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9. ABSTRACT

Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program?
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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**Office of Housing
Agency for International Development**

**GABON
SHELTER SECTOR
ANALYSIS**

November 1973

SHELTER SECTOR STUDY

GABON

November 5 - 26, 1973

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Summary and Recommendations

A. Background

Gabon's urban population, concentrated primarily in Libreville (90,000) and Port Gentil (45,000), represents over 20% of the population (650,000) and is growing about 7% annually in response to the rapidly developing modern economic sector. Highly productive export oriented enclave industries, however, are inadequately linked to the rest of the economy. The GOG believes that construction of the Trans-Gabon railroad and the deep water port of Owendo outside of Libreville will, in addition to furthering mineral and forestry exploitation, provide greater opportunities for related industrial developments and smaller businesses that can have a more direct effect on local earnings. One of the constraints, however, is the supply of housing for new workers. While enclave industries generally include housing as a part of their operation, smaller industries and related services usually cannot support the additional initial investments required.

B. Existing Housing Stock

The existing housing stock is already strained, especially in Libreville. About 75% of the families in the city are living in crowded wooden shelters mostly on unauthorized land in unplanned communities without urbanization.

Unskilled laborers earning less than 20,000 CFAF (\$95) per month who represent about half of the urban population live in crowded wooden shelters mostly on unauthorized land in unplanned communities without urbanization, but even most skilled and semi-skilled workers are unable to do better. Construction costs are high and the capacity of the industry

is limited. A typical wood shelter will cost 100 - 200,000 CFAF (\$475 - \$950), but standard homes presently being built cost on the average of 2 million CFAF (\$9,500).

C. Role of Government

To underline its concern for housing, the Government of Gabon recently created a new Ministry of Housing, Town Planning, and Land Registry to develop and implement more effective housing policies. A National Housing Fund with annual resources of 500 million CFAF (\$2.4 million) generated from a 3% tax on incomes has been established to subsidize housing and urban development.

D. Public and Private Institutions

A National Housing Office has been set up to implement projects and complement the activities of the more experienced Societe Gabonaise d'Amenagement et Equipement Immobiliere (SGAEI). The Minister of Housing chairs the boards of directors of both the Fund and the Housing Office. SGAEI is jointly owned by the Government of Gabon and the Caisse Centrale de Cooperation Economique (CCCE - the fiduciary of the French foreign aid system) with majority interest held by the Government. The CCCE financed 400 million CFAF (\$1.9 million) of SGAEI housing in 1973. Beginning in 1974, one third of the programs will be financed by a line of credit from the Central Bank for Equatorial Africa through the Gabonese Development Bank. The Development Bank also serves as fiduciary for the Housing Fund and generally for foreign borrowings in the housing sector. In 1972, the Development Bank itself financed 500 million CFAF

(\$2.4 million) in individual housing loans but these loans averaged 3 million CFAF (\$14,300). Its resources are partly provided by loans from the CCCE. The Social Security System has invested in a limited amount of economic housing but prefers what it believes are more profitable investments in luxury apartments.

Initial commitments of the Housing Fund include a 250 unit housing project with cost (not including urbanization) ranging from 2 - 2.5 million CFAF (\$9,500 - \$11,900). Total project cost will be 850 million CFAF (\$4 million). The team understands that commitments have also been made to several ministries to finance housing for government functionaries.

E. Construction Industry

The building sector is characterized by high costs, the predominance of expatriate builders and suppliers, and a shortage of skilled workers. Its capacity is limited, particularly outside of Libreville and Port Gentile. Costs in small towns are even higher due to poor transportation.

F. Land

Adequate land is available in good urban locations. Title to all vacant unimproved property is vested in the State and is made available for housing programs at no cost.

G. Urban Services

The rural exodus to the coastal cities has outpaced the availability of urban services especially water and sewerage. Cities tend to be spread out and disorganized which complicate efficient expansion of both physical and social services.

H. Economic Considerations

Over the past five years the Gabonese economy has experienced an average rate of growth of real GDP of approximately 7% per annum. The GDP in 1972 had reached \$790 per capita. Over the same period the rate of inflation averaged between 3% and 4%. A surprising statistic is that the gross fixed capital formation as a percentage of GDP has averaged 30% over the period 1968 to 1970. This growth has taken place without substantial foreign borrowing. In 1972 foreign debt service represented only 3.4% of 1972 foreign export earnings.

I. Shelter Sector Policies

Policies and long range planning by the new Ministry of Housing to guide and coordinate investments in the shelter sector have not yet been clearly defined.

National housing priorities are being drawn and steps are being taken toward programmatic approaches to housing problems, but efforts to date have been mostly project oriented and diffused amongst the several different implementing agencies. A commitment to Government subsidies through the Housing Fund has been made, but an effective plan to make the best uses of those resources has not. Housing projects to date have addressed the needs of only a part of the urban population.

The Ministry and SGAEI are developing lower cost models. A typical three room 50 m² row house (not including urbanization) could cost 1.2 million CFAF (\$5,700). Larger units of the same type will cost up to 2 million CFAF (\$9,500). A studio unit may be possible for less than 1 million CFAF (\$4,750). Amortized at 15 years for lease purchase and 20 years for rental, following local practice, and assuming an average housing allowance of 4,000 CFAF (\$19) paid by employers toward monthly

payments, the units would be within the means of families earning 20 - 50,000 CFAF (\$95 - \$240) per month. Amortized at 25 years or with adjustable payments, the units could be within the means of families with lower incomes or smaller housing allowances. They would effectively meet the needs of skilled and semi-skilled workers important to the development of industrial areas.

The Government has not yet, however, addressed the shelter problems of lower income unskilled laborers. In addition, the employers see no incentive to give them the housing allowances used to attract skilled and semi-skilled workers. The team believes that even with long term financing, not much more can realistically be built than the wood units they now build themselves (some of which are improved and would be adequate if urbanization were available). More solid foundations and a sanitary block might be built, for example, but the high cost of standard construction may preclude even an expandable core house. This type of housing should, however, be explored further.

Serviced land or land planned for servicing is now provided by the Government at little or no cost to individuals for construction of standard housing. The team believes that a significant portion of these subsidies should be redirected to include urban services in low income communities. Some existing unplanned communities could be serviced within reasonable costs. Detailed urban plans should be prepared for Libreville and Port Gentil with a view toward determining these areas and planning for future growth. In Libreville where due to the broken topography and swampy areas most existing unplanned communities are not easily serviced, new areas within reasonable distance from town and adjacent

to new industrial developments such as Owendo should be set aside and National Housing Funds used to provide urbanized lots for low income families.

Specific Recommendations on Housing Policy:

- * The first priority of the new Ministry of Housing should be to develop a comprehensive plan to deal with urban problems and growth. It should address low income settlements as well as housing needed for industrial growth.
- * Master plans for Libreville and Port Gentil should be completed. These should be developed along with utility studies to determine that part of the existing housing stock which can be serviced and improved with resettlement schemes provided where existing communities are not viable.
- * Present efforts to reduce costs by minimizing room sizes and finishes should be intensified. Housing standards should be adapted to correspond to the means of lower income families. Where a standard house is not possible, temporary shelters should be considered acceptable, and financing for improvements made available, possibly through the Development's Banks existing home loan program.
- * Internal resources for housing finance, and subsidies through the Housing Fund in particular, should be programmed on the basis of a comprehensive housing plan. Activities by public and private institutions should be closely coordinated to this end through the Ministry of Housing.
- * A reevaluation should be made of the basic Government

philosophy that beneficiaries of social housing programs should have to pay as little as possible. While subsidies can be an important tool, housing should be regarded as a legitimate investment which requires a return on capital sufficient to assure adequate resources for future needs.

- * The National Housing Office be fully staffed as soon as possible and geared up to handle its proposed role in national programs. It should also adopt an accounting system comparable to that of public corporations or housing authorities. Budget exercises, organizational plans, and scope of work should be defined before it is assigned responsibilities for implementation of projects.

J. Potential Housing Guaranty Role

It is expected that the Ministry of Housing will submit to A.I.D. a request for HG participation in two programs; one, a 500 unit project in connection with the Owendo industrial development. This is a satellite city being built using the deep water port at the terminus of the Trans-Gabon railroad as a focal point for number of industrial projects. University and Hospital complexes will also be located in the area along with shopping and administrative services. The housing scheme, with models ranging from 1 to 2 million CFAF (\$4,750 - \$9,500) serving families of skilled and semi-skilled workers with incomes of 20,000 to 35,000 CFAF (\$95 - \$240) as described above, would be jointly financed with the CCE and the Central Bank of Equatorial Africa. Costs of urbanization would be included in the financing but amortized by the Housing Fund.

Homeowner payments would be for the house only. The proposed project would be implemented by SGAEI. Total costs would be 1,800 million CFAF (\$8.6 million) of which \$3 - \$3.5 million might be requested from HG financing. The second proposal will be for similar projects implemented nationwide by the National Housing Office. Total size or details of that program had not been determined when the team visited Gabon. Staffing capabilities of the Housing Office, with even higher construction costs outside of Libreville, and the limited capacity of the construction industry lead the team to conclude that an initial HG program of \$1 million is all that is realistic for the moment though as the Housing Office and Ministry gear up, additional programs should be considered.

Both proposals are directed toward housing problems at skilled and semi-skilled income levels and should be considered in the context of their importance to the industrial growth of Gabon. The proposed joint financing with the CCCE and the Central Bank could be a useful step toward better coordination internationally of assistance in the housing sector of developing countries. The proposed program through the Housing Office would help give that organization much needed experience. The logical borrower for both programs would be the Development Bank.

An important part of any Housing Guaranty Program should be a commitment by the Government to undertake a detailed and comprehensive plan for development in the housing sector. A task force headed by the Ministry of Housing should be established with adequate funding to gather the necessary data including housing needs to evaluate alternatives, and family incomes to define specific goals, and to determine programming priorities. Plans should include analysis of the institutional capacity

to implement programs and of the financing resources to support them.

Because the Ministry of Housing and the National Housing Office are relatively new organizations with little experience and only small staffs, the team recommends that adequate provisions for technical assistance be included in any Guaranty program.

The Minister of Housing told the team that his Government is interested in A.I.D. Housing Guaranty assistance and that specific proposals would be made soon. The team understands that these would include multi-lateral participation in the Owendo housing development implemented by SGAEI and participation in national programs implemented by the National Housing Office. The team believes that the housing needs in Gabon are great, that the proposals under consideration can be effective parts of a comprehensive plan to meet those needs, and that the Housing Guaranty Program is an appropriate instrument to assist with those developments.

The team recommends that a Housing Guaranty Program be developed in Gabon to:

- (a) Participate in multi-lateral financing of housing needed for skilled and semi-skilled workers and of urbanized sites for unskilled workers at Owendo, a satellite of Libreville which will be the focus of industrial development serving the Trans-Gabon railroad and deep water port facilities.

(b) Participate in financing of initial projects in a national housing program being prepared by the Ministry of Housing.

Approximately \$4 - \$ 5 million would be loaned to the Gabonese Development Bank for these projects to be implemented by SGAEI and the National Housing Office.

A. Country Background

1. Geography and Climate

Gabon is a Colorado-sized francophone country straddling the equator on the west coast of Africa. Its area is 102,317 square miles. The Ogooue River watershed covers almost the entire country, which may be divided into three main geographical regions:

- (a) Coastal lowlands, 20 to 120 miles wide;
- (b) Plateauland, 1,000 to 2,000 feet in elevation in the north, east, and a portion of the south; and
- (c) Mountain clusters in the north, southeast, and center.

In addition to the Ogooue, several smaller rivers drain into Gabon's 550 mile Atlantic coastline. These provided access to shipping for Gabon's first major marketable resource - timber drawn from the tropical rain forests covering 85% of the country and the world's leading source of okoume, a highly valued softwood used in the fabrication of plywood.

The temperature is hot and humid. An average of 120 - 150 inches of rain falls a year along the coastal lowlands during the rainy seasons which run from October through May, interrupted by a short "little dry" season in December/January.

2. History

The first European contact with Gabon was in 1473 from Portuguese explorers. Then followed the Dutch and, in the 18th Century, the English and French. The French signed treaties of protection with M'Pongwe coastal chieftains in 1839 and 1841 (including one, King Dennis, who reigned 66 years and was decorated with the Legion of Honor and by

(Queen Victoria and the Pope). Libreville, now the capital, was founded in 1849; its first residents included 73 freed slaves liberated by the French capture of a slaving ship - hence its name.

Full French administration was imposed in 1903. In 1910 it became a part of French Equatorial Africa (since 1960 the independent states of Central African Republic, Chad, the Republic of Congo (Brazzaville)), and this regional francophone grouping plus the Cameroon has persisted in the common currency for the five states issued by the Central Bank for Equatorial Africa.

The form of government is Presidential. The President appoints the 16-man Cabinet, which serves at his pleasure. There is a unicameral National Assembly and one political party. The Chief of State is President Albert Bongo.

3. Population

Present population is estimated at 650,000. The growth rate is now only about 1% per year, and the birth rate is the lowest in Africa. Prior to 1950, the population was actually declining.

This sparse population is unevenly distributed. Major urban centers are on the coast: Libreville, the nation's capital on the north side of the vast Como Estuary with a population estimated at 90,000 and growing at a current rate of 7% per year; and Port Gentil about 100 miles to the south, the major port and center of the plywood and petroleum industries, with a population estimated at 45,000. Other population clusters are in the agricultural north central area, and the mining area to the southeast around Franceville, which is being developed as an interior regional government center.

Urbanization of Gabon's population is occurring rapidly in response to the rapidly developing modern enclave economic sector, and migration to the urban centers is substantial (in 1968 a total of 78% of the population of Libreville had been born elsewhere). In 1950 Gabon's urban population (i.e., living in settlements of 2,000 or more) represented 7% of its total population. This rose to 12% in 1960 and to 21% in 1970. Libreville alone is expected to absorb 1% of the country's population each year.

4. Economy

The economy of Gabon is divided between a stagnant, predominately subsistence agricultural sector and a rapidly growing modern enclave sector consisting primarily of timber exportation and mining. Overall growth rate averaged 7% per year (net of inflation) during the first Development Plan (1966 - 70) and is expected to continue at the same rate during the Second Plan (1971 - 75).

Fifty percent (50%) of the active labor force is engaged in agriculture on 1% of the country's land and contributing about 7% of GDP in 1970. Production is insufficient for domestic consumption, although coffee and cocoa are exported; and many foodstuffs must be imported.

Forests cover 85% of the country, but less than 10% of the available reserves are now being exploited. Lumbering started at the turn of the century, and until 1963 was Gabon's major export, accounting for 75% of export income and 16% of GDP (in 1964). Since that time, although increasing in absolute terms, timber production had decreased in relative importance as a result of the phenomenal increase in petroleum

and manganese ore extraction. By 1970 - 71 mining represented 28% of GDP and two-thirds of total exports.

Continued growth in the enclave mining sector seems assured. At the present level of exploitation manganese deposits will last 100 years, and exploitation of the recently discovered billion ton deposits of high grade iron ore, largest in Africa, should start by 1990.

The results of this highly productive export-oriented modern sector, in conjunction with a modest population, is that Gabon's per capita GDP reached \$790 in 1972, highest in Black Africa.

The export-oriented enclave sector is inadequately linked, however, with the rest of the Gabonese economy. Much of the income earned in the enclave sectors is exported by the expatriates who, while composing 8% of the labor force, received 64% of the wages and salaries paid according to 1968 data. The country's road network reflects this dramatically: Port Gentil, the principal industrial center, is unconnected by road with the rest of the country; main roads serving the mineral-rich southeast lead not to the capital but out of the country to Congo (Brazzaville) and the ore export route.

American investment in Gabon, second only to that of France, now totals almost \$125 million, predominately private in petroleum and manganese mining; and U.S. interests will contribute substantially to development of the Belinga iron ore deposits.

France is the major source of foreign aid, including some 550 technical assistants.

AID assistance to Gabon has aggregated a modest \$7.6 million, all grants.

Assistance from international agencies through 1972 has totaled

\$125.7 million, including:

\$48.4 million from European Economic Community

\$54.8 million from IBRD

\$17.5 million from various UN agencies

Three major development projects advanced significantly during 1973: The Kinguele hydroelectric complex was completed in January; wharf facilities at the new deep-water port at Owendo, near Libreville, should be opened by the end of the year; and financing was secured for the Trans-Gabon Railway, on which construction should start in 1975.

Construction of the Trans-Gabon represents the major developmental thrust for the Gabonese economy during this decade. By opening up the interior it is expected not only to make possible further exploitation of the forests and eventually the iron ore deposits but also to provide needed economic linkages through provision for the first time at least to part of the country of all weather transportation and to make possible development up country of wood transformation and associated industries. Owendo, the new deep-water port, will serve as the Atlantic Terminus for the Trans-Gabon, and is thus itself linked into the new development strategy.

B. Existing Housing Stock, Supply, and Demand

1. Urban Housing Conditions:

a. Lowest cost housing Libreville

Approximately 75% of the units in Libreville are relatively spacious one- or two-room wooden houses of 25 - 50 m². They are generally simple frame structures with board walls and metal roofing. Some are

no more than makeshift shelters and those of the older central areas are crowded in unsanitary clusters back off the streets. The wooden houses themselves often provide reasonably adequate living conditions (particularly those less densely scattered), and perhaps half have been built with foundations and cemented floors.

Few have electricity and almost none have water or sewerage. Moreover, the unplanned scattering of units and the broken topography of the city will make them difficult to service. City streets usually run along the crest of hills mostly serving units of standard construction and some improved wood homes while the cheaper houses cover the rolling hillsides interconnected by footpaths down to the edge of swamps that interlace the city. These constructions are almost all unauthorized except for certain defined zones towards the periphery of the town where some families have occupancy permits. The mayor's office estimates that two-thirds of this type housing is built by the owner-occupant at costs of around 100,000 CFAF for the simplest structures to 150 - 200,000 CFAF and up for units improved with concrete foundation. Where units are leased, rents are on the order of 7 - 10,000 and 10 - 20,000 CFAF/month respectively.

Unauthorized settlements comprise almost 40% of the built up area of Libreville. Most of the land is State owned and is gradually being parceled by the Service du Cadastre and allocated to Gabonese who intend to build. Present Government policy is to assign the unauthorized occupant another area to live and a special commission determines an indemnization paid by the State. Some 350 units were removed to build the new stadium and a total of 23 million CFAF (average 65,000 per unit)

was paid in indemnizations. Crowded areas near the market have also been cleared. The areas for relocation were about 5 km further out, had no urban services, and were not easily accessible. The area visited by the Team has remained unoccupied for 6 months; the displaced families evidently having moved to unauthorized areas closer in.

b. Standard Housing Libreville

About 20% of the city's units are two to four room concrete block constructions of 50 - 100 m². Most are located on city streets and served with electricity and water. A larger proportion are rented out, often to Europeans. They cost anywhere from 1 - 3 million CFAF to build depending on the size and finishes and rent can be as much as 30 - 50,000 CFAF/month without utilities and 50 - 70,000 CFAF/month if utility service is available. Subdivisions built by companies and public authorities with longer-term financing are also available for considerably less. There are a few apartment structures and row houses but detached units predominate. Higher standard housing generally located in select areas and along the coast of the estuary with larger rooms and greater amenities make up about 5% of the units. These may cost 3 - 6 million CFAF or more and rent for 80 - 100,000 CFAF/month and up. A small amount of housing in this category is made available with payments by companies and public authorities.

c. Urbanization Libreville

In 1972, only 7,750 units (30%) had electricity (10.8% increase over 1971) and most of these were at European income levels as about one-third also had air conditioning. Only 4,500 (18%) had water service (8.3% increase). Some 40 public water fountains serve

urbanized parts of the city. Others rely on wells, cisterns, and streams (polluted). The only drainage and sewerage system is limited to the center of town. Drainage of the rest of the city is via open ditches and streams to the sea.

a. Port Gentil

Housing conditions in Port Gentil are much the same as in Libreville. The city is flat and laid out in a rectangular grid pattern which on the one hand has been more densely packed than the hillsides of Libreville, but on the other could be more readily serviced with utilities.

As in Libreville, the utility systems presently serve only a small part of the population. In 1972, only 1200 homes (10%) had water connections (12% increase over 1971) and 2400 (19%) had electricity (9.7% increase).

e. Smaller Urban Centers

The structure of even the more important centers is derived to an extent from village traditions. Rural construction techniques are common in some. All are small with populations ranging from 2 - 10,000, and urban services are limited though improving. The number of homes with electricity increased by 20% from 1971 to 1972.

2. Existing Housing Stock

Available data on the housing stock is very limited. Working from recent aerial photographs of Libreville, an analysis made in 1969 of housing distribution and densities, and the Team's observations, it can be estimated that there are on the order of 25,000 units available at the present time.

A summary breakdown by the types of housing described in the previous section is as follows:

| | <u>Number of Units</u> |
|-----------------------------------|------------------------|
| Lowest cost housing (wood) | 18,500 |
| Standard housing (concrete block) | 5,000 |
| Higher standard housing | <u>1,500</u> |
| | 25,000 |

A detailed breakdown and the worksheet used for estimating is shown in the following table.

ESTIMATED DISTRIBUTION OF HOUSING STOCK - LIBREVILLE

(based on recent aerial photos, the Team's observations, and an analysis of distribution and densities made by the Compagnie d'Etudes Economiques et de Gestion Industrielle in 1969)

| | a. <u>density</u> units/hectare (from CEGI study and aerial photo) | b. <u>area</u> hectares (from aerial photo) | c. <u>no. units</u> (a x b) | d. <u>occupancy</u> persons/hectare persons/house (from CEGI study) | e. <u>total population</u> |
|--|---|--|--------------------------------|--|----------------------------|
| <u>lowest cost housing (wood)</u> | | | | | |
| densely occupied areas | 75 | 40 | 3,000 | 275/hectare | 11,000 |
| scattered on hillsides | 30 | 350 | 10,500 | 3.7/house | |
| | | | | 110/hectare | 39,000 |
| new areas not yet occupied to fullest | 10 | 500 | <u>5,000</u> | 3.7/house | |
| | | | subtotal | 40/hectare | 18,000 |
| | | | | 3.7/house | |
| <u>standard housing (block)</u> | | | | | |
| general | 30 | 120 | 3,600 | 100/hectare | 12,000 |
| subdivisions | 20 | 70 | <u>1,400</u> | 3.3/house | |
| | | | subtotal | 65/hectare | 5,000 |
| | | | | 3.3/house | |
| <u>higher standard housing</u> | | | | | |
| 500 m2/average lot | 15 | 80 | 1,200 | 50/hectare | 4,000 |
| 1000 m2 average lot | 8 | 40 | <u>300</u> | 3.3/house | |
| | | | subtotal | 25/hectare | 1,000 |
| | | | | 3.125/house | |
| <u>average 20</u> | | <u>total 1200</u> | <u>total 25,000</u> | <u>average 3.6/house</u> | <u>total 90,000</u> |

Estimating the housing stock quantitatively in Port Gentil is more difficult as aerial photographs have not been made recently. Observations indicate, however, that the distribution by type of housing and occupancy per unit is similar to Libreville, in which case, the housing stock based on a population of 45,000 would be approximately half that of Libreville as follows:

| | <u>Number of Units</u> |
|-----------------------------------|------------------------|
| lowest cost housing (wood) | 9,250 |
| standard housing (concrete block) | 2,500 |
| higher standard housing | <u>750</u> |
| Total | 12,500 |

An estimation of the housing stock in smaller urban centers is not realistic with the information available.

3. Housing Need

The need for urban housing in Gabon is derived from urbanization taking place in response to modern-sector industrial and commercial development, and thus can be most pertinently studied in relation to the growth and the direction of growth of the modern labor force.

At the end of 1972, employees registered with the Social Security system (CGPS) totaled 71,000.

Distribution of Modern Sector Employment 1972

| | | |
|------------------------|--------|-------------|
| Enclave Sector | | <u>1972</u> |
| Forestry & Agriculture | 12,475 | 18,615 |
| Mining, Petroleum | 6,140 | |
| Other Private | | 41,037 |
| Manufacturing | 9,921 | |
| Construction | 10,449 | |
| Public Utilities | 1,069 | |
| Commerce | 6,513 | |

| | | |
|----------------------|--------|---------------|
| Finance, Real Estate | 1,068 | |
| Transports | 6,151 | |
| Services, misc. | 5,866 | |
| Government | | 11,342 |
| GOG | 10,302 | |
| Local Government | 1,040 | |
| | | <hr/> |
| Total | | <u>70,994</u> |

Enclave industries usually provide free housing for their workers, the amortization of which enters into their cost of production. Where concentrations of enclave industry employment exist, therefore, as in the mining areas to the southeast, petroleum in the southwest, or in the forestry concessions, it would appear difficult to develop an effective market for a self-amortizing housing program.

Thus, the urban housing market is concentrated in the Libreville area, including the new Owendo port, in Port Gentil, and a few centers not linked to enclave industries. The following table, based on the number of workers registered with the CGPS, provides the composition of the labor force in Libreville and Port Gentil, exclusive of the petroleum industry in Port Gentil.

Estimation Distribution Modern Sector Employment
Libreville and Port Gentil,
1971

| | <u>Libreville</u> | <u>Port Gentil</u> |
|----------------------|-------------------|--------------------|
| Non-Enclave Private | | |
| Manufacturing | 4,546 | 4,893 |
| Construction | 7,908 | 842 |
| Public Utilities | 968 | 101 |
| Commerce | 4,869 | 716 |
| Finance, Real Estate | 915 | 98 |
| Transports | 3,969 | 1,998 |
| Services, misc. | <u>4,054</u> | <u>842</u> |
| Subtotal | 27,229 | 9,490 |
| GOG | 6,129 | 533 |
| Local Government | <u>698</u> | <u>63</u> |
| Total | <u>34,056</u> | <u>10,086</u> |

It should be noted that in the Libreville area, because of the labor shortage, there often is more than one wage earner per household. The average family size is 3.6 persons, according to GOG figures, and there are about 25,000 housing units in Libreville to house its population of about 90,000, although that same year there were 34,000 jobs in the city - in other words, 1.36 jobs per household. Thus, housing demand in the capital cannot be completely equated with jobs. On the other hand, the increased family income makes possible higher housing payments.

Libreville, which is growing at 7% per year, requires about 1400 new units a year; Port Gentil, growing at a somewhat less rate, needs approximately 500 new housing units a year. Construction of standard housing falls far short of meeting this need of 1,800 to 2,000 units a year.

4. Housing Production

In 1970 the value of housing construction by builders, exclusive of enclave housing, totaled about 1 billion CFAF, according to data developed for the Second Development Plan. Gabon Development Bank (GDB) loans totaled half of this, and the National Housing Authority another 150 million CFAF, representing a total of 130 units in Libreville and Port Gentil. Assuming a (low) cost per house of 2 million CFAF for the remaining investment of 350 million, and additional 175 units may have been produced, representing an outside total of 305 units in the face of a demand for 1,800 in these two major cities.

Building permits for housing issued in Libreville in 1972, although representing a 50% increase over 1969, still totaled only

420 representing about 500 units as against a need of 1,500 units. And there is no way of knowing how many permits were taken out by owners required to do so as a condition for purchasing urban land, but who lack the financing to start construction.

The majority of the new housing built in Libreville and Port Gentil consists of the 25 - 50 m² two-room board houses, half of which are on concrete block foundations. According to estimates made by Libreville city Officials, two-thirds of these are owner-occupied. Monthly shelter rent for those units available for rent are very high.

| | |
|----------------------|---|
| 7,000 - 8,000 CFAF | Frame house without foundation |
| 10,000 - 20,000 CFAF | Frame house with concrete foundation |
| 30,000 - 50,000 CFAF | Concrete block house without water or electricity |
| 50,000 - 70,000 CFAF | Concrete block house with utilities |

At these monthly payments levels it may be seen that standard housing in the private market is available only to upper-income families and that the housing shortage for middle-class families is as aggravated as the shortage for low-income families.

5. Income Distribution

Income Distribution in the modern sector is uneven, with expatriate employees concentrated in the higher paying positions. A 1970 Study of Gabonese workers in the modern sector showed two-thirds concentrated in the category of ordinary laborers and specialized (or semi-skilled) laborers. The following table shows this job distribution, together with the range of basic minimum wages in 1973 for these positions.

Distribution of Gabonese Workers in the Modern
Sector in Libreville and Port Gentil by Job Classification^{1/}

| <u>Job Classification</u> | <u>1970 Distribution</u> | <u>1973 Minimum Starting Wages</u> |
|---------------------------|--------------------------|------------------------------------|
| Directors | 0.2% | 97,100 - 143,000 |
| Engineers | -- | |
| Administrative Cadres | 0.2% | 64,600 - 88,000 |
| Technicians | 0.9% | 41,200 - |
| Administrative Agents | 0.5% | 38,000 - 58,000 |
| Highly Skilled Workers | 2.9% | 27,400 - 46,000 |
| Office Workers | 6.1% | 14,600 - 50,000 |
| Skilled Workers | 13.7% | 26,000 - 32,000 |
| Semi-Skilled Workers | 30.9% | 14,600 - 27,000 |
| Unskilled | 42.3% | 12,600 - 15,630 |
| Domestics | 2.3% | 12,000 - 25 600 |

In an attempt to discover actual wages being paid as compared to the minimum requirements shown above, the Team reviewed social security tax returns filed for the third quarter of 1973 by nine firms in different categories with more than 4,300 employees. These returns showed the actual wage or salary paid each employee during this three month period, and, in the absence of any more comprehensive data, represent the Team's best estimate of the income distribution among regularly employed workers in the modern sector in Libreville and Port Gentil, deduction made of part-time or occasional laborers, as best as could be determined from the CGPS data.

^{1/} Subsequent to date of shelter team visit, GOG issued a decree (February 5, 1974) setting the basic minimum salary at CFAF 17,500 per month.

Estimated Income Distribution among those Regularly Employed
in Several Modern Firms, Libreville and Port Gentil, 1973

| | <u>Mfg.</u> | | <u>Commerce</u> | | <u>Constr.</u> | | <u>Trans.</u> | | <u>Hotel</u> | | <u>Bank</u> | | <u>GOG</u> | |
|----------------------|-------------|-------|-----------------|-------|----------------|-------|---------------|-------|--------------|-------|-------------|-------|------------|-------|
| | % | Cumul | % | Cumul | % | Cumul | % | Cumul | % | Cumul | % | Cumul | % | Cumul |
| 13 - 20,000 | 56.5 | -- | 33.9 | -- | 49.5 | -- | 11.4 | -- | 43.0 | -- | 3.0 | -- | 12.8 | -- |
| 20 - 25,000 | 15.0 | 71.5 | 12.4 | 46.3 | 25.0 | 74.5 | 28.6 | 40.0 | 25.7 | 68.7 | 12.0 | 15.0 | 6.3 | 19.1 |
| 25 - 30,000 | 8.8 | 80.3 | 15.6 | 61.9 | 15.0 | 89.5 | 19.1 | 59.1 | 5.8 | 74.5 | 6.0 | 21.0 | 8.2 | 27.3 |
| 30 - 40,000 | 9.4 | 89.7 | 16.2 | 78.1 | 10.1 | 99.6 | 17.3 | 76.4 | 7.1 | 81.6 | 35.0 | 56.0 | 18.3 | 45.6 |
| 40 - 50,000 | 3.7 | 93.4 | 7.4 | 85.5 | -- | 99.6 | 7.1 | 83.5 | 7.1 | 88.7 | 14.0 | 70.0 | 12.2 | 57.8 |
| 50 - 60,000 | 2.0 | 95.4 | 4.8 | 90.3 | 0.4 | 100.0 | 5.9 | 89.4 | 1.4 | 90.1 | 10.0 | 80.0 | 10.0 | 67.8 |
| 60 - 75,000 | 2.1 | 97.5 | 2.8 | 93.1 | | | 4.8 | 94.2 | 5.6 | 95.7 | 10.0 | 90.0 | 8.0 | 75.8 |
| 75 - 100,000 | 1.5 | 99.0 | 3.5 | 96.6 | | | 2.5 | 96.7 | 2.8 | 98.5 | 5.0 | 95.0 | 8.1 | 83.9 |
| more than 100,000 | 1.0 | 100.0 | 3.4 | 100.0 | | | 3.3 | 100.0 | 1.5 | 100.0 | 5.0 | 100.0 | 16.1 | 100.0 |

These figures represent a total of 4,300 workers out of a total work force in Libreville of 34,000.

6. Housing Demand

a. Skilled Workers

GOG currently defines economic housing as that costing less than 3.0 million CFAF. Units being built by the Ministry of Housing and SGAEI typically cost 2.0 million not including urbanization for a 3-room 60 m² completely finished semi-detached house. These are being amortized on 15 or 20 year terms with monthly payments of around 20,000 CFAF. Given the high costs of rentals on the private market, these are very attractive; but a basic income of at least 60,000 CFAF/month is required for occupancy. While this income requirement can be reduced in the case of those skilled workers who receive housing allowances, the unit is basically unavailable to families with lower incomes.

By eliminating finishes, reducing minimum sizes, and in the case of Government projects minimizing import taxes on materials, SGAEI and the Ministry of Housing are developing lower cost models. A 3-room 50 m² row house could cost 1.2 million CFAF. A studio unit may be possible for less than 1 million. Amortization of the 3-room unit at 9% interest on a 15-year term, as is generally preferred for lease-purchase contracts, and at 20 years according to local practice for rental of the 1 million CFAF studio, monthly payments required would be 12,000 CFAF/month and 9,000 CFAF/month respectively. This means that a family would need a basic income of 36,000 CFAF for occupancy (assuming 3:1 income/housing ratio for lease-purchase, and 4:1 for rental, in accordance with local practice). Given a typical housing allowance of 4,000 CFAF/month, these units can be occupied by workers in the 20 - 25,000 CFAF/month income range. If payments on the rental unit are extended over a 25-

year amortization period, as HG financing would permit, payments for the studio unit could be reduced to about 8,400 CFAF/month, which would increase eligibility slightly but not significantly.

Given the housing situation in Libreville and Port Gentil these terms would be extremely attractive from a market point of view, but only skilled and semi-skilled workers would have the necessary income to purchase the homes, and only skilled workers would be offered housing allowances by their employers.

The great majority of skilled and office workers do not now have access to safe and sanitary housing and are now living in wooden houses mostly in unauthorized communities. Industries which are hard pressed to find skilled workers see the housing allowance and the possibilities of improved housing as a way of retaining the skilled labor they need and encouraging unskilled workers to make the sacrifices needed to acquire a skill.

The stripped down units described above, with the assistance of industrial housing allowances, will actually meet the demand for housing at the level of the lowest-paid regularly employed skilled and semi-skilled workers.

b. Unskilled Workers

There is no housing program at the present time for the families of unskilled workers. Their difficulties are compounded as employers have no incentive to give them a housing allowance. Most are now living either with other families in a house renting for 8,000 CFAF/month or more or living in a wooden house they built themselves on an unauthorized plot with money saved or borrowed over a period of time.

The maximum monthly payment a family earning 15 - 20,000 CFAF/month could afford would be 4 - 5,000 CFAF/month. A monthly payment of 4,000 CFAF at 9% on 10 year terms, for example, could amortize an investment of around 325,000 CFAF; or on 25 year terms an investment of 475,000 CFAF. Nothing much better can be built for 325,000 CFAF than the wooden house they are now building themselves for 100 - 200,000 CFAF except perhaps a bigger wooden house. For 475,000 CFAF, a good foundation and floor for a 50 m2 house suitable for durable construction later could be built (estimated cost 250,000 CFAF) with a minimum sanitary installation (estimated cost 125,000) and a 50 m2 wood house exactly as they are now building for 100,000 CFAF. In this situation the security on a loan is the land, the foundation, and the sanitary block; and what the purchaser is really buying is no more than this. The marketability of such a product would have to be closely studied. The incentive for a family to commit itself for 25 years to pay for a house similar to the one it already occupies, even though unauthorized and even though the new one could be in a planned community, may not be great.

If, however, unskilled workers were provided urbanized lots in a planned community and were permitted to build temporary wooden homes as they do now, we believe there would be an incentive for the occupant to improve the unit. They could not be expected to improve them to the degree now required within a two year time to acquire title, but could if a longer period were allowed.

The demand for small loans, through the Gabonese Development Bank, for example, on the order of 100 - 200,000 CFAF (\$475 - \$950) or less for construction of wooden homes or improvement of them could be

amortized on five year terms with monthly payments of 2 - 4,000 CFAF (\$9.5 - \$19) per month or less which would be well within the means of unskilled urban workers who generally earn at least 12 - 15,000 CFAF (\$55 - \$70) per month and up.

C. Role of Government

1. Policy Planning and Implementation

a. The Second Development Plan

GOG housing policy during the Second Development Plan (1971 - 1975) focuses primarily on the production of housing in order to meet the needs of a growing urban population of the gainfully employed. In this sense, housing policy is related to overall Plan objective of increased industrialization.

Public investment under the plan is limited to urbanization of specific industrial development - related sites, plus an undetermined number of housing units for government functionaries constructed in connection with administrative buildings, primarily up-country.

Investment in the shelter itself is to be derived from three sources identified for GOG budget calculations as being in the private sector;

- 1) the investment budgets of various modern sector enclave industries, to provide company housing (in fact, in 1971 Cabinet issued a policy statement that all employed Gabonese were entitled free housing from their employers).
- ii) family savings
- iii) exterior borrowings (principally from the French aid

agency, CCCE) and discounts from the Central Bank for Equatorial Africa.

The following table shows the programmed 1971 - 75 investment, exclusive of enclave industry company housing.

Shelter Sector Investment as a Percentage
of Development Plan Investment 1971-75
(000,000 fr. CFAF)

| | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>Total</u> |
|---------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Public | 15 | 350 | 400 | 400 | 335 | 1,500 |
| Private | <u>990</u> | <u>1,030</u> | <u>1,070</u> | <u>1,100</u> | <u>1,150</u> | <u>5,340</u> |
| Total Shelter | 1,040 | 1,380 | 1,470 | 1,500 | 1,485 | 6,840 |
| Total Plan | 31,425 | 39,214 | 33,874 | 24,470 | 20,641 | 149,900 |
| Shelter/Plan | 3.3% | 3.5% | 4.3% | 6.1% | 7.2% | 4.6% |

Total public investment in infrastructure of 1,500 million fr. CFAF represents only 2.3% of the total programmed public sector investments of 65,472 fr. CFAF.

A substantial portion of the private sector investment of 5,340 million fr. CFAF is expected to be derived from C.C.C.E. and Central Bank sources, and is expressed through the program of the Societe Gabonaise d'Amenagement et Equipement Immobiliere (SGAEI) and the Gabon Development Bank. Investment during the first three years of the Plan by these agencies totaled about 2,000 million CFAF.

b. GOG Housing Policy Implementation - the Ministry of Housing, Town Planning, and Land Registry

A new Ministry, created in October, 1973, this Ministry incorporates three operations previously within the Ministry of Public Works:

- * Land Registry, the only operations service, which has offices in each Region of the country.
- * Housing and Town Planning, established in the Ministry of Finance in 1965, then transferred to Public Works, but still consisting only of the Director and his technical advisor.
- * The newly-created National Housing Office.

The new Ministry's functions are both planning and operational. According to the Decree establishing it, the Ministry is to carry out the following:

- i) prepare and enforce programs of urbanization and town planning;
- ii) carry out the government's housing policy;
- iii) establish master plans for all urban centers;
- iv) carry out the above, including preliminary plans and studies, necessary legislative texts, etc.; and
- v) apply and enforce all rules and regulations with the collaboration of the following:

Public Works Ministry
Land Registry Section
Municipal Works Service
Municipal Streets Service
National Housing Agency
Ministry of Water and Forests
Agriculture Ministry
Rural collectivities
Land Title Service
Office of Tourism
Electric and Water Company

The Housing and Town Planning Section is to give preliminary approval to all proposals for subdivision, building permits, attribution

of land, urban rights-of-way, touristic sites, housing projects, and administrative buildings, and with the Ministry of Public Health enforce sanitary regulations for the above.

The Ministry, while participating in accordance with the letter of the law, is not staffed to carry out its role, and does not appear to be in a position to assume any real initiative.

A comprehensive housing policy has not yet been drawn though initial national programs are being developed. Government initiative to date has been project oriented and directed toward a small part of the population. A significant step in the creation of a National Housing Fund to subsidize housing and urban development has been taken. The team believes that this can be an effective tool to address the needs of lower income groups. What is needed is a commitment by the Government to address those needs. While many of the existing planned and unauthorized settlement, for example, could not be easily urbanized, some could and should be improved using the resources of the Fund.

Completion of a master plan for Libreville could lead to IBRD-UNDP financing the needed extension of the city's water and sewage system, which would thus service some sites without even drawing on the National Housing Fund. A portion of the Fund itself should be devoted annually to needed infrastructure in areas where low-income families could temporarily construct the type of units they now are living in. Low income families would at first construct wood units exactly as they are doing now. In the long range as more and more become skilled and income levels rise, these constructions would be replaced with durable homes. The process can already be seen around town. Most of the homes along the streets in the expanding areas of the town were first built as simple wood structures,

but additions have been made, parts replaced, and many are approaching semi-durable condition even in a short period of time. The process is very likely to continue.

While this suggestion by no means represents a solution to the shelter needs of low-income families, the Team believes it represents a much needed opening in GOG policy. This is a necessary complement to the fact that housing projects will continue to be addressed to the needs of the middle-income group and especially of the skilled workers essential to Gabon's industrial development effort.

Technical staffing is limited. The Land Registry Service, which was moved into the jurisdiction of the new ministry when it was created in October, is organized on the national level, with an office in each Province. The Housing and Town Planning Service consists of a Director and his technical advisor, the National Housing Office consists of a President-Director General.

With respect to its planning function, the Housing and Town Planning Section showed the Team a schematic presentation, prepared in 1970 during discussions preparatory to drawing up the Second Development Plan, calling for construction of 1,000 housing units a year in various urban centers throughout the country.

In the field of urban planning, the section is awaiting completion by the French Institut Geographique of an aerial photographic survey of Libreville, on the basis of which it hopes to contract for a schematic land use plan for Libreville.

However, its 1974 budget does not include funds for the Libreville master plan, completion of which is a pre-condition of a

contemplated \$20 million loan from IBRD and CCCE for extension of the Libreville water system. However, WHO is currently doing a preliminary study for a sewage system for Libreville, and there is an unofficial possibility that the UNDP might eventually finance the required master plan.

Outside of Libreville, the Section has completed planning Studies for Franceville (1963 pop. 5,000), Mouila (1968 pop. 7,000), N'Djole (1969 pop. 1,200), and Oyem (1969 pop. 5,600). It also has requested funds since 1971, thus far denied, to prepare a land use plan for Booue, slated to be the inland terminus of the first phase of the Trans-Gabon railway.

The sections proposed Development Budget for 1974 includes the following:

| | |
|---|--|
| Funds to pay back bills plus interest, for work dating-back to 1968 | 145,572,042 CFAF |
| Urbanization plans for Booue and two other localities and for the Nomba-Domaine development adjacent to the new port of Owendo | <u>100,000,000</u> CFAF 245,572,042 CFAF (\$1,170,000) |

The Ministry, generally, is handicapped by lack of data on which to develop policies and programs. Information on housing collected during the last census was very limited and to the team's knowledge no surveys or detailed studies of housing have been made. Official consumer price indices include some information on costs, but more basic data is needed. When the aerial survey of Libreville now underway is completed, a quantitative analysis of the existing stock could be made graphically and comparison with older surveys could give an accurate

measure of growth. Qualitative information on house types, condition, and occupancy should be collected during the next census. The Ministry should take steps to assure that these measures are taken.

2. Project Implementation

To date, housing projects have been designed in response to the availability of financing rather than as an integral part of national planning. However, with the creation of a Ministry of Housing it is hoped that a comprehensive housing policy will be developed. GOG intervention, at the present time, in housing production is a result of the autonomous activities of the various agencies involved, including those nominally under the general supervision of the Ministry of Housing. These include the following:

a) SGAEI - Societe Gabonaise d'Amenagement et Equipement Immobiliere

Nominally under the general supervision of the Ministry of Housing, SGAEI has constructed 1,244 units of lease-purchase and rental housing representing an investment of 2,100 million CFAF. A full description of SGAEI follows in Section D II.

b) The National Housing Office (ONH)

Created in 1973 and as yet staffed only with a President-Director General, ONH is a part of the Ministry of Housing. A full description follows in Section D III.

c) The Social Security System (CGPS)

CGPS was organized in 1958 with a program of family allowances, based on a tax paid by Employers. In 1972 additional taxes were imposed to fund workmen's compensation and retirement. Tax returns in 1972

for these three operations totaled 1,500 million CFAF for family allowances, 504 million CFAF for workmen's compensation, and 662 million CFAF for retirement. All employees, including expatriates, are taxed on salaries up to 150,000 CFAF a month. Receipts by the social security system will rise roughly in proportion with aggregate wages and salaries paid in the modern sector.

CGPS has financed construction of 85 rental housing units in Libreville and 45 lease-purchase units in Port-Gentil, using its own funds virtually interest free.

The Port-Gentil program involves an agreement with that city's Municipal Office for the Construction of Economic Housing to build 200 such units in 10 years, with the city assuming responsibility for maintenance and management. Monthly payments are concessional: 7,500 CFAF for a studio unit, 11,500 CFAF for a three-room twin, and 15,500 CFAF for a four-room house. These cover the city's maintenance charges and amortization interest-free of CGPS advances.

CGPS also financed a small program of large three and four room lease-purchase units in Franceville, with monthly payments of 18,500 and 24,500 CFAF. The program was sponsored by a construction company which went bankrupt.

In both Libreville and Port-Gentil the absence of urbanized land has put a stop to further construction. CGPS also prefers to invest its funds, derived chiefly from Employer contributions for workmen's compensation and for retirement, into operations which will not compromise future demands on these funds.

CGPS has constructed high rise luxury rental apartments in Libreville. It expects to amortize its investment in 10 to 15 years and anticipates realizing a substantial future income from these investments. It expects to continue this program and to build free housing for its own employees. The Team was told CGPS intends to leave future social housing programs to ONH.

It would appear that a redirection of CGPS housing investment from luxury apartments to, say, middle income housing for the country is still grossly under-housed growing middle class (i.e. incomes of, say 50,000 to 100,000 CFAF) will require a basic reorientation of GOG housing philosophy from a belief in social housing as a kind of gift to an understanding that this represents a legitimate investment which requires a return on capital sufficient to assure adequate resources for future needs.

d) The Ministry of Public Works

Builds housing for government officials, usually in connection with administrative building outside of Libreville.

e) The Enclave Industries

GOG official policy statement requires all employers to house their workers free. As a practical matter, this responsibility is assumed by the mining and forestry industries, whose activities require the exploration of previously unoccupied areas into which manpower must be imported. Complete and well designed company towns have been built at the magnesium mines at Moanda and at the uranium mine at Mounana, both in the southeast; and the petroleum companies either subsidize housing payments or provide housing directly in Port-Gentil and Gamba to the south.

Housing in the forestry camps is of a more provisional nature. The development budget for the new cellulose manufacturing complex includes 2,675 million CFAF for housing.

In the aggregate, enclave sector company housing represents the largest single new housing resource in the country - a pattern observed throughout the Gabon Economy.

3. Financing the Shelter Sector

GOG policy has been construction oriented and has left financing to what it considers the private sector. Long-term housing finance, therefore, has been on the terms and conditions imposed by the foreign sources of financing. These have been limited to the Caisse Centrale de Co-operation Economique (CCCE), the French aid fiduciary, which in accordance with its general policy in francophone Africa has offered 20-year, 3.5% loans for rental housing to SGAEI; and 10-year 5% loans for lease-purchase and mortgage financing. It is the team's understanding that the CCCE plans to stop financing sales housing which will virtually eliminate long-term credit for home purchase in Gabon.

a) The Gabon Development Bank

The only source of long-term mortgage finance has been the GDF. It, in turn, derives its funds from CCCE and from medium-term (five to seven year) discounts from the Central Bank.

GDB, through short-term personal loans for construction materials, also represents an important source of financing for popular home construction.

A full description follows in Section D I.

b) GOG Subsidy Programs

A major thrust of GOG policy is to subsidize itself, or to persuade the private sector to subsidize, both housing construction and current expenditures on housing.

1. Housing Subsidies

GOG employees are entitled to a regular housing allowance equivalent to 3% of their salary. In 1973 this will amount to an estimated 300 million CFAF, or less than 1.5% of the GOG operational budget. The subsidy is too small to be of any real significance. The cheapest unit built by SGAEI, a one-room studio, rents for 10,300 CFAF a month. A basic income of 41,200 CFAF a month is necessary for occupancy. Adding a 3% housing allowance makes it possible for a government employee with an income of 40,000 CFAF to apply, which does not significantly increase effective demand.

Private Subsidies: A far more significant housing subsidy is paid skilled industrial workers on a selective basis, to enable them to qualify for SGAEI housing. SGAEI reports that the supply of skilled labor is so limited, that employers are willing to pay a substantial subsidy, sometimes as much as 6,000 CFAF a month, to enable their skilled workers to qualify for modern housing. The subsidy is collected at the source by SGAEI, at the same time as it collects the worker's own payment through payroll deduction; and it ceases if the worker quits his job (although his new

employer may offer the same benefit). The primary effect of the subsidy is to qualify skilled workers for larger units - the rental for a three-room unit being 18 - 20,000 CFAF a month - and, as the subsidies are not offered unskilled or semi-skilled labor, to encourage workers to upgrade their skills and to assume a more stable employment pattern. The subsidy paid by industrial employers - SGAEI reports no success in persuading employers in commerce to adopt a similar policy - is job-connected; but occupancy of the units is conditioned only on ability to pay. Although the distinction may be more apparent than real, the worker keeps the possibility of leaving his job and keeping his house, if he can make the necessary financial arrangements.

11. National Housing Fund

Based on a 3% wage tax collected through the Social Security System and administered by the Development Bank, this Fund was created in January 1973, to provide urbanization for Social housing programs, to subsidize interest payments on State loans to housing developers, and to accord construction subsidies to individuals. Management of the Fund is entrusted to a 13 - man board, representing various Ministries, the Development Bank, the Social Security System, SGAEI, and others, and chaired by the Minister of Housing. Income of the Fund should total 485 million CFAF in 1973, 500 million CFAF (\$2.4 million) in 1974. At least half of the Fund is by law to be allocated to the National Housing Office, also newly created, to pay the operating expenses

of the Office and to enable it to carry out a program of developing social and low-income housing. A full description of the Office follows in Section D iii. The balance of the Fund is to be used by the Minister of Public Works for infrastructure projects. Inasmuch as the lack of urbanization is the major constraint at the present time to construction of other than luxury modern housing, the Fund was designed to make a significant contribution to helping relieve the acute shortage of sanitary housing in, primarily, Libreville and Port-Gentil. However, the initial two years budgets, and presumably such additional funds as may be required, have been committed to a 250-unit, 850 million CFAF project by a local construction firm; and a number of ministers, it is reported, have been promised contributions from the Fund to build free quarters for their employees. One feature of SGAEI's proposed financing for the Nomba-Domain workers housing project in the new port area, for which HG participation is sought, is to commit GOG to use Fund resources to repay over a period of years the cost of urbanization of the Project, thereby diverting, so to speak, at least a portion of the Fund back to its original purpose.

c) Other Financial Institutions

Interest rates in Gabon are kept low by the Central Bank, and capital flows are determined largely by an allocative system, rather than by market mechanisms. Most of the capital required for development

financing must come from abroad, and the level of both public and private savings is relatively low.

4. Regulatory Activities:

Government regulatory activities are defined in the 1970 Code de l'Urbanisme et de l'Habitation. Urban planning studies prepared by the Ministry of Housing and Urban Development and cadastre become official documents prescribing land use and must be approved by regional Commissions d'Urbanisme composed of representatives of Government administrative services headed by the Mayor in municipal areas and the Prefet in regional jurisdictions. The development and concession of State-owned properties is further controlled by lands commissions including local authorities and representatives from the Ministries of Housing and of the Interior headed in Libreville by the Secretary-General of the Government and by the Prefet in other localities. Building permits are issued by the Mayor or Prefet after joint review by the Ministries of Housing and of Public Works, public health and safety authorities, and utility companies. The Ministry of Housing and Urban Development is responsible for enforcement of building requirements set forth in the Code and issues a certificate of conformity with those standards when the work is completed. This certificate is the basis for issuance of an occupancy permit by the Mayor or Prefet.

The Code is a useful document that clearly defines the areas of responsibility and assures a reasonable participation in the planning process by all the agencies involved in urban development. The building requirements set forth are realistic and would permit, for example, an economic shelter program in certain zones of the urban plan. Setback and sideyard requirements may, however, prove cumbersome. Safety standards applied to public structures are acceptable.

D. PUBLIC AND PRIVATE INSTITUTIONS

I. The Gabon Development Bank (GDB)

1. Legal and Organizational Structure

a. Legal Structure and Purpose

GDB is a Corporation of National Interest, created in 1960, at the time the credit of French Equatorial Africa was broken up into its national components at the time of independence of the four former colonies.

Like other francophone development banks, its purpose is to give technical and financial support to all projects that will contribute to the economic and social development of Gabon in the areas of:

- industry
- Artisan business
- commerce
- agriculture
- animal husbandry and fishing
- improvement of housing conditions
- family equipment
- development of the cooperative movement.

Much of its financing and technical assistance has been provided through the French aid fiduciary, CCCE (Caisse Centrale de Coopération Economique).

GDB can take a capital position in or make loans to any operation in the above areas offering sufficient guaranties of economic stability.

It also may borrow money to carry out its programs with a guaranty from GOG. The guaranty is authorized by an Ordinance of the Council of Ministers signed by the President. Action by the National Assembly is required only if this body is in session; otherwise the President is empowered to authorize. If GDB is borrowing to relend to another implementing agency, it also requires a second GOG guaranty to protect itself. For this GDB charges a fee of from 1% to 4% depending upon the nature of the operation.

It also can develop and manage operations for the account of GOG and other public bodies.

GDB's initial capital totaled 400 million CFAF (\$1.6 million) of which 80 million represented capital from the dissolved Equatorial African institution. In 1961 capitalization was increased to one billion CFAF and in 1970, with the inception of participation of the German State development corporation D.E.G. (Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit) to 1.1 billion CFAF (\$5.2 million).

Present distribution of the capital stock is as follows:

| | | |
|--|------------------|-------------|
| GOC | 600 million CFAF | 54.5% |
| CCCE | 240 | 21.8% |
| DEG | 100 | 9.3% |
| Central Bank | 80 | 7.2% |
| French Caisse de Depots et de Consignations | 70 | 6.3% |
| French Bank for Foreign Trade | <u>10</u> | <u>0.9%</u> |
| | 1.100 | 100.0% |

b. Organisational Structure

GDB is governed by a 12-member Council of Administration elected by the stockholders in proportion to their holdings.

Present composition is as follows:

- 6 from GOC, including the President
- 3 from CCCE, including the Vice President
- 1 from Central Bank
- 1 from Caisse des Depots et Configurations
- 1 from the German D.E.G.

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Chief operating officer is the Director General,

Staffing is as follows:

Credit Department with three Divisions - Social (i.e. family furnishings, automobile leases, housing loans), Special and Business; 15 employees.

Operations - including Accounting, Cashier; 17 employees.

Collections - including delinquent accounts; 4 employees.

Administration - 15 employees.

At the end of 1972 GDB had 64 employees, of whom 55 were Gabonese and 9 expatriates. Gabonese occupy two of the seven top posts, including, since 1970, that of Director General, and seven of nine middle management positions

In 1972 GDB opened its first branch office^{1/} in Franceville, center of the mining region in the far southeast of the country; it is a seven-man operation reporting directly to the Director General. Volume of investments in the Franceville region at that time represented about one-fifth of its 1972 loan activity. A second branch office is planned for Port-Gentil.

2. Program and Operations

a. Loan Programs

Since its inception in 1960 until the end of 1972, GDB has made 9,886 loans for a total of 17,957 CFAF (\$85.5 million). Loans authorized in 1972 totaled more than 2 billion CFAF (\$9.6 million), the only time except 1968/69 when this total was exceeded. With these two exceptions, GDB's annual commitments during the last ten years have ranged from 1.1 to 1.6 billion CFAF (\$5.2 to \$7.6 million).

^{1/} A second branch of the Bank is scheduled to begin its operation in 1975.

A breakdown by category of the GDB loan program, including loans made by its predecessor pre-independence agency, indicate that the largest volume of loans have been for housing. In recent years GDB has increased substantially its loans for infrastructure projects and reduced relatively its loans to housing and for consumption goods. Since 1969 GDB has made no loans in the agricultural sector.

Loan Program of GDB from its Origin through 1972

| <u>Category</u> | <u>Number</u> | <u>Total</u> | |
|------------------|---------------|-----------------------------|-------------------|
| | | <u>Value (000,000 CFAF)</u> | <u>Percentage</u> |
| | | <u>Number</u> | <u>Value</u> |
| Agriculture | 243 | 688.7 | 1.9% |
| Artisanat | 644 | 1,245.5 | 5.1 |
| Industry | 49 | 3,227.2 | 0.4 |
| Forestry | 190 | 1,246.7 | 1.5 |
| Commerce | 41 | 77.5 | 0.3 |
| Real Estate | 4,949 | 5,444.6 | 39.5 |
| Family Equipment | 5,573 | 374.6 | 44.5 |
| Automobile | 71 | 470.8 | 5.7 |
| Public Agencies | 9 | 251.1 | 0.07 |
| Public Markets | 37 | 2,861.2 | 0.3 |
| Total | 12,536 | 18,888.0 | |
| | | (\$90 million) | |

b, Capital Participation

For the past several years GDB has not undertaken any capital investment, preferring instead to make loans. It has a stock portfolio totaling 92.4 million CFAF (\$440,000) in eight companies, in only one of which does it own more than 10% of the stock.

c. Third-Party Operations

GDB handles servicing of certain GOG obligations and handles the accounting for the National Investment Company of Gabon, the National Bank for Rural Credit, and the Fonds Gabonais d'Investissement.

d. Real Estate Loans

GDB is the only bank in Gabon authorized to offer long term finance to individuals for home ownership. It intends to finance social housing, i.e., destined for owner occupancy, of an economic or very economic nature, but GDB defines "very economic" as loans of less than 3 million CFAF (\$14,300-\$28,600). In 1972 three quarters of its loans and 90% of its borrowers were in these two categories. Loans of more than six million cannot be made from CCE resources. Current portfolio includes 1,437 mortgages.

The following tables show the amount of Housing loans made by GDB in recent years, and a breakdown of the loan program for 1972:

| <u>GDB Housing Loans 1970-73</u> | | |
|----------------------------------|------------------------|------------------|
| <u>Year</u> | <u>Number of Loans</u> | <u>Value</u> |
| 1970 | 150 | 503 million CFAF |
| 1971 | 136 | 469 million CFAF |
| 1972 | 167 | 509 million CFAF |
| 1973 (9 mos.) | 88 | 295 million CFAF |

GDB Housing Loans in 1972 by Value and Location (000,000 CFAF)

| <u>Location of Residence</u> | Less than 3 million CFA | | 3-6 million | | More than 6 million | | Total | |
|------------------------------|-------------------------|--------------|-------------|--------------|---------------------|--------------|------------|--------------|
| | <u>No.</u> | <u>Value</u> | <u>No.</u> | <u>Value</u> | <u>No.</u> | <u>Value</u> | <u>No.</u> | <u>Value</u> |
| Place of Work | 86 | 137.0 | 30 | 131.2 | 1 | 7.7 | 117 | 275.9 |
| Village of Origin | 14 | 17.5 | 17 | 68.4 | 1 | 6.1 | 32 | 92.0 |
| Rental, Second Residence | 2 | 3.2 | 5 | 20.9 | 8 | 92.8 | 15 | 116.9 |
| Administrative, Commercial | - | - | - | - | 3 | 24.4 | 3 | 24.4 |
| Total | 102 | 157.7 | 52 | 220.5 | 13 | 131.0 | 167 | 509.2 |

Although GDB's largest category of loans have been in housing, in recent years, because of the shortage of long term credits, this has diminished relative to loans for production facilities and for infrastructure. In 1972 for the first time real estate loans ceased to be the largest single GDB activity. The 167 loans totaling 509.2 million CFAF (\$2.4 million), although higher in absolute terms than 1971, represented only GDB's third most important activity (25%), after productive enterprises (35%) and loans for infrastructure (34%).

During the first nine months of 1973 only 88 loans totaling 295 million CFAF (\$1.4 million) were made, mostly in the "economic" category (3 to 4 million CFAF), an absolute drop in loan activity caused by reduction in CCCE financing.

GDB also has made a limited number of improvement and completion loans, and can make loans of up to five years on rental properties.

BOG may lend for a term of no more than that of the funds it has borrowed for this purpose, and in no case for more than ten years. With the reduction in ten-year funds from C.C.C.E., GDB has had to rely increasingly on Central Bank discounts of five years (seven years for loans for so-called economic housing serving as the principal residence of a native-born Gabonese not exceeding 5 million CFAF (\$23,800)). Loans are for construction only, even though they are guaranteed by a mortgage against both improvement and land.

Rate of interest varies with the amount of the loan: 7% for loans of less than 3 million CFAF, 8% for loans of 3 to 5 million CFAF, and 9% for loans of more than 5 million CFAF. Loans on rental properties are increased by 2%.

GDB's housing-income ratios are quite high. Maximum loan is 30 times the basic monthly salary ("quotité cessible"- i.e. basic salary exclusive of allowances and other benefits) for monthly incomes of up to 80,000 CFAF, and 35 times for higher monthly incomes.

GDB will permit payments of up to 50% of the "quotité cessible" for that portion of the income up to 60,000 CFAF, and 75% for that portion greater than 60,000 CFAF. For a person with a basic income of 100,000 CFAF, for example, GDB permits mortgage payments of up to 60,000 CFAF (50% of 60,000 plus 75% of 40,000).

Downpayments are minimal and may be either cash or construction in place; but apparently even these are made with difficulty:

| Loans of less than 1 million CFAF | No down payment |
|-----------------------------------|-----------------|
| 1 to 3 million | 2% |
| 3 to 5 million | 5% |
| 5 to 8 million | 10% |
| More than 8 million | 20% |

Loans of more than 5 million CFAF on rental properties require a one-third downpayment.

GDB requires substantial security:

- A first mortgage registered either against the title or against the occupancy permit.
- Evidence of job stability (2 years with government, 5 years in the private sector)
- For loans to employees in the private sector, a guarantor who also turns over a right of salary deduction to GDB.

Payments are made by payroll deduction.

An additional source of GDB financing for the shelter sector is short term Family Equipment Loans, which may be used for the purchases of construction materials (up to 70% of cost). These increased from 10.2 million CFAF (\$50,000) in 1970, or about 30% of this type of loan, to 38.8 million CFAF (\$184,000) in 1972, representing 62.5% of this category of loan. These loans are amortized over one year at an interest rate of 6%, calculated on the original loan balance. Maximum loan amount is four times basic monthly salary.

3. Sources of Financing and Financial Capacity

Largest single source of funds for GDB are long term loans from the French aid fiduciary CCCE, which advanced 40% of the funds used in 1972, and, until German participation started in 1972, represented the only source of long term credit available for GDB operations. GDB utilization of CCCE advances has increased over the last few years as the following Table shows:

CCCE Financing of GDB Programs, 1970-73
(000,000 CFAF)

| <u>Year</u> | <u>Total GDB Draw</u> | <u>Housing Allocation</u> |
|-------------|-----------------------|---------------------------|
| 1970 | 340 | 100 |
| 1971 | 530 | - |
| 1972 | 830 | 300 |
| 1973 (est.) | 1,282 (\$6.1 million) | 200 (\$952,000) |

CCCE housing advances are limited to 40% of each individual loan. Term is 10 years, and in 1973 when a new global advance of 200 million CFAF was executed, the interest rate was increased from 3.5% to 5%. Actual drawdowns of CCCE advances dropped further this year from 264.1 million CFAF in 1972 to 43.7 million in 1973.

Advances from the German Kreditstalt represented only 4% of GDB resources in 1972. This resource is to finance investment in medium and small transformation industries and in agriculture, fishing and forestry.

Medium and short term Central Bank discounts accounted for 38% of GDB's funds in 1972 and generally represent its second major source. Interest rates are 3.75% for industrial loans and 4.25% for commercial loans and for housing.

Two special discount rates are available from the Central Bank for social housing loans: 2.5% for "economic" housing costing no more than 5 million CFAF and serving as the principal place of residence for a Gabonese citizen; and 3.5% for rental projects with development costs of more than 5 million CFAF. The Central Bank has set a ceiling of 100 million CFAF on each of these two below-market rate programs; GDB has requested that the ceiling be increased in order to replace funds no longer being advanced by CCCE. Term of Central Bank loans is five years, seven for the 2.5% program.

GDB's own funds provided 16% of its resources in 1972. However, in view of the reduction of CCCE housing credits, GDB intends to increase use of its own resources to provide long term credits for housing.

As of 31 December 1972, GDB assets totaled almost 12 billion CFAF (\$57 million) and its 1972 operating budget was 537.7 million CFAF (\$2.6 million). Comparative Balance Sheets, Income and Expenditures, and Profit and Loss Statements are attached. (Attachment A)

ATTACHMENT A

Gabon Development Bank
Comparative Balance Sheet, 1970-71-72 (000.000 CFAF)

| <u>Assets</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>Liabilities and Net Worth</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> |
|-------------------------|-------------|-------------|--------------|---|----------------|----------------|----------------|
| Fixed Assets | 77.7 | 85.8 | 122.0 | <u>Liabilities</u> | | | |
| Bonds, Fixed Deposits | 441.8 | 438.3 | 590.1 | Long-term advances | 2,015.8 | 2,058.0 | 2,202.2 |
| Loan Portfolio | | | | Mandatory GOG Loan | 2,167.3 | 2,015.7 | 1,855.4 |
| Long-term | 2,583.8 | 2,830.1 | 3,217.5 | GOG Loan Security Deposits | 168.2 | 168.2 | 213.1 |
| Medium-term | 1,254.8 | 1,248.0 | 1,215.4 | Medium-term Advances | 244.3 | 235.7 | 264.4 |
| Short-term | 907.8 | 695.0 | 805.2 | Short-term Advances and Accounts Payable | 319.1 | 384.9 | 424.8 |
| Delinquent | 368.6 | 308.7 | 167.7 | Deposits | 2,191.6 | 3,196.6 | 4,639.7 |
| Mandatory GOG Loan | 2,167.3 | 2,015.7 | 1,855.4 | Regularization Accounts | 21.2 | 30.3 | 52.4 |
| Accounts Receivable | 16.2 | 17.0 | 54.4 | Undistributed Surplus | <u>2.8</u> | <u>6.4</u> | <u>27.8</u> |
| Bank Deposits, Cash | 1,190.4 | 2,555.6 | 3,824.5 | Total Liabilities | 7,130.3 | 8,045.8 | 8,079.8 |
| Regularisation Accounts | <u>48.6</u> | <u>54.6</u> | <u>101.6</u> | <u>Net Worth</u> | | | |
| Total | 9,163.0 | 10,248.7 | 11,953.8 | Capital and Reserves | 1,104.8 | 1,107.5 | 1,213.9 |
| | | | | Guaranty Funds | 215.0 | 288.5 | 377.2 |
| | | | | Provisions for Losses | 711.6 | 755.5 | 780.9 |
| | | | | Guaranty Deposits | <u>1.5</u> | <u>1.5</u> | <u>1.9</u> |
| | | | | Total Net Worth | <u>2,032.9</u> | <u>2,153.0</u> | <u>2,273.9</u> |
| | | | | Total Liabilities and Net Worth | 9,163.0 | 10,248.7 | 11,953.8 |

Gabon Development Bank
Comparative Income and Expenses, 1970-71-72 (000,000 CFAF)

| <u>Income</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>Expenditures</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> |
|----------------------------------|-------------|-------------|-------------|---------------------------|---------------|-------------|-------------|
| Interest and Commissions | | | | Personnel | 59.0 | 65.4 | 70.8 |
| Long-term | 148.3 | 161.4 | 176.7 | Taxes | -- | -- | -- |
| Medium-term | 72.4 | 84.0 | 80.1 | Purchases | 10.7 | 15.3 | 11.6 |
| Short-term | 66.7 | 42.5 | 37.0 | Transportation | 3.3 | 1.2 | 1.2 |
| Various | 1.3 | .4 | 2.4 | Management Costs | 8.1 | 5.6 | 6.8 |
| Accessory Receipts | 3.5 | 4.9 | 6.6 | Financial Costs | 172.0 | 209.4 | 250.3 |
| Financial Products | 74.2 | 118.3 | 187.4 | Payments for Amortization | 8.5 | 9.7 | 12.5 |
| Payments from Guaranty Funds | 15.2 | 2.0 | 10.2 | Payments into Provisions | 140.9 | 134.1 | 184.5 |
| Payments from Guaranty Deposits | .2 | 3.0 | .1 | Surplus (deficit) | <u>(20.6)</u> | <u>4.0</u> | <u>10.7</u> |
| Take-back on previous Provisions | <u>--</u> | <u>28.3</u> | <u>47.9</u> | | | | |
| Total | 381.9 | 444.8 | 548.4 | Total | 381.9 | 444.8 | 548.4 |

Gabon Development Bank
Comparative Profit and Loss Statement, 1970-71-72 (000,000 CFAF)

| <u>Profits</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>Losses</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> |
|---------------------------------------|-------------|-------------|--------------|--------------------|-------------|-------------|-------------|
| Surplus for year | -- | 4.0 | 10.7 | Loss for year | 20.6 | -- | -- |
| Return Amortization | 2.8 | 5 | 1.2 | Debts Written Off | .4 | 43.0 | 98.4 |
| Payment from Reserve for Bad Debts | .4 | 43.0 | 98.4 | Exceptional Losses | -- | .2 | 6.5 |
| Exceptional Profits | .2 | .1 | 3.0 | Special Payments | 7.0 | 1.4 | -- |
| Special Provisions | 24.1 | 1.3 | 1.0 | Previous Losses | <u>2.3</u> | <u>3.1</u> | <u>3.5</u> |
| Previous Surplus | <u>5.6</u> | <u>5.1</u> | <u>16.0</u> | Total Losses | 30.3 | 47.7 | 108.4 |
| Total Profits | 33.1 | 54.1 | 136.2 | | | | |
| Total Losses | <u>30.3</u> | <u>47.7</u> | <u>108.4</u> | | | | |
| Total Net Profits | 2.8 | 6.4 | 27.8 | | | | |

4. Technical and Management Evaluation

GDB is well run and managed. It is, of the various institutions studied by the Team, the most suitable Borrower for a HG Program. It is accustomed to servicing foreign loans and can arrange the required Host Country Guaranty. It is also the fiduciary for the National Housing Fund and for the National Housing Office. It will charge a fee of at least 1% for acting as Borrower and this will increase the effective rate of interest to the home purchaser. However, in the long run this may prove less costly than attempting to persuade SGAEI to assume a function which is alien to its operations. Because the National Housing Office is a new and inexperienced organization, it should only be considered for project development. If a HG program is developed, the GDB is the financial institution best qualified to act as borrower and administrator.

II. SGAEI (Societe Gabonaise d'Aménagement et d'Equinément Immobilier)
The National Housing Authority

1. Legal and Organizational Structure

a) Legal Structure and Purpose

SGAEI was created by statute in 1960 as a Corporation of National Interest for the purpose of undertaking all studies and operations directly or indirectly related to the improvement or development of urban and rural housing.

Specifically it may:

- (i) purchase, develop and dispose of land;
- (ii) develop housing, both individual and in projects, in priority for low income groups, for sale and rent;
- (iii) sign agreements with the government or with any public or private enterprise to carry out its purpose; and
- (iv) offer technical assistance to housing studies and programs.

SGAEI capital stock totals 200 million CFA (\$950,000) and is held by the following:

| | | |
|-------------------------------------|------------------|--------|
| GOG | 113.400.000 CFAF | 56.70% |
| C.C.C.E. | 84.900.000 | 42.45 |
| City of Libreville | 800.000 | 0.40 |
| City of Port-Gentil | 800,000 | 0.40 |
| CGPS (Social Security) ¹ | 100.000 | 0.05 |

SGAEI has received its financing and technical assistance through the French aid program, particularly the Caisse Centrale de Cooperation Economique (C.C.C.E.). In its general organization and operational procedures it follows the pattern worked out through the years by C.C.C.E. for national housing authorities in francophone African countries. The present Director general of SGAEI is detached from C.C.C.E., and the staff includes three other expatriate technical assistants.

b) Organizational Structure

Governing body of SGAEI is its Administration Council of 12 elected by its stockholders in proportion to their holdings. Present composition is as follows:

| | |
|---------------------|---|
| GOG | 5 |
| C.C.C.E. | 5 |
| City of Libreville | 1 |
| City of Port-Gentil | 1 |

The President, who usually also assumes the post of Secretary General, is elected by the Administrators. The chief operating officer is the Director General.

SGAEI staffing, considering the size of its operation, is modest. Under the Director General is a Technical Deputy who supervises the following operations:

- (i) Architectural studies, staff of five of whom two expatriates. Analysis of proposed projects, preparation of plans and specifications.
- (ii) Execution, i.e. preparation of bids, general supervision of construction and reception of buildings, is done by the Technical Deputy himself.
- (iii) Works Section, consisting of about 200 workers under the direction of two European job supervisors, handles maintenance and, in Libreville, the construction of prototype projects of about 50 units in order to obtain accurate cost data.

Three other sections report directly to the Director General:

- (i) Commercial, i.e., sales, management, collections and delinquent accounts. Because all payments are made by salary check-off, very little cashier work is necessary, and this operation requires only three employees.
- (ii) Personnel, two employees.
- (iii) Accounting, four employees, who prepare both general and analytical accounts.

Total SGAEI staff is 250.

The SGAEI central office is in Libreville. It has small project maintenance offices in Port-Gentil and Gamba.

2. Programs and Operation

a. Development

SGAEI plans and supervises construction of its own housing units and serves as the developer of housing and/or infrastructure on behalf of third parties, either in connection with its own projects or as special developments for GOG agencies. Since 1966 SGAEI has built 1,244 housing units representing a total investment of 2,100 million CFAF.

Since the beginning of the Second Development Plan (1971-75), SGAEI has constructed 550 housing units representing a total investment of 1,531 million CFAF.

SGAEI Housing Program, 1971-73

| <u>Year</u> | <u>Libreville</u> | <u>Port-Gentil</u> | <u>Gamba</u> | <u>Sub-Total</u> | <u>Construction for Others</u> | <u>Total</u> |
|-------------|-------------------|--------------------|--------------|------------------|------------------------------------|--------------|
| 1971 | 37 | 41 | 10 | 88 | 68 | 156 |
| 1972 | 23 | -- | -- | 23 | 140 | 163 |
| 1973 | 88 | 99 | -- | 187 | 44 | 231 |
| TOTAL. | 148 | 140 | 10 | 298 | 252 | 550 |

In addition, SGAEI's present construction program (which runs into 1974) includes 500 units of urban housing to be constructed on 50 hectares at the new port of Owendo adjacent to Libreville.

Construction contracts are negotiated based on SGAEI's knowledge of costs and on its experimental projects constructed by its Technical Staff specifically for the purpose of giving its good cost data. SGAEI's initial experience with sealed bids resulted in much higher prices as a result of what may have been consultation among the very few construction firms in Libreville.

SGAEI economic units now under management are semi-detached and detached units. Costs and monthly payments cover only the buildings; infrastructure being contributed by GOG.

SGAEI HOUSING TYPE COST AND MANAGEMENT

| <u>Type of Unit</u> | <u>Construction Cost CFAF</u> | <u>Monthly Payment CFAF</u> | <u>Comments</u> |
|---------------------|-------------------------------|-----------------------------|---|
| Studio | 1,000,000 | 10,300 | 43M2 built over GOG opposition and only in isolated Gamba |
| Two-room | 1,300,000 | 15,800 | Gamba type |
| Three-room | 1,520,000 | | |
| Four-room | 2,000,000 | 22-23,000 | |
| | 1,700,000 | 22,000 | Gamba type |
| Four-room villa | 3,000,000 | 43,000 | Gamba type |
| | 4,000,000 | 58,000 | Lease-purchase |
| Five-room villa | 5,000,000 | 73,000 | Lease-purchase |

b. Sales and Management

Of the units currently under SGAEI management, 578 are rental and 137 are under lease-purchase contracts. In recent years construction of new lease-purchase units has been discontinued. Only 12 of the 113 units constructed by SGAEI in 1970 were lease-purchase. This dropped to 11 of 88 in 1971 and starting in 1972 all SGAEI construction on its own account has been rental.

On the other hand, construction of units for others to be purchased through a mortgage from GDB has increased: 29 in 1971, 43 in 1972, and 44 in 1973.

Sales promotion is less a concern than allocation of a very limited number of housing units in the face of a very great demand. For one group of 37 houses constructed in 1973, SGAEI received 400 valid applications. Allocation of units is made by a special commission consisting of:

President of SGAEI

Director General of SGAEI

Director of CCCE

Representative of Minister of France

To the extent possible, allocation is based on family size, and monthly payments may not exceed one-third of an applicant's regular monthly income for lease-purchase and one-quarter in the case of rentals, plus (in both cases) the totality of whatever housing allowance may be received.

In theory, sub-leasing is grounds for automatic eviction. However, civil servants with lease-purchase contracts may, upon proof of reassignment, sub-lease, provided the sub-lease provides for payment directly to SGAEI.

Monthly payments for both types of contracts may be revised annually in accordance with the GOG official index of construction costs, whenever the index shows an increase of more than 5%. Any such increase is applied only to that portion of the monthly payment representing principal and interest, and is deposited in a special reserve fund for the renewal of SGAEI's real estate holdings.

Rental contracts are signed for an indefinite period and may be canceled by either party upon one month's notice. A guaranty deposit equal to one month's rent plus 10,000 CFAF is required. Monthly payments are based on a minimum 20-year amortization period; the cost of the land is not included in the monthly payment, but only an amount equivalent to the interest payments made on the funds invested in land acquisition.

Payments are made by the employer directly to SGAEI by check-off.

If a payment is more than 10 days late, either type of contract may be canceled by simple registered letter. If the occupant refuses to leave, SGAEI may have him evicted by court order.

SGAEI's practice is to send three follow-up letters a month. At the end of the first month, the Director General evaluates whether or not to evict. In general, delinquents may be up to three months before SGAEI starts eviction. An eviction judgement by the court takes a minimum of three months, and then execution requires another month to two years. From the moment a tenant learns he is being evicted he usually stops payment rent and may remain rent-free for months. The team understands, however, SGAEI does collect through salary attachment after eviction.

Like GDB, SGAEI experienced some delinquency problems, again, according to the Director General, more because of breakdowns in its own procedures than because of resistance from lease-purchasers and tenants.

Lease-purchase contracts are based on a 10-year term. Downpayment requirements track those of the Gabon Development Bank but may not be less than 5% for units priced at more than 3 million Fr. CFA (\$14,300). A purchaser may cancel his contract and receive, as his equity, his downpayment plus an amount equivalent to one-half of the difference between the monthly payments made and what the total would have been had he been renting.

Lease-purchase payments are higher because the price of the housing unit includes fair market value of the land plus the cost of SGAEI of infrastructure not contributed by GOG and because the term is only 10 years instead of a minimum of 20 years.

Monthly payments include a provision for maintenance and major repairs equivalent to 2.5% per year of the house price; 2.5% per year of the price for management; and provisions for taxes, insurance and contingencies.

c. Collections and Delinquencies

Monthly payments are due the first of the month under both forms of tenure. In some instances rental payments made by GOG or various public agencies are paid quarterly or semi-annually.

SGAEI's delinquencies at the end of 1972 were as follows:

SGAEI Late and Delinquent Payments
31 December 1972

| | Rental | | Lease-Purchase | |
|------------------|------------|----------------|----------------|----------------|
| | <u>No.</u> | <u>Percent</u> | <u>No.</u> | <u>Percent</u> |
| 1-3 months | 29 | 54.6 | 52 | 45.2 |
| 4-6 months | 1 | | 8 | 5.8 |
| more than 6 mos. | <u>—</u> | | <u>13</u> | <u>9.5</u> |
| | 30 | | 73 | |

Delinquents owing more than three months totaled 22 of 655 occupants, or 3.3%. Three or more month delinquent rental payments totaled 58.810 CFAF or 0.05% of the total due. Comparable delinquencies for lease-purchase totaled 2,936.715 CFAF or 4%.

Of particular note is that delinquencies are higher in the home ownership than the rental program. SGAEI's explanation is that the Gabonese feel that home ownership - even if through lease-purchase - entitles them to do whatever they want with their property. This is also why control of ramshackle additions or of sub-leasing is much more difficult in lease-purchase than in rental programs, according to SGAEI.

Nonetheless, in terms of final payment, SGAEI's recent experience confirms that of GDB, namely that the Gabonese honor their housing obligations.

d. 1974-75 Program: Nomba Domaine

SGIAEI has proposed HG participation, together with CCCE, GOG and the Central Bank, in financing a major program of workers housing to be constructed on land it will own near the terminus of the Transgabon railroad in the area of Libreville's new deep-water port of Owendo. In addition to the railroad- and port-related industry, the site is adjacent to the new university and hospital complex under construction; further to the north another industrial park is under construction in the Lalala section of Libreville.

Plans call for construction of 420 economic units consisting of two-, three-, four- and five-room row houses ranging in price from 960,000 CFAF (\$4,600) to 1,680,000 CFAF (\$8,000); and of 80 three-room free-standing homes costing 1,980,000 CFAF (\$9,400).

Total cost of the development is estimated at 1,800 million CFAF (\$8.6 million) as follows:

| | |
|--------------------|---|
| 500 million | urbanization and community facilities |
| 1,000 million | social housing |
| <u>300 million</u> | retail businesses and services, privately |
| 1,800 million CFAF | financed. |

SGAEI proposes consortium financing by CCCE, the Central Bank and HG for the housing and urbanization. Reimbursement would be from monthly payments for the housing, and from the National Housing Fund for the urbanization.

SGAEI wishes to initiate development quickly in order to forestall squatter occupancy. It expects working drawings to be completed in December for the housing and in January for the site work. Approval to request financing is planned for February, and Central Bank and CCCE financing should be negotiated by June.

The Owendo port area is an economic development center not only for Libreville but for the entire country. Adequate housing for skilled workers - itself wholly inadequate at the present time - is a critical and necessary component of what will be Gabon's major developmental effort for the decade.

3. Sources of Financing and Financial Capacity

Through 1973, because of conditions particular to Gabon, U.C.C.E. provided all of SGAEI's financing for its own program of house construction, financing for urbanization being provided by GOG.

CCCE policy has been to finance specific construction programs, each with its own schedule price ceilings. Generally, however, financing was for 20 years at 3.5% for rental housing costing no more than 1.5 to 2 million CFAF, and for 10 years at 5% for lease-purchase units costing no more than 3 to 5 million CFAF.

CCCE financing is limited to social housing, that is it must be occupied by the beneficiary and not sub-leased, and occupancy must be based on ability to pay.

SGAEI financing during the Second Development Plan is shown in the following Table.

| | <u>SGAEI Funding, 1971-73</u> (000,000 CFAF) | | |
|----------------------------------|---|-------------|-------------|
| | <u>1971</u> | <u>1972</u> | <u>1973</u> |
| From CCCE for house construction | 188 | 118 | 407 |
| From GOG for urbanization | <u>55.5</u> | <u>39</u> | <u>70</u> |
| | 243.5 | 157 | 477 |

Beginning in 1974 CCCE will finance only two-thirds of the SGAEI programs; the remaining one-third must come from the Central Bank. This is in accordance with over-all CCCE policy for the francophone African countries.

As of December 31, 1972, SGAEI assets totaled 1,469 million CFAF (\$7 million) and its 1972 operating budget, exclusive of housing construction, but including loan amortization, was 241.5 million CFAF (\$1.3 million). Comparative Balance Sheets, Income and Expenditures, and Profit and Loss Statements are attached. (Attachment B)

4. Technical and Management Evaluation

SGAEI is a well-run, taut organization; staffing is kept at modest levels. It has a system of analytical accounting that permits it to allocate costs with a high degree of accuracy, technical material was presented with a high degree of competence, and the Office organization permitted the director general and his technical deputy to obtain information requested by the Team promptly and completely.

This level of management, however, is a function of the expatriate top-level management.

SGAEI will change its financing in 1974 in order to adapt to CCCE's policy of requiring Central Bank participation. Introduction of an HG component into the mix of SGAEI's financing should not pose any significant difficulty if, as SGAEI has indicated and the TEAM recommends, the functions of Borrower can be assumed by GDB.

From a technical standpoint, SGAEI is highly qualified and capable of developing the proposed program.

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Participation in consortial financing for the Nomba Domaine workers housing program also offers a first opportunity to realize this type of international cooperation in the financing of housing.

ACHMENT B

SGAEI: COMPARATIVE BALANCE SHEET 1970-71-72 (000,000 CFAF)

| <u>Assets</u> | | | <u>Liabilities and Net Worth</u> | | | | |
|-------------------------------|-----------------------|-----------------------|----------------------------------|-------------------------|----------------|----------------|----------------|
| | <u>1970</u> | <u>1971</u> | <u>1972</u> | | <u>1970</u> | <u>1971</u> | <u>1972</u> |
| <u>Immoveables</u> | | | | <u>Liabilities</u> | | | |
| Land | 48.6 | 48.6 | 48.6 | Long-Term Loans | | | |
| Office, Staff Housing | 17.1 | 17.2 | 15.5 | C.C.C.E. | 311.5 | 510.9 | 462.1 |
| Materiele, Stocks | 10.3 | 15.0 | 16.2 | GOG Advances | <u>138.7</u> | <u>67.5</u> | <u>56.7</u> |
| Deposits, Guaranties | -- | <u>200.4</u> | <u>200.4</u> | S/T | 450.2 | 578.4 | 518.8 |
| S/T | <u>76.0</u> | 281.2 | 280.7 | | | | |
| <u>Housing Projects</u> | 934.2 | 1,041.7 | 854.1 | Short-Term Loans | 104.1 | 109.4 | 53.3 |
| <u>Construction Under</u> | | | | Accounts Payable | 85.5 | 105.9 | 101.4 |
| <u>Way for Others</u> | 171.5 | 152.3 | 72.8 | Regularization Accounts | 31.0 | 41.6 | 48.9 |
| <u>Special GOG Operations</u> | 11.8 | 62.2 | 32.2 | Tenant Deposits and | | | |
| <u>Accounts Receivable</u> | | | | Advance Payments | <u>37.9</u> | <u>159.1</u> | <u>80.6</u> |
| Delinquencies | 37.5 | 47.7 | 183.3 | Total Liabilities | 708.7 | 994.4 | 803.0 |
| Other Receivables | 4.2 | 3.6 | 15.5 | <u>Net Worth</u> | | | |
| <u>Cash, Bank Accounts</u> | <u>73.7</u> | <u>47.5</u> | <u>30.8</u> | Capital Stock | 200.0 | 200.0 | 200.0 |
| | | | | Reserves (various) | 383.8 | 429.6 | 445.2 |
| | | | | Aggregate Net Profits | <u>16.3</u> | <u>12.1</u> | <u>21.1</u> |
| | | | | Total Net Worth | <u>600.1</u> | <u>641.7</u> | <u>666.3</u> |
| Total Assets | <u>1,308.8</u> | <u>1,636.1</u> | <u>1,469.4</u> | Total Liabilities | | | |
| | | | | and Net Worth | <u>1,308.8</u> | <u>1,636.1</u> | <u>1,469.4</u> |

SGAEI: COMPARATIVE INCOME AND EXPENDITURES
AND PROFIT AND LOSS STATEMENT 1970-71-72 (000.000 CFAF)

| <u>Income</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>Expenditures</u> | <u>1970</u> | <u>1971</u> | <u>1972</u> |
|--------------------------------------|-------------|-------------|-------------|--|-------------|-------------|-------------|
| Stocks at End of Year | 4.0 | 1.6 | 1.6 | Stocks at Start of Year | 7.7 | 3.1 | 1.6 |
| Rents | 30.2 | 101.9 | 111.6 | Personnel | 70.4 | 70.6 | 81.7 |
| Lease-Purchase | 79.5 | 29.5 | 25.2 | Housing Construction | 414.8 | 260.6 | 532.7 |
| Payment for work by Third Parties | 168.7 | 146.2 | 364.2 | Other Purchases of Materials and Services | 38.0 | 44.2 | 38.2 |
| Misc. Payments | 1.5 | 23.9 | 51.8 | Transport | 3.4 | 4.8 | 4.5 |
| Financial Fees | 6.6 | 11.7 | 18.1 | Taxes and Misc. | 3.7 | 7.2 | 4.8 |
| Production of Housing | 316.6 | 179.7 | 202.9 | Financial Costs | 12.3 | 19.1 | 19.9 |
| Payments from Reserves | <u>21.0</u> | <u>12.6</u> | <u>11.5</u> | Amortization Payments | 40.3 | 48.9 | 53.1 |
| | | | | Payments into Reserves | 32.6 | 41.8 | 39.2 |
| | | | | Net Surplus | <u>4.8</u> | <u>6.7</u> | <u>11.1</u> |
| Total Income | 628.0 | 507.1 | 786.9 | Total Expenditures | 628.0 | 507.1 | 786.9 |

PROFIT AND LOSS STATEMENT

| | | | | | | | |
|---------------------|------------|------------|-------------|--------------------|------------|------------|-------------|
| Profit on Year | 4.8 | 6.7 | 11.1 | Previous Losses | 0.5 | 0.4 | .7 |
| Previous Profits | 2.7 | 6.3 | 33.8 | Exceptional Losses | -- | 1.0 | 23.2 |
| Exceptional Profits | <u>.3</u> | <u>.5</u> | <u>.1</u> | Total | <u>0.5</u> | <u>1.4</u> | <u>23.9</u> |
| Total Profits | 7.8 | 13.5 | 45.0 | | | | |
| Total Losses | <u>0.5</u> | <u>1.4</u> | <u>23.9</u> | | | | |
| Total Net Profits | 7.3 | 12.1 | 21.1 | | | | |

III. The National Housing Office (ONH)

Created in 1973, the ONH, beyond appointment of a President-Director General, had not become operative at the time of the visit of the Team. It has inherited a project under construction in Libreville and is preparing an outline national program, as well as going through the travail of organization (locate office space, set up organization chart, prepare budgets, etc.)

1. Legal and Organizational Structure

Purpose of ONH, according to the enabling legislation passed July 2, 1973, is to promote and develop social and low-income housing in accordance with the GOG housing policy and to manage projects it has developed.

It is a public agency under the supervision of the Ministry of Housing, Town Planning and Land Registry. Although financially autonomous, its accounting system will follow that of the GOG; and the current Minister has stated that ONH will not maintain a balance sheet or profit and loss statement as required of state corporations.

The governing body is an Administration Council of twelve members representing GOG (including the Office of the President, the National Assembly, the Ministers of Housing, of Public Works, of Labor, of Social Affairs and of Finance), the municipalities, the national employers association, and the residents of ONH-sponsored housing.

Activities of ONH benefit from several tax exemptions and reductions: turnover tax is reduced to 7%, import duties on construction materials are reduced to 5%, and most real estate taxes are waived.

Organization of ONH at the time of the Team's visit consisted of the President-Director General, his secretary and technical advisor, quartered temporarily in two offices in the Ministry of Public Works, to which the ONH was attached prior to promotion of Housing and Town Planning to full independent Ministerial status in October 1973.

The President-Director General, a civil engineer, formerly with Public Works proposes an organization for ONH consisting of an Administrative and Financial Division, consisting of Accounting, Administrative Services and Project Management, and a Technical Division, consisting of Project-Design and Construction Supervision.

Personnel action to hire an accountant was nearly completed at the time of the Team's visit. ONH plans to rely on Technical Services loaned from Public Works for the time being.

2. Programs and Operations

At the time the National Housing Fund was created, the Minister of Public Works undertook development of a 250-unit project proposed by a local contracting firm. Construction started in April, and at the time of the Team's visit 117 units were under construction and grading had been started for 92 more units. When ONH was created, this project was turned over to it. Thus, it was organized with an ongoing program.

The project, located in the Lalala section of Libreville, adjacent to a 750 M2 industrial park under development, will provide 200 three-room and 50 four-room semi-detached units. Total cost of the project has been fixed at 850 million CFAF of which 500 million represents building construction to be financed by ONH and 350 million urbanization to be financed directly by the National Housing Fund. The program, as presented by the contractor, had no unit costs, specifications or proposed house prices and was accepted by the Ministry as presented.

Inasmuch as the ONH budget totals 225 million for 1973 and 250 million for 1974, it appears that this project represents its total program for the immediate future.

The President-Director General told the Team that he is preparing a program for construction nationwide during the balance of the Second Development Plan of 1,000 housing units designed for development of a nucleus of modern housing in the capital of each of the country's nine regions. The ONH is intended to coordinate and develop a nationwide program, possibly with HG assistance, whereas SGAEI would concentrate on programs in Libreville and Port-Gentil. However, this distinction is not too clear, as ONH is developing and intends to develop programs in Libreville.

ONH, in conjunction with the Housing and Town Planning Division, is working up sketch plans for economic housing units suitable for wage earners earning between 30,000 and 50,000 CFAF per month and consisting of three-room units of 65 M2 and four-room units of 76 M2. Using preliminary estimates from the Housing Division, these units would cost about 1.2 million and 2.2 million CFAF.

Ministry standards call for 400 M2 lots. Assuming an additional 25% for right-of-ways, the urbanization costs for these units, which also is to be provided by the National Housing Fund and using the Housing Division cost estimate of 1,600 CFAF per M2, would come to 640,000 CFAF per lot. Density would be 20 per hectare. Total investment per unit can be estimated at 1.8 million to 2.8 million CFAF.

For outlying administrative centers these costs should be increased by from 50% to 150%.

The Team was told ONH proposes to offer these units on a rental basis, with required monthly payments covering only maintenance and management. (According to SGAEI's practice, these charges should be calculated at 5% per year of the construction cost, or about 5,000 CFAF for the three-room units and 9,200 CFAF per month for the four-room units). No provision is presently under consideration for recovering the GOG investment.

ONH has stated that units also will be offered on a lease-purchase basis in Libreville and Port-Gentil, and that the outlying programs will provide exclusively for lease-purchase. As yet no formula has been worked out for the calculation of monthly charges.

3. Sources of Financing and Financing Capacity

According to Decree, ONH is to receive financing from three sources:

- At least 50% of the National Housing Fund, which is based on a 3% payroll tax.
- Loans, from domestic and foreign sources.
- GOG subsidies.

During 1973, ONH should receive an income of 225 million CFAF from the Fund. Income for 1974 is estimated at 250 million CFAF. Income should increase at an annual rate commensurate with the increase in total salaries and wages paid in the modern sector or an estimated 6.9% per year.

Operating expenses for 1973, the Team was told, will total 23.4 million CFAF. No estimate has been prepared for 1974.

Based on what little information is available, it is clear that the present program and policies of ONH will require it to seek supplemental financing in order to carry out its operations. The Lalala project together with operating expenses, which must increase substantially as the ONH staffs up, may be expected to absorb almost all of ONH's income from the Fund through 1975. Given GOG budget constraints, use of subsidies appears unlikely. Therefore loans appear to be the only source of additional income.

4. Technical and Management Evaluation

ONH has been only recently created and is still undergoing organization, a situation complicated by the fact that the Housing Ministry itself was created only in October, 1973, is itself lacking in staff, and has not yet made a clear determination of the roles and functions of the ONH in relation to the Housing and Town Planning Section.

For the institution properly to manage the resources assigned to it, ONH should adopt an accounting system comparable to that of public corporations or housing authorities; ONH should complete its own organizational and budget exercise and the Minister

of Housing needs to make a clear determination of the functions of ONH in order to avoid overlap and confusion with the Housing and Town Planning Section.

E. CONSTRUCTION INDUSTRY

1. Organization and Capacity

The building sector is characterized by high costs, the predominance of expatriate builders and suppliers, and a shortage of skilled labor.

Work including commercial, industrial, and public works projects totaled 10.5 billion CFA in 1970 about 10% of which, or 1 billion CFA it is estimated, was for housing. The 1971-75 Development Plan projected an 11.0% annual growth rate for the sector as compared with 7.1% for the economy as a whole. While it appears that building overall has kept up or even bettered this pace, the capacity for continued increases in housing production is limited and will be an important constraint on Government housing policies. As projected, the building industry will require one-half of all the new skilled workers that can be trained during the Plan period.

Moreover, the industry is structured around foreign firms with relatively high costs for imported materials and expatriate personnel and a relatively low return on capital investments see following table. They will tend away from housing in favor of larger more profitable contracts for industrial-commercial facilities and related construction.

Value Added and Production Costs in the Building Sector

(based on 1968 figures from the II Development Plan)

| | <u>building and public works sector</u> | <u>industry average</u> |
|-------------------------------------|---|-----------------------------|
| Imported materials | 27.5 | 15.7 |
| Local materials | <u>21.1</u> | <u>21.0</u> |
| a. subtotal materials | 48.6 | 36.7 |
| Expatriate salaries | 13.3 | 10.4 |
| Local salaries | 14.0 | 7.0 |
| Charges | <u>4.6</u> | <u>3.6</u> |
| b. subtotal labor | 31.9 | 21.0 |
| Taxes | 6.3 | 9.0 |
| Insurance | .8 | .5 |
| Builder's/entrepreneur's revenue | 4.9 | 10.4 |
| capital investments in fixed assets | 7.3 | 16.6 |
| net return on capital | <u>0.1</u> | <u>5.7</u> |
| c. subtotal overhead and profit | 19.4 | 42.3 |
| d. subtotal value added (b.+c.) | 51.3 | 63.3 |
| total (a.+b.+c.) | 100.0 | 100.0 |

2. Builders

There are 12 major builders involved in housing in the country; 6 in Libreville. They employ an average of 280 workers on a regular basis. All are substantially expatriate. There are 43 smaller firms (mostly Gabonese), 32 in Libreville, with a capacity for limited work such as that financed by the Development Bank. Their work force averages 60 but on a more irregular basis. There are in addition a large number of tacherons who take jobs on a piecework basis. The table on the next page shows a detailed distribution by location of all firms in the building and public works sector.

The firms available for work outside of Libreville and Port-Gentil are very limited and the more important ones generally specialize in work related to a particular enclave industrial development. Even the number of tacheron builders in small towns is limited. Expansion of housing production in the smaller urban centers will be especially difficult.

The Agence Gabonaise de Promotion Industrielle et Artisanale (PROMOGABON) provides some assistance to small builders and the Development Bank has an artisanal and small enterprise loan program but not very active. Small builders generally lack financing, managerial experience, and have problems maintaining schedules, but they nevertheless could handle some of the activity now dominated by larger firms.

Quality of work performed by expatriate firms is adequate but management is not as sophisticated as might be expected.

Distribution of Building Firms by Type and by District

(1972 statistics from Caisse de Prévoyance Sociale)

| | Libreville | Port-Gentil | Haut-Ogooué | Moyen-Ogooué | Ngoumie | Nyanga | Ogooué-Ivindo | Ogooué-Iolo | Wolen-Ntem | Total |
|-----------------------------|------------|-------------|-------------|--------------|---------|--------|---------------|-------------|------------|-------|
| 1. public works contractors | 15 | 4 | 1 | 1 | | | | | | 21 |
| 2. building contractors | 6 | 1 | 2 | 1 | 1 | | | | 1 | 12 |
| 3. small builders | 32 | 5 | | | 3 | | 1 | | 2 | 43 |
| 4. painting contractors | 9 | 3 | | | | | | | | 12 |
| 5. plumbing contractors | 6 | 2 | | | | | | | | 8 |
| 6. tile contractors | 8 | 1 | 1 | | | | | | | 10 |
| 7. electrical contractors | 9 | 1 | | | | | | | | 10 |
| 8. heavy electrical work | 1 | | | | | | | | | 1 |
| 9. building services | 8 | | | | | | | | | 8 |
| | 94 | 17 | 4 | 2 | 4 | 0 | 1 | 0 | 3 | 125 |

3. Labor

The labor force in the country as a whole is small which has meant shortages particularly of skilled workers in the building trades. The following table shows the percentage of workers in each skill category. The 1971-75 Development Plan projections of manpower requirements shows that the building and public works sector will need a significant proportion of the new workers coming into the economy.

Requirements for Additional Manpower during 1971-75

| | <u>Plan Period</u> | <u>(From 1971-75 Plan)</u> | |
|---------------------|-----------------------|----------------------------|---------------------------------------|
| | <u>industry total</u> | <u>building sector</u> | <u>of total industry requirements</u> |
| skilled workers | 1,962 | 945 | 48 |
| specialized workers | 5,193 | 2589 | 50 |
| others | <u>11,763</u> | <u>4947</u> | <u>42</u> |
| total | 18,918 | 8,481 | 45. |

An apprenticeship tax of 0.3% on total salaries paid by employers will help finance training programs to meet these needs and many building firms have ongoing programs of their own, but manpower will be a continuing problem for the housing sector.

The problem is worse in smaller urban centers. The attraction of skilled workers to Libreville and Port-Gentil is great. In the next Table the distribution of construction workers by district emphasizes the constraint on housing programs outside of Libreville.

Distribution of Construction Workers by District

(1972 statistics from the Caisse de Prévoyance Sociale)

| | Libreville | Port-Gentil | Haut Ogooué | Moyen Ogooué | Ogooué | Nyanga | Ogooué-Ivindo | Ogooué-Ioko | Woleu-Ntem | total |
|------------------------|------------|-------------|-------------|--------------|--------|--------|---------------|-------------|------------|-------|
| public works firms | 2833 | 98 | 80 | 3 | | | | | | 3014 |
| building firms | 1167 | 334 | 1157 | 23 | 273 | | | | 94 | 3058 |
| small building firms | 2351 | 156 | | | 22 | | 11 | | 22 | 2562 |
| painting firms | 324 | 164 | | | | | | | | 488 |
| plumbing firms | 165 | 24 | | | | | | | | 189 |
| tiling firms | 333 | 8 | 4 | | | | | | | 345 |
| electrical firms | 186 | 58 | | | | | | | | 244 |
| heavy electrical firms | 46 | | | | | | | | | 46 |
| building services | 168 | | | | | | | | | 168 |
| total | 7573 | 842 | 1251 | 26 | 295 | | 11 | | 116 | 10114 |

Skills in the building Sector

(1970 statistics from 1971-75 Development Plan)

| | <u>building sector</u> | <u>%</u> |
|------------------------|------------------------|------------|
| directors | 124 | 1.1 |
| engineers | 34 | 0.3 |
| office heads | 68 | 0.6 |
| technicians | 204 | 1.8 |
| administrative staff | 60 | 0.5 |
| highly skilled workers | 376 | 3.3 |
| office staff | 261 | 2.3 |
| skilled workers | 1251 | 11.0 |
| specialized workers | 3413 | 30.0 |
| laborers | 4791 | 42.2 |
| errand boys | 147 | 1.2 |
| unclassified | <u>648</u> | <u>5.7</u> |
| | 11,337 | 100.0 |

Skilled workers are available from other West African countries & some builders have brought labor in, but Government restrictions are very tight and workers are not permitted to establish residence. Highly skilled workers such as operators of heavy equipment are sometimes European. Fully one-half of labor costs in the building industry are for expatriate salaries.

4. Architectural and Engineering Services

There are three architectural offices and several Engineering firms in Libreville. All are expatriate. The volume of work they can do is flexible as additional technicians can be brought in and two are associated with offices in Europe. Fees range from 3 to 5, or more depending on the size and nature of the project and whether professional services such as inspection or project administration are included. Working drawings generally leave latitude for details to be worked out in the field by the builder and approved on site by the architect. As work on a model of each unit progresses, inspections are made and details approved or modified as indicated by the architect. SGAEI and some builders have in-house architectural services.

5. Contractual Practices

Both publicly bid and negotiated contracts are common in Government sponsored projects. Bids are sometimes made on the basis of preliminary drawings with structural plans then prepared by the contractor. In Gabon, the builder's profit and overhead is included in his unit prices and not shown in the bid as a separate line item. This is about 20 less 7.5 for investments in equipment or about 14.5 which is typical for Francophone Africa.

The terms and conditions of the builder's contract follow norms established in French codes. Any contract for longer than 6 months includes a formula for the revision of the contract amount if Government indices of labor and material costs increase by more than 3%.

If bid publicly, a bid bond (caution provisoire), normally for 1% of the bid, can be requested. A performance bond (caution definitive), normally 3% of the contract amount, to be issued when the contract is awarded, can also be required. The primary guaranty, however, is a retenue de garantie for 10% of the contract amount provided either by a bond or by withholding 10% of each payment due the builder. At completion a provisional inspection is made but the retenue de garantie is held for one year when final inspection is made. Bonds are made generally in the form of a bank guaranty and usually cost the builder 1.5% interest. The builder can also be required to take out a 10 year insurance policy against latent structural defects. The insurance cost is small, but the companies require representation by a local engineering firm. The cost of insurance and inspection is around 2% of the cost of construction.

6. Building code:

The requirements set minimum standards for rodent control, foundation depths, ventilation, water supply, plumbing, sanitary facilities, and sewerage. Standards for building materials vary with zoning regulations. The only specific prescriptions are against unpaved floors and thatch roofs.

7. Materials

Almost 60% of the materials used in the building industry are imported accounting for 27% of total construction costs. Combined with expatriate salaries, the total import component is 40%. Suppliers are also expatriate, generally representing specific European companies without exploiting alternatives thus limiting selection to some extent and keeping prices high. Orders in gross lots can be placed directly to the source bypassing suppliers and effecting some savings, but delivery time is two months or longer. Good stocks must be maintained to avoid delays on the job.

The country is 85% forest and before development of mining operations was its most important export. The wood industry provides 26% of total African salaries. Wood is not, however, an economic building material as the industry is completely

export oriented, and prices are tagged at European levels. Okoumé which is used in the fabrication of plywood is primarily cut. Other species better suited for general construction are not effectively cut or marketed. Rough sawn lumber presently costs 23,000 CFAF/m³ having risen sharply from 16,000 a year ago and an average of 7% annually since 1966. Plywood costs 330 CFAF/m², up 3.5 annually.

Production of the new cement plant at Gwendo more than doubled between 1970 and 1972 to 52,000 tons and the price has come down slowly to the present level of 14,000 CFAF/ton. This is slightly higher than cement from the Cameroon. Clinkers are imported.

Lengths of aluminium roofing up to 12 m are available cut to order from the Cameroon at 480 CFAF/m. The price fluctuates depending on market conditions. Aluminium has almost completely replaced galvanized sheeting as a roofing material. Costs are less, the insulation value is greater and its life longer.

The market is too small for the manufacture of fired brick and most construction uses hollow concrete blocks usually made on the job site. Good quality river sand is generally available at 2,000 CFAF/m³ and gravel to a lesser extent at 7,000 CFAF/m³. Due to increasing transportation costs the price of sand and

gravel has risen 10-12% annually since 1966. Transport of building materials by road costs 25-30 CFAF/ton. River transport from Port-Gentil only as far as Ndjole costs 3,300 CFAF/ton.

In addition to cement clinkers and aluminium roofing the primary import items are reinforcing bars which cost 82-96 CFA/K; plastic and metal piping costing on the order of 900 CFAF/m depending on the type; window glass which costs 3,180 CFA/m²; hardware, varnish, paints, electrical installations, ceramic tile, sanitary fixtures, lime and plaster. Prices have been rising sharply in recent years due to inflation in Europe. 57% of all imports are from France; 17.5% from other Common Market countries; 11% from the U.S.; and only aluminium roofing from other African countries. Import taxes on building materials are 5-30% for customs; 25-30% import duty; and a 10 tax on value added.

8. Construction methods

a. lowest cost housing (wood)

The basic house is a light wood frame with board and batten walls and aluminium roofing. Some are made of second hand materials but not many. Most use untreated rough sawn Okoumé. The least expensive have no foundations and unpaved floors. Untreated posts are placed directly in the ground. More and more are being built with a shallow concrete

block foundation and a cemented floor with a sand base. Many have a plywood false ceiling and a few are painted. They are generally built by small tacherons. The owner buys the materials. The untreated Okoumé deteriorates quickly. Life expectancy depends on maintenance but probably ranges between 5 and 10 years.

b. Standard housing (block)

Foundations are 15 cm solid concrete block continuous footings to a depth of 20 cm below grade set on a 15 cm bed of unreinforced concrete and topped with a light bond beam poured with the 7 cm concrete floor. The slab usually has a sand base and cement finish. Finish elevation is normally 15 cm above grade. Walls are 15 cm hollow concrete block plastered inside and out. Wood panel walls are sometimes used for decorative purposes but when made with durable woods is more expensive than block. The wall is topped with another light bond beam. Roofing is aluminium most often on a wood truss system. Bearing walls are sometimes run up to replace trusses with simple purlins supporting the roofing effecting some savings, but more highly skilled maçons are required to properly align the walls. False ceilings of plywood are most often used both inside and under the overhanging eaves outside. With aluminium roofing the undulations provide adequate ventilation of the dead space, but houses with eaves left open are cooler. The

basic shell is the same regardless of the standard of the house. Size and finishes determine differences in cost. Windows are most often a louvered frame but with wood slats instead of glass; doors are hollow core plywood; floors are ceramic tile or sometimes linoleum; sanitary and electrical fixtures vary.

c. higher standard housing

The differences are in the finishes and amenities such as terraces, balconies, higher ceilings, larger rooms, and air conditioning.

d. multi-story housing

Construction techniques are similar with heavier foundations and concrete framing. Wood floor structures are occasionally used for two story row houses, but most multi-story construction is high cost, higher standard housing.

9. Construction Costs

The simple 50 m² unimproved wood house costs a family about 100,000 CFAF (\$475) to build; improvements such as foundation and floor paving will run this to 150 - 200,000 CFAF (\$700 - \$950).

Standard houses of concrete block typically finished cost on the order of 30,000 CFAF/m² (\$13 per sq. ft.) without land and developments. The Development Bank's breakdown of acceptable costs for in place work is shown in Attachment C. A house is considered "economique" if it

costs less than 3.0 million CFAF (\$14,300). Public authorities regularly build housing costing twice that. By minimizing finishes and reducing size, SGAEI and the Ministry of Housing (which can also seek relief from import taxes on materials) are approaching 24,000 CFA/m² (\$10.50 per sq. ft.). They have plans for 50 m² houses that could cost 1.2 million CFAF (\$5,700) and studios that could be under 1.0 million (\$4,750).

The same constructions outside of Libreville and Port-Gentil cost considerably more due to high transportation costs and the shortage of builders. The tables on the following show that the co-efficients used by the Ministry of Public Works to compute costs in smaller urban centers range up to two times the cost of construction in Libreville. Constructions related to enclave industries are somewhat less when transport is provided by the company.

10. Cost Trends

The retail price index for building materials has risen 6% annually since 1966 as compared to 5.5% for prices overall, but in the last year this has increased to about 7% reflecting worldwide economic changes and it appears that the trend is upward. Builders are projecting 8-10% for the coming year.

The experience of SGAEI and the Ministry of Housing is that actual construction costs more or less follow the trends of the retail price index.

Retail Price Index - Libreville

(June 1973 Bulletin Mensuel de Statistique)

| | base | jan | jan | june |
|---------------------------|-------------|-------------|-------------|-------------|
| | <u>1966</u> | <u>1972</u> | <u>1973</u> | <u>1973</u> |
| building and public works | 100 | 135.9 | 139.7 | 145.3 |
| industry average | 100 | 141.9 | 147.1 | 152.4 |

Costs Coefficients for Construction in Smaller Urban Centers

Ministry of Public Works indices - 1969

| | | | |
|------------------------|-----|----------------------|-----|
| Libreville | 100 | <u>Ogooue-Ivindo</u> | |
| | | Makokou | 160 |
| <u>Estuary</u> | | MeKambo | 170 |
| Kango | 120 | Bocoué | 150 |
| Cap Esterias | 115 | | |
| N'Toum | 110 | <u>Ogooué-Iolo</u> | |
| | | Koualamotou | 180 |
| <u>Ogooué Maritime</u> | | Latourville | 165 |
| Port-Gentil | 100 | Pana | 190 |
| Omboué | 130 | | |
| Sette-Cama | 140 | <u>Haut Ogooué</u> | |
| Mandroué | 125 | Franceville | 150 |
| Tchibanga | 160 | Okondja | 170 |
| Mayumba | 180 | Lekoni | 180 |
| Moabu | 175 | Moanda | 140 |
| | | Akieni | 160 |
| <u>Loyon Ogooué</u> | | | |
| Lambarene | 130 | <u>Ngoumié</u> | |
| Ndjole | 140 | Mouila | 145 |
| | | Fougamou | 140 |
| <u>Wolow-N'Tem</u> | | Mandji | 150 |
| Oyam | 125 | N'Dendé | 150 |
| Mitzic | 130 | Le Bamba | 150 |
| Bitam | 125 | N'Bigou | 160 |
| Minvoul | 125 | Malinga | 225 |
| Medauneu | 140 | Kinougo | 170 |

ATTACHMENT C

UNIT COSTS OF WORK IN PLACES THAT ARE ALLOWABLE
UNDER FINANCING OF THE GABONESE DEVELOPMENT BANK

| | DESIGNATION DES OUVRAGES | U | PRIX UNITAIRE |
|------------|---|----|--|
| I | <u>Terrassements - Remblais</u> | | |
| 1 | - Terrassement en terre meuble | m3 | 1.200 à 1.800 |
| 2 | - Terrassement en terrain rocheux | m3 | 4.800 à 10.000 |
| 3 | - Remblai de terre compactée dans les fondations | m3 | 900 à 1.500 |
| 4 | - Remblai de sable compacté dans les fondations | m3 | 1.500 à 2.150 |
| II | <u>Maçonneries - Béton non armé</u> | | |
| 1 | - Maçonnerie d'agglomérées de 0,05 | m2 | 1.700 à 2.000 |
| 2 | - " " " " de 0,10 | m2 | 1.900 à 2.200 |
| 3 | - " " " " de 0,15 | m2 | 2.100 à 2.300 |
| 4 | - " " " " de 0,20 | m2 | 2.300 à 2.500 |
| 5 | - Maçonnerie de claustras | m2 | 4.000 à 5.500 (variable avec le modèle de claustra) |
| 6 | - Enduits sur murs extérieurs | m2 | 700 à 900 |
| 7 | - Enduits sur murs intérieurs | m2 | 650 à 800 |
| 8 | - Enduits en plafonds | m2 | 900 à 1.100 |
| 9 | - Béton pour forme de sol | m3 | 18.000 à 24.000 |
| 10 | - Béton cyclopéen Banché en fondation | m3 | 29.000 à 40.000 |
| 11 | - Chape lissée ou Banchardée | m2 | 720 à 860 (sur Béton de forme) |
| 12 | - Plancher de hourdis creux de 0,15+4 | m2 | 5.000 à 5.500 |
| 13 | - " " " " de 0,20+5 | m2 | 6.000 à 6.500 |
| III | <u>Bétons armés (compris coffrage et ferrailage)</u> | | |
| 1 | - Gros béton à 250 Kgs pour semelles en fond. | m3 | 18.000 à 22.000 |
| 2 | - Béton de propreté en fonds de fouilles | m3 | 16.000 à 24.000 |
| 3 | - Béton Banché en fondations (350 kgs) | m3 | 32.000 à 45.000 |
| 4 | - Béton armé en élévation (350 kgs) | m3 | 45.000 à 48.000 |
| 5 | - Béton armé en élévation en parties minces | m3 | 58.000 à 62.000 |
| 6 | - Béton moulé pour appuis de baies | m3 | 1.800 à 2.000 |
| 7 | - Béton pour paillasse cuisines | m3 | 4.500 à 5.000 |
| 8 | - Plus value pour coffrage contreplaqué | m2 | 1.200 à 1.700 |
| IV | <u>Couverture</u> | | |
| 1 | - Charpente Bois mi-dur du pays | m2 | 46.000 à 54.000 |

/...

| DESIGNATION DES OUVRAGES | | U | PRIX UNITAIRE | |
|---|--|----------------|---------------------|----------------------------|
| 2 | - Plafonnage contreplaqué (compris solivage et couvre joints) | m2 | 1.700 | à 2.000 |
| 3 | - Couverture Bac aluminium (compris fixation) | m2 | 1.600 | 1.900 |
| 4 | - Planche de riv. | m1 | 700 | 1.000 |
| 5 | - Frise en Bois verni | m2 | 2.900 | 3.400 |
| 6 | - Isolation thermique en isorel mou | m2 | 1.400 | 1.600 |
| V - Menuiseries Bois (Compris serrurerie et quincaillerie) | | | | |
| 1 | - Porte isoplane ordinaire à peindre | U | 17.000 | à 21.000 |
| 2 | - Porte pleine à panneau | m2 | 9.000 | 12.500 |
| 3 | - Chassis Naco lames Bois | m2 | 18.000 | à 19.500 |
| 4 | - Chassis Naco lames verre | m2 | 19.000 | à 24.000 |
| 5 | - Façades de placards à peindre | m2 | 8.500 | 12.000 |
| VI - Revêtement des sols et des murs | | | | |
| 1 | - Sol thermoplastique | m2 | 1.200 | à 1.900 |
| 2 | - Carrelage 2 x 2 sur sol | m2 | 3.200 | à 3.800 |
| 3 | - Plinthes 2 x 2 | m1 | 750 | 900 |
| 4 | - Carrelage 10 x 10 | m2 | 3.800 | 4.500 |
| 5 | - Revêtement moquette | m2 | 3.800 | à 12.000 (suivant qualité) |
| 6 | - Faïence sur murs | | | |
| | - Couleur unie | | 4.300 | 4.500 |
| | - Dessin fantaisie | m2 à partir de | | 4.800 |
| VII - Electricité (très variable suivant genre installation) | | | | |
| en moyenne | | | | |
| 1 | - Point lumineux | | 6.500 | à 8.000 |
| 2 | - Prise de courant | | 5.500 | à 7.000 |
| 3 | - Applique Fluo | | 6.000 | à 7.000 |
| VIII - Assainissement | | | | |
| | - Fosse septique (en moyenne) | | 20.000 f par usager | |
| | - Puisard d'absorption en maçonnerie de pierre sèche (au m3 utile) | | 45.000 f à 50.000 | |
| | Pour 1 usager compter 400 l utiles | | | |

F. LAND

1. Tenure

Under legislation passed May 8, 1963, as amended February 6, 1967, title in improved property may be established by effective proof of occupancy for five years. Title to unimproved property is theoretically vested in the State. Individuals may purchase unimproved and thus publicly owned land from the Land Registry Office. Actual attribution is made by the GOG Land Commission.

Plots are first attributed on a provisional basis for the purpose of making a specified improvement within a specified period of time, generally not exceeding two years. Attribution is made following a procedure of survey, publication, and if necessary, adjudication.

Cadastral surveys for this purpose are carried out by the land registry office which is part of the Ministry of Housing. Plans have been drawn and surveys sufficient to permit definition of title have been undertaken in most urban centers.

When the improvement is completed in accordance with the building permit and certified by the Ministry of Housing, an occupancy permit is issued which together with the initial provisional attribution represent a title in fact, against which a mortgage can be registered, for instance. Issuance of definitive title follows as a matter of course and often after some delay.

In the case of lease purchase projects developed by SGAEI, this title is not issued until payments on the house are complete. SGAEI holds the occupancy permit and provisional attribution backed by Presidential decree. When payments under the lease purchase contract are completed, an act of sale is executed and SGAEI initiates the creation of an original title issued in the name of the purchaser.

Titles are prepared and registries maintained in the Office of the Conservation Fonciere, created by the law of May 8, 1963. Registration of titles and subsequent liens or servitudes with the Conservation are an obligation and not valid otherwise. Registration fees for residential property are typically 15-25,000 CFAF. In those areas where cadastral surveys are not complete and formal title registry has not been opened yet, pre-notation of mortgages can be inscribed onto the occupancy permit providing sufficient security.

Land title is generally held in fee simple though lease purchase contracts are common. To the sponsor of a social housing program, lease purchase offers ease of repossession in the event of delinquency which is otherwise cumbersome under the French foreclosure system.

Another form of tenure, little considered at the present time except for industrial projects, is the long term ground lease, authorized by decree of September 30, 1970, for periods of up to 50 years.

The Government may acquire land by expropriation as stipulated in legislation passed May 10, 1961, for public uses which must be determined by the Supreme Court except for rights of ways and servitudes. The ministry initiating the action must secure an ordinance from the court. Subsequent proceedings are administered by the Tribunal de Grande Instance.

2. Transfer Procedures

Title is passed with the signature of an agreement by "seeing privé" which is registered by the individuals at the Conservation or with the signature of an "acte authentique" before a Notary who then has the document registered and recorded at the Conservation. The transfer is effective as of the date of signature. The Notary is a legal official whose bond and seal guaranty the validity and authenticity of the transfer.

Transfer and registration fees are high and include a recordation fee of 0.8% of the sales price or value for most transfers. Registration fees for recording leases of fixed duration are 1% of the annual amount of the leases. Mortgages also are subject to tax of 0.5% of 120% of the original mortgage balance. Recordation fees may be waived for social housing programs.

3. Real Estate Taxes

The Government levies five taxes on urban property:

a. Tax on improved property -- 25% of half of the taxable income (assumed to be 75% of rental value) or an effective rate of 9.375% of taxable income. New construction can be exempted for five ~~pr~~ ten years depending on its purpose.

Gabonese owner/occupants holding only an occupancy permit enjoy an exemption until improvements are completed and title established and then only after the 5 year grace period.

b. Tax on unimproved property - 25% of taxable income (80% of rental value) itself calculated as 10% of value based on area of the property involved.

c. Tax on insufficiently improved building sites - 200 CFAF per square meter for first class urban properties, 40 CFAF per square meter for second category with properties of less than 400 meters exempt. Both are negligible amounts. This tax, and the one on unimproved property, are designed to capture speculative increases in land value, but are not high enough to be effective.

d. Rental Income Tax - 10% of actual rent received.

e. Contribution to Gabon Investment Fund - 10% of 75% of rental income, but exemption granted where tax less than 25,000 CFAF.

4. Zoning regulations

Master plans prepared by the Ministry of Housing and approved by the Commission d'Urbanisme for each locality indicate servitudes, allowable land uses, and occupancy densities. Sectors are further defined by the nature of the construction allowable. Areas designated as 1st or 2nd class are reserved for standard durable construction. Semi-durable techniques are permitted in 3rd class areas. Wood can be used, for example, but it must be treated and isolated from the ground. Traditional materials and techniques are allowed in 4th class areas so long as certain health standards are respected. These are not regarded, however, as improvements to qualify for title.

5. Availability and cost

Publicly-owned land in urban centers include considerable lands occupied by unauthorized communities, but large areas suitable for development are also available in good locations within reasonable distances from business and employment districts.

Cost of raw land is set by the Commission empowered by legislation to attribute government-owned land. This is generally set at 500 CFAF per m². Land for social housing programs is made available at no charge.

6. Development Cost

The topographies of many urban areas including Libreville are irregular and broken by low lying swamps. The cost of development varies widely with the nature of the site. Cut and fill costs along with supplementary roadway and utility expenses on poorly chosen sites have in some cases doubled the development cost. Port-Gentil is generally flat but has a shallow water table that increases sewage treatment costs.

The Ministry of Housing estimates costs in Libreville and Port-Gentil at 1,600 CFA/m² or 16 million CFA hectare with a density of 20 units/hectare, or 800,000 CFA per unit. SGAEI, also with a density of 20 units/hectare, has achieved costs on recent projects of 650,000 CFA per unit or 12 million/hectare. Their costs breakdown as follows:

| | |
|--------------------------------|------------|
| road and sidewalk base & curbs | 25% |
| asphalt paving | 15% |
| water distribution | 15% |
| electrical distribution | 15% |
| drainage and sewerage * | <u>30%</u> |
| | 100% |

* individual septic systems for villas are generally included in cost of house. Cost shown here is typical for small group septic systems serving those row houses in the development.

Land use in SGAEI developments are generally as follows:

| | |
|---|------------|
| 7 villas/hectare with 670 m2 average lot | 45% |
| 13 row houses/hectare with 240 m2 average lot | 30% |
| community facilities and common areas | 5% |
| roads and sidewalks | <u>20%</u> |
| | 100% |

Using these figures, the cost of a development using row housing exclusively and with stabilized laterite roads and walks instead of asphalt paving might be calculated as follows:

| | |
|---------------------|----------------------|
| typical SGAEI cost: | 12.0 million/hectare |
| less paving 15% | <u>1.8 million</u> |
| | 10.2 million/hectare |

| | |
|---|---------------------------------|
| total lot area typical SGAEI development | = 7,500 m ² /hectare |
| 7,500 m ² : 250 m ² average row house lot | = 30 units/hectare |
| 10.2 million: 30 units | = 340,000 CFAF per unit |

Allowing some extra costs for the increase density development
at 350,000 CFAF per unit might be attainable, 400,000 CFAF if
a few villas are included.

G. URBAN SERVICES

The rural exodus to the coastal cities has outpaced the availability of urban services especially water and sewerage. Cities tend to be spread out and disorganized which complicates efficient expansion of both physical and social services.

1. Municipal Services

a. Utilities

Water and electricity is provided by the Société d'Energie et d'Eau Gabonaise, a concessionary arrangement with a majority Government participation. Water costs 77 CFAF/m³ (\$1.27/1000 gal.) which is high but comparable with other West African countries. Electricity costs 23 CFA/Kwh in Libreville and 43 CFA/Kwh in Port-Gentil.

b. Sewerage

Sewerage is emptied raw into the sea and rivers. The only collection systems are in the central parts of Libreville and Port-Gentil. Others empty into nearby streams and swamps. Individual homes of standard construction generally have individual septic systems. Some housing projects have small group septic systems.

c. Garbage removal

Collection is the responsibility of the municipality. In Libreville and Port-Gentil where the collection is contracted out, service is rated as good. Costs are paid out of the municipal budget and not directly charged to homeowners.

d. Transportation

A newly established Government transportation authority is operating lines to limited areas of Libreville. Most people move by jitney taxis which cost 50 CFAF per trip per person.

2. Social Services

a. Schools

48% of the primary school age children in the country attend 672 schools. 39% of the secondary age children attend 35 schools all in urban centers. There are also 19 technical high schools, 5 normal schools, and 4 university level facilities (700 students). The 1974 budget for education is 5.94 billion CFAF or 27% of the ordinary budget.

b. Health facilities

The level of health services is one of the highest in Africa. Hospitals or medical centers serve most urban communities. There is one hospital bed for every 150 inhabitants and 84 doctors in the country.

3. Project Community Facilities

SGAEI includes community facilities in the financing of housing projects, although their staffing sometimes poses a problem.

Community facilities normally provided in connection with housing projects include elementary schools, a dispensary, athletic-field, and a peculiarly Gabonese facility - the "listening house" (maison d'écoute), a pavillion where a television set and/or radio is installed for public use.

4. Cooperative and Community Organization

The cooperative experience has been limited to several agricultural production and marketing ventures notably in palm-oil. Specific legislation enabling housing cooperatives does not exist, but the Cooperative Statute of January 25, 1961 is flexible enough to include housing cooperatives.

A co-op in Gabon is a legal corporate body that can buy, sell and hold title to land. It can borrow funds and pledge assets. Co-ops are regulated by the Cooperative Control Service of the Department of Agriculture, which must approve the Charter and annual budget, but the terms of the Legislation could permit the kind of structure required for a housing cooperative.

The team understands that homeowners in Gabon tend to be individualistic and resist community responsibilities. Maintenance of common areas and facilities is generally left to the municipality and often neglected. SGAEI is attempting to organize tenants in its lease purchase schemes to establish an experience in community affairs that it hopes can lead to formation of a system of copropriete' as is common in other Francophone countries.

Community organizations should be encouraged as a part of the Government's housing program as a part of its expressed concern for the integration of social services and community facilities in its housing projects.

H. ECONOMIC CONSIDERATIONS

1. Status of the National Economy

a. Recent Economic Performance

Over the period 1968-72, the Gabonese economy grew at a rate, expressed in current CFAF, of from 7% to 12% per year. As the following table shows, GDP increased during this period from 75.9 billion CFAF to 113 billion CFAF (\$536.1 million), and per capita income from \$595 to \$790.

Gross Domestic Product (Current CFAF)

| | <u>Total G.D.P. in Billions of Current CFAF</u> | <u>Current US\$ per capita</u> | <u>Growth Rate over Previous years</u> |
|------|---|------------------------------------|--|
| 1968 | 75.9 | 595 | -- |
| 1969 | 85.1 | 614 | 12% |
| 1970 | 93.1 | 670 | 9% |
| 1971 | 105 | 742 | 11% |
| 1972 | 113 | 790 | 7% |

With allowance for inflation, the growth rate has been estimated at 7% per year, and it appears likely that growth will continue at this rate throughout the rest of the Second Development Plan period, through 1975.

Per capita income in Gabon is the highest in Black Africa and third highest on the African continent, after Libya and the Union of South Africa.

The following table shows the composition by Economic Sector of GNP for the period 1968-70, latest for which figures were available to the Team.

Sectoral Composition of Gross Domestic Product 1968-70
(Billions of current CFA Francs)

| <u>Resources</u> | <u>1968</u> | <u>1969</u> | <u>1970</u> |
|-------------------------------|-------------|-------------|-------------|
| Value added by private sector | 60.5 | 67.5 | 71.0 |
| Agriculture | (6.2) | (6.3) | (6.4) |
| Forestry | (6.0) | (7.3) | (7.7) |
| Mining | (22.5) | (25.8) | (26.3) |
| Manufacturing | (3.0) | (3.1) | (3.3) |
| Energy | (2.1) | (2.3) | (2.4) |
| Construction | (4.4) | (4.9) | (5.4) |
| Commerce | (10.9) | (11.9) | (12.6) |
| Transportation | (3.8) | (4.1) | (4.5) |
| Services | (1.6) | (1.8) | (1.9) |
| Value added by public sector | 8.5 | 9.4 | 11.9 |
| Import taxes | 6.9 | 8.2 | 10.2 |
| GDP at market prices | 75.9 | 85.1 | 93.1 |

Gabonese economic development is based almost exclusively on modern sector production for export in enclave industries such as forestry and mining, including petroleum. Agriculture, with the exception of a modest production of coffee and cocoa for the export market, is primarily subsistence. Its actual percentage share in GDP has declined in recent years. Although half the active labor force is engaged in agriculture on 1% of the country's land, it does not begin to produce sufficient surplus to feed the urban population.

As the previous Table indicates, mining dominates the Gabonese economy, averaging 24.8% of GDP for the period 1968-70. By 1970 mining provided 28% of GDP and 60% of total export receipts, of which petroleum alone accounted for 47%. After petroleum, manganese and uranium are produced, and the discovery of huge iron ore deposits promises substantial additional wealth when they can be exploited (probably in the 1980s).

Forestry, once the country's most important source of wealth, while continuing a modest increase in absolute terms, has decreased in relative value. In 1970 it accounted for 8.3% of GNP and 37% of export earnings. It is an important source of employment, offering about twice as much employment in 1972 as the mining sector. Forests cover 85% of the country but only 6% of the area-----

While the enclave sector is highly productive, Gabon's almost exclusive reliance on it does result in certain structural imbalances in the country's economy. The products are marketed directly for export, and with the exception of warehousing and related jobs at the port, provide little spin-off in terms of employment generation. (In point of fact, the mining wealth of the southeast is transported directly out of the country by cablecar, where it is brought by Trans-Congo Railroad for shipment to the market from Pointe Noire in the People's Republic of the Congo (Brazzaville)).

Mining, too, is highly capital intensive. Employment in this sector in 1972 totaled only 6,140, and was exceeded by Forestry with more than 12,000, construction with 10,500 manufacturing, with 9,900 and commerce with 6,500.

Enclave sector workers live for the most part in isolated company town (exception here must be made for refinery workers in Port-Gentil, the country's second largest city). They must be transported there, sometimes for considerable distance, which disrupts the normal population distribution in the countryside. Housing must be provided by the companies, food and clothing supplies imported; and again, with the exception of the type of service activities normally provided for the residents of predominately male company towns, there is very little generation of ancillary economic activity.

b. Future Prospects

Continued economic growth at at least the same rate of 7% per year net of inflation should continue for the balance of the Second Development Plan, and GDP at current prices, estimated at 113 billion CFAF already exceeded Development Plan projections of 104.9 billion CFAF.

The enclave industries seem assured of continued strength, demand for Gabon's major exports of petroleum, manganese, timber and uranium seem unlikely to diminish in the near future, and long term prospects seem equally favorable.

Petroleum production, the most important single component of Gabon's favorable trade balance, should increase from 45 million bbls. in 1972 to 75 million in 1975. It is generally accepted that oil discoveries are a function of exploration activities and funds. In Gabon 13 companies are engaged in prospecting, mostly off-shore; and they will spend more than \$90 million in 1972-75. Although Gabon does not appear to be an important potential source of crude, there is every likelihood that these costly explorations will ensure a rising annual production in the foreseeable future and, most certainly, an even greater increase in revenues.

Gabon's major development project - the 36 million CFAF (2171.4 million) first section of the TransGabon Railway - will have a major impact on timber production. Extending from Libreville's new deep-water port at Owendo to Booué 332 kilometers inland in the center of the country, this first section will permit opening up of hitherto untapped rich forest reserves, in anticipation of which GCG has already granted concessions covering more than 2 million hectares. The railroad will also permit exploration of heavier woods which cannot be floated and in the past had been transported, most unsatisfactorily, by road. Finally, existence of the railroad is expected to offer a potential for the establishment of wood processing and transformation industries up-country, nearer to the sources of supply, thereby providing employment and necessary linkages for the development of secondary urban centers.

Thus the new railroad promises to have both a quantitative and a structural positive impact on Gabon's historic forestry industry.

The new railroad additionally will provide an impulse to Gabon's starting program of industrialization. Outside the manufacture of wood products, industrialization, designed largely

for import substitution, started developing in 1969. Mostly foreign-owned, the plants are for the most part small scale, with the exception of some large timber processing units; and development of large-scale enterprises is hindered by the small size of the domestic market. Manufacturing represented only 4% of GNP in 1970, but it employs many more workers than mining, for example 9,921 in 1972 as against 6,140 in mining. And it is increasing -

22 small import-substitution plants involving a total investment of \$160 million opened in 1973, 17 in Libreville, two in Port-Gentil, and three in and near Franceville in the south-east mining area.

With the opening of the Kinguele hydroelectric plant with an eventual capacity of 52 megawatts, the power needs for the Libreville can be met for the near future. Opening of the Owendo deep-water port in December, 1973, also will speed up the movement of goods; and, in the medium-run, the adjacent terminus of the TransGabon will further facilitate industrial development. Urbanization of land for the Owendo industrial park has been undertaken under the Second Development Plan; and at the time of the visit of the Team site preparation for an industrial park somewhat to the north of the port area, in the Lalala section of Libreville, also was under way.

In the longer run, extension of the TransGabon beyond Booue to the mining areas of the southeast will permit doubling the export of manganese. In 1972 a total of 1.93 million tons were exported through the Congo (Brazzaville), and capacity of the mining company's cableway and the Congolese railway system were reaching their limits. The deposits are estimated to total 200 million tons with a high ores content of 50 - 52%. The TransGabon railroad should permit annual production to reach 4 million tons.

Extension of the railroad northeast of Booue to the newly discovered iron ore deposits will also provide an entirely new resource leap in the 1980s.

C. Rate of Inflation

The so-called "low income" price index, based on expenditures of families with incomes of from 25 - 50,000 CFAF a month and valid only for Libreville, increased from 123 to 141 during the years 1968 - 72 (1962 = 100), at annual rates of from 1.6% to 4.8%.

The high income index increased over the same period from 123 to 145 (1964 = 100), at annual rates ranging from zero to 7.0%.

The wholesale price index during the same period increased from 106 to 136 (1966 = 100) at more substantial rates of from 3.2% to 12.5%. Caution should be used in assessing the figures of 12.5%, however, this increase was registered in 1970, and in that year the high income price index did not increase at all.

International agency calculations indicate a rate of inflation of 3.4% per year for the years 1969, 1970, and 1971, but this appears to have increased somewhat in 1972 and 1973.

However, given the nature of the Gabonese Economy, inflationary pressures at this point are not internally generated but rather a reflection of external price changes.

d. Capital Formation

Gross capital formation in 1969 and 1970, the last two years for which data are available, totaled 28.25% for the period, as the following Table indicates. Figures on net capital formation are not available.

Capital Formation, 1968-70 (billion CFAP)

| | <u>1968</u> | <u>1969</u> | <u>1970</u> |
|----------------------------------|-------------|-------------|-------------|
| GDP at current market prices: | 75.9 | 85.1 | 93.1 |
| Consumption: | 45.1 | 50.2 | 55.1 |
| Private: | (32.2) | (35.3) | (38.4) |
| Public: | (12.9) | (14.9) | (16.7) |
| Gross Fixed Capital Formation: | 21.1 | 24.1 | 26.1 |
| Private: | (16.9) | (19.1) | (19.0) |
| Public: | (4.2) | (5.0) | (7.1) |
| Net Change in Stocks: | 1.1 | 1.3 | 1.4 |
| Net Exports of Goods & Services: | 8.6 | 9.5 | 10.5 |

The gross fixed capital formation as a percentage of GDP averaged 30% over the 1968 to '70 period. By developing country standards this is an exceptionally high percentage.

According to GOG figures, the proportion of GDP gross fixed capital formation devoted to housing has ranged from 3.9-4.9%, and will average 4.6% for the period of the Second Development Plan.

**Relation of Construction Investment
to Gross Fixed Capital Formation
Actual & Planned**

(000,000 CFAF)

| | <u>1964</u> | <u>1968</u> | <u>1971- 75 Development Plan</u> |
|-----------------------------------|-------------|-------------|--------------------------------------|
| Gross Fixed Capital Formation: | 6,422 | 16,066 | 149,900 |
| Building & Housing: | 317 | 626 | 6,840 |
| Percentage Construction: | 4.9% | 3.9% | 4.6% |

These data may not be exactly comparable. The 1964 and 1968 figures are for "Buildings", and the 1971-75 Plan figures represent so-called private investment in housing plus public funds budgeted for specific shelter-related urbanization. (The Development Plan figure of 12,190 million CFAF investment in "urban construction" is misleading, inasmuch as this total includes 5,350 million CFAF of various administrative buildings).

This figure also underestimates the investment in workers housing by enclave sector industries, of which a total of 2,675 million CFAF was programmed for the new cellulose complex and 715 million CFAF for the Owendo railroad terminus, to cite two figures known to the Team. Although probably the larger part of this investment is destined for housing for expatriate cadres, it still represents an eventual addition to the housing stock in those areas in which other economic activities take place and the housing is not destined to disappear with exhaustion of the concession (as in the forestry camps).

Adding the known enclave sector housing investment of 3,390 million CFAF to the programmed 6,840 million CFAF, we get an estimated total housing investment of 10,230 million CFAF or 6.8% of total Second Development Plan investment.

Perhaps still another way of looking at this may be provided by the following table showing what proportion of credits discounted at the Central Bank was used for housing.

| Utilization of Credits, as Reported to the Central Bank (000,000 CFAF) | | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>6/30</u> <u>1972</u> | <u>6/30</u> <u>1971</u> | <u>6/30</u> <u>1970</u> | <u>6/30</u> <u>1969</u> | <u>6/30</u> <u>1968</u> |
| <u>Short term</u> | 14,726 | 12,135 | 9,715 | 7,031 | 7,456 |
| (TP & Constr. lat.) | (2,203) | (1,848) | (1,397) | (1,196) | (1,120) |
| | (15.7%) | (15.2%) | (14.4%) | (17.0%) | (15.0) |
| <u>Medium Term</u> | 2,334 | 2,560 | 2,121 | 1,764 | 1,215 |
| <u>Medium & Long Term</u> | 9,385 | 7,827 | 7,722 | 7,272 | 6,640 |
| Public & Semi-Public | 1,221 | 1,023 | 878 | 518 | 482 |
| (Housing Constr.) | (23) | (26) | (27) | (33) | (35) |
| | 1.9% | 2.5% | 3.1% | 6.4% | 7.3% |
| Private | 8,164 | 6,804 | 6,844 | 6,754 | 6,158 |
| (Housing Constr.) | (1,251) | (1,191) | (937) | (1,127) | (1,142) |
| | 15.3% | 17.5% | 13.7% | 16.7% | 18.5% |
| <u>Total Credits</u> | 26,445 | 22,522 | 19,558 | 16,067 | 15,311 |
| (Housing Constr.) | (1,274) | (1,217) | (964) | (1,160) | (1,177) |
| | 4.8% | 5.4% | 5.0% | 7.2% | 7.7% |

e. Financial Structure and Interest Rates

Gabon is a member of the French franc zone. Together with Cameroon, Central African Republic, Chad and People's Republic of the Congo it forms a monetary union and a common currency, the CFA francs (CFAF) issued by the Central Bank for Equatorial Africa.

The supply of money and credit has been increasing, in response to the economic boom. Money supply rose at an average annual rate of 14% during the period 1969-71 (while GDP increased by from 7% to 12% per year at current prices). During the same period bank deposits generally increased 3% per year, reflecting an average 13% per year increase in demand deposits and an actual decrease in time deposits.

The following table of money and quasi-money holdings over the last two years is based on the Central Bank annual reports.

Gabor Average monthly money & quasi-money Holdings
(000,000 CFAF)

| | | |
|--------------------------------------|-------------------|-------------------|
| <u>Public Treasury</u> | <u>1971/72</u> | <u>1970/71</u> |
| Money | 549 | 389 |
| Deposits Central Bank | 928 | 612 |
| Bank Deposits | <u>2,846</u> | <u>1,754</u> |
| S/T | 4,323 | 2,755 |
| <u>Private</u> | | |
| Money | 5,455 | 4,781 |
| Demand Deposits | 8,920 | 7,375 |
| Time Deposits | 378 | 586 |
| (S/T Bank) | (9,298) | (7,961) |
| Centre Chèques Postaux & Treasury | <u>408</u> | <u>477</u> |
| S/T | <u>15,161</u> | <u>13,219</u> |
| Total | <u>19,484</u> | <u>15,974</u> |

1) Commercial Banks

There are four commercial banks in Gabon, all expatriate. The largest, representing about 40% of commercial bank activity, with assets in 1972 of 8,778 million CFAF (\$41.8), is the Union Gabonaise de Banque, in which Guaranty Morgan has 15% interest.

B.I.A.O. (~~International~~ Bank of West Africa), with 49% First National City Bank participation, and BICI Gabon (International Bank for Commerce and Industry), formerly the National Bank of Paris, with 20% Bank of America participation, are the next largest; and the smallest is the Bank of Paris and the Netherlands, which opened in March, 1972.

Commercial bank lending rates are 6 & 06.5% for industrial loans and 7% for commercial loans. These are medium-term loans and must be discounted with the Central Bank (at rates of 3.25% for commercial and 4.25% for industrial loans). Short-term loans for maturities of less than one year carry higher interest rates, of from 6.5 to 9%.

The relatively low bank rates in Gabon encourage corporate borrowing locally, but, of course, do not make possible capital inflows into the Gabonese capital market. Therefore substantial investments require foreign sources of financing.

Although bank deposits overall have been increasing, time deposits in the commercial banks decreased 11% during 1970 and another 5% in 1971. This decrease was caused primarily by GOG shifting its deposits from the Commercial banks to the Treasury. Most of the time deposits in the commercial banking system - totaling 378 million CFAF in 1971/72 as against 586 million CFAF in 1970/71 - were so-called "equipment bonds", to which banks, the postal savings system and insurance companies are forced to subscribe in an amount up to 10% of their last three-months average deposit liabilities.

The commercial banks are participating in the construction boom in Libreville, but because all medium-term loans must be discounted with the Central Bank, only to the extent this institution permits. Office construction loans are made for five to seven years at the commercial rate. Construction of luxury apartment blocs, is also financed medium-term, and bank loans may represent no more than 30% of cost, the remaining 70% being promoter's equity.

ii) Bank Savings Accounts

In an attempt to increase savings deposits, in December 1971, the Central Bank increased the rate commercial banks could pay on passbook savings accounts from 4 to 4.5%. The results have not been significant; at the end of 1972 there were only 442 individual passbook accounts at the Union Gabonaise de Banque, the country's largest.

Expatriates collect 50% of the total wages and salaries paid in the modern sector, and given the prevailing low interest rates in Gabon, they obviously will prefer to repatriate their savings.

iii) Postal Savings

Deposits and the number of accounts in the postal savings system have been regularly increasing, according to the most recent figures available to the Team, and in 1970 totaled 556.6 million CFAF, representing 27,168 individual accounts.

| <u>Gabon Postal Savings System</u> | | (000,000 CFAF) | | | |
|--|--------------|----------------|--------------|--------------|--|
| | <u>1967</u> | <u>1968</u> | <u>1969</u> | <u>1970</u> | |
| Deposits | 208.6 | 206.8 | 266.4 | 309.8 | |
| Withdrawals | <u>173.4</u> | <u>186.6</u> | <u>207.9</u> | <u>256.5</u> | |
| Net increase (decrease) | 34.7 | 20.2 | 58.5 | 53.3 | |
| Total deposits end of year (including capitalized interest) | 382.7 | 414.1 | 487.0 | 556.5 | |
| Percent increase | + 10% | + 5% | + 14% | + 11% | |
| Number of accounts | 18,458 | 20,043 | 23,763 | 27,168 | |

Access to the Postal Savings System, with 38 branches, is greater than to the commercial banking system, which is represented in only Libreville, Port-Gentil, Franceville, Moanda (the manganese town) and Oyem (in the cocoa-coffee area). Use of the system appears to be a function of its convenience, rather than of any propensity to save.

iv) Interest rates

Interest rates in Gabon are maintained at low levels by the Central Bank. The maximum loan rates permitted the commercial banks are a function of Central Bank discount rates, to which specific margins are added. Interest rates have not been adjusted since September, 1968, except for the December, 1971, raise from 4% to 4.5% of the rate to be paid on commercial bank savings accounts.

f) Government Finances

1) GOG Budget

GOG expenditures are recorded in a single Budget, which includes both operating expenditures and some public sector development expenditures. GOG expenditures have been increasing regularly, in response to increasing revenues, as the following table shows.

Summary GOG Budget 1969-72 (billion CFAF)

| | <u>1969</u> | <u>1970</u> | <u>1971</u> | <u>1972(Est.)</u> |
|---------------------------|--------------|--------------|--------------|-------------------|
| Receipts | 16.71 | 20.63 | 24.02 | 28.10 |
| Current Expenditures | <u>13.27</u> | <u>15.90</u> | <u>18.62</u> | <u>20.39</u> |
| Current Surplus | 3.44 | 4.73 | 5.40 | 7.71 |
| Development Expenditures | <u>3.34</u> | <u>5.39</u> | <u>5.34</u> | <u>2.81</u> |
| Overall Surplus (Deficit) | 0.09 | (0.65) | 0.07 | 4.90 |

ii) Sources of Revenue

The three main sources of revenue are indirect taxes, direct taxes and receipts from enclave industry concessions. Indirect taxes are the main source of tax revenues, contributing two-thirds of total revenues in 1971, of which import duties represented also two-thirds. Import duties are very high and, because of the substantial importation of consumer goods, amounted in 1971 to about 36% of the value of total imports.

The continuing ad hoc nature of many capital expenditures, particularly for construction of administrative buildings, has resulted in unanticipated budget over-runs and short-term borrowings - including \$58 million in the Eurodollar market over the past year - which have resulted in increasing pressure against GOG budgetary resources.

During its visit, the Team learned that GOG anticipates a 25% overrun of its 1973 Budget. The proposed 1974 Budget is reported to include 16 billion CFAF in "extra-ordinary" revenues (i.e. loans) plus an anticipated 11 billion CFAF overrun.

Debt service charges as a proportion of budgetary revenue increased from 13% in 1971 to an estimated 23% in 1972 (28% if one takes into consideration the 1.4 billion pre-payment of a 1971 Eurodollar loan), and the pressure on GOG budgetary receipts represents a much more important constraint to GOG borrowings than B/P and export income considerations.

Taxes on production represented about one-fifth of indirect taxes in 1971, export taxes about one-seventh.

Direct taxes, the second largest source of GOG income, amounted in 1971 to about 17% of total revenues. This figure is low because of tax stabilisation agreements with major employers and various other benefits to wage and salary owners.

Concession payments from mining, petroleum and forestry companies, together with other receipts such as those derived from fiscal stamps, brought in the remaining 16%

iii) GOG Budget Management

Management of public revenues and expenditures could be improved. There is limited control of development expenditures by various GOG entities and public agencies; these in the past have been able to make commitments on an ad hoc basis; the obligations do not show up the Budget until the first repayment falls due; and the financing of over-runs has been done through recourse to suppliers credits.

2. Foreign Exchange and Balance of Payment Considerations

Foreign trade plays a predominate role in Gabon's economy, not only because the enclave industries produce almost exclusively for export, but because so many consumer goods must be imported including food stuffs.

Gabon's overall B/P position shows a strong favorable balance of commodity exports over imports, which in 1971, as a result of substantially increased export income from petroleum, was sufficient to more than offset the increase in service payments. This resulted in a positive balance of goods and services, as opposed to previous overall deficits.

Gabon: Summary Balance of Payments, 1969-71

(In millions of SDRs)

| | 1969 | 1970 | 1971 ^{1/} |
|--|--------------|-------------|--------------------|
| Goods and services | <u>-15.9</u> | <u>-4.7</u> | <u>20.5</u> |
| Merchandise f.o.b. | 68.7 | 76.9 | 109.7 |
| Exports | (165.0) | (173.7) | (212.4) |
| Imports | (96.3) | (96.8) | (102.7) |
| Services | -84.6 | -81.6 | -89.2 |
| of which: | | | |
| Freight and insurance on merchandise | (-19.3) | (-18.9) | (-14.8) |
| Investment income | (-15.9) | (-17.5) | (-24.6) |
| Other private services | (-35.9) | (-25.9) | (-33.8) |
| Unrequited transfers | <u>4.1</u> | <u>4.6</u> | <u>-0.5</u> |
| Private | -5.2 | -6.6 | -7.8 |
| Government | 9.3 | 11.2 | 7.3 |
| Capital | <u>9.7</u> | <u>6.8</u> | <u>-8.7</u> |
| Nonmonetary sector | 11.9 | 1.4 | -8.1 |
| Private | (7.9) | (-5.3) | (-21.6) |
| Government | (4.0) | (6.7) | (13.5) |
| Monetary sector | -2.2 | 5.4 | -0.6 |
| Allocation of SDRs | <u>--</u> | <u>1.6</u> | <u>1.6</u> |
| Reserves and related items (increase -) | <u>-2.8</u> | <u>-6.4</u> | <u>-8.7</u> |
| Errors and omissions | <u>4.9</u> | <u>-1.9</u> | <u>-4.2</u> |

^{1/} Provisional

Gabon: Balance of Payments, 1969-71^{1/}
(In millions of CFA francs)

| | 1969 | 1970 | 1971 ^{2/} |
|--|-----------|-----------|--------------------|
| Services | -4,086 | -1,292 | 5,705 |
| Merchandise, f.o.b. | 17,665 | 21,346 | 30,457 |
| Exports, f.o.b. | (42,966) | (48,258) | (59,004) |
| Imports, f.o.b. | (-25,295) | (-26,892) | (-28,547) |
| Freight and insurance on merchandise | -4,963 | -5,241 | -4,122 |
| Other transportation | -1,877 | -2,490 | -1,680 |
| Travel | -1,362 | -2,051 | -1,644 |
| Investment income | -4,088 | -4,871 | -6,843 |
| of which: | | | |
| Interest on public debt | (-386) | (-348) | (-638) |
| For government | (-360) | -805 | -1,077 |
| Services under aid programs | (-1,183) | (-1,527) | (-1,122) |
| Other | (823) | (722) | (45) |
| Other private | -9,102 | -7,187 | -9,387 |
| Nonmerchandise insurance | (-617) | (-672) | (-761) |
| Other | (-8,485) | (-6,515) | (-8,626) |
| Unrequited transfers | 1,054 | 1,273 | -152 |
| Grants | -1,337 | -1,852 | -2,172 |
| Workers' remittances | (-2,006) | (-1,961) | (-1,973) |
| Other | (669) | (109) | (-199) |
| Government | 2,391 | 3,125 | 2,727 |
| All grants | (2,494) | (3,232) | (2,240) |
| of which: | | | |
| Fonds d'Aide et de Coopération | (694) | (890) | (397) |
| French technical assistance | (1,354) | (1,108) | (1,132) |
| Fonds Européen de Développement | (1,054) | (1,180) | (649) |
| Other | (-101) | (-107) | (-220) |
| Capital (excluding reserves and related items) | 2,660 | 1,888 | -2,416 |
| Monetary sectors | 3,060 | 409 | -2,245 |
| Direct investment | 6,814 | -183 | 4,478 |
| Other private long-term | -3,806 | -132 | -6,125 |
| Liabilities | (-3,574) | (386) | (-5,342) |
| Assets | (-232) | (-518) | (-783) |
| Other private short-term | -977 | -1,116 | -4,264 |
| Government | 1,029 | 1,840 | 3,766 |
| Loans received (net) | (1,055) | (1,851) | (4,052) |
| Other | (-26) | (-11) | (-286) |
| Monetary sector | -400 | 1,479 | -171 |
| Deposit money banks | -480 | 1,421 | -50 |
| Liabilities | (-350) | (1,405) | (396) |
| Assets | (-130) | (16) | (-46) |
| Central Bank | 80 | 58 | -121 |
| Allocation of SDRs | -- | 443 | 446 |
| Reserves and related items | -952 | -1,771 | -2,406 |
| Liabilities | -- | 20 | -4 |
| Use of Fund credit | (--) | (--) | (--) |
| Other | (--) | (20) | (-4) |
| Assets | -952 | -1,791 | -2,402 |
| Monetary gold | (--) | (--) | (--) |
| SDRs | (--) | (-443) | (-437) |
| Reserve position with the Fund | (-35) | (-339) | (-9) |
| Foreign exchange | (-897) | (-1,009) | (-1,945) |
| Net errors and omissions | 1,224 | -554 | -1,177 |

Source: Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun, Libreville.

^{1/} The balance of payments presentation follows that in the Fund's Balance of Payments Yearbook, Vol. XXIII.

Imports, as is to be expected in a developing country, are largely for capital goods, almost two-thirds of total value. The importation of consumer goods, although relatively smaller, has a profound impact on the cost of living for lower-income Gabonese because of the failure of the agricultural sector to provide even a minimum of basic staples.

Total value of imports increased from \$80.1 million in 1970 to \$99.2 million in 1971 to \$137.2 million in 1972.

The following Table shows the commodity composition of recorded imports from countries outside of member countries of the Central African Customs Union (UDEAC). Imports from UDEAC member countries totaled 10% of total imports in 1970, primarily foodstuffs.

Gabon: Commodity Composition of
Recorded Imports, 1967-71^{1/}

(In per cent of total value)

| | 1967 | 1968 | 1969 | 1970 | 1971 Jan.-May |
|---|-------------|-------------|-------------|-------------|------------------|
| <u>Foodstuffs, beverages, and tobacco</u> | <u>15.1</u> | <u>16.0</u> | <u>14.5</u> | <u>14.4</u> | <u>13.6</u> |
| Meat and fish | 1.1 | 1.2 | 2.0 | 2.8 | 1.3 |
| Vegetables and fruit | 1.9 | 2.4 | 1.6 | 1.6 | 0.5 |
| Dairy products | 1.2 | 1.4 | 1.2 | 1.2 | 1.1 |
| Wheat flour | 1.3 | 1.3 | 0.8 | 0.1 | -- |
| Alcoholic beverages | 5.5 | 4.9 | 3.9 | 3.5 | 8.2 |
| Other | 4.1 | 4.8 | 5.0 | 5.2 | 2.5 |
| <u>Other consumer goods</u> | <u>14.6</u> | <u>17.1</u> | <u>15.8</u> | <u>15.7</u> | <u>17.5</u> |
| Textiles | 6.0 | 7.7 | 6.5 | 6.5 | 8.3 |
| Paper and paper products | 1.8 | 1.9 | 1.9 | 1.7 | 2.0 |
| Shoes | 0.8 | 0.9 | 0.7 | 0.7 | 0.8 |
| Pharmaceuticals | 1.2 | 1.6 | 1.9 | 1.4 | 1.4 |
| Other chemical products | 4.8 | 5.0 | 4.8 | 5.4 | 5.0 |
| <u>Raw material and equipment</u> | <u>64.8</u> | <u>61.2</u> | <u>62.6</u> | <u>62.7</u> | <u>68.5</u> |
| Machinery | 21.0 | 18.4 | 20.2 | 20.1 | 21.4 |
| Motor vehicles and parts | 16.1 | 17.9 | 18.2 | 18.2 | 2.5 |
| Iron and steel | 13.7 | 15.6 | 17.3 | 17.8 | 36.4 |
| Fuel and lubricants | 7.2 | 3.0 | 1.5 | 1.4 | 0.9 |
| Instrumental | 2.5 | 1.9 | 1.7 | 1.6 | 2.2 |
| Cement | 1.5 | 1.6 | 1.4 | 1.6 | 1.5 |
| Rubber and plastic products | 2.8 | 2.8 | 2.3 | 2.0 | 3.6 |
| <u>Other</u> | <u>5.5</u> | <u>5.7</u> | <u>7.1</u> | <u>7.2</u> | <u>0.4</u> |
| Total value, c.i.f. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: Bulletin Mensuel de Statistiques; and data provided by the Gabonese authorities.

1/ Excluding trade with member countries of the UDEAC.

Mineral products represent about 60% of the total value of Gabon's exports. Export income has increased 22% from 1970 to 1971, and another 12.5% from 1971 to 1972. Given the present conjecture of world affairs, the demand for petroleum, manganese and uranium is likely to remain strong and prospects for a continued high level of export income are good.

The value of exports increased from \$193.7 million in 1971 to \$217.5 million in 1972.

The following Table indicates the commodity composition of recorded exports in recent years.

Gabon: Commodity Composition of
Recorded Exports, 1967-71^{1/}

(In per cent of total value)

| | 1967 | 1968 | 1969 | 1970 | 1971 Jan.-May |
|-------------------------------------|-------------|-------------|-------------|-------------|------------------|
| <u>Mineral products</u> | <u>64.2</u> | <u>60.8</u> | <u>59.4</u> | <u>59.9</u> | <u>59.3</u> |
| Petroleum | 29.9 | 33.7 | 34.2 | 36.3 | 32.1 |
| Manganese | 27.1 | 21.0 | 20.2 | 19.8 | 19.7 |
| Uranium | 6.6 | 5.8 | 4.9 | 3.7 | 7.4 |
| Gold | 0.6 | 0.3 | 0.1 | 0.1 | 0.1 |
| <u>Forest products</u> | <u>32.2</u> | <u>35.2</u> | <u>36.8</u> | <u>36.2</u> | <u>34.8</u> |
| Okouré logs | 21.7 | 23.5 | 25.4 | 24.3 | 21.8 |
| Plywood and veneer | 6.4 | 6.3 | 5.8 | 7.1 | 7.8 |
| Other timber and timber products | 4.1 | 5.4 | 5.6 | 4.8 | 5.2 |
| <u>Agricultural products</u> | <u>1.7</u> | <u>1.6</u> | <u>1.5</u> | <u>1.4</u> | <u>3.2</u> |
| Cocoa | 1.3 | 1.3 | 1.3 | 1.2 | 2.5 |
| Coffee | 0.4 | 0.3 | 0.2 | 0.2 | 0.7 |
| <u>Other products</u> | <u>1.9</u> | <u>2.4</u> | <u>2.3</u> | <u>2.5</u> | <u>2.7</u> |
| Total value, f.o.b. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: Bulletin Mensuel de Statistiques; and data provided by the
Gabonese authorities.

^{1/} Excluding trade with member countries of the UDEAC.

Scheduled debt payments, which rose to 7.9 billion CFAF in 1972 over the programmed amount of 7 billion CFAF because of prepayment of some Eurodollar borrowings, was scheduled to drop to 5.7 billion CFAF in 1973 and further to 4.6 billion CFAF in 1974. The Team learned in Gabon that 1973 debt servicing requirements were running 2 billion CFAF over provisions, or at almost the 1972 level.

Foreign debt servicing represented in 1972 only 3.4% of forecast 1972 export income; and, as previously indicated, the major constraint on debt servicing is represented by GOG revenues, not by export income.

The Second Development Plan originally called for off-shore borrowings in the amount of 121.1 billion CFAF, 84.4 billion for the private sector and 36.7 billion for the public sector. The impact of a HG Program of any realistic magnitude on a proposed private sector investment of \$400 million can only be negligible. Even assuming the entire proposed Nomba-Domaine program of 1.8 billion CFAF (\$8.6 million) were to be financed exclusively from HG resources, servicing of an HG loan would not increase pressure on GOG budget resources and would increase overall debt servicing requirements as a percentage of export earnings by about 2%.

In point of fact the short term net impact on debt servicing requirements would be positive, because the 58% of the loan not required to finance imports or expatriate salaries would probably be applied to roll over the country's short term foreign indebtedness. Assuming, for simplicity of calculation, that 50% of a \$4 million HG loan is so used, annual debt servicing requirements of a \$4 million 25 year 9% loan would total \$403,000.

Rolling over \$2 million in 5 year 6% suppliers credits, as an example, would reduce GOG short term debt servicing requirements by about \$460,000.

It is clear, therefore, that B/P and F/X considerations do not pose a constraint on utilization of HG financing in Gabon.

Persons Contacted - Gabon:

U. S. Government:

Ambassador John A. McKesson

John R. Countryman, DCM

David P. Rehfus, Commercial Officer

John Koehring, RDO/Yaounde

Government of Gabon:

President Albert Bernard Bongo

Mr. Mossirou, Chief of Cabinet at the Presidency

Emile Bibalon - Ahybouka, Minister of Housing, Town Planning & Land Registry

Michel Essonghe, Minister of Waters and Forests

Comatille Biffot, Director of Housing and Town Planning

Mr. Belrue, Technical Advisor to the Director of Housing

Ernest Alfred Essonghe, President-Director General, National Housing Office

George Mabinata, Deputy Mayor of Libreville

Pierre-Claver Divonguy, Deputy and Mayor of Port Gentil

Mr. Ledoux, Acting Director of the Cadastre

Henri Minko, Director of the Conservation Fouchiere

Other Gabon Officials:

SAGEI - Maurice Mazetier, General Director

Mr. Dodemin, Chief Engineer

Gabon Development Bank: Mr. Guillard, Deputy Director

Social Security System: Eugene Revangue, Deputy Director

Mr. Baillard : Tax Receipts

Private Sector:

Mr. Duchene, General Secretary, Chamber of Commerce

Mr. Doupamby- Matoke, Deputy Director, Union Gabonaise de Banque

International Agencies: Guy Boisard, Director, C.C.C.E.
Esik Erin, IBRD desk officer for Gabon
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