric ton of CO2. Under the carbon credit policy, companies given emission allowances must comply with emission limits within two years. Along with Guyana and Bhutan, Gabon is among the world's few net carbon sequesters, leveraging its rich carbon-absorbing rainforest endowments. In 2019, Gabon became the first African country to receive results-based payments for reduced emissions resulting from its sustainable forest management practices.

Gabon's diversification toward a greener export basket can place the economy on a more sustainable environmental trajectory. Diversification toward a greener export basket composed of manufactured goods (including a wider range of wood-related products such as furniture and construction materials), fishery and agricultural products for regional and global markets, along with a host of commercial services can lessen its dependence on carbon-intensive and environmentally degrading oil and minerals production and place the economy on a more sustainable environmental trajectory. Looking ahead, Gabon needs to assign its trade policy the task of gaining access to larger markets, shifting incentives to transition successfully from oil-dependency to a more diversified economy, with a lower carbon footprint and an enlarged basket of competitively priced exports of goods and services.

4.8 Recommendations

This chapter's assessment of Gabon's recent trade performance and forward-looking prospects suggests that urgent action is required, but also that there is scope for diversifying and greening the country's export basket; and for progressively inserting Gabonese companies into regional and global value chains – through increased FDI inflows from a sustained effort at improving the investment climate and overall governance. Beyond two such overarching trade policy aims, this report advances 10 recommendations aimed at helping Gabon to better harness cross-border trade for purposes of faster, more resilient, and inclusive growth. These are summarized in Table 15 along with the main institutional actors responsible for implementing key policy reforms and the time horizon for their enactment.

TABLE 15. Matrix of Trade Policy Reforms, Implementation Responsibilities and Time Horizon

POLICY RECOMMENDATIONS	LEAD IMPLEMENTING AGENCY	TIME HORIZON
Adopting a strategic road map for trade policy centered on the fourfold aims of export diversification, GVC insertion, leveraging regional integration (particularly in AfCFTA) and greening Gabon's export basket; clarifying the role assigned to cross-border trade and investment in the PSGE.	Ministry of Trade in coordination with key sectoral ministries	End of 2022
Focusing export diversification efforts on the following sectors: agriculture; fisheries (including aquaculture); forest and wood products; and services (ecotourism; environmental services); and digital trade while ensuring sustainable farming, fishing and forest management practices.	Ministry of Trade and key sectoral ministries	Ongoing
Developing a robust, quality infrastructure ecosystem with a view to ensuring conformity with rising TBT and SPS requirements and standards in importing countries.	Ministry of Trade	2022–2025
Strengthening Gabon's trade and FDI promotion agencies and practices in key target markets.	Ministry of Trade; relevant trade and FDI promotion agencies	Ongoing
Reducing production and trade costs and promoting regional and c ontinental trade through sustained improvements in Gabon's logistics performance, faster implementation of the WTO's Trade Facilitation Agreement, and through improved trade infrastructure (especially road transport networks and maritime transport; seeking greater air connectivity to increase tourism flows).	Ministry of Trade; Ministry of Transport; Gabonese Customs	Ongoing
Engaging CEMAC partners with a view to reducing high levels of border taxation levels under the Common External Tariff, which appears more attuned to import substitution goals than to the insertion of regional companies in GVC trade and FDI linkages.	Ministry of Trade; Ministry of Finance	2022–2024
Engaging in the progressive liberalization of restrictive trade and investment measures in services, autonomously, with AfCFTA and at the WTO. Priority attention to be given to reducing policy restrictiveness levels in internet, mobile and fixed line telecommunications services as well as transportation services (all modes).	Ministry of Trade and sectoral ministries and regulatory agencies in key service sectors	Ongoing
Improving the quality and timeliness of trade-related data.	Ministry of Trade; Customs; National Statistical Agency	2022–2023
Increasing Gabon's participation in ongoing WTO negotiations on harmful fisheries' subsidies and in multilateral (Joint Statement Initiative) negotiations of services, domestic regulation, MSMEs, e-commerce, and trade and environmental sustainability.	Ministry of Trade	Immediately
Strengthening the negotiating, analytical and implementation capacity of key Gabonese trade institutions. Ensuring an inclusive government approach to trade policy formulation through strengthened inter-agency coordination and external stakeholder consultations, involving key public and private sector actors in trade, logistics, climate policy, and resource management.	Ministry of Trade and relevant trade-related institutions	2022–2023

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CHAPTER 5

GREENING GABON'S ECONOMIC AND TRADE STRUCTURE

By accelerating transformation to a greener economy, Gabon will be able to achieve a more sustainable and inclusive growth trajectory, create jobs for its young population, and reduce its vulnerability to shocks. However, to achieve sustained growth momentum, Gabon must continue to address the underlying constraints to attaining a green economy. This chapter will look at ways to improve the investment climate and transparency, specifically the processes, regulations, and institutions in green sectors. The second part will address the need for Gabon's trade policy to gain access to larger markets, shifting incentives to transition successfully from oil-dependency to a more diversified economy with a lower carbon footprint and an enlarged basket of competitively priced exports of goods and services.

5.1 Diversifying where and how?

In diversifying and greening Gabon's non-oil export basket, several sectors offer promising potential. While scope exists to direct diversification efforts through greater value added within the extractive and natural resource sectors, goods-related sectors – agriculture, forestry, wood-related, and fisheries – offer significant promise. Promising areas in the services trade include offering ecotourism aligned to Gabon's remarkable biodiversity, along with a range of business and professional services associated with enhanced environmental stewardship. Gabon should be able to harness its digital capabilities to digitize a host of government services and produce export-oriented ICT services focused on neighboring markets; efforts in this direction imply greater engagement in AfCFTA and WTO negotiations on services and digital trade. Further, there is scope for Gabon to exploit its latent export diversification potential by lending support to companies who recently exited export markets, particularly in manufacturing (Box 14).

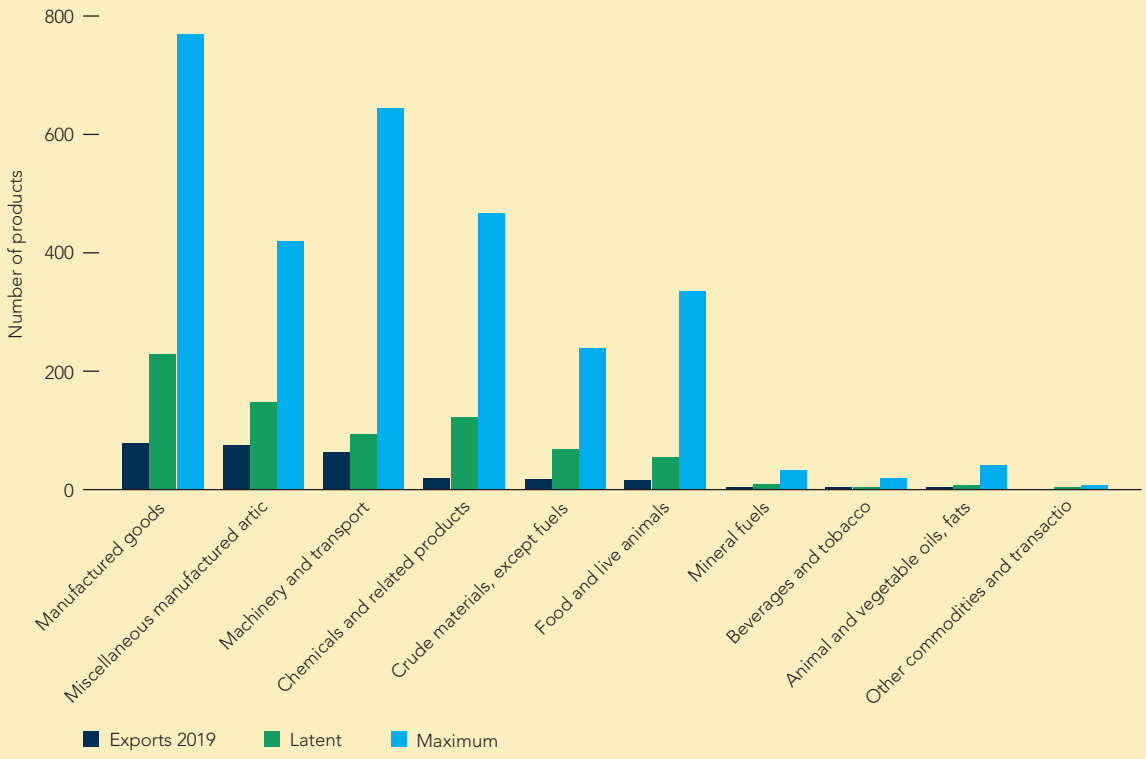
BOX 14. Leveraging Gabon's latent export potential

Gabon can further benefit from trade by leveraging its latent export diversification capabilities. Gabon's historical exports provide important information about the country's latent diversification potential and the sectors in which it can diversify its product exports. Latent diversification looks at the products that Gabon was able to export in the past and could export in the future if the right conditions are in place, i.e., adequate human capital, access to frontier technology, improved trade infrastructure, and expanded market access opportunities.[123] Even if a country appears to specialize in a few products over time, it may have a large latent diversification potential resulting from the constant opening and closing of export product categories.

In terms of latent diversification, the most promising industries through which Gabon can diversify its goods exports are manufactured products, chemicals, foodstuff, and live animals. Figure 85 shows the number of products exported within each SITC 2-digit code for Gabon. The first bar reports the number of exported products in 2019; the last bar shows the number of SITC 5-digit codes present within each SITC 1-digit code (i.e., the maximum number of exportable products); and the middle bar captures the concept of latent trade diversification proposed by Lederman, Pienknagura, and Rojas 2019).[124] Annex IV figures provide a more disaggregated look at a range of products in which latent export diversification potential exists and state the year when the firms producing such goods exited an export market.

Several Gabonese products that were exported for over 25 years have recently ceased to be traded. These include manufactured goods such as women's garments, textiles and footwear, transportation equipment, glass containers, milling grain machines, and wooden products, some of which were exported until very recently. This suggests that scope may exist to diversify Gabonese merchandise exports if production in these sectors can be revived through an adequate private sector response and targeted industry support measures (see Annex IV figures).

FIGURE 85. Gabon: Latent diversification potential in 2019



Source: Author's calculations using WITS mirror exports.

[123] The concept of latent diversification suggests that if Gabonese exporters have already paid the fixed costs associated with exporting, they could reenter the export market once domestic conditions improved. Lederman, Pienknagura, and Rojas (2019) show that latent diversification is an important determinant of trade volatility, and that countries with a more diversified latent export basket experience less volatility. This is particularly important for Gabon, as the discovery of oil reduced incentives to develop the country's agriculture and manufacturing sectors.

[124] Latent diversification is calculated by looking at the entire history of a country's exports; it is defined as the number of export lines that have been active for at least one year since 1960.

5.1.1 Agriculture

The Gabonese agricultural sector offers significant diversification promise. Employing close to one in three workers, Gabon's agricultural sector arguably falls below its weight level by contributing only 6.6 percent of aggregate output and a mere 6 percent of exports. Lacking an agricultural tradition, as an oil-rich, middle-income country with the highest urbanization rates in Africa, Gabon is a net food-importing country. It relies on foreign sources for about 60 percent of its nutritional requirements; this despite the relatively high tariff rates applied to food imports under the CEMAC CET, a policy at odds with the government's stated aim of reducing poverty. The WTO's latest Trade Policy Review of Gabon – already close to a decade old, noted that the average tariff rate in the sector stood at a punitive 23.7 percent, without counting other import duties and taxes and internal taxes (WTO, 2013).

Gabon's ability to exploit its comparative advantage in agriculture runs up against environmental challenges. While the country has about 1 million hectares of rich arable land and abundant rainfall, favoring agricultural production for export, any sustained transition toward producing foodstuff for export generates additional pressure for deforestation.[125] Such trade-offs point to the need to raise productivity levels in the sector and to adopt sustainable and digitized farming practices that also facilitate sanitary and phytosanitary (SPS) compliance with rising food safety standards in importing countries. Diversifying the agricultural export basket with more forest-friendly products – e.g., black pepper, frozen fish, coffee, cocoa, and fruit juices – avoids crops such as soy, corn, cotton, palm oil, or livestock production, all of which are associated with greater deforestation pressures. Such diversification efforts can respond to the growing global demand for foodstuff associated with changing lifestyles and consumption habits such as healthy and green products.

Agricultural trade can thus help Gabon to secure access to better and cheaper inputs as a net food importer. Agricultural trade can help secure access to better and cheaper inputs that can be used to boost agricultural productivity and production. Most of Gabon's neighbors are net importers of agricultural and food products. Therefore, there is potential for Gabon to provide these countries with agricultural products, including cereals (e.g., sorghum, maize, rice), vegetables, and chicken. Evidence shows that preferential trade agreements (PTAs) can boost members' trade, particularly in agricultural products.[126] Scope exists for Gabon's agricultural sector to serve the rising food trade needs of African partners in the AfCFTA context. In turn, this could accelerate economic and employment growth, lending support to Gabon's efforts to diversify its economy. Gains in agricultural productivity could also serve an expanding domestic ecotourism sector.

5.1.2 Forestry and wood products

As Chapter 3 shows, Gabon's forestry and wood sector presents important value-added opportunities by processing wood into furniture and various construction materials for export. Despite its ample forestry resources, Gabon remains a net importer of wood furniture, a trend that holds for SSA as a whole. Here again, both CEMAC and AfCFTA offer space for Gabon to diversify its economy by developing an export-oriented wood-processing industry, a process already underway. Recent steps taken through legislation prohibit the export of raw wood and provide incentives for the development of a domestic wood-processing industry and its integration into regional and global value chains.[127]

[125] An estimated 1.1 percent of Gabon's land mass is dedicated to agricultural production (WTO 2013).

[126] Korinek and Melatos (2009) , Grant and Lambert (2008), Jayasinghe and Sarker (2008), and Sarker and Jayasinghe (2007) use a gravity model to show that regional trade agreements have increased trade in agricultural products between member countries.

[127] International experience with policies centered on promoting domestic processing through export bans suggests the need for careful monitoring. Exports of processed wood ranked as Gabon's third, fourth, and eighth leading export products in 2020, accounting between them for 11.4 percent of total merchandise exports (Annex Table 1). While such trends offer evidence of positive structural change, an export ban can reduce the price of wood and the incomes of workers and companies operating in the forestry sector. In the absence of alternative income-generating opportunities, this could potentially lead to illegal exports and increase the amount of wood being cut, i.e., deforestation, a trend observed in a number of countries. Therefore, care must be taken to ensure that policy approaches in the forestry and wood sectors consider the interests of all stakeholders, improve the management of Gabon's timber resources, and provide adequate guarantees to leading investors on availability of timber so as to limit the impact of any shocks.

Developing Gabon's wood sector involves parallel efforts at adapting to and monitoring compliance with sustainable forestry practices to mitigate the possible downsides of undue deforestation.

As for agriculture (and fisheries), boosting exports of wood products will require enhanced compliance with quality standards and lower certification costs to facilitate exports of sustainable goods, particularly to advanced country markets such as the EU. In turn, this points to the need for Gabon to develop a quality infrastructure ecosystem (and a host of business services associated with it) to ensure compliance with stringent product standard requirements in leading export markets. Currently, there is no such ecosystem in Gabon, given that the country's export basket made up of primarily unprocessed natural resources.

5.1.3 Fisheries

As with agriculture, Gabon has an important fisheries potential that can be harnessed to respond to rising worldwide demand for healthier diets and a lessening of red meat consumption. The country's seacoast is 750 km long, and its exclusive economic zone (EEZ) extends over 213,000 km², about 8 per cent of which is reserved for offshore oil recovery activities. The sector is dominated by traditional (artisanal) sea fishing, the bulk of which involves fishing boats from neighboring countries along with a weak domestic presence in the more export-oriented industrial fishing segment where foreign vessels are licensed. Deep sea fishing, involving the exploitation of tuna resources, is practiced in the EEZ under bilateral agreements with a number of partners, including the EU, Japan, China, and Chinese Taipei. The aquaculture sector is underdeveloped despite its potential.

The output of fishery products is insufficient to cover Gabon's average annual per capita consumption, which is supplemented by imports. Important steps have been taken in recent years to strengthen the sector under the Gabon Blue program with a view to improving fisheries management and oversight, fighting illegal fishing, and improving the sustainability of the fisheries sector. Sustained efforts are needed to scale up domestic capacity in the sector, in terms both of increased fish catch by domestic fishing fleets and in processing fish products onshore. Gabon has an important stake in the ongoing WTO negotiations on harmful fisheries subsidies.

5.1.4 Services – ecotourism, environmental services, and digitization

Cross-border provision of services has underexploited potential in Gabon, as can be seen from the negligible export receipts generated in a sector accounting for a predominant share of aggregate output and employment.

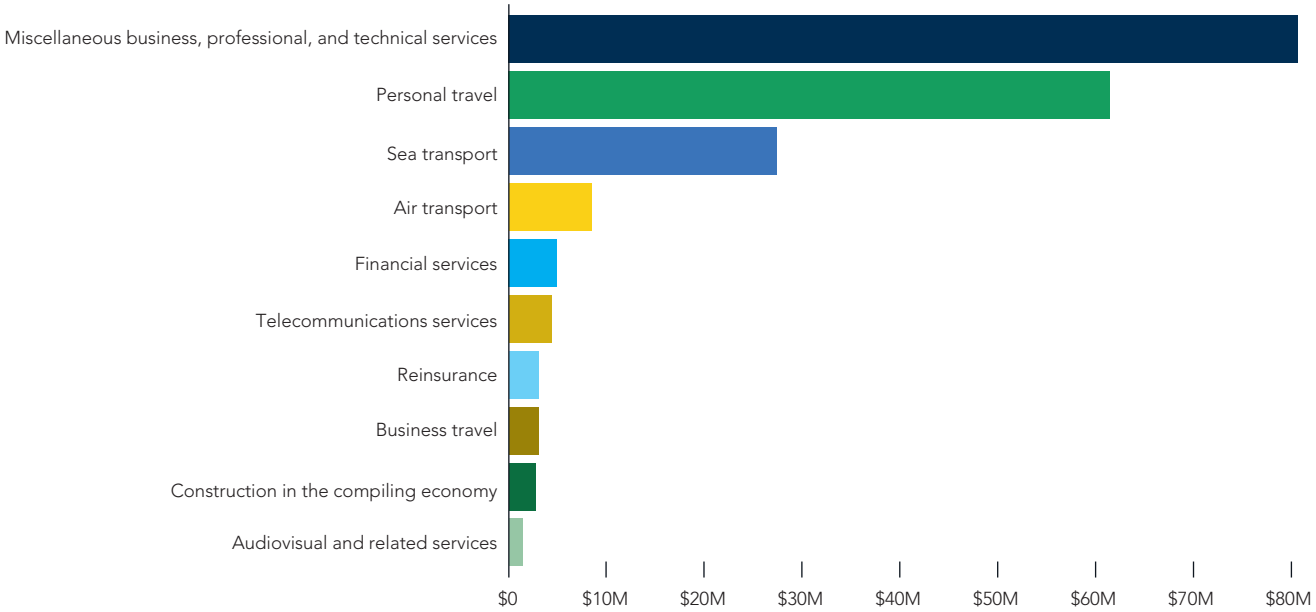
Ecotourism

The extraordinary wealth of fauna and flora found in Gabon's forests endows the country with superior ecotourism potential, severely curtailed by COVID-19-induced travel restrictions. Tourism receipts represented Gabon's second source of services export earnings prior to the pandemic (Figure 86). Having established a network of national parks and protected areas in 2002, Gabon became the country protecting the second largest percentage of its territory, after Costa Rica. Still, despite subsidy programs for tourism infrastructure, the sector remains undeveloped. There is an inadequate supply of hotels that are poorly served by transport services and bad roads. Reviving the sector as the pandemic recedes must remain a priority, together with heightened efforts at branding a country yet to register on global ecotourism maps. Doing so will require better air travel connections with airlines from leading source countries.

Environmental services

Gabon is among a handful of SSA countries to have demonstrated a firm commitment to protect its forests and biodiversity, curb carbon emissions, and address climate risks. Achieving such aims requires

FIGURE 86. Gabon: Sectoral breakdown of commercial services exports, 2020



Source: Observatory of Economic Complexity (https://oec.world/en/profile/bilateral-country/gab/partner/gab)

a sophisticated environmental services industry. The imperative of greening Gabon's export basket can itself be a major spur to the emergence of a vibrant environmental services sector. Such a process has arguably not taken sufficient root in Gabon's oil sector, which remains highly dependent on imports of specialized technical services.

The transition toward low-carbon production methods in non-oil sectors cannot easily proceed in the absence of competitively priced and efficiently supplied technical services that are needed to install, maintain, and repair environmental goods, and help facilitate the adoption of climate-smart, high productivity practices in agriculture, fishing, forestry, and extractive industries. In several environmentally friendly sectors, a lack of technical expertise and necessary equipment can frustrate trade in low-carbon technologies. Gabon's production and adoption of green goods will require the concomitant liberalization of a host of related technical services. For example, cutting edge agricultural and land-use technologies and expertise using geospatial mapping services can help restore degraded lands to high-productivity agricultural land or forest instead.

The development of Gabon's quality infrastructure ecosystem is also contingent on a host of readily available services linked to metrology and conformity assessment services. Growing the expertise required of a cutting-edge environmental service industry holds important implications for Gabonese human resource planning, particularly in vocational education. Gabon should lend more vocal support to ongoing efforts to revive WTO negotiations addressing tariff and non-tariff impediments affecting trade in environmental goods and extend such talks to a host of relevant environmental services.

Digital trade

Already the most developed market in Central Africa and the sixth-ranked player in Africa according to the International Telecommunications Union, the expansion of Gabon's ICT sector is high on the government's priorities as it continues to push for economic diversification and private sector-led growth. Digitization has indeed been placed at the center of economic and social transformation efforts over the past decade. The PSGE and the Digital Gabon Plan affirm the aim of turning the country

into a center of excellence in services and a pioneer of the digital revolution by 2025. Seen through a trade lens proxied by ICT services trade growth, such objectives have yet to materialize in a significant manner and will require redoubled efforts.

The digitalization of governmental operations and the increased use of digital technologies and services holds important potential to improve Gabon's resilience to climate change and address persistent societal inequalities and exclusion by investing in interconnected digital public platforms. A 2019 diagnostic of Gabon's digital economy as part of the World Bank's Digital Economy for Africa (DE4A) initiative reviewed the key building blocks of Gabon's digital economy and recommended advancing the development of interconnected digital public platforms to accelerate digital transformation. Significant investments in digital infrastructure have helped Gabon progress in e-government development, demonstrating higher than regional average scores in the UN E-Government Index (EGDI) 2020. However, the country is below the world average and lags behind even regional averages in the provision of online services and e-participation.

Gabon's digital strategy is to position e-government as a central element in broader public sector reform efforts. The introduction of harmonized and integrated digital public platforms can help improve efficiency and quality of public services for individuals and businesses as well as governance and accountability. **Doing so can increase the private sector's trust and willingness to participate in the e-government agenda and engage in the digital economy ecosystem with a view to boosting domestic and regional trade over digital platforms**. The social and economic transformation that can result from the greater use of digital technologies will allow the government to reach the population directly and expeditiously. It will also benefit the poor who need assistance most, provide job opportunities for youth, and foster the development of the local digital industry – all critical elements for economic and social recovery and eventual economic and trade diversification.

5.2 Analysis of the afforestation and wood product manufacturing sectors

This chapter presents a deep dive analysis of the forestry and wood product manufacturing sector, in addition to the analysis in chapter 3 identifying cross-cutting opportunities to improve Gabon's investment and competitiveness and support economic growth and job creation. This section analyzes Gabon's efforts to develop afforestation and wood product manufacturing sectors – thus fostering economic diversification planned in the PAT – as well as difficulties faced in applying existing regulations. It is based on a newly developed diagnostic tool, the Green Investment Climate Diagnostic (GICD), which Gabon becomes first to pilot (see Annex II for more details on the diagnostic tool).

Eighty-eight percent of Gabon is covered by ecologically diverse and dense tropical rainforests. Given the number of known types of timber species and the legal minimum tree diameter for harvesting, the harvestable stock is estimated at 400 million m^3, with natural growth of between 3–5 million m^3 annually. This presents Gabon with the opportunity (and also highlights the potential) to set the gold standard for forestry in Africa and beyond by employing modern sustainable forestry management practices and capitalizing on the support and involvement of local communities. This will allow Gabon to preserve this unique asset while enabling the country to generate significant revenues and jobs – including sustainable exploitation and processing of certified valuable tropical wood, carbon finance, agroforestry, and non-timber forest product (NTFP) harvesting, pharmacognosy (the study of plants and other natural sources for medicinal purposes), wood crafts, and world-class ecotourism.

5.2.1 Regulatory predictability and policy coherence in the afforestation and wood product manufacturing sectors

The wood sector has been recognized by the Gabonese government as one of the key sectors for diversification and development. It is identified as one of

the four priority sectors of the economic pillar of the 2021–2023 PAT;[128] a dedicated sectoral policy is being developed (National Policy for the Wood Sector of the Republic of Gabon, Vision 2025–2030). The PAT aims to double or even quadruple the GDP of this sector by 2030 – compared to 2020 – based on three key channels: (i) improving the upstream forest framework through measures that support wood certification and stop illegal practices; (ii) creating plantations of fast-growing species; and (iii) developing the second and third transformation[129] processes with high added value.

The government has recently initiated works to operationalize this goal (action plans, resources, monitoring). Operators have expressed a lack of comprehensive vision on forest plantations – including preferred species (production relies on Okoume, while other tree species are underexploited); and the volume and location of new plantations – and on transformation activities, in terms of products resulting from wood processing and valorization of coproducts. To operationalize the PAT, the government has established two task forces dedicated to the afforestation sector and the acceleration of second and third transformations. They have mitigated a lack of coordination between ministries regarding the development of afforestation and wood processing activities, which resulted from weak operationalization of the national committee on wood sector industrialization (created by Decree No. 001031).

Operations in the afforestation sector benefit from comprehensive framework regulation that has been reviewed for several years to support more efficient and sustainable activities. The Forest Code was instituted in 2001 by Law No. 16/2001. It has four main objectives: (i) sustainable forest management through development practices, (ii) ecosystem conservation, (iii) further industrialization of the wood product sector and (iv) involvement of the local population. However, it has put little emphasis on wood processing activities, with only 13 out of 298 articles dedicated to it. Few decrees and ordinances have been adopted since to supervise operations in this sector. The Forest Code has been under review since 2015 with the following objectives: (i) promotion of rational and sustainable management of forest resources to increase their contribution to economic, social, and cultural development; (ii) better support of forest exploitation in accordance with international certification standards and sustainability standards; and (iii) improvement of traceability issues involving the creation of a national control system.[130]

5.2.2 Business entry and establishment in the afforestation and wood product manufacturing sectors

Afforestation and wood product manufacturing activities are subject to accreditation, but the process is lengthy, informal activities remain frequent, and limited application of the labor law is observed. Economic operators in the afforestation and wood product manufacturing sectors require accreditation delivered by the Ministry of Water and Forests to operate, along with an industrialization plan. Private operators expressed concerns about delays in obtaining or renewing this license and approval of their industrialization plan.[131] Digitalization of these procedures is included as part of the revision of the Forest Code and is expected to streamline and shorten the process. Nonetheless, informal forestry operations and wood product trades still serve the local market.[132]

Forest permits ensure legal rights of forest uses, but the allocation of permits suffers from a lack

[128] PAT 2021–2023.

[129] Wood product manufacturing has three stages of transformation: first transformation (first operations on the wood extracted to obtain a product), second transformation (operations such as drying and molding on products from the first transformation to obtain semi-finished elements) and third transformation (operations on products from first or second transformation to obtain finished products).

[130] Gabon Review. 2021. "Nouveau Code forestier : Gestion durable et traçabilité bien intégrées". Available from: https://www.gabonreview.com/nouveau-code-forestier-gestion-durable-et-tracabilite-bien-integrees/ [Accessed 03/04/2022]

[131] Interviews; Union des Forestiers et Industriels du Gabon et Aménagistes (UFIGA). 2019. *Etude de l'état des lieux des acteurs du secteur privé de la filière forêt-bois au Gabon*

[132] Government of Gabon. 2021. *Plan d'Accélération de la Transformation 2021–23.*

of transparency and corruption. The Forest Code defines three different forest permits and their characteristics, in particular in terms of size and origin of the investors: (i) Forestry Concession under Sustainable Management (CFAD) 50,000–200,000 ha; ii) Associated Forestry Permit (PFA) <50,000 ha, granted only to domestic operators; and iii) Permit by Mutual Agreement (PGG), which are granted specifically to local communities for non-industrial purposes and 50 trees maximum. It has been determined that 'silence equals acceptance' for timely delivery of forest permits; accordingly, if an applicant has received no answer within 3 months following submission of an application and a further 15 days following a reminder from the applicant, the permit is considered granted. However, some operators perceive corruption and a lack of transparency in allocating permits due to the number of actors involved on the ground (local administration, civil society, operators, etc.) and a lack of information from the administration (little communication, lack of clear information, delays in responding to questions, etc.), also leading to lengthy procedures and delays.[133] As for accreditations, the procedures for allocating forest permits are being digitalized through revision of the Forest Code and the work of the Task Force on afforestation activities on e-government.

Illegal logging is considered widespread in Gabon, but recent initiatives and regulations are expected to reinforce traceability.[134] Gabon still struggles to fight illegal wood production.[135] Media and NGOs frequently reveal cases of illegal logging and suspicions of corruption.[136,137] The Forest Code (Law No. 16/2001) specifies methods of control, standardization, and certification of forest products, and defines sanctions. However, public administrators face issues in regard to enforcement, e.g., limited skills to assess management plans provided by applicants; and lack of human, material, and financial resources to perform controls on the ground.[138] To address these issues, Gabon launched Control of Forest Management (CAF) project in 2014 to ensure the effective application of forest management plans and verify that forest exploitation practices were legal, but this project was suspended.[139] The government has engaged in negotiations[140] with the EU to sign a voluntary partnership agreement within the framework of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, but this initiative did not succeed (unlike for other countries in the region). In 2018, a dedicated traceability system – called Tracer Nkok – was implemented by GSEZ and has been recognized since 2021 by the EU Regulation on Wood. It requires operators to be evaluated by an independent party, the NGO Brainforest, before getting a 12-month certificate that allows for supplying wood processing companies within the GSEZ with logs. In 2021, Gabon created a mechanism for verifying and controlling the legality and traceability of Gabonese woods (called SCLT-Gabon, created by Order No. 041 in 2021). It is a set of procedures, from audits to controls, to certify and guarantee that the wood circulating on Gabonese markets and international export markets comes from legal and traceable sources.[141] Uncertainties remain regarding the implementation of this new mechanism, both in terms of transformation of the public administration, e.g., change of procedures, use of digital tools, etc.; and sustainable financing, with sources of funding not clearly identified at this stage.

Little information on forest resources, activities, and management is processed and disclosed by the

[133] Union des Forestiers et Industriels du Gabon et Aménagistes (UFIGA). 2019. *Etude de l'état des lieux des acteurs du secteur privé de la filière forêt-bois au Gabon.*
[134] National Climate Council. 2021. *Gabon's Proposed National REDD+* Forest Reference Level.
[135] National Climate Council. 2020. *Premier résumé d'informations du Gabon sur la prise en compte et le respect des sauvegardes REDD+*
[136] Enact. 2020. "Le plus grand scandale du bois au Gabon peut-il sauver son secteur forestier?". Available from: https://enactafrica.org/enact-observer/le-plus-grand-scandale-du-bois-au-gabon-peut-il-sauver-son-secteur-forestier [Accessed 23/02/2022]
[137] Brainforest. 2019. *Rapport de mission d'observation d'allégations D'illégalités forestière.* Available from: https://www.brainforest-gabon.org/panel/docfichiers/fichiers/131-rapport_oi_n001_17-23-2019_bf_fr_synthese.pdf [Accessed 29/02/2022]
[138] NEPCon. 2020. *Analyse de risque sur la légalité du bois.*
[139] Brainforest. 2018. *Etude sur la transparence dans le secteur forestier au Gabon*; AFD. 2013. *Contrôler l'aménagement durable de la forêt gabonaise.*
[140] Nyare Essima, N. 2020. *Identification des modalités de reprise des négociations APV FLEGT entre le Gabon et l'Union Européenne.*
[141] Afrik Environnement. 2021. "Gabon, contrôle de la légalité et de la traçabilité du bois une réalité avérée". Available from: https://afrikenvironnement.info/gabon-controle-de-la-legalite-et-de-la-tracabilite-du-bois-une-realite-averee/ [Accessed 21/02/2022]

government. The Forest Code requires the administration to publish an annual report on the afforestation sector, but this is not done in practice.[142] However, to improve natural resource management at the national level, the government created the Gabonese Agency for Space Studies and Observations (AGEOS) in 2015. It provides useful information on forest resources and support controls by the forest administration. One of the issues identified by stakeholders is the lack of modernization of control systems in the afforestation sector; for example, little use is made of digital tools for timber marking or monitoring of activities. The government launched a digital platform aimed at connecting economic operators' management systems and the Ministry's information centralization system. This tool is intended to facilitate the declaration of forest production data and wood movements from exploitation areas to processing units, as well as on amounts of resources valued in processing units and exported. According to interviewees, certified operators are accustomed to using digital tools and will become familiar with this new platform easily. In contrast, public officials will need time to handle, test, and assess this new tool.

5.2.3 Regulatory measures and incentives to support sustainable development of the afforestation and wood product manufacturing sectors

Sustainable practices in the afforestation sector are supported by regulatory obligations and tax incentives based on international certification systems. Today, Gabon uses two standards of forest certification recognized internationally: Pan African Forest Certification (PAFC), recognized by the Program for the Endorsement of Forest Certification (PEFC); and the Forest Stewardship Council (FSC) standard. Such certifications are required to access some international markets, such as the US, the EU, and Australia.[143] FSC certification[144] is globally supported by NGOs and, in Gabon, more developed as a national reference for environmental certification. Fourteen percent of forests are FSC certified against 2 percent for PAFC. The government has introduced incentives and regulatory requirements to favor certification. Since 2020, a different forest tax applies depending on the surface of forest certified: (i) a low rate for concessions with certified forest management; (ii) an intermediate rate for concessions with a certificate of legality; and (iii) a high rate for concessions without any certification. The decision in 2018 to ensure all operators certify their forest areas according to FSC standards by 2022 makes Gabon the first country in the world to make forest certification mandatory. This bias toward FSC certification worried operators who had chosen other certifications, as they now have to shift to FSC,[145] but the government has postponed mandatory FSC certification to 2025 because of delays implementing the FSC processes.[146] Government monitoring and control of management plans will be important to ensure that operators effectively comply with FSC certification.

Services in sequestering carbon from Gabon's forests have recently generated revenues for the state, although they have not yet benefited operators. In 2021, Gabon became the first African country to receive results-based payments for reduced CO2 emissions due to deforestation and forest degradation. After independent verification, the government received a payment of USD 17 million from Norway, as a reward for carbon reductions in 2016 and 2017 compared to the annual emission levels between 2006 and 2015 (USD 5/ton of CO2 avoided). This first payment aligns with the Central African Forest Initiative (CAFI), which is expected to generate USD 150 million over

[142] Brainforest. 2018. *Etude sur la transparence dans le secteur forestier au Gabon.*
[143] PAT 2021–2023.
[144] FSC certification aims to promote sustainable forest management and involves applicants' compliance with a set of international principles and criteria, such as writing a forest management plan and ensuring the social and economic well-being of forest workers. An independent organization carries out the procedures that grant FSC certificate for 5 years and include annual audits each year
[145] GWMI. (2018) "Gabon: All concessions need to be FSC certified by 2022". Available from: https://www.globalwoodmarketsinfo.com/gabon-concessions-need-fsc-certified-2022/ [Accessed 27/04/2022]
[146] Le Nouveau Gabon. 2022. "Certification forestière FSC : le Gabon repousse l'échéance du projet de trois ans". Available from: Link [Accessed 05/04/2022].

10 years. The Ministry of Forest and Environment will mobilize these revenues to support forest protection initiatives.[147] Some operators have expressed expectations about rewards or compensation for their efforts on forest conservation and carbon sequestration (i.e., afforestation activities per their mandatory sustainable management plans).

The wood product manufacturing sector has benefited from strong financial incentives for the last 10 years, which have favored new foreign investments, from Asia in particular. For example, from 2011 to 2019, the amount of forestry permits allocated to Chinese firms increased from 25 percent to 74 percent, in line with Gabon's efforts to establish a favorable tax regime.[148] Indeed, since 2012, wood processing companies have benefited from special tax arrangements, spanning 5 fiscal years and comprising (i) flat-rate minimum tax and corporate income tax exemption, (ii) degressive depreciation of equipment, (iii) VAT exemption on the acquisition of intermediate consumption in the operation of the plant (electricity, technical assistance services, etc.), (iv) exemption from withholding tax on dividend distributions, (v) exemption from property taxes, and (vi) exemption from customs duties on equipment, machinery, and materials and capital goods intended for wood processing.[149] The wood product manufacturing sector has largely benefited from the Gabon Special Economic Zone (GSEZ, also called Nkok Special Economic Zone)[150] in which 84 out of the 144 companies in the zone operate in wood processing. Companies located here come from China, Malaysia, Indonesia, India, and the EU.[151] Companies located in the GSEZ benefit from additional incentives such as VAT exemption for 25 years, customs duty exemption on imports and exports (machinery and equipment), 0 percent property tax, 0 percent income tax, and 100 percent repatriation of capital and profits. As evidence of the attractiveness of these incentives, 80 percent of the wood processing units of the country, from the first to third processing stage, are located in the GSEZ. Investors already operating in Gabon have not managed to move all their activities into the zone and have suffered from competition with new foreign investors fully established there.

The ban on log exports and specific tax incentives in the wood product manufacturing sector have favored local wood processing. The ban on the export of logs entered into force in 2010 and resulted in a decrease in the total production of logs in Gabon in the short term. Yet, since 2014, production has been continuously increasing after local processing units adapted.[152] Consequently, exports of wood products fell by 40 percent in 2011 (in terms of value, compared to 2010), but have since increased by 6 percent per year on average and have reached the same value as before the ban.[153] The ban is perceived as well enforced by stakeholders in the sector, though they highlighted the suddenness of the original measure in 2009, which took operators by surprise and forced some of them to close their businesses.[154] Some operators flagged how limited the consultation had been prior to the drafting of new regulation.

Limited efficiency in the tax collection system limits tax revenues and increases transaction costs. Due to the incentives noted above, tax revenues decreased by 20 percent between 2010 and 2020, and represent only 0.4 percent of the total tax revenues while producing 3.3 percent of the national GDP.[155] As an example, sawing activities are two or three times less taxed in Gabon than in other countries of the Congo Basin region.[156] Besides the tax regime that limits potential revenues for the state, irregularities in tax collection in the afforestation and wood product manufacturing sectors have been observed:[157] tax evasion, with the complicity of

[147] Africa Renewal. 2021. "Gabon becomes the first African country to receive payment for reducing CO2 emissions." Available from: Link [Accessed 08/04/2022].
[148] D. Legault D., Cochrane L. 2021. *Forests to the Foreigners: Large-Scale Land Acquisitions in Gabon*
[149] LEXplicite. 2013. "Gabon, ce qu'il fait savoir pour s'implanter et exporter". Available from: Link [Accessed 03/03/2022]
[150] Decree No.0461; GSEZ website, web page NKOK SEZ. Available from: Link [Accessed 03/03/2022]
[151] GSZE website, home page. Available from: Link [Accessed 03/04/2022]
[152] PAT 2021–2023.
[153] Ibid.
[154] Union des Forestiers et Industriels du Gabon et Aménagistes (UFIGA). 2019. *Etude de l'état des lieux des acteurs du secteur privé de la filière forêt-bois au Gabon.*
[155] PAT 2021–2023.
[156] Groupe de la Banque Africaine de développement durable. 2019. *Rapport Stratégique Regional – Développement intégré et durable de la filière bois dans le Bassin du Congo.*
[157] NEPCon. 2020. *Analyse de risque sur la légalité du bois.*

government officials; tax payments below actual value due to false statements; frequent non-payment of local development taxes to communities; difficulties in controlling the volumes of logs and felled species and those entering the factory for calculation of the abatement tax, etc. Even though official taxes on afforestation and wood product manufacturing activities are clear, operators have expressed concerns about incidental taxes occurring all along the value chain, and notably during logistics activities (transportation, weighting, etc.). There is little transparency on these incidental taxes, and limited visibility for investors that do not currently operate in this market. Also, operators suffer from non-reimbursement of taxes (VAT notably) by the government, and significant delays.[158]

Developing afforestation and wood product manufacturing sectors involves innovation challenges requiring R&D efforts. There are three key challenges for the wood processing industry, dependent on future research: (i) market more tree species –today, only 60 out of 400 tree species are marketable – to reduce pressure on the Okoumé in particular, which is currently overexploited; (ii) develop fast growing species; (iii) find market outlets for wood coproducts, which are still considered waste. Some projects have been initiated by the government to foster innovation, such as the Gabon Economic Diversification Support Project (PADEG) with the African Development Bank (AfDB) to create a research center in Nkok SEZ. Transfer or development of innovative technologies could provide additional opportunities for new markets (e.g., xylochemistry, new processes for developing coproducts) or for improved operational performance (e.g., through better data management). Stakeholders have noticed limited incentives or support for these activities,[159] with no agency in charge of supporting innovation in these sectors, nor tax incentives to operators (e.g., research credits). Representatives of the private sector cite little collaboration with the public sector for conducting experiments in the field.

[158] Union des Forestiers et Industriels du Gabon et Aménagistes (UFIGA). 2019. *Etude de l'état des lieux des acteurs du secteur privé de la filière forêt-bois au Gabon.*
[159] Ibid.

5.3 Recommendations

Recommendations to address investment barriers in the afforestation and wood product manufacturing sectors

Reinforce PAT monitoring and evaluation to ensure the sustainability and visibility of its effects

Gabon's PAT 2021–2023 provides a strong impetus for development the afforestation and wood product manufacturing sectors. This plan sets long-term (2030) quantitative targets and provides visibility on the development of the wood sector in the medium-term. Measures and responsibilities to operationalize these ambitions have been determined; and two task forces dedicated to the afforestation sector and the acceleration of second and third transformations have been created to solve multidimensional issues through coordination between Ministries. However, it is critical that these efforts be sustained over time and promoted to stakeholders. Not doing so will create uncertainty for investors, who have little information on the progress made and on what is coming next. For example, while the task forces implemented during the PAT have proved efficient in terms of coordination between the Ministry in charge of Forest and other Ministries relevant for the sector (Industry, Economy, Justice, Commerce, etc.), they are not meant to continue after the end of PAT. It will be important that the momentum, achieved thanks to the task forces, continues beyond 2023.

Facilitate access to information and financing for business entry

Part of the business entry issues are currently being addressed by the on-going revision of the Forest Code and the current e-government project supervised by one of the PAT task forces to digitalize administrative procedures. These reforms are expected to streamline processes for getting forest permits and professional accreditations and to reduce administrative burdens and delays for operators. Also, unfair competition with illegal afforestation activities may be addressed by the upcoming implementation of SCLT-Gabon, which will further enable controls and limit market access to illegal

timber. Notwithstanding the complete and appropriate implementation of the solutions noted here and above, significant difficulties for business entry would still exist in terms of accessing financing solutions and information (on administrative procedures and incidental taxes (*parafiscalité*) for example). Entrepreneurs face issues in accessing credit, having limited financial management capacity (e.g., for designing a business model or a financial plan), and banks are unfamiliar with these sectors and their specificities (e.g., in regard to collaterals to be used as part of granting credit).

Streamline and simplify tax and custom procedures

Low efficiency in the tax collection system limits tax revenues, and high transaction costs have been observed. Operators have expressed concerns in regard to incidental taxes occurring all along the value chain and notably during logistics activities (transportation, weighting, etc.). These tax burdens both affect the competitiveness of wood products made for export and increase the time and resources dedicated to dealing with administrative procedures. Moreover, operators must deal with tax collection by many different Ministries, which creates confusion and complexity and may limit tax collection rates due to lack of coordination. A PAT task force is currently working on supporting better coordination between Ministries in terms of information sharing and consistency, but operators continue to be uncertain about the total amount of taxes to be paid.

Support innovation and environmental protection related practices through dedicated incentives

Forest and wood activities require additional efforts to meet development needs on particular topics, such as fast-growing tree-species or coproduct valorization. There are already tax incentives that support second and third transformation, and a new tax on material yield may be introduced through the revision of the Forest Code to support the valorization of co-products. However, investors have identified tax burdens on afforestation and wood processing co-products: these are taxed at a higher level than imported products and do not benefit from the tax incentives afforded afforestation or wood processing. There is little effort on research, design, and development (RD&D) from either public institutions or private operators, and collaboration to support experiments in the field is limited; for example, the GSEZ research laboratory project is experiences issues to become operational. Also, as noted above, Gabon's USD 17 million result-based payment for reduced CO2 emissions from deforestation and forest degradation in 2021 has not yet benefited operators, some of whom expect to be rewarded or compensated for their efforts in forest conservation and carbon sequestration.

Support capacity building and ownership of users with the digital tools being operationalized

With the coming Forest Code, changes are expected at regulatory level, which will enable the use of new digital tools to enhance transparency, improve monitoring, and simplify procedures related to afforestation and wood processing activities.

i. SCLT-Gabon is a digital platform designed to gather and regularly disclose information on wood production, which can generate greater confidence across international markets on the sustainability of Gabon's wood product exports. However, SCLT-Gabon is being tested while still under development and will not be operational before the end of the year. Some implementation risks have already been identified, such as limited capacity of public officials to use digital tools. Communication on the performance and results of this system remains to be disseminated to build market confidence.
ii. Procedures for forest permit allocation and professional accreditation are being digitalized according to revision of the Forest Code and the e-government project supervised by the PAT task force on afforestation. However, to simplify and shorten procedures effectively, public officials will have to adjust and adapt to these new digital tools.

These are summarized in Table 16 along with the suggested time horizon for enacting reforms.

TABLE 16. Gabon: matrix of investment policy reforms in the afforestation and wood product manufacturing sectors, and time frame

OBJECTIVES	POLICY RECOMMENDATIONS	TIME FRAME
1. REINFORCE MONITORING AND EVALUATION OF THE PAT TO ENSURE SUSTAINABILITY AND VISIBILITY OF ITS EFFECTS	1. Implement an *in itinere* monitoring of PAT implementation to report publicly on progress made and results achieved.	Short term
	2. Conduct an ex-post evaluation at the end of PAT implementation to identify lessons learned (e.g., best practices, limits) and design complementary measures to sustain short-term results; in addition, define a roadmap toward 2030 objectives (including cross-Ministry coordination and action plans).	Medium term
2. FACILITATE ACCESS TO INFORMATION AND FINANCING FOR BUSINESS ENTRY	3. Bolster sectoral information and marketing updates for banks and investors through regular communication, e.g., data on operations, presentation of typical business models, key financial figures of the sector, etc. Lend further support to matchmaking investors and operators through networking events (meetings, forums, etc.).	Short term
	4. Build the capacity of local entrepreneurs in financial and administrative management (preparing business and financial plans, understanding regulatory requirements and administrative procedures, etc.) in support of sectoral business development. Consider different options such as: (i) strengthening the capacity of the executing agency in charge of wood processing activities (AEAFFB); (ii) increasing collaboration between the national agency in charge of promoting investments and stakeholders in afforestation and wood processing; (iii) promoting production clusters, incubators, and certified management centers in these sectors.[160]	Medium term
3. STREAMLINE AND SIMPLIFY TAX AND CUSTOM PROCEDURES	5. Assess opportunities to reduce tax pressure and simplify the tax collection process by (i) mapping incidental taxes currently paid by afforestation and wood processing actors, and (ii) removing and/or merging some of these incidental taxes.	Short term
	6. Create a single-entry point for sectoral operators in order to streamline the tax collection process by limiting the number of different steps in the payment of taxes; facilitating communication with the public administration and enhancing visibility of private operators in regard to the total tax burden as well as its administration.	Short term
	7. Streamline procedures (incl. digitalization) to facilitate cross-border trade, particularly for exporting wood products and importing equipment and machinery for afforestation and wood processing activities.	Medium term
4. SUPPORT INNOVATION AND ENVIRONMENTAL PROTECTION RELATED PRACTICES THROUGH DEDICATED INCENTIVES	8. Create a local carbon market to reward or compensate operators who support carbon sequestration through forest management practices.	Medium term
	9. Create incentives, such as tax credits and annual calls for projects with subsidies, to support R&D by private operators on innovative and sustainable practices – e.g., valorization of waste and coproducts, fostering less-known tree species, developing new products; adding tax incentives to promote their implementation and removing tax burdens that limit their competitiveness. Support collaboration between public institutions and private actors by improving governance –e.g., having RD&D within the mandate of an existing committee, or creating a dedicated committee; and supporting active sectoral stakeholders by including these activities under the mandate of an executing agency.	Medium term
5. SUPPORT CAPACITY BUILDING AND OWNERSHIP OF USERS WITH THE DIGITAL TOOLS BEING OPERATIONALIZED	10. Train public officials to facilitate skills acquisition and appropriation of new digital tools, as well as streamlining procedures to enable more control and transparency.	Short term
	11. Promote the outputs of the SCLT-Gabon (system of control of legality and traceability of timber) via regular publications.	Medium term

[160] African Natural Resources Centre (ANRC). 2021. *Performance of the Gabonese Forest Industry. AfBD. Abidjan, Côte d'Ivoire.*

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ANNEXES

Annex 1: Implementation of PREF reforms

GENERAL OBJECTIVES	IMPLEMENTATION STATUS IN GABON
Pillar 1: Fiscal policy	
1. Strengthening tax policy/ strengthening non-oil revenue mobilization.	■ The initial and revised Budget Law, in 2021 and 2022, respectively, introduced a set of provisions aimed at reducing tax expenditure (the removal of exceptional or ad hoc exemptions was introduced in both finance laws), and introduced new measures such as the Unique Land Contribution. Several provisions along these lines have also been introduced under the IMF program. ■ A report on tax expenditures is attached to the Budget law. ■ As regards efforts to strengthen transparency of tax levies, in the case of Gabon, the reforms implemented have focused on earmarked revenue and Special Appropriation Accounts with the objective of increasing transparency and improving follow-up.
2. Rationalizing financial management of the state/ optimizing management of the Treasury.	■ Creation of the Single Treasury Account, now operational.
3. and optimizing public expenditure efficiency/ improving living conditions of the poorest by implementing social safety nets.	■ In the 2022 Budget law, priority was given to investments financed with own resources in the energy, infrastructure, transport, and R&D sectors, representing 40 percent of the volume of investments. ■ A national social safety nets strategy has been adopted and is based on the National Health Insurance and Social Guarantee Fund (CNAMGS) policy through the creation of various solidarity funds. ■ The state has set up a social protection system per CNAMGS giving priority to the most vulnerable populations and has extended social coverage to non-poor workers in the informal sector who are currently excluded from existing systems (creation of the 'Fonds 4'). ■ A census of GEF is underway and will be used as a starting point to facilitate identification, registration, and provision of services and will help accelerate the adoption of digital payments. Moreover, with the adoption of the law on the new definition of GEF, the state is strengthening the strategic and institutional framework for the design, implementation, and management of social protection programs. ■ With the Filles-Mères (girl mothers) Program, the state is implementing a global strategy to empower girls and women and fight against teenage pregnancies.

(*continues*)

GENERAL OBJECTIVES	IMPLEMENTATION STATUS IN GABON
4. Harmonizing fiscal rules and improving coordination of fiscal policies.	■ Transposition and implementation of the new public finance directives has been carried out under schedules prescribed by directives enforced by the state. ■ In accordance with the commitments made, public debt has not increased beyond the new rule of multilateral surveillance (compliance with the 70 percent ceiling). Similarly, recourse to non-concessional debt and pledging future oil resources have been avoided. National public debt management committees are set up and operational, and the public debt issuance schedule is aligned with the cash flow plan. ■ An arrears clearance strategy has been developed and is currently under review. ■ The Three-Year Convergence Programs have been prepared but will need to be updated.
Pillar 2. Monetary policy and financial system	
5. Ensuring long-term external currency stability/standardizing application of foreign exchange regulations in CEMAC by limiting derogatory provisions and strengthening monitoring of international capital flows in CEMAC.	■ As stipulated, the rate of retrocession of currencies to the Central Bank reaches at least 70 percent per month. At the end of October 2021, the effective retrocession rate was 79.77 percent for Gabon.
6. Strengthening the effectiveness of monetary policy and promoting the supply of bank credit to the productive sector.	■ In line with the recommendations, reform in favor of centralizing public deposits has been carried out in Gabon. ■ Reforms of the judicial system and with regard to insolvency regulations have been implemented with the creation of a commercial court in Libreville and three arbitration and mediation centers.
7. Strengthening financial stability and inclusion, and fighting money laundering in CEMAC.	■ Mobile banking, both access and use, has been developed through the introduction in 2021 of products enabling sector operators to retain existing customers and attract new ones. (Airtel Money Gabon and Moov Africa introduced a service called Mobile Banking.). As a result, the number of active mobile money accounts increased by 9.9 percent between December 2020 and December 2021.
8. Operationalizing and revitalizing the subregional financial market.	■ As requested, an awareness campaign targeting public and private companies on the need to position themselves on the CEMAC financial market has been launched and is ongoing. ■ The list of public companies likely to be listed on the stock exchange has been transmitted to the Bank of Central African States (BEAC).
Pillar 3: Structural reforms	
11. Strengthening economic diversification and private sector development.	■ Gabon submitted to the CEMAC Commission the draft of its diversification policy, including the development of value chains. ■ The Accelerated Transformation Plan (PAT) is being implemented since 2021. The financial statements of all public enterprises are audited in accordance with the regulations in force (Organization for the Harmonization of Business Law in Africa – OHADA Uniform Act). However, these financial statements have not yet been published. ■ Three new vocational training centers were delivered in 2021.

(*continues*)

GENERAL OBJECTIVES	IMPLEMENTATION STATUS IN GABON
12. Improving the business climate.	■ A reform has been implemented to facilitate and simplify business creation procedures. The time needed to create a company decreased from 42 days in June 2020 to 5 days in May 2021 ■ Creation and operationalization of the Commercial Court of Libreville and of the Center for Arbitration, Mediation and Conciliation, which will allow integration of alternative methods of conflict resolution. ■ The revision of the Code of Civil and Commercial Procedures was carried out to integrate the best international practices of commercial justice. The Uniform Act, in force in Gabon since 2019, legislated on securities. ■ Ongoing reform to improve the judicial system and commercial courts to strengthen specific capacities to deal with commercial and financial crimes. ■ Incubators have been created by the Ministry in charge of SMEs/SMIs and are operational. ■ A reform aimed at reducing delays in obtaining title deeds has been implemented. The time required to obtain a title deed has gone from several years to some 180 days on average. ■ Regulations for implementation of the declaration of assets prior to and after taking office have been enacted and promulgated.
Pillar 4: Regional integration	
19. Completion of the Regional Economic Program (*Programme Economique Régional*, PER) (operational tranche 2021–2025)	■ Efforts to mobilize the funding announced at the Round Table are ongoing. Funding for integrative projects is being mobilized. ■ Efforts to support the state in the contracting process with donors are ongoing (projects have started). A monitoring report on the effective implementation of integration projects is being prepared.
Pillar 5: International cooperation	
24. Negotiations with technical and financial partners (*partenaires techniques et financiers*, PTF)	■ The 1st generation program with the IMF has been concluded and completed. ■ A new agreement in line with the prescriptions of the second phase of PREF-CEMAC has been concluded with the IMF. ■ In October 2021, Gabon set up the Economic and Financial Programs Monitoring Committee with international economic and financial institutions, which will make it possible to obtain broad access to concessional financing.

Annex 2: Definition of Gabon's peer countries

Across the CEM, the performance of Gabon is benchmarked to other countries. Gabon's structural and aspirational peers were identified using a data-driven approach.

TABLE A2.1 Gabon's selection of peer countries

GROUP	DEFINITION	SELECTION CRITERIA	SELECTED COUNTRIES
Regional peers	Countries in the same region as Gabon per the WB classification	Countries in SSA CEMAC countries	Take the average across all SSA countries, excluding South Africa and Nigeria CEMAC countries
Structural peers	Countries anywhere in the world that have similar economic characteristics to Gabon	Structural peers were selected based on the following criteria: (i) population size (ii) GDP per capita (iii) Oil rent (iv) life expectancy (v) trade-to-GDP ratio; (vi) government revenue	■ Equatorial Guinea ■ Botswana ■ Turkmenistan ■ Mongolia
Aspirational peers	Aspirational peers are countries that share similar structural characteristics but are ahead of the curve in terms of their development outcomes	Countries that had similar levels of GDP per capita to Gabon in 1990–92 (average of 1990, 1991 and 1992) and increased, reaching levels 30 percent or higher than Gabon's in 2013.	■ Mauritius ■ Uruguay ■ Costa Rica ■ Oman

Annex 3: Gabon's development plans since 1960

The idea of implementing structured and planned development took hold very quickly in Gabon. Thus, Law No. 11/63 of January 12, 1963 approved the Interim Development Program, which determined the framework for investment programs over the 1963–1965 period and guided economic expansion as well as social progress. As illustrated below, several development programs (investment codes/programs) were developed later with the objective of guiding the activities of the private sector to fit into the country's development strategy.

1963: Interim Development Program, 1963–1965

Objective: Determine the framework for investment programs over the 1963–1965 period and guide economic expansion and social progress.

1971: Second Economic and Social Development Plan, 1971–1975

Objective: Determine the framework for investment programs over the 1971–1975 period. This plan confirmed the state's commitment to work with private investors on implementing projects considered priority or strategic; based on a large volume of investments, mainly in the area of infrastructure.

1976: Third Economic and Social Development Plan, 1976–1980

Objective: Determine the framework for investment programs over the 1976–1980 period. This plan translated the government's new ambition to use the resources obtained from the exploitation of oil to prepare for the next period. To achieve this goal, the strategy focused on the development of economic and social infrastructure and making productive investments in activities likely to ensure ongoing permanent growth of the economy.

1984: Fifth Economic and Social Development Plan, 1984–1988

Objective: In addition to determining the framework for investment programs over the 1984–1988 period, this plan developed the logic of regional planning (by relying on public enterprises) that Gabon adopted. The idea consisted in creating productive bases across the country aimed at keeping part of the population in place by allowing access to regular income in the form of wages or through private exploitations.

2012: Emerging Gabon Strategic Plan (PSGE), 2011–2016

Objective: The PSGE presented the new vision the government developed for 2025 and the strategic development orientation for the period 2011–2016. The main objective of this new development plan was and remains to provide guidance to diversify the productive base of the economy. The PSGE has three strategic axes: (i) consolidating the foundations of emergence; (ii) developing the pillars of emergence; (iii) shared prosperity. The first aims to strengthen Gabon's competitiveness through four key dimensions considered the foundations of emergence, namely sustainable development, governance, human capital, and infrastructure. The second is the diversification of the country's growth pillars. Emergence will only become a reality if Gabon succeeds in changing from a rent-seeking economy based on raw materials (hydrocarbons, timber, mines) to a value-added and diversified economy. In 2025, the Gabonese economy should no longer rest on one foot but on three solid pillars: Industrial Gabon, Green Gabon, and Services Gabon. Implementing the three pillars of emergence will generate stronger and more sustainable growth. Finally, strategic axis 3 aims to ensure that this growth will benefit all Gabonese, not only by increasing the income of the population, but also through catch-up in social sectors (health, employment, social protection, access to drinking water, sanitation, culture, etc.).

2017: Economic Recovery Plan (PRE), 2017–2019

Objective: A reform plan developed to accelerate the transformation of the economy despite the context

of economic crisis. The PRE aims at continuing implementation of the PSGE while making the necessary corrections imposed by the economic difficulties encountered since 2015 (following the oil price shock) and taking concrete measures to improve the well-being of the population.

2021: Accelerated Transformation Plan (PAT), 2021–2023

Objective: To support the government in updating and accelerating its strategic plan to meet the current economic and social challenges while taking into account the post-COVID-19 context.

Annex 4: The COVID-19 pandemic

Transmission channels

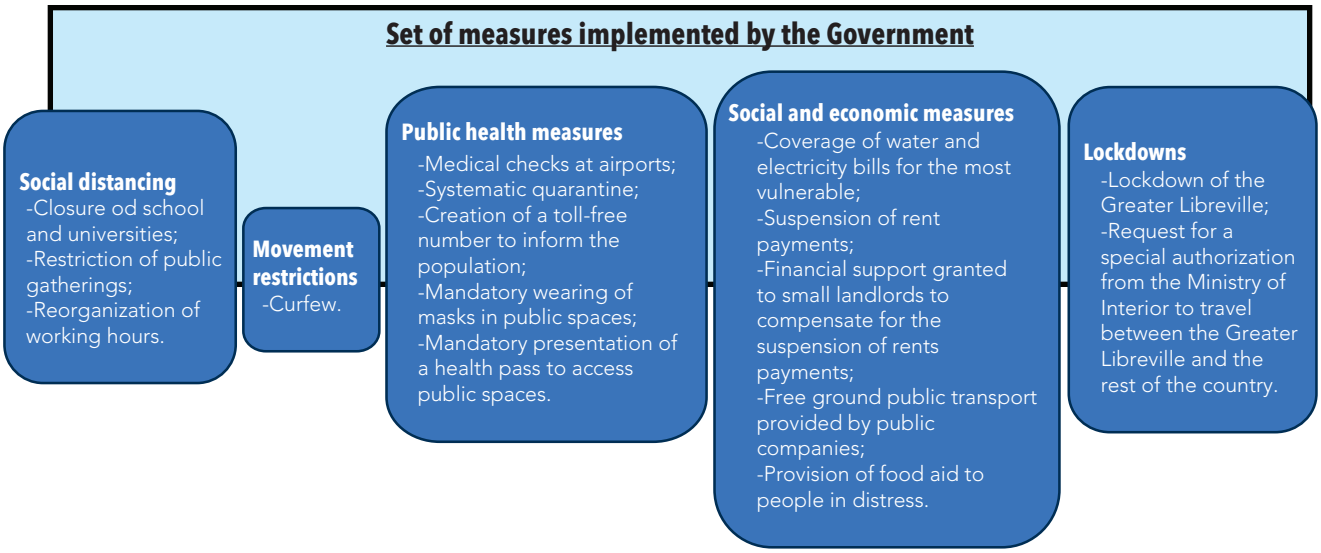
The COVID-19 pandemic severely affected Gabon's economy through foreign and domestic transmission channels. Key external transmission channels include the fall in oil prices, reduced trade with China and Europe, lower FDI, and tighter global financial conditions. These negative effects have been aggravated by the COVID-19 outbreak within the country, including travel restrictions, social distancing, and fiscal adjustment to limit the fiscal impact of the crisis as Gabon was still committed to meet quantitative indicators under the previous IMF Extended Fund Facility (EFF) program, completed in June 2020.

- **Commodity prices.** The first transmission channel comes directly from the fall in oil prices, which resulted in lower domestic revenue mobilization than expected, aggravated by the decline in oil production to meet quotas of OPEC+. The impact was significant as Gabon remains highly dependent on the oil sector, which represented 11 percent of GDP in 2019, as well as on oil revenues, which represented 38 percent of total revenue in 2019 and 75 percent of export earnings in 2019. Travel restrictions and lowering customs revenues further impacted revenues.
- **Trade relationship.** The second transmission channel is related to trade with China and European countries, Gabon's main trading partners. In 2019, exports to China and the Euro zone accounted for 63 percent and 10.9 percent of total exports, respectively, while oil revenues represented 75 percent of exports. The slowdown in economic activity in China and Europe translated into a contraction in demand for raw materials and then a drop in Gabon's exports. Lower imports because of decreased revenues only partly offset the negative impact of lower oil prices on export revenues, resulting in greater current account deficit and lowering foreign reserves.
- **FDI.** The third transmission channel comes from a decline in FDI, notably in the oil sector and dynamic new sectors such as agribusiness and forestry. Big companies revised their investments downward as they anticipated a negative economic outlook. Self-financed public investment was not able to offset the global drop in public investment as the government had to cut capital expenditure to meet the IMF fiscal deficit quantitative indicators. The decline in investment, combined with social distancing, borders and businesses closures compromised the timely pace of implementation of public and private investments, further negatively impacting the short-term outlook.

Economic impact of the COVID-19 pandemic

The sharp decrease in oil prices in 2020, contraction in activity in China and Europe, and expected postponement of some public and private investments resulted in an economic contraction of 1.8 percent of GDP in 2020, against 3.4 percent growth anticipated before the pandemic. Lower revenues translated into cuts in public expenditure, including social spending, additional arrears accumulation, and a widening fiscal deficit.

- The fiscal position turned into a deficit of 2.1 percent of GDP in 2020, against a pre-COVID-19 crisis anticipated surplus of 1.3 percent of GDP, reflecting the significant additional financing needs related to the COVID-19 outbreak. To fill the additional financial needs, debt increased. The decrease in revenue delayed the implementation of the clearance plan for domestic arrears and led to new accumulation of foreign and domestic arrears, resulting in higher non-performing loans on banks' balance sheets (more distressed banks), hampering their ability to provide credit to the economy.


Set of measures implemented by the Government
Social distancing
-Closure od school and universities;
-Restriction of public gatherings;
-Reorganization of working hours.
Movement restrictions
-Curfew.
Public health measures
-Medical checks at airports;
-Systematic quarantine;
-Creation of a toll-free number to inform the population;
-Mandatory wearing of masks in public spaces;
-Mandatory presentation of a health pass to access public spaces.
Social and economic measures
-Coverage of water and electricity bills for the most vulnerable;
-Suspension of rent payments;
-Financial support granted to small landlords to compensate for the suspension of rents payments;
-Free ground public transport provided by public companies;
-Provision of food aid to people in distress.
Lockdowns
-Lockdown of the Greater Libreville;
-Request for a special authorization from the Ministry of Interior to travel between the Greater Libreville and the rest of the country.

Annex 5: Gabon's urbanization process

More than four in five Gabonese citizens live in cities and more than half the population live in the three biggest cities (Libreville, the capital, Port-Gentil, the economic capital, and to a lesser extent, Franceville), leaving the rest of the country with a density of less than 2 inhabitants per km². Although low population density increases per capita resource availability and reduces pressure on the environment, it also generates diseconomies of scale for public services and increases their cost. To understand Gabon's high urbanization rate, it is important to come back to two or three major episodes or events.

The first major episode is the colonial era, which marks the beginning of real demographic explosion in Libreville. The colonial era was marked by the depopulation of the villages and can be considered the first steps in an exodus that recurred several times. From 1898, the population in villages decreased to satisfy the demand for labor on construction sites; consequently, recruitment from villages was significant (Nguema, 2005).

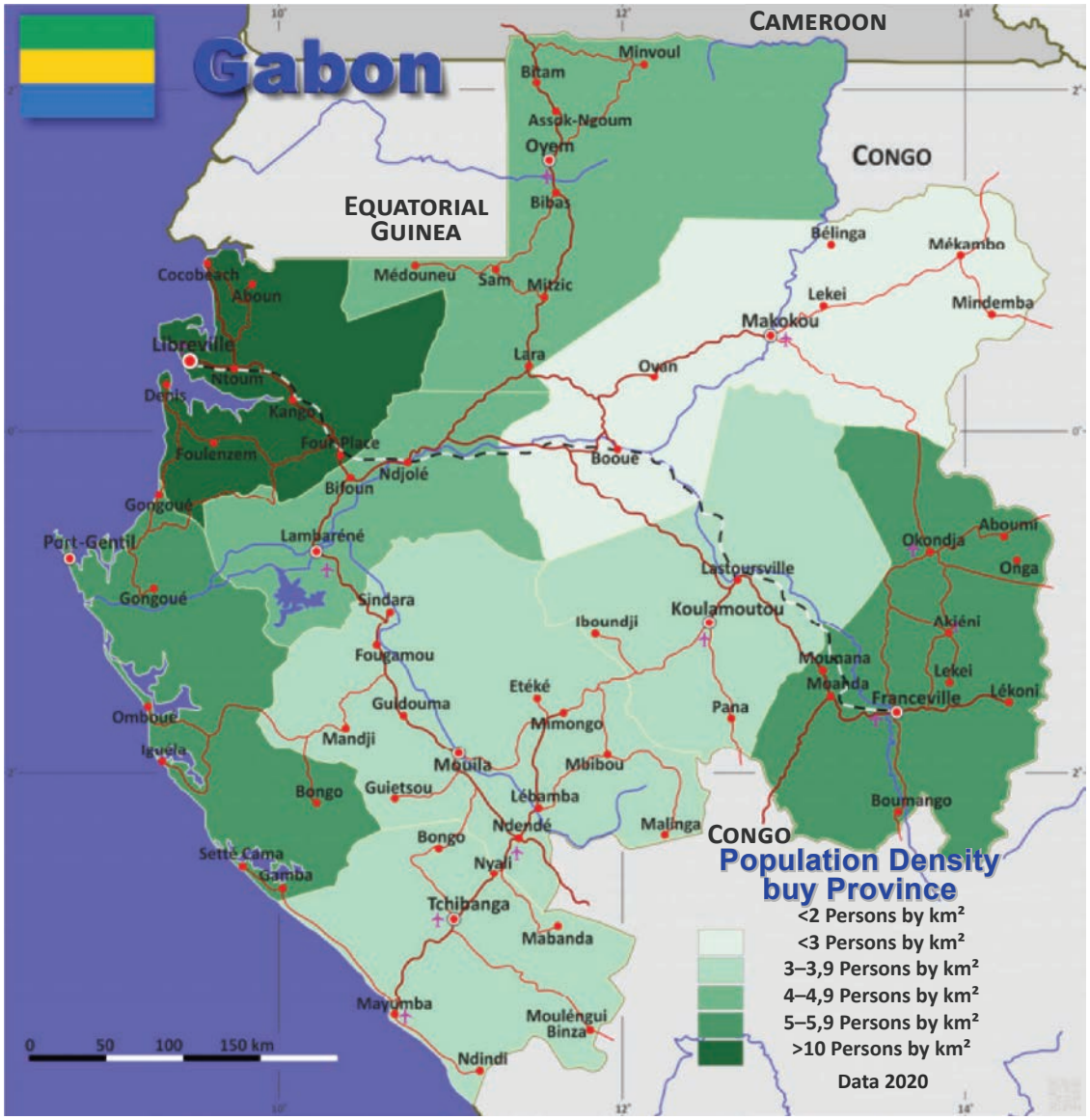
The second major episode is the period of oil discovery following Gabon's independence in 1960. The discovery of large oil fields in the early 1970s accelerated rural-urban migration, with Gabon becoming the fourth largest oil-producing country in Africa. This resulted in a demographic explosion over this period. In one decade, the capital grew from 77,000 inhabitants in 1970 to 200,000 inhabitants in 1980, i.e., an influx of more than 12,000 of new city dwellers per year. This demographic phenomenon was accompanied by uncontrolled expansion of the Libreville area.

Since 1976, faced with significant income disparities that persisted between the regions, especially between urban and rural sectors, the government made an ideological shift, based on the idea of using oil resources to prepare for the post-oil era. Since then, voluntarism by the state emerged and became the context for Gabonese public companies, performing in major sectors previously controlled by foreign companies. Public enterprises, among other priorities, developed in activities in which foreign private investors were reluctant to invest (e.g., agriculture, agroindustry, telecommunications, railway sectors).

Relying on these public enterprises, Gabon adopted a policy of regional planning. By developing the agro-industrial sector, the state's strategy was to reduce regional disparities by establishing fixed income-generating activities throughout the country and by keeping the population in the regions, in particular those less favored. This policy led to the creation of modern production centers (large public enterprises) suited to local populations thanks to an improved standard of living. The idea was to keep part of the population within the regions, by allowing them to access a regular income through wages. To achieve this goal, health components (construction of dispensaries) and education components (construction of schools) were included in each regional project.

Despite government effort to maintain populations in rural areas, an economic shock led to another significant wave of rural exodus. The oil shock of 1986 caused significant adjustments following the drying up of financial flows from the Treasury to the productive sector. It marked the end of state voluntarism and financial support to businesses, including those that had not yet reached their maturity threshold. Indeed, the structural adjustment programs recommended by the IMF insisted on a financial clean-up of public enterprises. Consequently, many of them closed because there were not enough suitable relays/handovers for their financing at the start of structural adjustment. Many projects launched to prepare and support diversification of the productive base, and have the whole territory benefit from oil's spinoffs, came to an end. This was reflected by growing impoverishment of the populations in the regions and acceleration of rural exodus, explaining the current urbanization rate of the country.

MAP A5.1 Population density



Annex 6: Additional insights on poverty and shared prosperity in Gabon

FIGURE A.6.1. Trend in GDP growth, 2001–2019

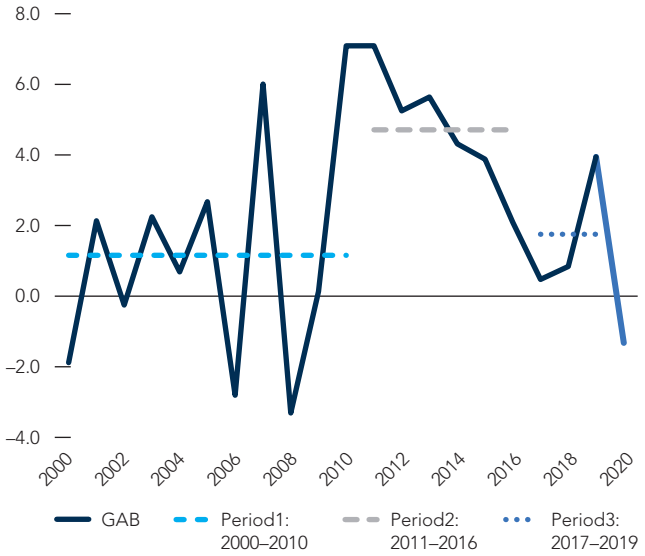


FIGURE A.6.2. Shared prosperity indicators by region

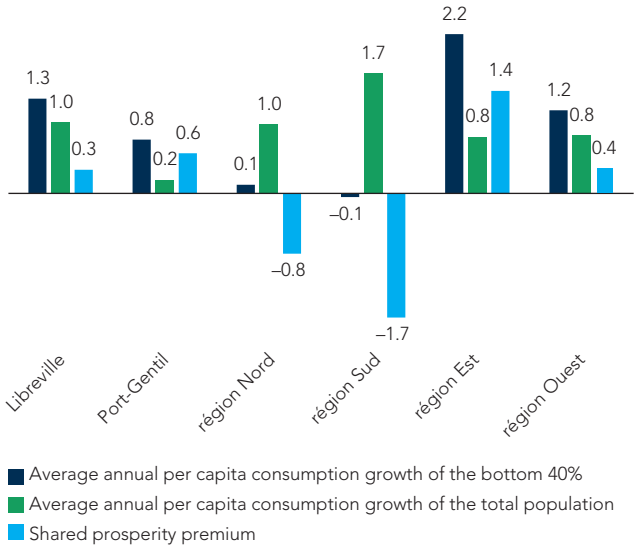


FIGURE A.6.3. Poverty headcount by region

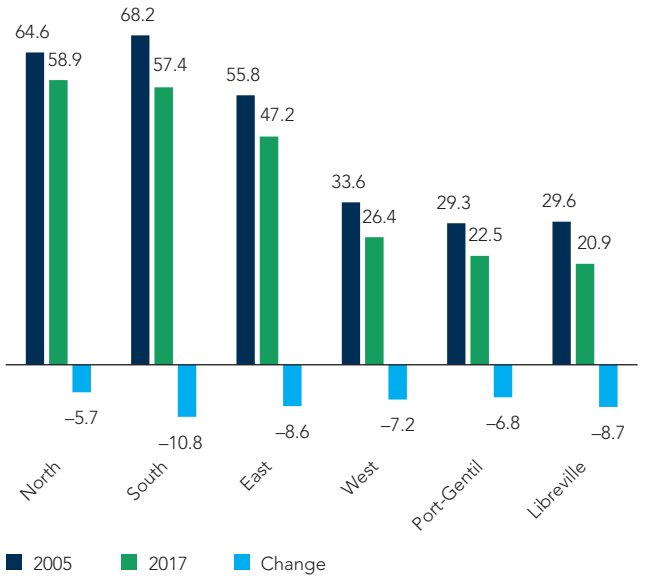


FIGURE A.6.4. Poverty headcount in the two main cities

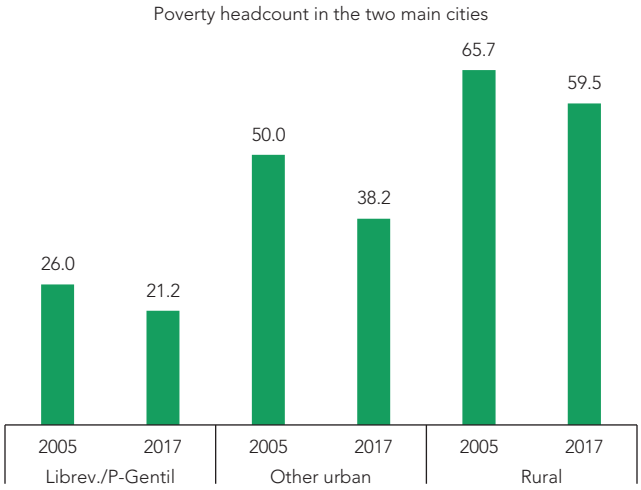
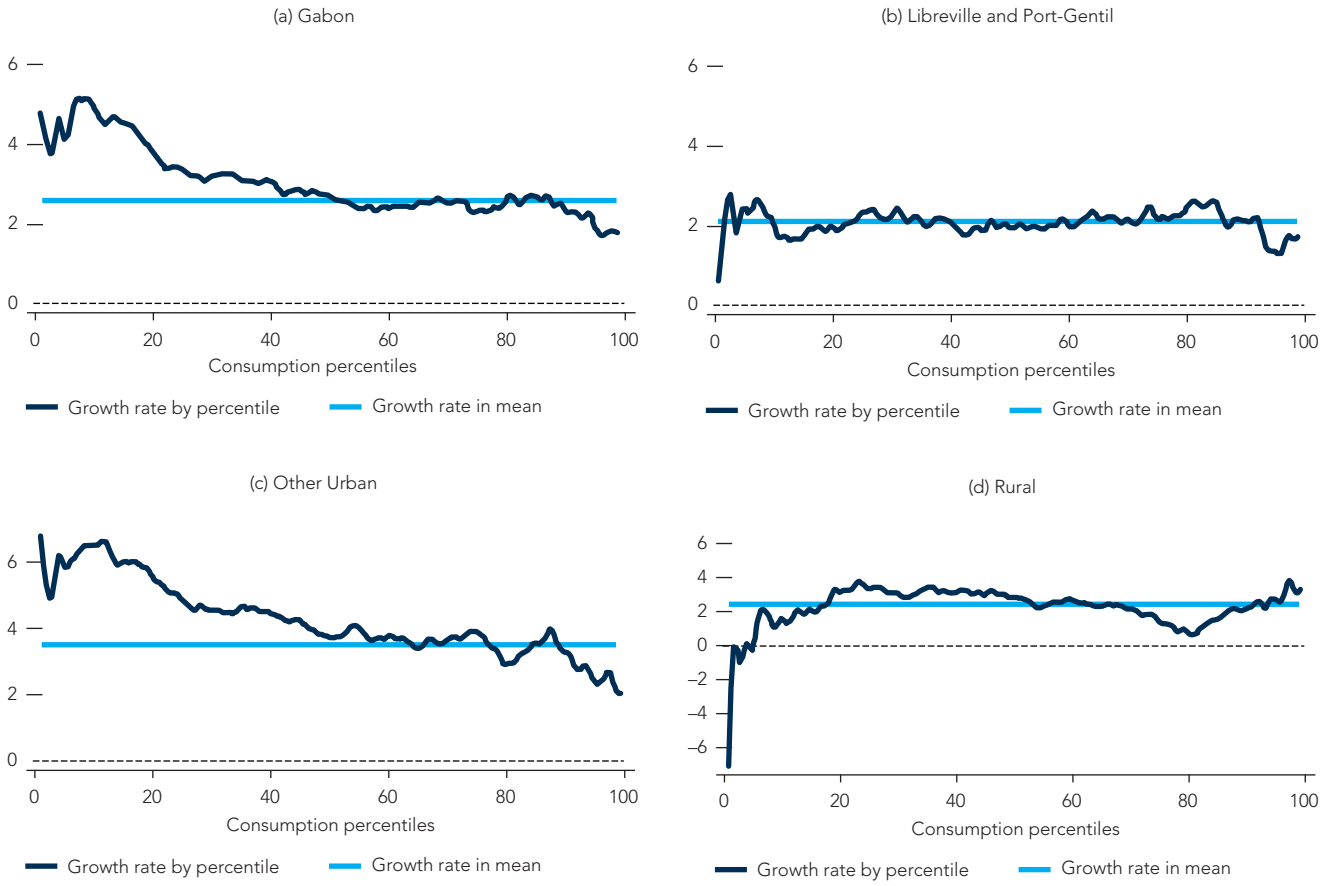


FIGURE A61.5. Gabon Growth Incidence Curves, 2005–2017



Source: WB, Gabon Poverty Assessment 2020.

Annex 7: Background on the Green Investment Climate Diagnostic (GICD)

The Green Investment Climate Diagnostic (GICD) identifies policy and regulatory barriers to green investment with the goal of indicating areas for potential policy reforms. The diagnostic focuses on investment policy restrictions (de jure barriers) and regulatory bottlenecks that constrain foreign and domestic investment in sectors and activities that contribute to decarbonization, climate change adaptation, and other environmental objectives. It seeks to inform investment policy reforms to better align government policies, regulations, and institutions; to enable green private sector investment as well as identify examples where governments are taking a more effective outcomes-based, rather than prescriptive, approach to regulatory compliance.

The diagnostic draws upon a systematic review of policy, regulatory, and administrative documents. In addition, this activity is complemented by consultations with business representatives of both domestic and foreign-owned companies, government agencies (including regulators), and other policy experts to compile the information required for completion of a questionnaire. The objective of this approach is to understand the perspective of end-users of the policy and regulatory environment, i.e., private investors and industry associations, and to supplement this as necessary with information from other relevant sources.

The GICD is designed to inform country policy dialogue (including through CCDRs) by identifying investment climate and business regulation policies that facilitate investments toward low-carbon transition. Specifically, the application of this diagnostic enables the WB Group (WBG) to focus on policies and regulatory barriers that hinder investment in new decarbonization activities and in transformative clean technologies in carbon-intensive sectors. Additionally, a select set of investment policy barriers that apply across sectors is also identified. Together, the typology of barriers could assist CCDR teams in assessing investment climate policies and regulations that impact companies in making green investments.

The diagnostic is applied to a select group of sectors in each country. These sectors should be fundamentally linked to environmental objectives, either because they produce goods or services that directly contribute to these objectives (e.g., electric vehicles production, low carbon technology manufacturing) or because they have scope for reducing their environmental harm (e.g., decarbonization of heavy industries like steel production). These sectors are selected in close consultation with WBG country teams. Focusing on a small set of sectors enables the diagnostic to offer insights beyond existing economy-wide policy and regulatory reviews.

The diagnostic is administered by WB staff and legal experts (specialized in investment advisory in environmental and renewable energy projects). The team collects the required information using a standardized questionnaire. The questionnaire covers business regulation and investment policy questions, in the following sub-categories:

- Environmental Protection Laws and Regulatory Design
- Environmental Risks, Licenses, and Clearances
- Overall Investment Policy Regime
- Regulatory Predictability and Policy Coherence
- Business Entry and Establishment
- Incentive Framework for Investments
- Technology Adoption and Company Linkages
- Institutional Arrangements and Capacity

Investment climate issues can affect sectors differentially, and the implementation of the GICD tries to account for such differences. For example, for the greening of emissions-intensive cement production, the diagnostic may uncover entry and operational barriers (e.g., limits on foreign investment, local content requirements) or the absence of regulations

and government support to encourage clean technology adoption and improved efficiency of energy and input use. In contrast, for manufacturing of low-carbon technologies (i.e., a new green activity), the diagnostic may reveal that the regulatory framework is inadequately defined (thereby affecting long-term predictability); the incentive structure is not tied to production or performance; and government support to enable local suppliers to meet global standards is absent.

The final output of the diagnostic process is a 15–20-page report and associated briefing materials that encompass key policy and regulatory barriers, priority areas for reform, and a bibliography of reference materials.

Annex 8: Gabon's environmental protection framework

As part of the GICD, Gabon's legal and regulatory framework for environmental protection was analyzed, as well as the application of regulations and control mechanisms to ensure operators' compliance with environmental regulations.

Environmental protection laws and regulatory design

Gabon has been recognized for its early engagement on sustainable development and climate change. It has ratified major multilateral environmental agreements as exemplified in Table 17. Gabon was the first African country to submit its Nationally Determined Contribution (NDC) within the framework of the Paris Agreement. Gabon had already enacted a national climate action plan in 2012 and a framework law on sustainable development in 2014. A law ordinance on climate change has been drafted to enact Gabon's engagement defined in its first NDC. As regards forest protection and restoration, Gabon's membership in the International Tropical Timber Organization (ITTO) is worth mentioning. Nevertheless, Gabon signed but did not ratify the 2003 African Convention on the Conservation of Nature and Natural Resources (the Maputo Convention), which commits signatory countries to enhance environmental protection, foster the conservation and sustainable use of natural resources, and harmonize policies in these fields. Gabon is ranked 76 out of 180 countries by the 2020 Environmental Performance Index published by Yale University, coming third among African countries and with a score that has increased by 10 percent over the last 10 years.

Gabon has enforced a framework law on environmental protection but lacks more comprehensive regulation on some topics (e.g., water management, air quality, circular economy, biodiversity). In 2014, Gabon adopted a framework law (Law No. 007/2014 enacted by Decree No. 0261) that defines key principles for environmental protection in line with international standards: precaution, avoid-reduce-compensate sequence, polluter pay, responsibility, participation, and inclusiveness. This law defines qualitative orientations – namely, natural resource preservation and sustainable usage, prevention of pollution and nuisances, improvement and protection of the living environment, promotion of new values, and income-generating activities linked to the protection

TABLE A8.1. Major multilateral environmental agreements ratified by Gabon

MAJOR MULTILATERAL ENVIRONMENTAL AGREEMENTS RATIFIED BY GABON (AND YEAR OF RATIFICATION)
Kyoto Protocol (2006) and Paris Agreement (2016).
Minamata Convention on Mercury (2014).
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (2008).
International Plant Protection Convention (2008).
Convention on the Conservation of Migratory Species of Wild Animals (2008).
Stockholm Convention on Persistent Organic Pollutants (2007).
International Treaty on Plant Genetic Resources for Food and Agriculture (2006)
Rotterdam Convention on the use of hazardous chemicals (2004)
Convention on Biological Diversity (CDB) (1997), Cartagena Protocol on Biosafety (2007), and Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (2011)
United Nations Convention to Combat Desertification (1996)
Vienna Convention for the Protection of the Ozone Layer (1994), Montreal Protocol on Substances that Deplete the Ozone Layer (1994)
Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) (1989)
Convention on Wetlands of International Importance especially as Waterfowl Habitat – RAMSAR (1987)
Convention Concerning the Protection of the World Cultural and Natural Heritage (1987)

of the environment – but lacks quantitative objectives. This law covers most environment-related issues (waste management, water management, renewable energy, etc.), and defines governance requirements (Ministry of Environment, National Commission of Environment, Inter-ministerial Technical Commission on Environment, etc.), and resource mobilization (e.g., creation of the fund for the safeguard of the environment) to support this ambition. Gabon has also enacted a law on national parks (Law No. 003/2007) but may lack dedicated regulation on the following topics:

- Gabon is one of the only African countries without a code that regulates water treatment and supply as well as electricity production, transportation, and distribution. Law No. 024/2016 defines the legal regime for these activities and a code is under development.
- The legal and regulatory framework on waste management, including Decree No. 000541 (2005), covers only waste treatment and does not address circular economy.
- There is no regulatory framework or national strategy on air quality. Gabon is currently working with the Climate and Clean Air Coalition (which the country joined in 2020) to structure its strategy on air quality.
- Gabon has put emphasis on biodiversity and ecosystems protection and restoration through successive legal and regulatory requirements, and the government is currently working on a biodiversity code to provide a more comprehensive framework on this topic.

Public consultation and inclusion with regards to environmental protection have been instituted by regulation and reinforced through partnerships. In the process to getting Environmental Impact Assessments (EIAs) (see section below), Law No. 007/2014 mentions that any operation involving EIAs must be subject to public consultation. As for authorization granted to classified activities, they are also subject to systematic public consultation according to the Decree No. 000543 (2005). This decree also mentions that changes to local customs and traditional usages from village communities are included in the scope of EIAs. The Directorate General on Environment and Nature Protection (DGEPN) has recently signed a national charter on environmental protection and nature preservation with 50 NGOs in order to set up a framework partnership between the administration and civil society.

Environmental risks, licenses, and clearances

Regulation on environmental impact assessments (EIA) ensures that the environmental implications of policies and projects are taken into account before implementation. The mechanism of EIA was introduced in Decree No. 000539 from the Ministry of Environment in 2005, evidencing procedures, reporting modes and actors subject to EIAs. This mechanism is supported by additional practical guidance – and confirmed by the framework law on environmental protection (Law No.007/2014 (Art. 29) enacted by Decree No. 0261). This former law states that strategic environmental assessments must be conducted to evaluate policies, plans, and sectoral programs. It is specified that any draft legal act directly or indirectly related to environment should be communicated to the Ministry of Environment in charge of issuing an opinion. This regulation also defines a comprehensive list of operations for which an EIA is mandatory, as well as an eligibility threshold. Projects not listed in the regulation or of a size below threshold are only subject to a simplified Environmental Impact Statement (EIS). Wood processing plants and afforestation activities are both listed and subject to EIA, when clearing non-permanent forests of an area equal to or larger than 25 ha or when reforesting areas equal to or larger than 100 ha (for afforestation). Applicants are required to provide initial site analysis, impact assessments, as well as mitigation and off-setting measures. In 2021, the DGPEN approved 154 EIAs out of 280 received and assessed. Such an administrative process averages between 6 and 12 months because of a lack of resources at the DGPEN. Besides these delays that can be experienced by industrials, it is worth mentioning the discrepancies between industrial cycles and bureaucratic procedures that may impact business entry (when such lengthy procedure is not anticipated enough). There

can also be unpredictability in the length of administrative processing due to context differences between projects (for example, assessing a project in an urban area on well-framed activities goes faster than assessing a mining project in a forest located in the north of Gabon).

A dedicated environmental protection regulation, installations classified for environmental protection (ICPE) provides generic guidance on industrial activities, but without specifying industry standards. The regime for ICPE (Decree No. 000543, 2005) defines specific requirements for industrial sites likely to harm the health or to affect the quality of the environment such as factories, workshops, warehouses, and other public or private industrial, agricultural, mining, artisanal, commercial, or other installations. Depending on their level of impact on health, environmental quality, or neighborhoods, these installations are subject to authorization by the Ministry of Environment, or to a declaration to this Ministry. However, this decree does not specify how to assess the significance of these impacts. Both procedures require the applicant to provide comprehensive information about activities on site, an EIA and a hazard study for authorizations, and a simplified EIS when it comes to declarations. When operating, the beneficiary is required to provide an annual report on the implementation of its environmental management plan. There are currently no industry standards that specify industrial processes or their operating conditions and emission rates. Only limited environmental protection requirements have been defined in the legal framework of polluting activities as the mining, oil, and gas sectors. A new framework for ICPEs was adopted in 2021, but managing change needs support from private sectors in complying with this new regulation. As regards public officials, technical trainings are required to support more sector-specific analysis (e.g., mining-related risks).

Mechanisms have been set up to ensure controls and monitoring of environmental requirements, but in practice their efficiency remains to be proven. There is a general mechanism to ensure controls and monitoring of environmental requirements instituted by Law No. 007/2014 (Art. 86). It enforces the responsibility of the state to install continuous environmental monitoring networks, allowing the establishment and updating of quality standards, and ensuring their application. An online platform is available to file complaints regarding any observation of environmental deterioration due to industrial activities. Decree No. 000543 (2005) defines the process and responsibilities for inspections, which can also result from citizens' complaints, requests from public administrations or private entities, and sanctions. Decentralization supports control by public officials from the Ministry of Environment located all over the country, contributing to surveillance and reporting, and facilitating on-site controls.

Institutional arrangements and capacity for environmental protection

Institutions and committees have been set up for environmental protection, but institutional arrangements and governance are not fully operational. The DGEPN is the key focal point for economic operators, charged with examining declarations and applications for installations classified for environmental

Best Practices: industry standards in regard to air emissions

The EU developed reference reports, called Best Available Techniques (BAT) Reference Documents (BREFs) which describe industrial processes, emission and consumption levels of applied techniques, and best available techniques for integrated prevention and control of pollution from industrial activities. Recommendations defined through BAT are to be considered by EU member states as reference when setting permit conditions for all installations within the scope of the Industrial Emissions Directive. For example, two BREFs have been developed on wood-product manufacturing: (i) Production of Wood-based Panels, and (ii) Production of Pulp, Paper and Board.

protection, including EIA analysis, and delivering the authorization. An interdepartmental committee (CIEI) has been initiated by Decree No. 000539 (2005) to support a coordinated review of EIAs. There is currently no national environmental protection policy or concrete action plan (while required by the framework Law No. 007/2014 on environmental protection), nor a national environmental protection agency that would support its implementation. However, a Biodiversity Protection Agency (*Agence Nationale de Préservation de la Nature*) was created through Decree No. 00111 in 2017, placed under the supervision of the Ministry of Water and Forests, the Sea and the Environment. As regards national governance, contrary to what was foreseen in Law No. 007/2014, no National Commission on Environment and no technical interdepartmental committee on environmental protection have been created. A workforce of 1,479 staff has been allocated in 2022 to the Ministry of Water and Forests, the Sea and the Environment, equal to 1.5 percent of the total workforce in Gabon's Ministries. Several funds have been created to support resource mobilization for environmental protection: (i) the environmental protection fund created by Law No. 007/2014, which benefits from environment-related taxes (on air pollutant emissions, waste management, the use of oil and lubricants, or installations classified for the protection of the environment); (ii) the sustainable development fund created by Law No. 02/2014; and (iii) the biodiversity protection fund. State budget allocated to environmental protection remains limited (only FCFA 29.8 million), which represents 1.5 percent of the total budget for 2022 (Decree No.0095).

Dedicated financial and human resources are allocated to environmental protection, with some limitations in the operationalization and implementation of policies. Environmental protection remains limited in terms of human resources as well. The 2022 Budget Law sets the employment authorization limits of Ministries, independent administrative authorities, and institutions, which are generally at 104,184 agents, among which 1,479 are at the Ministry of the Environment and Forest (1.4 percent of total agents). The amount of budget allocated to forest economy and environmental protection (0.7 percent in 2019) is far below the weight of these sectors in the national economy (3.3 percent of GDP in 2019). These limited human and financial resources are insufficient to achieve Gabon's national objectives regarding environmental protection. In 2012, the government wrote a national plan for climate to assess greenhouse gas (GHG) emissions by sector and draw an overall mitigation strategy for the country and specific strategies to reduce sectoral GHG emissions. The Green Gabon Operational Plan issued by the government in 2015 as part of the three pillars of the PSGE summarized the vision of Green Gabon and detailed concrete actions to achieve this vision, describing their application modalities. In the coming years, the adoption of the law related to climate change in September 2021 should lead to concrete plans and programs.

Annex 9: Main features of the ENVISAGE computable general equilibrium model

the economic effects in Gabon of implementing the AfCFTA FTA are modeled using computable general equilibrium (CGE) simulations, in particular the Environmental Impact and Sustainability Applied General Equilibrium (ENVISAGE) model. Production in the model is implemented as a series of nested constant-elasticity-of-substitution (CES) functions to capture the substitutability and complementarity across all inputs. Crops and livestock have a production structure different from other production goods. The model incorporates five types of production factors: labor (differentiated by skill and by gender); capital; land; a sector specific natural resource (such as fossil fuel energy reserves); and water.

Domestic production is allocated to the domestic market or exported, following a constant elasticity of transformation (CET) function. There are three domestic final demand agents: households (h), a government sector (gov), and an aggregate investment sector (inv). Income comes from payments to factors of production and is allocated to households (after taxes). The government sector accrues all net tax payments and purchases goods and services. Investment income is equated to the sum of domestic and foreign savings. A portion of capital income flows to a global holder of equity that then apportions profits from the global fund. Remittances are also incorporated and are fully bilateral.

The model incorporates multiple utility functions for determining household demand. In this specification, a constant difference of elasticities (CDE) utility function is assumed. This function allows for more flexibility in terms of substitution effects across goods and for non-homotheticity. The capital market assumes vintage capital. New capital is allocated across sectors to equalize rates of returns. Installed capital is imperfectly mobile across sectors. If all sectors are expanding, old (installed) capital is assumed to receive the economy-wide rate of return. In contracting sectors, old capital is sold on secondary markets using an upward sloping supply curve. This implies that capital is only partially mobile across sectors. Land and water are allocated across activities using a nested CET specification. Natural resources are supplied to each sector using an isoelastic supply function with the possibility of differentiated elasticities depending on market conditions.

Trade is modeled using the Armington specification, which assumes that demand for goods is differentiated by region of origin. The model allows for domestic/import sourcing at the aggregate level (after aggregating domestic absorption across all agents), as well as at the agent level. Thus, a second Armington nest allocates aggregate import demand across all exporting regions using a representative agent specification. Exports are modeled in an analogous fashion using a nested constant-elasticity of-transformation (CET) specification. The domestic supply of each commodity is supplied to the domestic market and to an aggregate export bundle using a top-level CET function. The latter is allocated across regions of destination using a second-level CET function.

Dynamics in ENVISAGE involve three elements: (i) labor supply (by skill level) grows at an exogenously determined rate; (ii) the aggregate capital supply evolves according to the standard stock/flow motion equation, i.e., the capital stock at the beginning of each period is equal to the previous period's capital stock, less depreciation, plus the previous period's level of investment; and (iii) labor augmenting technical change – calibrated to given assumptions about GDP growth and intersectoral productivity differences. In policy simulations, technology is typically assumed to be fixed at the calibrated levels.

TABLE A9.1. Gabon: top 20 exported products in 2020 (USD millions and percentages)

RANK	HS6	PRODUCT DESCRIPTION	EXPORT (M USD)	SHARE (%)
1	270900	Petroleum oils	2703.49	54.91
2	260200	Manganese ores and concentrates	1410.87	28.65
3	440799	Wood, nec sawn or chipped lengthwise	306.55	6.23
4	440890	Veneer sheets and sheets for plywood	177.75	3.61
5	271000	Petroleum oils, etc. (excl. crude)	66.13	1.34
6	720230	Ferro-silico-manganese	47.66	0.97
7	400122	Technically specified natural rubber	39.11	0.79
8	441211	Plywood	26.81	0.54
9	710812	Gold in unwrought forms	24.8	0.5
10	890190	Cargo vessels nec and other vessels	15.05	0.31
11	440610	Railway or tramway sleepers	11.79	0.24
12	811100	Manganese and articles thereof	11.68	0.24
13	151110	Crude palm oil	11.55	0.23
14	440920	Non-coniferous wood	3.91	0.08
15	740319	Refined copper products, unwrought	3.59	0.07
16	151321	Crude palm kernel or babassu oil	2.94	0.06
17	270799	Other oils and oil products, nec	2.51	0.05
18	880230	Aircraft nec of an unladen weight	2.4	0.05
19	880212	Helicopters of an unladen weight	2.08	0.04
20	230230	Brans, sharps and other residues	2.07	0.04
		Total	4872.74	98.95

Source: Authors' calculations using WITS and mirror data.

TABLE A9.2. Gabon: top 20 imported products, 2020 (USD millions and percentages)

RANK	HS6	PRODUCT DESCRIPTION	IMPORT (M USD)	SHARE (%)
1	890520	Floating or submersible drilling equip.	151.92	7.23
2	100630	Semi-milled or wholly milled rice	80.47	3.83
3	20741	Frozen cuts and offal of chicken	60.11	2.86
4	300490	Other pharmaceutical products	52.96	2.52
5	160413	Prepared or preserved sardines	29.11	1.39
6	890190	Cargo vessels nec and other vessels	25.86	1.23
7	100190	Spelt, common wheat and meslin	25.06	1.19
8	271000	Petroleum oils (excl. Crude oil)	21.89	1.04
9	20230	Frozen boneless bovine meat	20.49	0.98
10	890590	Floating docks and vessels	20.17	0.96
11	860692	Railway cars	19.5	0.93
12	880330	Aircraft parts nec	19.07	0.91
13	730420	Casings, tubing & drill pipes	18.84	0.9
14	852520	Transmission apparatus	18.71	0.89
15	190190	Other food preparations of flour	18.67	0.89
16	40221	Milk and cream in solid forms	17.76	0.85
17	848180	Taps, cocks, valves and similar appl.	17.4	0.83
18	880212	Helicopters	16.58	0.79
19	630900	Worn clothing & other worn articles	16.21	0.77
20	270400	Coke and semi-coke of coal	15.27	0.73
		Total	666.05	31.72

Source: Authors' calculations using WITS and mirror data.

TABLE A9.3. Gabon: top 20 export destinations, 2010 and 2020 (USD millions and percentages)

RANK	COUNTRY	VALUE (M USD)	SHARE (% OF TOTAL)	RANK	COUNTRY	VALUE (M USD)	SHARE (% OF TOTAL)
2010				2020			
1	United States	2276.5	31.57	1	China	3217.54	61.51
2	China	969.74	13.45	2	Netherlands	330.38	6.32
3	Trinidad and Tobago	836.02	11.59	3	India	317.13	6.06
4	Malaysia	770.72	10.69	4	Singapore	183.58	3.51
5	Australia	382.54	5.3	5	Korea, Rep.	164.59	3.15
6	Spain	324.04	4.49	6	Australia	151.33	2.89
7	India	320.17	4.44	7	France	119.88	2.29
8	France	283.49	3.93	8	Norway	116.51	2.23
9	Congo, Rep.	206.65	2.87	9	United States	83.63	1.6
10	Italy	145.98	2.02	10	Italy	50.63	0.97
11	Germany	137.16	1.9	11	Malaysia	48.37	0.92
12	Netherlands	126.92	1.76	12	Belgium	47.59	0.91
13	Ukraine	79.98	1.11	13	Germany	47.24	0.9
14	Japan	52.3	0.73	14	Russian Fed.	41.54	0.79
15	Norway	42.45	0.59	15	Thailand	32.61	0.62
16	Korea, Rep.	29.08	0.4	16	Uni Arab Emirates	28.91	0.55
17	Morocco	25.34	0.35	17	Japan	27.29	0.52
18	Greece	16.67	0.23	18	Spain	21.34	0.41
19	Vietnam	15.59	0.22	19	Turkey	20.38	0.39
20	Belgium	14.67	0.2	20	Greece	19.75	0.38
Total		7056.01	97.84	Total		5070.22	96.92

Source: Authors' calculations using WITS and mirror data.

TABLE A9.4. Gabon: top 20 import sources, 2010 and 2020 (USD millions and percentages)

RANK	COUNTRY	VALUE (M USD)	SHARE (% OF TOTAL)	RANK	COUNTRY	VALUE (M USD)	SHARE (% OF TOTAL)
2010				2020			
1	France	751.38	29.04	1	France	456.36	21.58
2	Congo, Rep.	327.38	12.65	2	China	415.58	19.65
3	United States	235.61	9.1	3	Congo, Rep.	226.79	10.73
4	China	205.81	7.95	4	United States	88.53	4.19
5	Netherlands	102.78	3.97	5	Netherlands	85.89	4.06
6	Italy	86.93	3.36	6	Belgium	62.16	2.94
7	Germany	86.05	3.33	7	Singapore	53.26	2.52
8	Belgium	69.24	2.68	8	India	52.33	2.47
9	United Kingdom	69.1	2.67	9	Morocco	52.2	2.47
10	Cameroon	57.56	2.22	10	Turkey	51.57	2.44
11	Japan	49.6	1.92	11	Thailand	43.81	2.07
12	Spain	47.27	1.83	12	Cambodia	43.35	2.05
13	South Africa	46.95	1.81	13	Italy	36.74	1.74
14	Thailand	43.03	1.66	14	Spain	35.08	1.66
15	India	34.55	1.33	15	United Kingdom	34.42	1.63
16	Brazil	29.54	1.14	16	South Africa	31.78	1.5
17	Morocco	26.07	1.01	17	Germany	30.98	1.47
18	Cote d'Ivoire	24.61	0.95	18	Brazil	29.49	1.39
19	Singapore	19.57	0.76	19	Malaysia	26.86	1.27
20	Turkey	18.91	0.73	20	Japan	21.08	1
Total		2331.94	90.11	Total		1878.26	88.83

Source: Authors' calculations using WITS and mirror data.

FIGURE A9.1. Gabon and its peers: STRI in commercial banking and insurance services, 2021

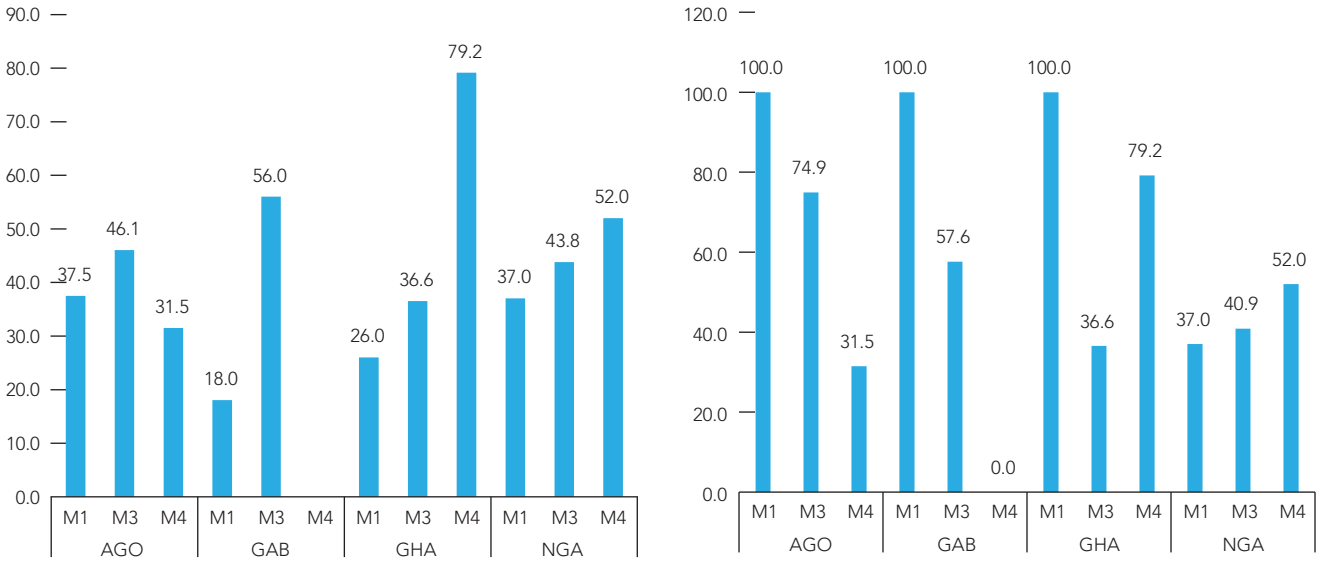


FIGURE A9.2. Gabon and its peers: STRI in accounting and auditing services, 2021

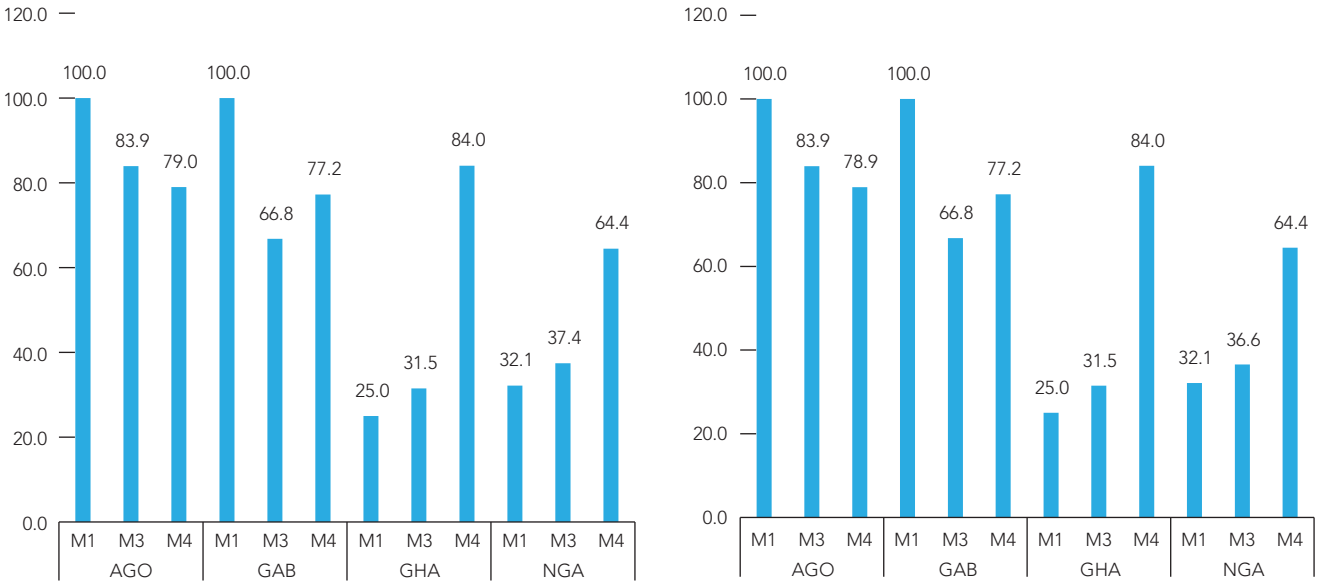


FIGURE A9.3. Gabon and its peers: STRI in mobile telecom services, by mode of supply, 2021

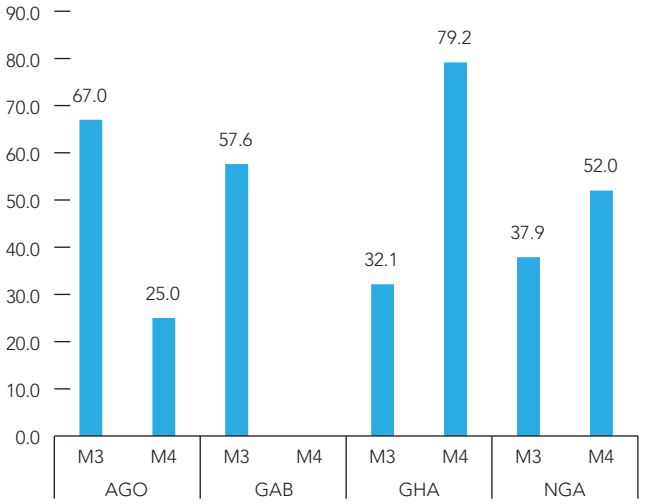


FIGURE A9.4. Gabon and its peers: STRI in mobile telecom services, all modes of supply, 2022

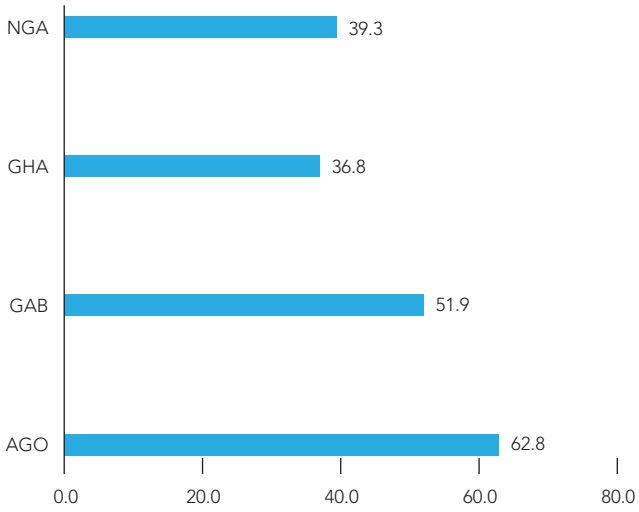


FIGURE A9.5. Gabon and its peers: STRI in distribution, telecom, and transport services, all modes of supply, 2021

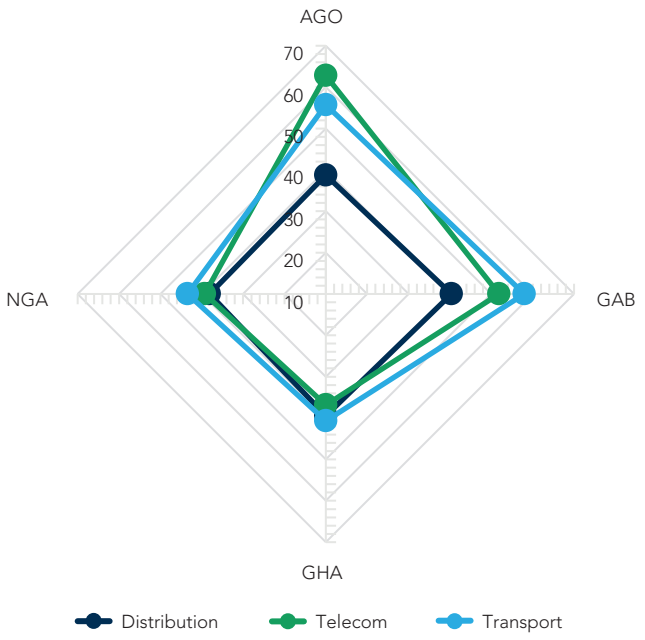
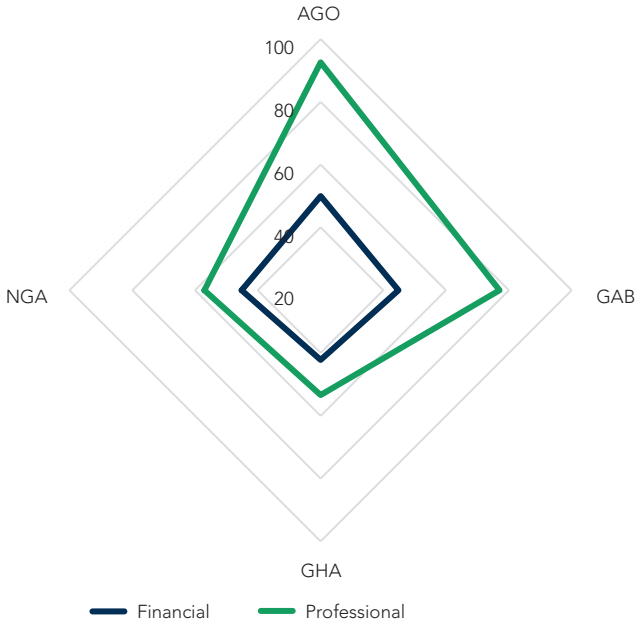
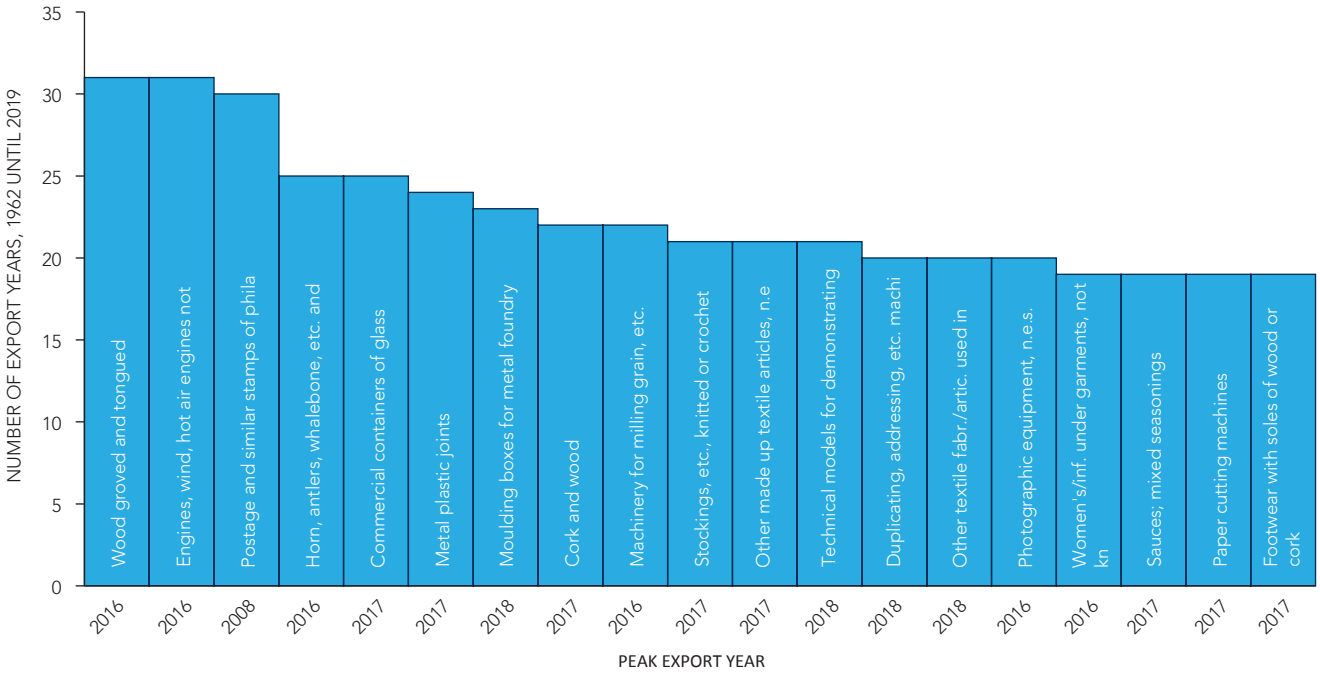


FIGURE A9.6. Gabon and its peers: STRI in professional and financial services, all modes of supply, 2021



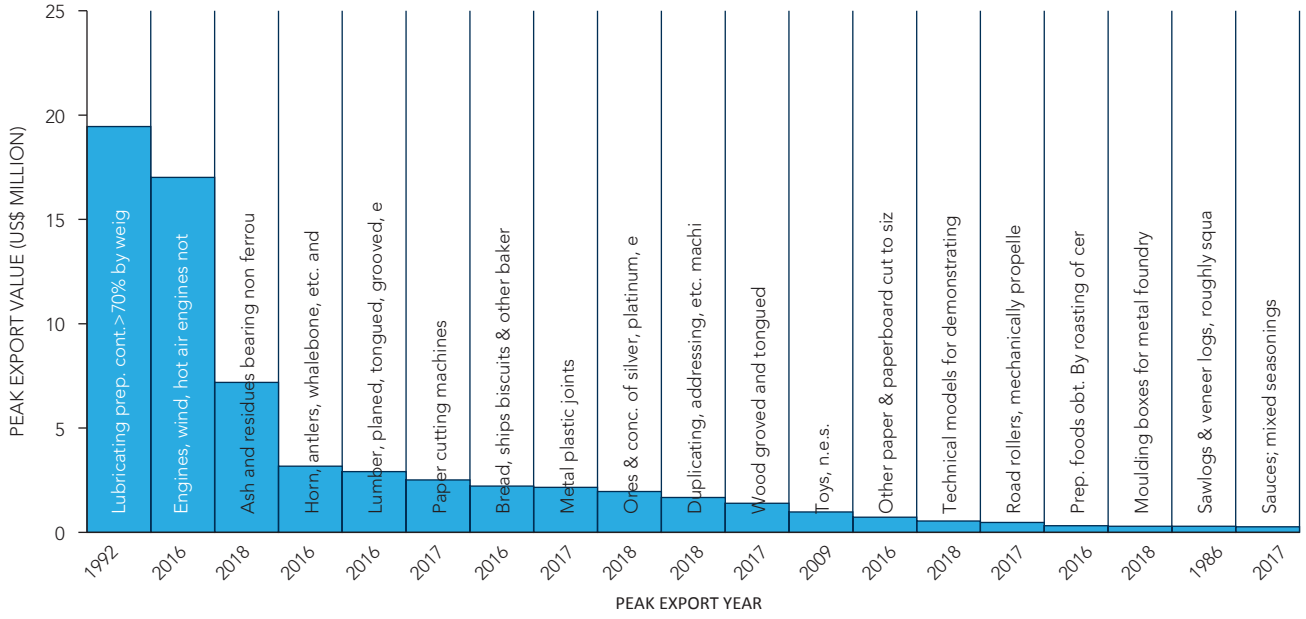
Source: WB-WTO STRI Database

FIGURE A9.7. Gabon: top latent products in terms of the number of export years



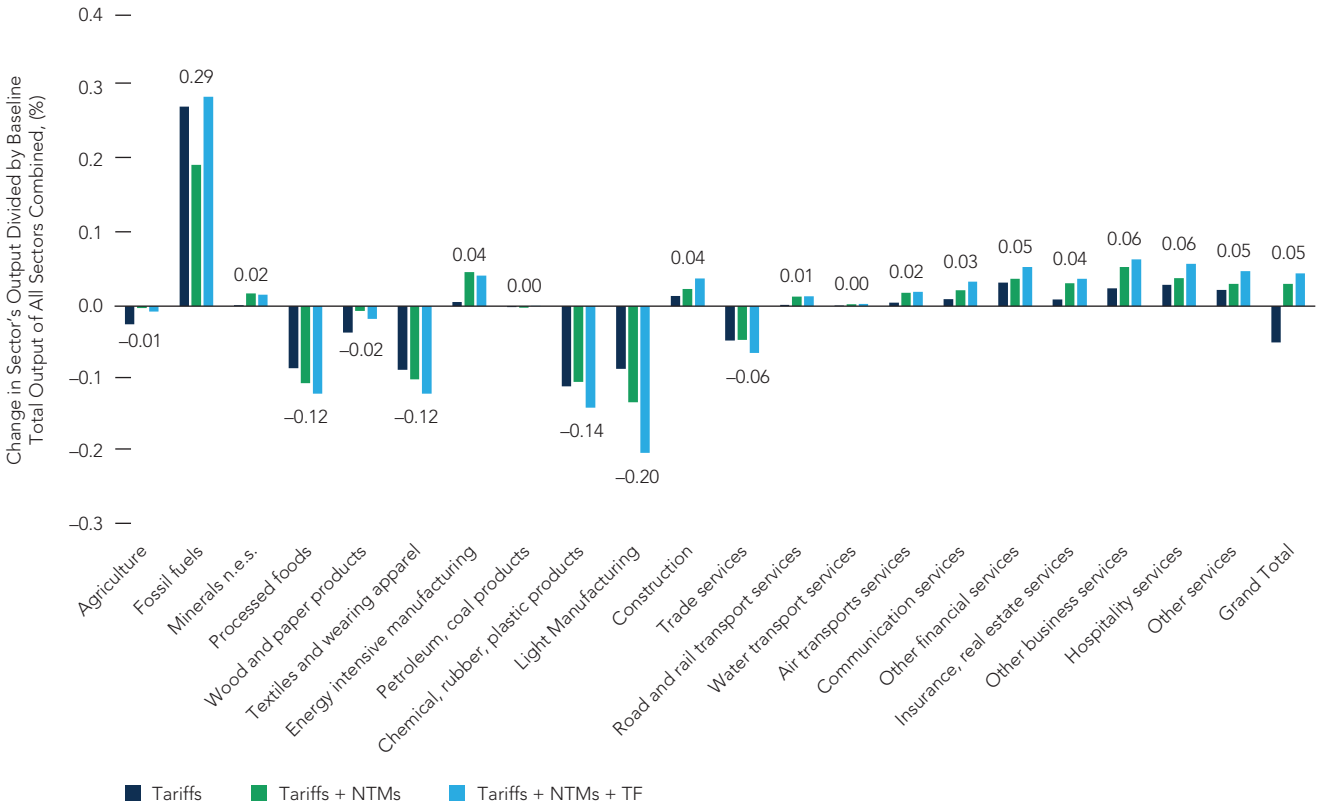
Source: Authors' calculations using SITC mirror exports.

FIGURE A9.8. Gabon: top latent products in terms of value of exports



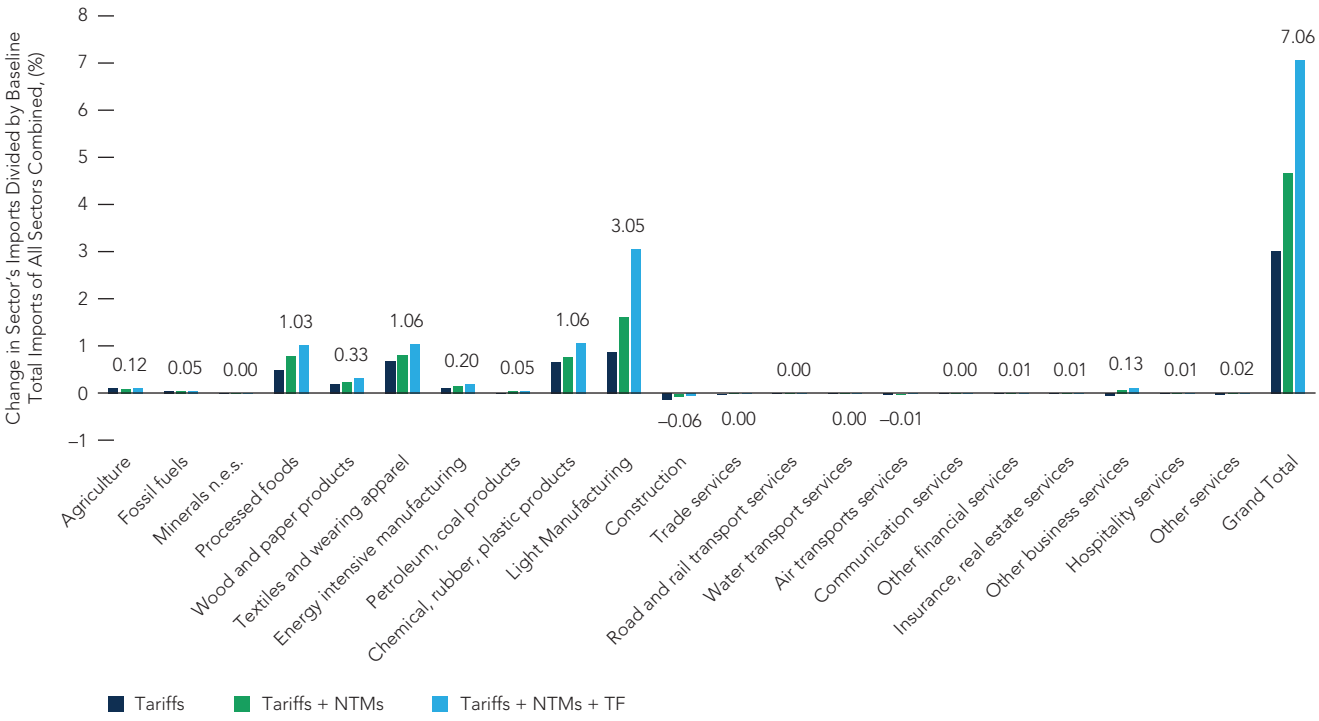
Source: Authors' calculations using SITC mirror exports.

FIGURE A9.9. Gabon and Central Africa: Static impacts of AfCFTA on total output by sector in 2035 relative to baseline



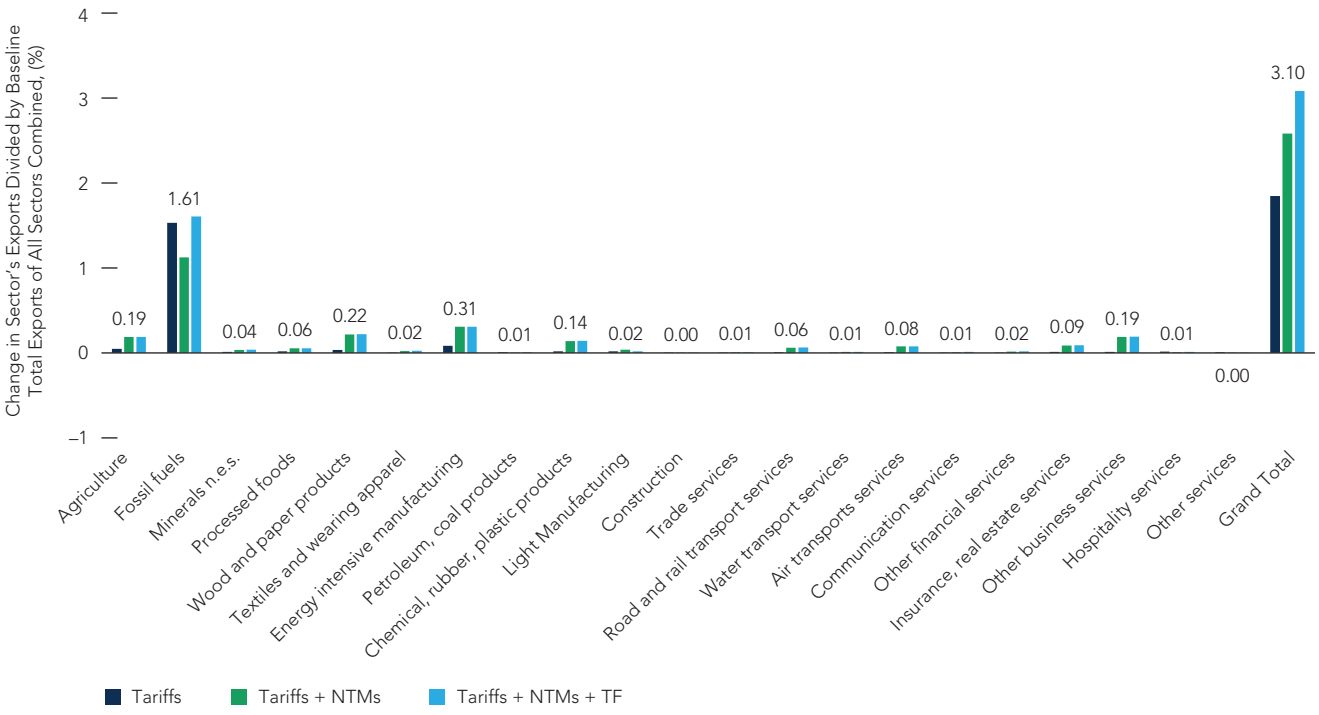
Notes: Figure shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for combined effect of Tariffs + NTMs+ TF.
Source: WB staff calculations from ENVISAGE simulations.

FIGURE A9.10. Gabon and Central Africa: Static impacts on total imports by sector in 2035 relative to baseline



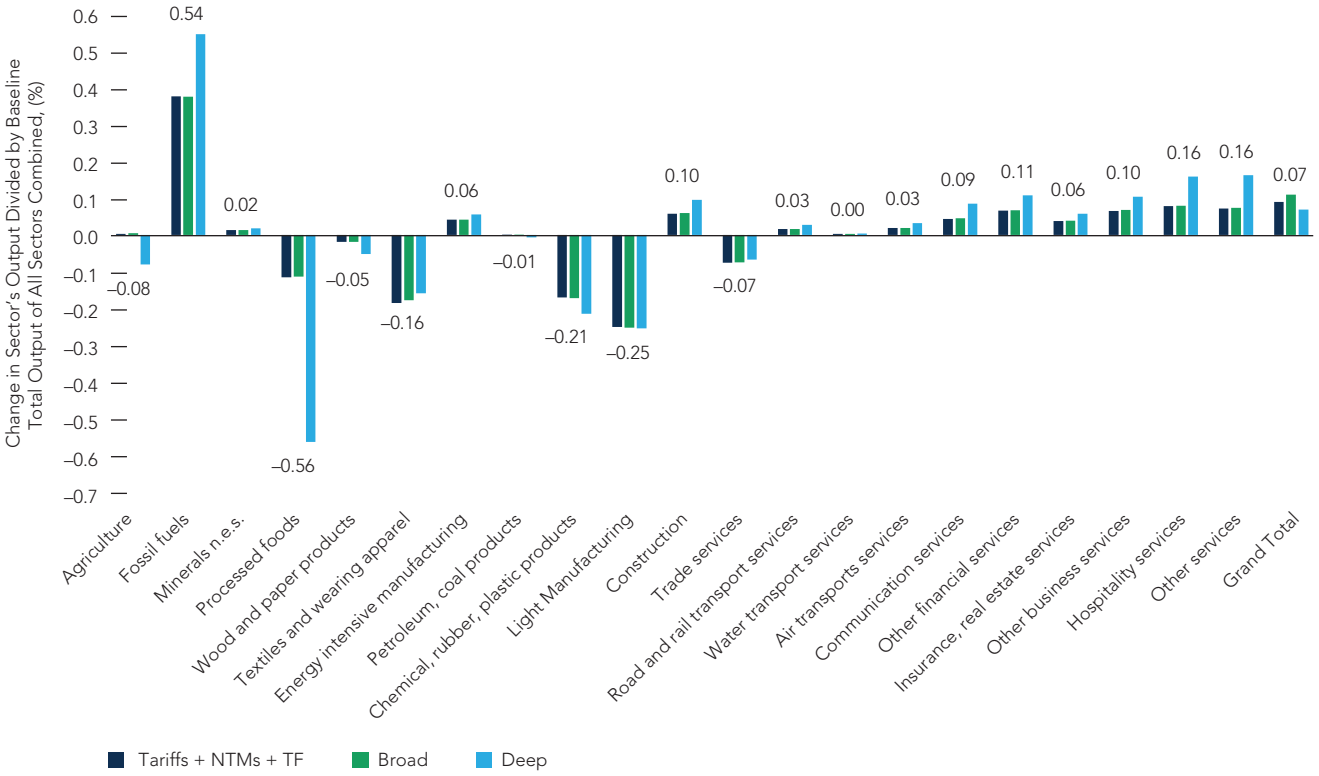
Notes: Figure shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for combined effect of Tariffs + NTMs+ TF.
Source: WB staff calculations from ENVISAGE simulations.

FIGURE A9.11. Gabon and Central Africa: Static impacts of AfCFTA on total exports by sector in 2035 relative to baseline



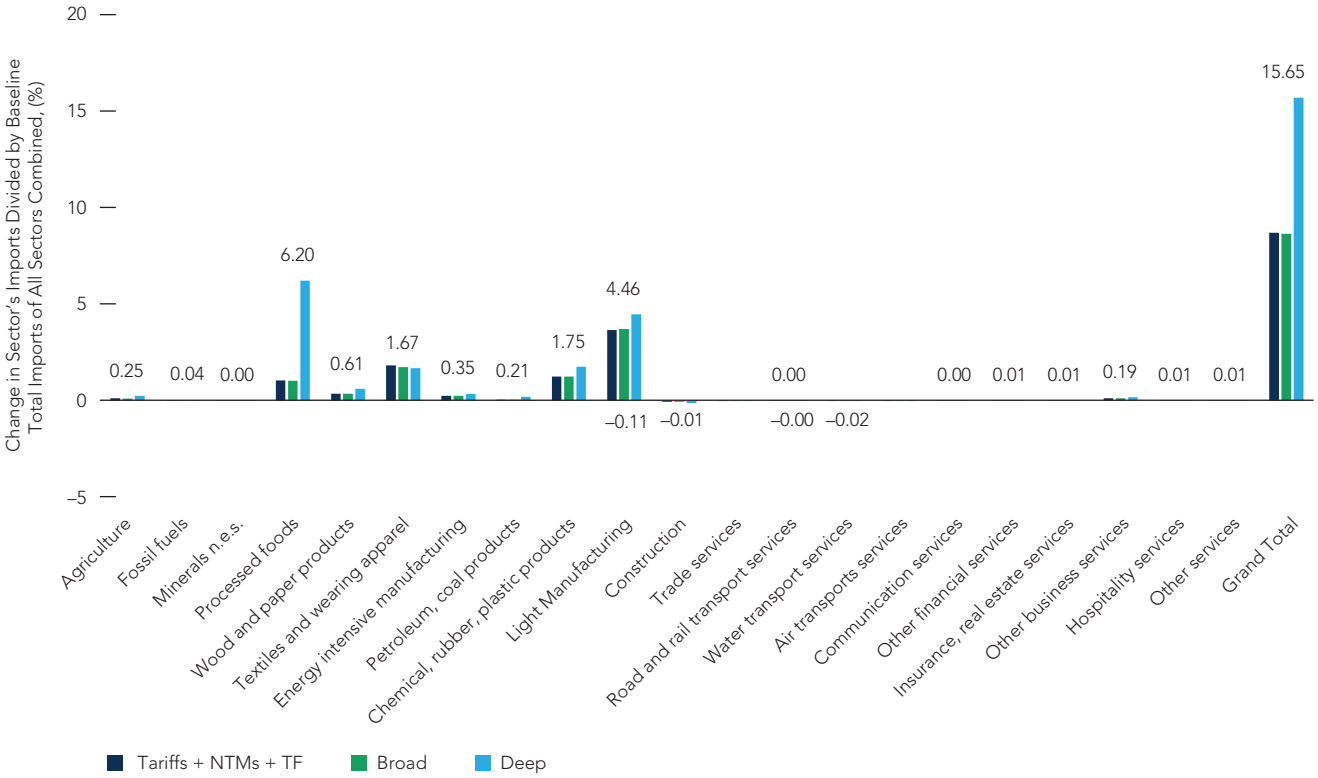
Notes: Figure shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for combined effect of Tariffs + NTMs+ TF.
Source: WB staff calculations from ENVISAGE simulations.

FIGURE A9.12. Gabon and Central Africa: dynamic impacts of AfCFTA on total output by sector in 2035 relative to baseline



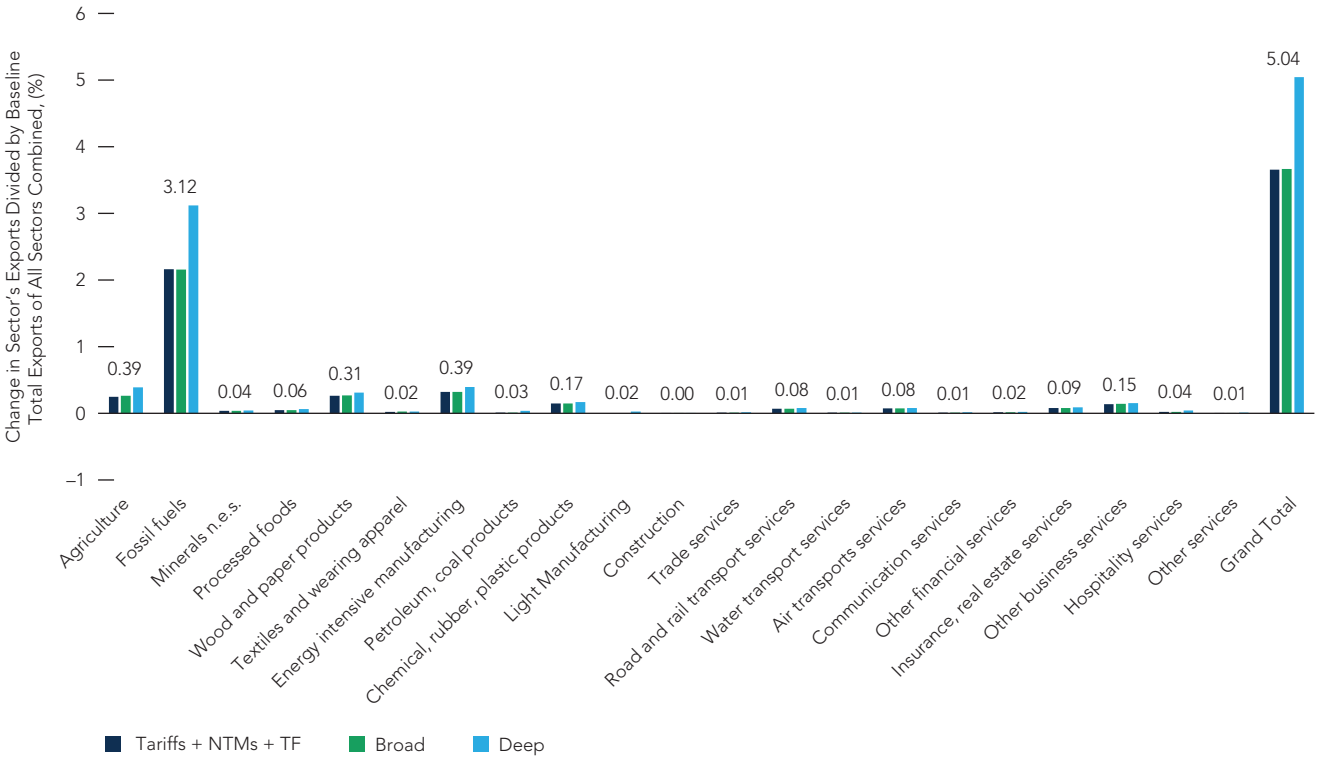
Notes: Figure A9.13 shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for the deep scenario.
Source: WB staff calculations from ENVISAGE simulations.

FIGURE A9.13. Gabon and Central Africa: dynamic impacts of AfCFTA on total imports by sector in 2035 relative to baseline



Notes: Figure A9.14 shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for the deep scenario.
Source: WB staff calculations from ENVISAGE simulations.

FIGURE A9.14. Gabon and Central Africa: dynamic impacts of AfCFTA total exports by sector in 2035 relative to baseline



Notes: Figure A9.15 shows the absolute dollar value change in output (or exports) for a sector, divided by the total absolute dollar value of output (or exports) for all sectors in the baseline, expressed as a percent. Numeric labels are given for the deep scenario.
Source: WB staff calculations from ENVISAGE simulations.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