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GABON

December 2019

2019 ARTICLE IV CONSULTATION, FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND REPHASING OF THE REMAINING PURCHASES—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

In the context of the 2019 Article IV Consultation, Fourth and Fifth Reviews under the Extended Arrangement under the Extended Fund Facility, and Request for Waiver of Nonobservance of performance criteria, and Rephasing of the Remaining Purchases, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 16, 2019, following discussions that ended on October 9, 2019, with the officials of Gabon on economic developments and policies underpinning the Extended Arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on December 4, 2019.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Gabon.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Gabon*
Memorandum of Economic and Financial Policies by the authorities of Gabon*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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December 16, 2019

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IMF Executive Board Completes the Fourth and Fifth Reviews of the Extended Arrangement for Gabon, and Approves US$123.5 Million Disbursement

- Prudent macroeconomic policies have contributed to Gabon's economic recovery
- The government's reform program supported by the IMF aims to restore macroeconomic stability and lay the foundation for inclusive growth.
- IMF Executive Board's decision enables an immediate disbursement of US$123.5 millions

On December 16, 2019, the Executive Board of the International Monetary Fund (IMF) completed the fourth and fifth reviews of Gabon's economic program supported by an extended arrangement under the Extended Fund Facility[1]. Completion of the review enables an immediate disbursement of an amount equivalent to SDR89.34 million (about US$123.5million). Today's Executive Board brings total disbursements under the arrangement so far to an amount equivalent to SDR375.06 million (about US$518.5 million).

In completing the fourth and fifth reviews, the Executive Board also approved the authorities' request for waiver of nonobservance of performance criteria pertaining to the claims of the banking system and of the central bank on the central government, as well as waiver of non-observance of a performance criterion pertaining to external payments arrears; and a rephasing of purchase under the program.

Gabon's three-year extended arrangement supported by the IMF was approved by the Executive Board on June 19, 2017 (see Press Release No. 17/233) for a total amount equivalent to SDR 464.4 million (about US$642 million at the time of approval), the equivalent of 215 percent of Gabon's quota. The government's reform program aims to

[1] The Extended Fund Facility (EFF) was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. It provides assistance in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances over an extended period.

restore macroeconomic stability and lay the foundation for inclusive growth. It also seeks to attain debt sustainability at the national level and contribute to the external stability of the Central African Economic and Monetary Union (CEMAC).

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

“Gabon’s performance under the program supported by the IMF’s Extended Fund Facility Arrangement has been broadly satisfactory. Macroeconomic conditions have continued to improve, with growth slowly picking-up, fiscal and external positions improving, and public debt declining. Going forward, bold and ambitious reforms are needed to generate higher, more inclusive, and resilient growth.

“Efforts should continue to further boost domestic revenue and contain non-priority spending, while protecting investment and enhancing social protection. Improving public finance management and the efficiency of public investment is also important for growth prospects.

“Sustained implementation of structural reforms is critical. Efforts to close infrastructure gaps, improve human capital, deepen financial intermediation, clear domestic arrears, and enhance governance and anti-corruption measures are necessary to improve the business climate and achieve higher and inclusive growth.

“Gabon’s program is supported by the implementation of supportive policies and reforms by the CEMAC regional institutions in the areas of foreign exchange regulations, the monetary policy framework, and increasing regional net foreign assets, which are critical to the program’s success.”

GABON

December 4, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION, FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND REPHASING OF THE REMAINING PURCHASES

KEY ISSUES

Context: Prudent macroeconomic policies, supported by the Extended Arrangement, have contributed to Gabon's economic recovery. Growth is picking up, the fiscal and external positions have improved, public debt has started to decline, and Gabon has contributed to the rebuilding of regional international reserves. Challenges remain, though, as buffers are still insufficient and deep-rooted institutional and structural weaknesses continue to constraint growth and poverty reduction. Almost one-third of the population still lives below the poverty line.

Key policy recommendations. Achieving higher, inclusive, and resilient growth will require a more revenue-based and growth friendly fiscal consolidation by further (i) strengthening tax policy and administration and broadening the tax base; (ii) containing non-priority spending, while protecting investment and enhancing social protection; and (iii) pursuing PFM reforms to improve the effectiveness and quality of public spending and debt management. Efforts to close infrastructure gaps and improve human capital, deepen financial intermediation, clear domestic arrears, and enhance governance and anti-corruption measures will also contribute to further improving the business climate. These policies will support the CEMAC's strategy to rebuild external buffers.

Program performance: While program performance through end-December 2018 was weak, it has improved in 2019 as the authorities have taken corrective measures. Out of the five end-June 2019 performance criteria (PCs), three were met and two were missed. The continuous PC on accumulation of external arrears was breached early in the year but the authorities have taken measures to avoid accumulation, and there have been no further breaches since March 2019. The indicative target on social spending was missed, but there was noticeable improvement in its execution. Preliminary end-September data suggest that program implementation is broadly on track. The authorities remain committed to the program and have taken remedial measures to reach end-year targets. There has also been progress on program-related structural reforms with all, but one, structural benchmarks implemented.

Staff views. Staff supports the completion of the fourth and fifth reviews, and the authorities' request for waiver of non-observance of the end-June 2019 PCs on net government claims on the banking system and net government claims on the central bank, and the continuous PC on new external payment arrears, and a rephasing of access. Upon completion of the reviews, a combined purchase of SDR 89.34 million will be available to Gabon.

Approved By
Zeine Zeidane (AFR) and Martin Sommer (SPR)

The discussions on the Fourth and Fifth Reviews under the Extended Arrangement took place in Libreville during September 26–October 9. The IMF staff team included Boileau Loko (head), Koffie Nassar and Jemma Dridi (All AFR), Bruno Imbert (FAD), Jean Portier (MCM), Deirdre Daly (SPR), Marcos Poplawski-Ribeiro (Resident Representative). Ms. Félicité Adjahouinou also contributed to the preparation of this report. The mission met with President Bongo, the Head of the National Assembly, the Head of the Constitutional Court, the Minister of Finance and Economy, other Ministers and high-ranking officials.

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CONTEXT

1. Macroeconomic conditions are improving, and growth is slowly picking up. The economy was nearly in recession following the 2014 oil price shock. Economic activity slowed, the fiscal and current account deficits widened, and public debt almost doubled between 2014 and 2017. The policy response, supported by the three-year Extended Arrangement (approved in June 2017), has helped stabilize the economy and strengthened the fiscal and external positions. This has contributed to the rebuilding of regional international reserves. Public debt has started to decline, and the authorities have cleared all external arrears, including commercial arrears. Traction of policy advice provided at the time of the 2015 Article IV Consultation has been broadly satisfactory, even though several recommendations are still ongoing (Annex I).

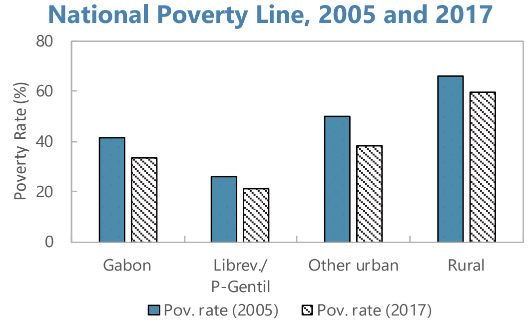
Text Table 1. Gabon: Key Macroeconomic Indicators, 2014–18

	2014	2015	2016	2017	2018 Est.
Real GDP growth	4.4	3.9	2.1	0.5	0.8
Non-oil growth	5.1	3.8	3.3	1.7	1.9
Inflation (y-o-y)	1.7	-1.2	4.1	1.1	6.3
Overall fiscal balance (percent of GDP)	2.3	-4.0	-6.6	-3.4	-1.6
Non-oil primary balance (percent of non-oil GDP)	-11.5	-9.0	-11.0	-9.7	-7.6
Current account balance (in percent of GDP)	7.6	-5.6	-10.4	-6.9	-3.2
Public debt-to-GDP ratio	34.1	44.7	64.2	62.6	60.6

Sources: Gabonese authorities; and IMF staff estimates.

2. Nevertheless, Gabon still confronts significant challenges. Buffers are still insufficient and long standing and deep institutional and structural weaknesses continue to constrain private investment, growth and poverty reduction. Key impediments include a narrow economic base, weak governance, underdeveloped financial markets, and unattractive business environment. Almost one-third of the population still lives below the poverty line, and Gabon ranks 110 out of 189 countries according to the 2019 UNDP Human Development Index.

Text Figure 1. Gabon: Poverty Headcount at National Poverty Line, 2005 and 2017



Source: Gabonese authorities.

3. Looking ahead, bold and ambitious reforms are needed to generate higher, more inclusive, and resilient growth. Measures to improve governance and curb corruption are critically needed to boost domestic revenue, enhance the quality of spending, promote competition and facilitate private sector activity. The results of a dynamic stochastic general equilibrium model for Gabon (Selected Issues Paper I) suggest that macro-fiscal gains from governance reforms could be substantial, with potential additional growth ranging from 0.8 to 1.5 percentage points of GDP per year over the next 10 years.

RECENT DEVELOPMENTS: RECOVERY GAINING PACE

4. **The recovery is gaining pace.** While economic growth in 2018 remained sluggish at 0.8 percent, preliminary information suggests that it strengthened in the first eight months of 2019 on the back of a sharp increase in oil production (17.7 percent, y-o-y) and an expansion in the mining and agribusiness sectors. Meanwhile, inflation decelerated to 0.9 percent at end-September 2019 mainly due to decline in food prices. Private sector credit growth, at end-September 2019, remained modest (4.0 percent, y-o-y).

5. **The authorities have made significant progress in fiscal consolidation.** In 2018, the non-oil fiscal balance improved by 2 pp to -7.6 percent of non-oil GDP (NOGDP). This is, however, 1.2 percent below the program target, as significant efforts to reduce the wage bill were undermined by tax revenue shortfalls and expenditure overruns, including in special accounts and transfer to SOEs. Budget execution improved in the first nine months of 2019, with continued efforts to increase non-oil revenue and restrain non-priority spending (Text Table 2). Non-oil revenues were broadly in line with program targets, and expenditures were 0.7 percent of NOGDP short of the indicative target (IT) in September. However, the non-oil primary fiscal deficit was only slightly lower than the program target (0.1 pp of NOGDP), reflecting mainly higher-than-projected net lending (0.4 pp of NOGDP). The overall fiscal surplus was higher than anticipated, thanks to robust oil revenue.

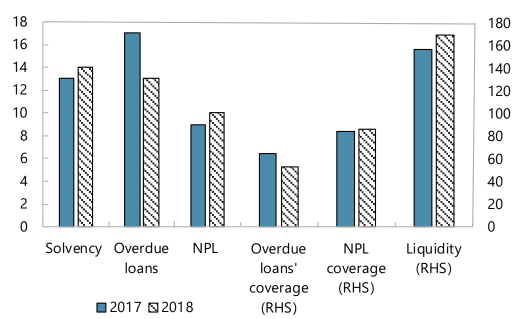
Text Table 2. Gabon: Fiscal Developments
(Percent of Non-oil GDP)

	Q4 2018		Q4, Prog.	Q2 2019		Q2, Prog.	Q3 2019		Q3, Prog.
	Third Rev.	Act.	vs. Act.	Third Rev.	Act.	vs. Act.	Third Rev.	Act.	vs. Prel.
Non-oil revenue	16.4	15.8	-0.7	8.0	8.2	0.1	12.8	12.8	-0.1
Current primary spending	16.5	16.5	0.1	8.2	7.8	-0.4	12.4	12.1	-0.3
Wage bill	11.0	11.1	0.1	5.0	5.2	0.1	7.4	7.7	0.3
Goods and services	2.2	2.2	0.0	1.2	1.1	0.0	2.2	1.8	-0.4
Transfers and subsidies	3.3	3.2	0.0	2.0	1.5	-0.5	2.8	2.6	-0.2
Capital spending	4.0	3.9	-0.1	1.6	0.6	-0.9	2.8	2.4	-0.4
Domestically financed	1.3	1.3	0.0	0.5	0.5	0.0	0.8	1.6	0.8
Foreign financed	2.8	2.6	-0.1	1.1	0.2	-1.0	2.0	0.9	-1.2
Net lending	1.5	1.6	0.1	0.2	0.4	0.2	0.4	0.7	0.4
Special accounts	0.7	1.3	0.6	0.4	0.8	0.3	0.6	0.8	0.1
Non-oil primary balance	-6.4	-7.6	-1.2	-2.2	-1.0	1.2	-3.4	-3.3	0.1
Overall balance (commitment basis)	0.7	-1.9	-2.6	0.5	2.2	1.8	0.9	2.4	1.5

Sources: Gabonese authorities; and IMF staff estimates.

6. **The current account has improved, but vulnerabilities remain.** The current account balance narrowed from -6.9 percent of GDP in 2017 to -3.2 percent of GDP in 2018, driven by increases in both oil and non-oil exports (particularly manganese). Imports declined by about 2 percent in 2018, owing to lower public consumption as a result of fiscal consolidation. Gabon's imputed net foreign assets at the BEAC increased for the first time since 2013, contributing to the build-up of regional reserves, which stood at 3.3 months of imports at end-June 2019. Nonetheless, Gabon's external position is assessed to be substantially weaker than implied by fundamentals and desirable policy settings (Annex II).

Text Figure 2. Gabon: Selected Financial Indicators
(Percent)



Source: COBAC.

7. The financial sector is broadly stable, but progress in implementing reforms has been slow. The sector's solvency and liquidity as reported by banks slightly improved in 2018 (Text Figure 2). Progress in liquidating the three public banks has been slow, despite the establishment of liquidation support groups in April 2019, and repayments to insured depositors have been delayed. The authorities have adopted a strategy and action plan to reduce overdue loans by end-March 2019, but its implementation has been weak, in part, due to delays in the finalization of the audit of domestic arrears. Progress in strengthening the legal and institutional framework is ongoing. In early 2019, a new law creating commercial courts was adopted and a first training for 10 judges and 5 bailiffs in banking and credit disputes was conducted. The government received the COBAC approval for the temporary holding of a bank's shares in March 2019 but has not yet completed the acquisition.

OUTLOOK: PROMISING BUT CHALLENGING

8. Macroeconomic conditions are projected to improve gradually. Non-oil growth is expected to increase steadily above 5 percent over the medium term (Text Table 3) as agri-business,[2] wood processing, and mining projects reach maturity. Increasing investment in the oil sector should help stabilize oil production, supporting a gradual rise in overall growth to 4–5 percent in 2022–24. Absent major supply shocks, inflation is projected to remain below 3 percent. Continued fiscal consolidation is expected to help improve the non-oil primary balance in the medium term, reducing the public debt-to-GDP ratio below 45 percent. The current account would turn positive in 2022 and then gradually increase to about 3 percent of GDP by 2024 as ongoing investments (including in the Special Economic Zone) begin to boost non-oil exports, particularly in the wood and agri-business sectors.

Text Table 3. Gabon: Key Economic Indicators, 2019–24

	2019	2020	2021	2022	2023	2024
	Projections					
GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Oil	7.9	2.5	1.6	1.7	1.7	1.8
Non-oil	2.5	4.0	4.3	5.1	5.1	5.3
Fiscal balance						
Overall (in percent of GDP)	1.7	1.5	1.2	1.1	1.2	1.2
Non-oil primary (in percent of non-oil GDP)	-4.6	-4.2	-3.1	-2.8	-2.3	-2.0
Current account balance (in percent of GDP)	-1.1	-2.0	-1.0	1.5	2.0	2.8
Public debt (in percent of GDP)	56.5	55.6	52.5	48.9	45.6	42.5
External debt (in percent of GDP)	40.5	42.3	40.9	38.8	36.3	32.5
Domestic debt (in percent of GDP)	16.0	13.3	11.6	10.1	9.3	10.0

Sources: Gabonese authorities: and IMF staff estimates and projections.

9. The outlook remains subject to a range of risks (Risk Assessment Matrix, Annex III). The most immediate risk is a slowdown in the reform momentum. A decline in international oil prices will worsen fiscal and external positions and undermine growth. Other downside risks include lower global growth, and incomplete adjustment by CEMAC members. On the upside, medium-term growth could be higher if all FDI-financed investment projects were to materialize, including those

[2] Several projects of a large multinational company, including in the agri-business (palm oil, rubber), are expected to enter into the production phase in 2020. Production of palm oil, Manganese, rubber, and wood industries are projected to increase between 2018 and 2022 by 836 percent, 33 percent, 185 percent, and 16 percent, respectively.

related to recent offshore oil discoveries. Given the uncertainty surrounding the scale and timing of these projects, staff's baseline incorporates only part of the expected FDI inflows and economic activity related to existing projects.

10. There was broad agreement on the outlook and risks. The authorities broadly agreed with the downside risks and the need for additional buffers and further diversification of the economy. However, they believed that risks are tilted to the upside. In their view, ongoing FDI in mining, agribusiness, forestry and the special economic zone (SEZ) could help achieve higher non-oil growth. They also noted that, new oil discoveries, coupled with a new hydrocarbon code that creates a more competitive environment for oil and gas investment, could support a strong expansion in oil production in the medium term.

POLICY CHALLENGES FOR ACHIEVING HIGHER AND MORE INCLUSIVE AND RESILIENT GROWTH

There was a broad consensus that deeper policy reforms are needed to promote private investment and achieve higher and more inclusive and resilient growth. Discussions focused on policy priorities to further (i) boost domestic revenue, reorient expenditures toward growth-enhancing spending while ensuring gains in spending efficiency and building cushions against future shocks; (ii) strengthen banking sector soundness and financial inclusion; and (iii) improve the business environment to facilitate private sector activity. Addressing vulnerabilities in governance and corruption will be essential to achieve these objectives.

A. Fiscal Policy

Near-term challenges

11. The authorities recommitted to achieving the Fund-supported program's non-oil primary deficit of CFAF 308 billion (4.6 percent of NOGDP) in 2019, 3 pp lower than the 2018 deficit (Text Table 4). Both non-oil revenue and expenditure are expected to be in line with initial program targets, but, the composition of public spending will change. Capital spending will be lower by 0.7 pp of NOGDP, mainly reflecting absorptive capacity constraints. Meanwhile, net lending to public enterprises (mostly the national refinery) and special accounts are expected to be higher than initially envisaged, reflecting the government's inability to fully control

Text Table 4. Gabon: Fiscal Developments
(Percent of non-oil GDP)

	2018	2019 Initial	2019 Revised
Oil revenue	9.2	10.2	10.7
Non-oil revenue	15.8	17.0	17.1
Current expenditure	20.1	19.4	19.2
Capital expenditure	3.9	5.4	4.7
Net lending	1.6	0.4	0.6
Special accounts	1.3	0	0.6
Non-oil Primary Balance	-7.6	-4.5	-4.6
Overall balance	-1.9	1.9	2.6
Non-oil GDP	6,319	6,772	6,725

Sources: Gabonese authorities; and IMF staff estimates.

public entities' spending. The overall balance (commitment basis) will turn positive for the first time since the oil price shock in 2014 and will be 0.7 percent of NOGDP higher than initially projected.

12. The authorities and staff concurred that achieving end-December 2019 targets will be important. In this context, the authorities agreed to continue to strengthen (i) revenue administration, including by providing needed resources to intensify control, recover tax arrears, and better monitor tax exemptions; and (ii) budget execution and treasury management with the recently-adopted expenditure regulation mechanism,[3] which has helped control spending and prevent new external arrears.

13. The 2020 draft budget targets a non-oil primary deficit of 4.2 percent of NOGDP, 0.4 pp below the 2019 deficit (Text Table 5). The draft budget envisages an increase in tax revenues (1 pp of NOGDP), driven by continuous efforts to strengthen revenue administrations and limit tax exemptions (MEFP, ¶12). The upgrade of the internal revenue's and customs' IT systems (E-tax and ASYCUDA World, respectively) will facilitate revenue collection and reduce fraud; likewise, the strengthening of the Tax and Customs Advantages Commission will help streamline and better control special regimes. However, owing to declining non-tax revenues, overall revenue will increase only by 0.2 pp of NOGDP. The draft budget also assumes a significant cut in non-interest current spending (-1.3 pp of NOGDP), reflecting mainly ongoing efforts to streamline the wage bill (MEFP, ¶14). Given the large increase in domestically-financed capital expenditure (1.1 pp of NOGDP) and existing absorptive capacity constraints highlighted in the 2019 PIMA mission report, staff believes that some under execution should be expected. Staff advised that any overperformance, particularly in oil revenues, and savings in domestically financed capital spending should help further rebuild buffers and guard against downside risks.

Text Table 5. Gabon: Summary of Central Government Operations, 2019–20

(Percent of non-oil GDP)

	2019 Proj.	2020 Proj.	Change
Oil Revenue	10.7	9.5	-1.2
Non-oil revenue	17.1	17.3	0.3
Taxes	15.8	16.8	1.0
Of which: Measures			
- Strengthening of quality and frequency of PIT controls, revision of excise rates.		0.6	
- Strengthening of quality and frequency VAT controls, enforcing legal obligations of the beneficiaries of tax advantages.		0.3	
Non-taxes	1.3	0.5	-0.7
Current expenditure	19.2	17.8	-1.4
Wage bill	10.0	9.2	-0.8
Interest	3.5	3.4	-0.1
Goods and services	2.4	2.2	-0.1
Transfers and subsidies	3.4	3.0	-0.4
Capital expenditure	4.7	7.1	2.4
Domestically financed	2.0	3.1	1.1
Non-oil Primary Balance	-4.6	-4.2	0.4
Overall balance (cash basis)	2.6	2.0	-0.7

Sources: Gabonese authorities; and IMF staff estimates.

Medium-term Challenges

14. The authorities concurred with staff that a more revenue-based and growth friendly fiscal consolidation is needed in the medium term to achieve higher and more inclusive

[3] This mechanism was set up in May 2019 with support from IMF staff. It supports the implementation of the existing automatic adjustment mechanism included in the 2019 budget.

growth. However, they stressed the need for additional spending to close the infrastructure gap and promote private investment. Staff acknowledged the need for development spending but underscored the importance of creating fiscal space through efforts to increase domestic revenue, restrain non-priority spending, and enhance public investment management and fiscal governance (Text Table 6).

Text Table 6. Gabon: Key Fiscal Reform Recommendations

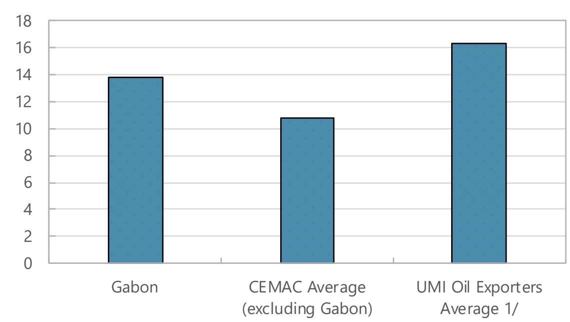
Short term → Medium term

Policy objective	Recommendations		
Boost revenue mobilization	Limit and reform tax expenditure	Strengthen revenue administrations capacities, including IT	Implement property taxes and simplify income taxes as well as other taxes
Rationalize current spending	Streamline wage bill	Enhance monitoring of public entities	Restructure loss-making SOEs
Improve the efficiency of public investment	Prepare a comprehensive PIP and revamp PIM organization and legal framework	Enhance PIM capacities and up-date procurement and PPPs legal framework	Implement other PIMA recommendations
Enhance fiscal governance	Improve cash management and implement budget execution regulation mechanisms	Modernize the IT system and expand its coverage	Strengthen budget credibility, transparency and control and fully implement the PFM reform

Increasing Non-Oil Revenue Mobilization

15. The authorities agreed that more revenue-based fiscal consolidation is needed. Despite the recent uptrend, non-oil domestic revenue is still low, compared with other upper middle-income countries (Text Figure 3). Key weaknesses identified by recent IMF TA include weak tax and customs administration, poor tax policy prioritization and large tax exemptions. Regarding the latter, Gabon has been relying largely on granting exemptions, including in the Special economic Zone, to attract FDI and diversify the economy (SIP II). As a result, rapidly growing activities, while creating jobs and increasing exports, have little impact on domestic revenues. The latest available information suggests that in 2017, tax and customs exemptions were higher than 7 percent of NOGDP.

Text Figure 3. Gabon: Non-Oil Tax Revenue, 2018 or Latest
(Percent of non-oil GDP)



Source: World Bank, World Development Indicators.

1/ Includes: Algeria, Azerbaijan, Equitorial Guinea, Iraq, Kazakhstan.

16. The authorities concurred that there is scope to mobilize additional non-oil revenues through efficiency gains and better governance. A recent IMF tax frontier study (IMF, 2018)[4]

[4] IMF, 2018. "Domestic Revenue Mobilization in Sub-Saharan Africa: what are the Possibilities?" *Regional Economic Outlook: Sub-Saharan Africa*, Washington, DC., April.

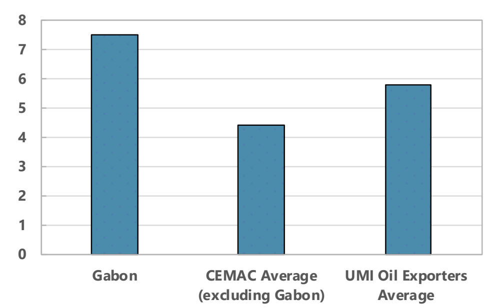
placed Gabon on the high end of SSA tax gaps at 5.8 percentage points of GDP. The authorities are aware of the situation and have attached a list of tax and customs exemptions, including an assessment of their impact, to the FY 2020 budget law that was submitted to parliament. Staff welcomed ongoing efforts and encouraged the authorities to expand the scope of this list in line with the recommendations of the July 2019 IMF TA report (**New proposed structural benchmark**). Staff urged the authorities to implement additional measures as recommended in recent Fund key TA reports, including (i) further strengthening tax and customs administration capacities and providing appropriate resources to perform their functions and modernize their information systems; (ii) enhancing the control and monitoring of tax and customs exemptions and removing those which are not in compliance with legal texts; and (iii) revamping the process for granting new exemptions and conducting systematic and rigorous cost-benefits analysis (MEFP, ¶12). Over the medium term, staff also recommended improving tax policy, focusing on the implementation of a property tax,[5] the simplification of the personal income tax regime, and conducting analytical studies to pave the way for reforming existing tax and customs regimes in the future (MEFP, ¶13).

Rationalizing Non-priority Spending and Containing SOEs Fiscal Risks

17. The authorities recognized that strong resolve is needed to further streamline non-priority expenditures. Despite recent progress, Gabon's wage bill remains above the level of its peers (Text Figure 4). Also, subsidies and transfers to SOEs and autonomous public agencies continue to represent a significant burden and fiscal risk. Measures are needed to:

Text Figure 4. Gabon: Wage Bill Comparison, 2018 or Latest

(Percent of GDP)



Sources: Gabonese authorities; and IMF staff estimates.

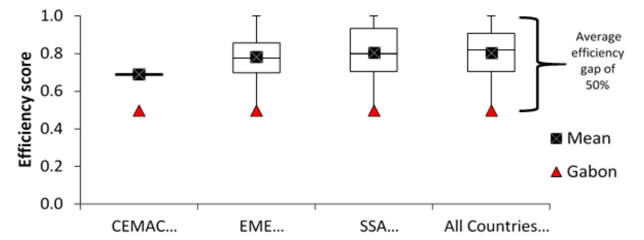
- Further contain the wage bill (MEFP, ¶7) by completing the biometric census of all civil servants, with a view to streamline the payroll, and implementing (i) the new hiring control mechanism in connection with the BOP reform; (ii) the new performance management system to promote staff based on performance; and (iii) the new budget classification standards.

- Enhance the monitoring of public entities by (i) reviewing the financial situation of key public enterprises with the view to close and/or develop restructuring plans for key loss-making enterprises (e.g., the national oil refinery); (ii) accelerating the elimination and merger of existing multiple autonomous public agencies; (iii) strengthening the monitoring, control, and reporting on special accounts (MEFP, ¶16); and (iv) enhancing oversight and enforcing a stronger accountability framework for all public enterprises and agencies (MEFP, ¶29).

[5] May 2019 FAD TA report suggested that this could generate up to 1 percent of GDP in the medium to long term.

Improving Spending Efficiency to Enhance Infrastructure and Human Capital

Text Figure 5. Gabon: Public Investment Efficiency
(Quality of Infrastructure)



Source: IMF staff estimates.

18. The authorities agreed with staff on the importance of enhancing the efficiency of public investment and public procurement to foster growth. The authorities, as shown in the 2020 budget, intend to embark on a series of mega projects to overhaul Gabon's infrastructure. Staff acknowledged the need to close the country's infrastructure gap but stressed the importance of urgently addressing the weaknesses highlighted in the recent Public Investment Management Assessment (PIMA) (Box 1 and Text Figure 5). The authorities recognized the importance of:

- Renewing the public investment management framework and reorganizing the monitoring process, and revising the legal framework for public procurement, particularly by strengthening the role of the Public Procurement Regulatory Agency (MEFP, ¶15). In this context, staff urged the authorities to prepare a comprehensive Public Investment Program (PIP) including all public investment projects (***New proposed structural benchmark***). The authorities will also consider careful prioritization of investment projects.

- Revising the 2017 PPP legal framework to guarantee sustainability and limit exemptions.

- Revising the legal framework for public procurement, particularly by strengthening the role and independence of the Public Procurement Regulatory Agency (ARMP) and expand its oversight to PPPs to help manage fiscal costs and risks.

19. Increasing the level and efficiency of social spending should be a priority. Gabon is not only spending less on education and health than its income comparators, but the efficiency of such spending is far below its peers (SIP III). In addition, the social protection system, remains fragmented and inefficient and often fails to reach its intended beneficiaries. Looking ahead, the priorities should be bringing gradually social expenditures in line with peers, developing and expanding social programs that better target most vulnerable groups, and implementing the recommendations of the World Bank's Public Expenditure Review (PER), including greater use of performance targets in budgetary resource allocation decision-making (SIP III).

Improving Fiscal Governance

20. Addressing domestic arrears is urgent. The large stock of domestic arrears is weighing on private investment and the banking system. It is urgent to clear the stock of existing arrears and enhance budget execution to eliminate payments delays and accumulation of new arrears (Box 2).

21. Stronger PFM and better fiscal transparency will improve macro-fiscal performance and reduce vulnerabilities to corruption. Despite efforts to implement the revised PFM framework, following the 2015 adoption of a new organic budget law under CEMAC directive,[6] budget credibility remains weak,[7] with substantial discrepancies between the approved and

Box 1. Public Investment Management Assessment

Diagnostic. A FAD TA mission was conducted in Libreville in July 2019 to assess Gabon's existing public investment management (PIM) institutions using the 2018 PIMA methodology, in collaboration with the World Bank. The mission found that PIM processes in Gabon are inefficient and hampered by structural weaknesses, starting with the planning phase, including: (i) lack of coordination of multiple stakeholders, projects, and funding sources; (ii) absence of or ineffective planning tools with no consolidated and shared list of projects; (iii) lack of consolidated oversight of the different types of funding, including PPPs. These weaknesses at an early stage have a direct impact on the budget allocation and execution phases, such as poor budget coverage, weak project selection and unavailability of funds when needed. Single tender process is the common procurement rule, and the absence of a central control for projects implementation leads to payments without verification of physical execution. The mission examined a specific project on the full PIM cycle and found that weak PIM processes resulted in more than 15 percent of cost overruns.

Recommendations. The mission developed a sequenced action plan which focuses on eight recommendations: (1) strengthening the PIM legal framework; (2) streamlining PIM organization to centralize information and decision processes; (3) strengthening planning functions and capacities; (4) improving budget documentation, including information related to PPPs; (5) strengthening the annual budget formulation to secure projects implementation; (6) enhancing transparency for both project selection and public procurement; (7) ensuring efficient funding mobilization and cash management; and (8) guaranteeing infrastructure maintenance and renewal.

Immediate priority actions (short run): (i) the preparation of a comprehensive Public Investment Program (PIP); (ii) the preparation, approval, and publication of a decree reorganizing the PIM processes and responsibilities; and (ii) the establishment of a Committee in charge of project selection.

[6] Directive 01/11-UEAC-190-CM-22 on budget laws.

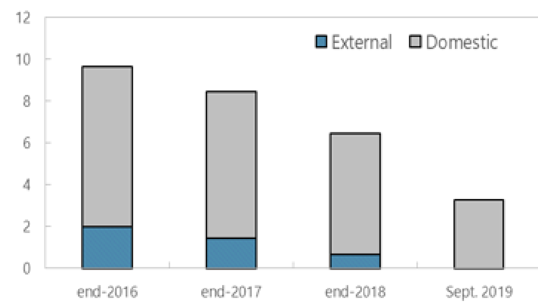
[7] Budget credibility is measured by the difference between initial budget and actual. A difference of more than 5 percent is considered as a sign of low credibility (source PEFA methodology).

Box 2. Addressing External and Domestic Arrears

Arrears have been longstanding issue in Gabon, weighing on program performance and private sector development, and posing risks to the country's creditworthiness.

Gabon has made important progress toward reducing arrears. The total stock of arrears has been reduced from 9.7 percent of GDP at end-2016 to 3.3 percent of GDP as of end-September 2019. A large part of this reduction was external arrears, which were entirely cleared as of March 2019. While the completion of the domestic audit of arrears[1] will likely increase the stock, it represents an important first step toward establishing a clearance plan and further tackling the issue of domestic arrears (MEFP, ¶23).

Gabon: Stock of Domestic and External Arrears (Percent of GDP)



Source: Gabonese authorities.

The authorities have taken welcome steps to avoid arrears accumulation and started to establish a track record of remaining current on debt service. This includes addressing coordination issues that led to arrears in the past by merging of the economic and budget ministries and implementing recommendations from recent IMF technical assistance (TA) on cash management, including holding weekly meetings between Treasury and Debt Units to discuss cashflow. The implementation of the Treasury Single Account (TSA) has strengthened visibility over the availability of funds for debt payment. The expenditure regulation mechanism has helped control spending, which might otherwise constrain available liquidity for debt payment. Improvements in information systems have strengthened the monitoring of payment deadlines to ensure timely transfer of funds for payment to the central bank. As a result, the PC on new external arrears has not been breached since March 2019.[2]

Additional measures are planned to further prevent new external and domestic arrears accumulation and fully address outstanding domestic arrears. For that, the authorities intend to implement additional IMF TA recommendations, including (i) strengthening internal control and audit frameworks; (ii) modernizing the IT system. including systematizing the use of the IT system for all expenditure (including agencies) and improving interconnections; (iii) revamping and operationalizing the Treasury committee and the budget execution monitoring mechanisms; and (iv) making the TSA fully operational, as well as the revamping of the VAT escrow account. With the completion of the domestic audit of arrears for 2015–17, the authorities plan to design and launch a growth-friendly clearance plan, starting with the SMEs (MEFP, ¶23).

[1]PwC's audit results indicate that the stock of domestic arrears for 2015–17 not yet recorded by Gabon's Directorate General of Debt amounted to about 3 percent of GDP. The authorities are still in the process of confirming the results, including via physical audits. Thus, they are not yet included in the baseline.

[2] External arrears (totaling FCFA 25 billion or about 0.3 percent of GDP) were accumulated from January to March 2019 for brief periods (<90 days) before these measures had fully taken effect.

executed budgets and PFM institutions are not fully able to play their role in preventing corruption. There is a need to (i) improve the quality of fiscal data and reduce extra-budgetary spending; (ii) enhance fiscal transparency through the publication of fiscal and budget data (e.g., quarterly reports on arrears and budget) and the disclosure of additional information (e.g., contingent liabilities, public investment program quarterly statistics on awarded contracts and procedures); and (iii) fully operationalize the TSA and forbid any outside cash transactions, including by adopting and implementing a Treasury Committee decree that repeals and replaces the 2018 decision, in line with IMF TA recommendations (***New proposed structural benchmark***) (MEFP, ¶25 and ¶26).

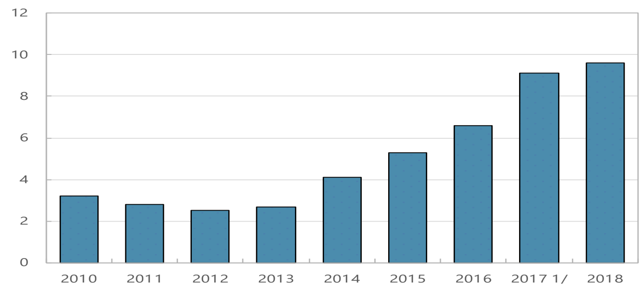
Strengthening Debt Management.

22. The authorities recognized that better public debt management will help reduce fiscal and debt vulnerabilities. While the public debt remains sustainable (Annex IV), debt service as a share of revenue is expected to remain high. The government's plan to issue a new Eurobond to reduce refinancing risks related to large Eurobond payments over 2022–25 is welcome. While the authorities indicated they will use proceeds mainly for debt smoothing operations, they also want the option to retain a small amount of the proceeds in deposits, should potential investment opportunities arise. Given large refinancing needs, staff view using all proceeds for Eurobond repayment as the preferred option. Further, any issuance should not undermine the existing fiscal consolidation path. The authorities agreed that the use of the Eurobond's proceeds for any other purpose besides debt smoothing would only be considered after a rigorous cost benefit analysis and remain consistent with planned fiscal adjustment (MEFP, ¶32). More broadly, staff stressed the need to further improve the medium-term debt management strategy in line with February 2019 IMF TA recommendations, including (i) managing interest rate and refinancing risks; (ii) enhancing the institutional framework for managing debt; and (iii) strengthening cash management and the coordination between the debt unit and the treasury to build a track record of remaining current on debt service; (iv) strengthening their presence on the domestic financing markets; and (v) putting in place a communication strategy with Eurobond investors to prepare for refinancing. Staff also encouraged the authorities to improve monitoring of public debt by including contingent liabilities, which may arise mainly from SOEs and PPPs.

B. Financial Sector Soundness and Financial Inclusion

23. The financial sector remains fragile. After declining to about 8 percent at end-2016, the banking system's capital adequacy ratio increased to 15.1 percent at end-March 2019, well above the CEMAC regulatory requirement of 10.5 percent. Banks remained relatively liquid and profitable. However, the significant decline in oil revenues and the associated cash constraints, and weak PFM practices have contributed to a rapid increase in domestic arrears and subsequently in NPLs (Text Figure 6). In addition, financial intermediation remained weak due to subdued lending activity (Text Figures 7 and 8), undermining banks' potential contribution to economic growth.

Text Figure 6. Gabon: Non-Performing Loans to Total Loans
(Percent)

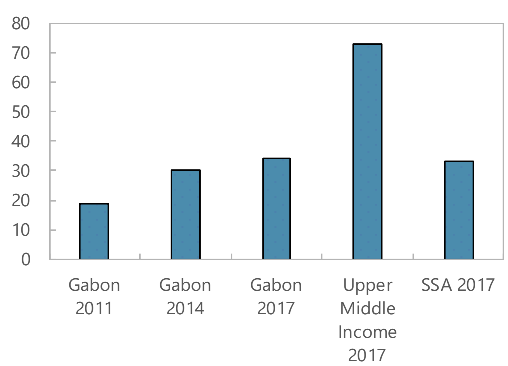


Source: COBAC.
1/ 2017 refers to November 2017.

24. Staff supports the authorities' efforts to strengthen the financial sector. Staff encouraged the authorities to (i) timely implement the strategy and action plan to reduce overdue loans and the agreed clearance plan of domestic arrears under the Club de Libreville, (ii) support the swift liquidation of the three distressed banks by the liquidators, including through the elimination of technical impediments to asset sales, and the timely repayment of insured depositors; and (iii) initiate the investor search now and to complete the sale of the bank, right after its acquisition by the government is finalized (MEFP, ¶36).

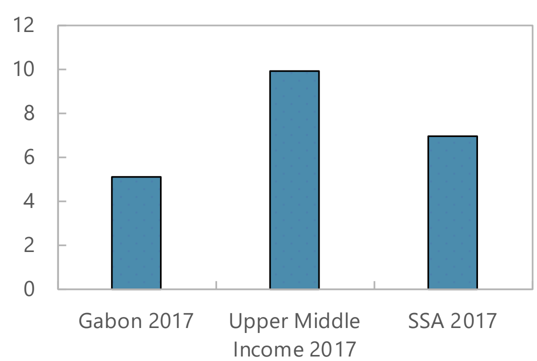
25. The authorities share staff's views on the importance of developing a financial inclusion strategy. While improving, financial inclusion remains weak with only 34 percent of the population having an account at a financial institution, far below Gabon's income comparators. The authorities are committed to developing a national financial inclusion strategy in line with the regional one and strengthening the financing of small and medium-size enterprises (MEFP, ¶38).

Text Figure 7. Gabon: Financial Institutions Accounts
(% age 15+)



Source: World Bank.

Text Figure 8. Gabon: Borrowed from a Financial Institution
(% age 15+)



Source: World Bank.

C. Facilitating Private Sector Activity

26. Structural constraints to private sector growth remain. Key impediments include a narrow economic base, weak governance, and unattractive business environment. The World Bank Doing Business ranks Gabon at 169 out of 190 countries. Enforcing contracts, registering property, and trading across borders are particularly problematic (Annex II). The 2018 Global Competitiveness Index (GCI) ranks Gabon 108 out of 137 countries. Moreover, Gabon underperforms Sub-Saharan Africa and Emerging Market Economies in most worldwide governance indicators. Weaknesses consistently identified relate to corruption, rule of law, including contract enforcement and property rights, and government effectiveness (SIP I).

27. There was a shared view that significant efforts are needed to promote private sector activity and achieve a higher and more inclusive growth. Key actions include:

- ***Strengthening anti-corruption institutions and increasing transparency*** by (i) enhancing the capacity of governance institutions, and particularly the Commission to Combat Illicit Enrichment (CNCLEI), to perform their mandate effectively and enhance their independence from political interference; (ii) enforcing asset disclosures and enhancing their quality; (iii) bringing Gabon's AML/CFT regime into line with the current Financial Action Task Force (FATF) standard; and (iv) effectively engaging stakeholders, including through easy and timely access to information, such as court decisions and reports by the CNCLEI. Gabon's next AML/CFT mutual evaluation is coming up in 2021.

- ***Improving transparency in the oil sector,*** including through ongoing efforts to join the Extractive Industry Transparency Initiative. Furthermore, staff encouraged the authorities to provide, as committed to at the regional level, contracts and licenses to the BEAC (***New proposed structural benchmark***).

- ***Implementing a comprehensive business facilitation reform*** by (i) reducing the regulatory burden, including by lowering the costs and procedures for licenses and permits, tax statements, and customs, and providing administrative services to businesses electronically (e-government); and (ii) enhancing coordination of actors across multiple jurisdictions to reduce excessive and overlapping demands on businesses. A favorable business environment, and not costly tax incentive, should be the primary tool to promote private investment, including FDI inflows (SIP II).

28. Staff welcomes the authorities' efforts to address climate change and promote sustainable development. Gabon's sustainable development strategy has started to bear fruits in terms of emissions and nature preservation, turning the country into a leader among SSA and other developing economies in international climate action and preservation negotiations (Box 3).

Box 3. Leading Climate Action Among Developing Economies

Gabon has been at the forefront of SSA's strategy on nature preservation, carbon-sequestering, and global climate change prevention. Occupying 85 percent of its territory, the country currently hosts 60 percent of the remaining tropical forest of the Congo Basin: the second largest of the planet after the Amazon forest and with a capacity to store more than 70 gigatons of carbon.

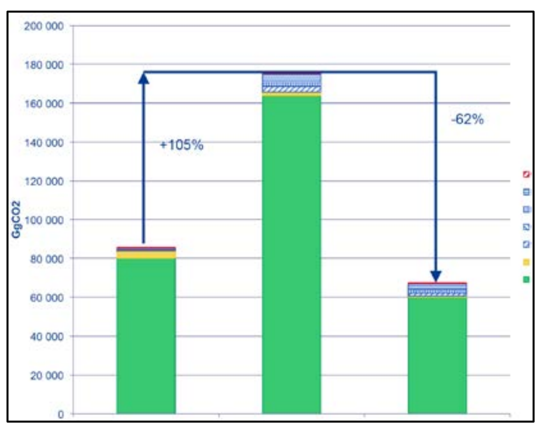
Such efforts have led the country to become African Union's representative and leading negotiator at the United Nations Climate Change conferences (UNCC). Yet, they are no "free lunch." Climate action and nature preservation have represented billions of U.S. dollars in investments, and foregone activity and revenues in recent years. Those costs should also be considered when assessing Gabon's attempt to set its economy on a more sustainable path, while being a key contributor to the biomass and climate action in SSA and the world.

Through its sustainable strategy the Gabonese government is committed to a national reduction of at least 50 percent in greenhouse-gas (GHG) emissions by 2025. The sustainable (reform) scenario illustrated below incorporates all public policies committed after 2000, such as: (i) the Forest code; (ii) the national parks creation in ten percent of Gabon's natural habitats; (iii) the National Flaring Reduction Plan; (iv) the national development strategy (PSGE) with its low carbon industrial development through the sustainable growth of the timber industry and agricultural sector; (v) the Climate plan; (vi) the implementation of a market mechanism induced by the Law on the Orientation of Sustainable Development in Gabon; and (vii) the adoption of a National Plan of Land Allocation. Transparency and law enforcement in natural resource management would be further improved via the World Bank funded Forest, Fisheries, Biodiversity and Environment Sector Program (FESP).

Gabon's recent agreement with the Norwegian government already indicates that its strategy is bearing fruit. The ten-year deal (around USD 150 million) means that the Norway will pay Gabon a floor price of USD 10 per certified ton of reduced GHG emissions caused by stopping deforestation and degradation and through the absorption of carbon-dioxide (CO2) by natural forests.

CO2 Emissions Evolution in Gabon Under Two Scenarios

— Baseline scenario — Reform scenario



Other
Wastes
Other energies
Transports
Oil industry

2000 2025 2025 reform

Source: Gabonese Ministry of Environment, Forests, Sea, and Waters, in charge of the Climate and Land Allocation Plan.

PROGRAM ISSUES

Program Performance

29. While program performance through end-December 2018 was weak, it has improved in 2019.

- Four out of the five end-December 2018 quantitative performance criteria (PCs) and the continuous zero ceiling on external arrears were missed (Text Figure 9, and MEFP, Table 1). The two indicative targets were also missed. Political uncertainty may have weighed on the policymaking process and economic management and slowed down reform implementation.

- Out of the five end-June 2019 PCs, three were met and two were missed (Text Figure 8; and MEFP, Table 2). The two PCs on central bank and banking system net credit to the government were missed owing to lower-than-projected issuance of government securities,[8] and budget support.[9] The continuous PC on accumulation of external arrears was also breached early in the year, but the authorities have taken measures to avoid accumulation and no further breaches have occurred since March 2019. Regarding social spending, the execution trend shows noticeable improvement even though the indicative target at end-June was missed, mainly due to under execution of capital spending.

- Most end-September ITs were met. In particular, ITs on non-oil tax revenue, contracting or guaranteeing external debt, and net claims on the banking sector were met. The non-oil fiscal balance is below the projected deficit but above the adjusted target, reflecting largely a faster-than-anticipated execution of the domestically-financed capital budget in the third quarter, which is expected to be offset in the last months of the year. As indicated earlier, no further breaches of the accumulation of external arrears PC have occurred since March 2019.[10] The targets on central bank net credit to the government was missed but the issuance of debt on the regional securities market in early October should help meet the end-year target.

30. There has been noteworthy progress on program-related structural reforms (MEFP, Table 4). As result of recent efforts: (i) quarterly reports on budget execution are now available online, as well as quarterly reports on arrears; (ii) closing of accounts at the Caisse des Depots et Consignations and in commercial banks has been completed, albeit the TSA not being fully operational; and (iii) the unit in charge of supervising autonomous agencies and SOEs is now

[8] This is due notably to the implementation of the necessary non-zero risk weights by the regional supervisor (COBAC) which reduced bank's appetite for government securities and to the high level of domestic debt and arrears.

[9] The World bank decided to postpone its second development policy operation to 2020 as part of a regional portfolio review.

[10] While new technical external arrears were briefly reported in November, they were cleared within the 30-day grace period allowed under the TMU and therefore did not breach the continuous PC on new external arrears.

operational. Financial sector reforms are advancing, although with delays. Overall, eight out of the nine structural benchmarks (SBs) through end-October were implemented, albeit with delays. The SB related to the EITI application is yet to be implemented. After several months of consultations, the civil society selected its representatives for the EITI committee in September 2019. However, the government expressed concerns about some of these representatives and is yet to select its own representatives for the EITI committee. Given the remaining steps and the need to ensure an effective and fruitful dialogue with the civil society, it is proposed that the SB be reset to end-March 2020. Meanwhile, the authorities are committed to transmitting the contracts signed with mining and oil companies to the BEAC (**New proposed structural benchmark**) and continue publishing a bi-annual report on total production and revenues from the oil and mining sectors.

Text Figure 9. Gabon: Summary of Program Performance

	Jun. 2017	Dec. 2017	Jun. 2018[1]	Dec. 2018	Jun. 2019	Sep. 2019 (Prel.)
Quantitative Performance Criteria						
Primary non-oil fiscal balance	●	⬢	⬢	⬢	●	⬢
Net government claims on the banking system	●	●	●	●	⬢	●
Net government claims on the central bank	●	●	⬢	⬢	⬢	⬢
External debt ceiling	●	●	●	●	●	●
Continuous Performance Criterion						
New external payment arrears	⬢	⬢	⬢	⬢	⬢	⬢
Indicative Targets						
Stock of domestic arrears	●	⬢	⬢	⬢	⬢	...
Non-oil tax revenue[2]	●	⬢	⬢	⬢	●	●
Social protection spending	⬢	⬢	⬢	⬢	⬢	...

Met ● Not Met ⬢

1/ The PCs for the primary non-oil fiscal deficit and net claims on the central bank were estimated not met at the time of the second EFF review (July 24. 2018; EBS/18/72).

2/ The indicative target on Non-oil tax revenue became a performance criterion since end-December 2018.

31. Preliminary September data show that end-year targets remain within reach and risks are manageable. Although the data show overruns on special accounts and net lending, this is unlikely to undermine the end-year program targets:

- With regards to the special accounts, the end-September imbalance (0.8 percent of NOGDP) is higher than the expected end-December target (0.6 percent of NOGDP). While there is a risk of overrun, the end-year target remains achievable provided that the projected revenues for special accounts materialize in the fourth quarter. In addition, the authorities have started to eliminate noncompliant earmarked revenues, which will help in this regard.

- Regarding net lending, the September outturn (0.7 percent of NOGDP) higher than projected (0.6 percent of NOGDP), suggesting a higher end-December outcome. However, the authorities' ongoing efforts to improve the financial supervision of public entities will help stabilize the overrun (MEFP ¶29).

32. The authorities have taken remedial measures to meet the end-year program targets.

- Regarding the fiscal deficit, they continue to apply the expenditure regulation mechanism set up in May 2019 with support from the IMF, which contributed to meeting end-June targets. This mechanism combined with the authorities' contingency measures ("reserve")[11] on both capital and current spending (MEFP ¶5 should help to closely monitor spending to offset any additional overrun in net lending and special accounts expenditure.

- They are also convinced that the issuance of debt on the regional securities market (FCFA 167.8 billion) in early October 2019 will help meet the end-year targets on net government claims to the central bank. Finally, the authorities are committed to make sure that future budget executions allow them to meet the end-December IT on social spending (MEFP ¶17). They indicated that the over execution of domestically-financed capital spending in the third quarter reflects their commitment to reach the IT on social spending because several projects are in the education and health sectors. Based on these corrective measures, the authorities are requesting waivers for non-observance of the two performance criteria for June 2019 that were not observed as well as the continuous performance criteria on the non-accumulation of new external arrears (Appendix I).

Program Modalities

33. This report proposes new program conditionality. New PCs for December 2019, ITs for December 2019 and March 2020 are proposed (MEFP, Tables 2 and 3). Ahead of the Board meeting, the authorities have implemented the two following prior actions: (i) submission to the Parliament of the law establishing harmonized statutes for public administrative institutions and repealing earlier provisions; and (iii) submission to the Parliament of a draft 2020 budget in line with the macroeconomic framework. The new proposed SBs, based notably on IMF TA on tax expenditure, cash management, and PIM, consist of (i) establishing the list of all existing tax and custom exemptions and assessing their fiscal impact, with a view to boosting revenues (end-December 2019); (ii) transmitting the contracts signed with mining and oil companies to the BEAC aimed at enforcing the new foreign exchange repatriation regulations (end-December 2019); (iii) preparing a comprehensive Public Investment Program (PIP) with all public investment projects (End-April 2020) to strengthen public investment management; and (iv) adopting and implementing a Treasury Committee decree that repeals and replaces the 2018 decision and in line with IMF TA recommendations, to help avoid accumulation of arrears (end-January 2020).

34. The program remains fully financed with firm assurances in place for the rest of 2019 and 2020. Financing needs for this period will be met by a combination of external borrowing, budget support and Fund financing (Text Table 7). The remaining purchases from the IMF are rephased (LOI, Attachment III), due to delays in completing the fourth review and a revised macroeconomic framework.

[11] The reserve is implemented on budget appropriations according to the following rates: 20 percent for expenditures on goods and services, 15 percent for transfer expenditures, 16 percent for capital expenditures, and 10 percent for other expenditures.

Text Table 7. Gabon: Financing of the Fiscal Deficit, 2019–20

(Percent of GDP)

	2019		2020
	3rd Review	Rev.	Proj.
Overall fiscal deficit (cash basis)	**-1.5**	**-1.7**	**-1.5**
Other financing needs	9.2	9.5	13.8
Amortization (including arrears)	6.2	6.2	9.7
BEAC	1.2	1.2	2.9
Other	1.8	2.1	1.2
Total financing needs	**7.6**	**7.8**	**12.3**
Identified sources of financing	3.6	4.2	10.5
External	1.8	1.8	8.5
Domestic	1.8	2.3	2.0
Financing gap	**4.0**	**3.7**	**1.8**
Exceptional external financing	2.9	3.0	1.1
Multilateral	2.4	2.5	1.1
African Development Bank	0.0	1.3	0.0
World Bank	2.4	1.2	1.1
Bilateral	0.5	0.5	0.0
Residual financing needs	**1.1**	**0.7**	**0.7**
IMF-EFF	1.1	0.7	0.7

Sources: Gabonese authorities; and IMF staff estimates and projections.

35. Gabon's capacity to repay the Fund remains adequate. Capacity to repay the Fund indicators are in line with recent Extended Arrangements (Table 7). IMF credit outstanding peaks at 3.7 percent of GDP in 2020. Repurchases under the Extended Arrangement will peak at 1.2 percent of exports in 2024. Nevertheless, vulnerabilities remain, given elevated gross financing needs and significant debt-profile risks (see Annex IV). A Eurobond issuance for debt smoothing operations and strengthened debt management could help mitigate these risks.

36. The BEAC has provided an updated policy assurance on end-December 2019 and end-June 2020 NFAs in support of CEMAC countries' Fund-supported programs. In its updated letter of policy support, the BEAC presented a revised NFA projections, reflecting in part the strong performance through mid-2019. BEAC also reiterated its commitment to implement an adequately tight monetary policy, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to achieve the NFA projections. The regional assurances on regional NFA are critical for the success of Gabon's program and will help bolster the region's external sustainability. The BEAC also continues to implement the remaining recommendations of the 2017 safeguards assessment.

OTHER ISSUES

37. Exchange regime. Gabon maintains a 1.5 percent tax on wire transfers abroad that is not consistent with Gabon's obligations under Article VIII, Section 2(a) of the Articles of Agreement. The proceeds of this tax are used to fund Gabon's health insurance scheme. Staff urged the authorities to remove this restriction. The authorities note that they have exempted a number of transactions (including all interbank transactions) from this tax, but do not propose eliminating the tax.

38. Safeguards assessment. The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment, including full transition to IFRS for FY 2019 and revisions to the secondary legal instruments for alignment with the BEAC Charter.

39. Statistics. Data provision is broadly adequate. On October 11, 2019, Gabon launched a National Summary Data Page (NSDP) in implementing the recommendations of the IMF's enhanced General Data Dissemination System (e-GDDS). In the period ahead, the authorities are committed to conducting surveys and improving economic statistics, including rebasing of GDP (MEFP, ¶40). Staff also encourages the authorities to develop the capacity to report IIP data to the Fund on a regular basis as required under Article VIII, Section 5.

40. Capacity development and technical assistance. Helping the authorities strengthen macroeconomic policies and institutional frameworks are essential elements of Fund's engagement with Gabon. In this context, staff agreed with the authorities on a capacity development strategy for the next three years. The strategy defines a set of milestones and outcomes related to the TA program, including actions by the authorities to achieve the agreed goals (Annex V). Fund TA will continue to focus on tax policy and revenue administration; PFM, notably cash management, budget execution, public investment management, budget credibility and reporting, and financial information system; debt management; banking sector; and government statistics.

STAFF APPRAISAL

41. The economy is gradually recovering, supported by prudent domestic macroeconomic policies. Economic activity has rebounded, the fiscal and external positions have improved, and Gabon has contributed to the build-up of regional international reserves. Public debt has started to decline, and the authorities cleared all external arrears. Challenges remain, though, as buffers remain insufficient and deep institutional and structural weaknesses continue to constrain private investment, growth, and poverty reduction.

42. A more revenue-based and growth-friendly fiscal consolidation is needed. Pursuing fiscal consolidation while rebalancing further budget spending toward infrastructure and social spending should be secured through increasing revenue, restraining non-priority spending, and improving the efficiency of public spending. Revenue efforts should focus on increasing compliance and broadening the tax base, including by strictly limiting tax exemptions. Further improvements in payroll monitoring and control and a closer monitoring of public entities will also be essential. In particular, loss-making enterprises such as the national refinery need to be restructured to stop the hemorrhage of public finances.

43. Improving the efficiency of public investment is critical for growth prospects, particularly given the ambition of the authorities' spending plans in the medium term. To this end, staff urges the authorities to work closely with development partners, including the IMF, to implement the recommendations of the PIMA. This will help strengthen project design and preparation, execution, reporting and control, and improving procurement practices. In the meantime, a measured approach to scaling up investment is warranted.

44. Addressing shortcomings in fiscal governance will help improve macro-fiscal performance and reduce vulnerabilities to corruption. Core priorities should be strengthening cash management, budget execution credibility and transparency. Clearing the existing stock of domestic arrears and eliminating payment delays would significantly boost business confidence and strengthen financial stability.

45. The authorities should accelerate implementation of structural reforms aimed at achieving higher, more resilient, and inclusive growth. Efforts to improve infrastructure and human capital, deepen financial development, and enhance governance and anti-corruption measures will contribute to improving the business climate and promoting private investment.

46. The authorities have taken decisive actions to improve program implementation. Several end-June 2019 quantitative program targets were met, and corrective actions have been taken regarding the PCs that were missed. There has also been progress on program-related structural reforms.

47. Gabon is the second largest economy in the CEMAC region and continues to implement strong policies that support the regional stability. Strong implementation of agreed fiscal consolidation path by all four countries already with Fund-supported programs and possible approval of new IMF-supported programs with Equatorial Guinea and CAR would support a further recovery in BEAC net foreign asset position.

48. Staff supports the completion of the fourth and fifth reviews under the EFF-supported program, in light of the adequate implementation of the regional policy assurances by the BEAC, progress achieved so far in program implementation, and the authorities' strong commitment to the reform agenda. Staff also supports the authorities' request for waiver of non-observance of the end- June 2019 PCs on net government claims on the banking system and net government claims on the central bank, and the continuous PC on new external payment arrears on the grounds of corrective actions taken by the authorities, and a rephasing of access. Staff also proposes that completion of the sixth review of the Extended Arrangement be conditional on the implementation of critical policy measures at the union level, as established in the December 2019 union-wide background paper.

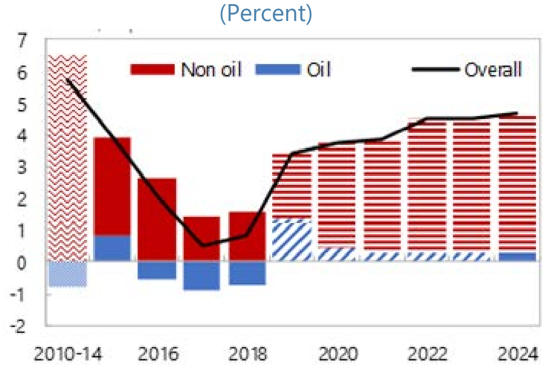
49. Staff recommends that the next Article IV consultation for Gabon be held on the 24-month cycle.

Figure 1. Gabon: Selected Economic Indicators and Outlook

Growth declined sharply due to the oil price shock and the implied fiscal consolidation, but the nascent recovery is gaining momentum thanks to new export sectors...

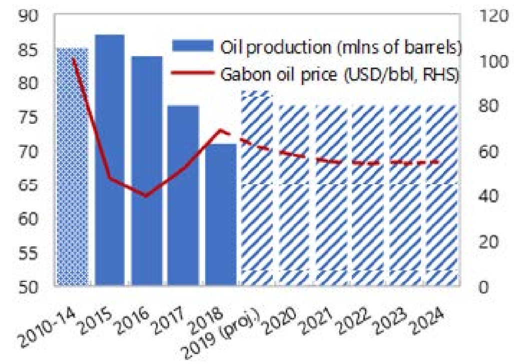
Contribution to Real Growth, 2010–24

(Percent)



...while higher oil prices are helping to stabilize oil production.

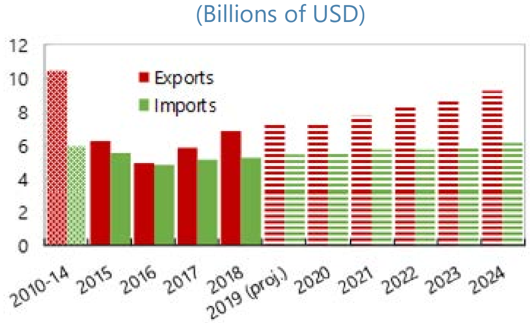
Oil Production Volume and Price, 2010–24



Higher commodity prices and increasing mining activity have also supported exports...

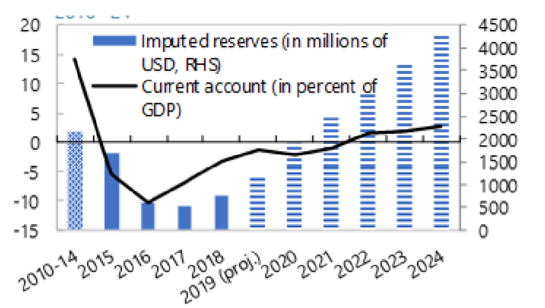
Trade, 2010–24

(Billions of USD)



...reversing the deteriotation of the current account and stemming the decline in imputed reserves.

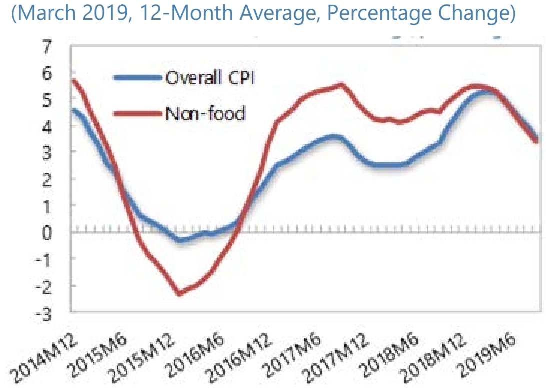
Current Account and Imputed Reserves, 2010–24



Inflation has picked up in 2018 with the pass-through of higher international oil prices, but subsided since then...

Consumer Price Inflation

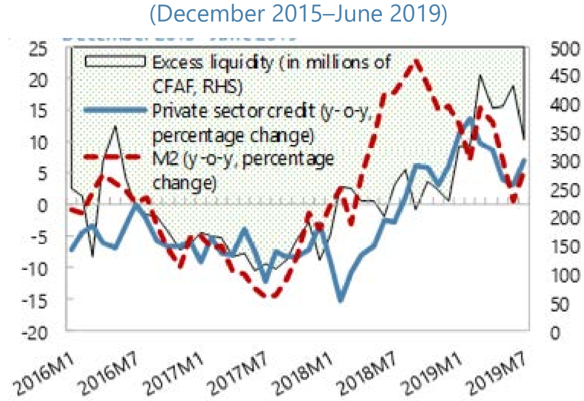
(March 2019, 12-Month Average, Percentage Change)



Monetary liquidity is improving, but credit to the private sector remains low amidst weak economic confidence...

Monetary Aggregates

(December 2015–June 2019)



Source: BEAC

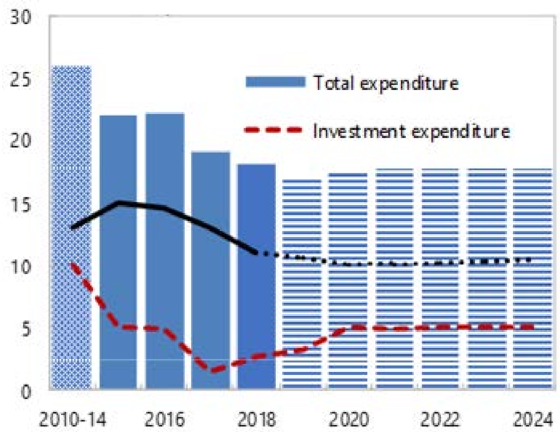
Sources: Gabonese authorities and IMF staff estimates and projections.

Figure 2. Gabon: Fiscal Indicators and Outlook

The switch in the spending adjustment from current expenditure to public investment initiated in 2018 continues…

Gabon: Public Expenditures, 2010–24

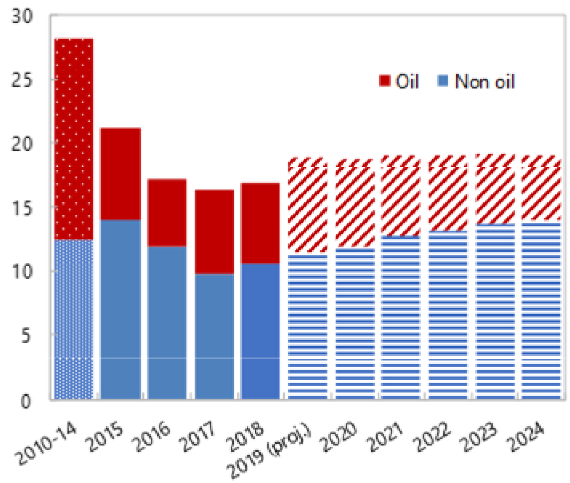
(Percent of GDP)



Complemented by an increasing focus on non-oil revenue mobilization…

Gabon: Oil and Non-oil Revenues, 2010–24

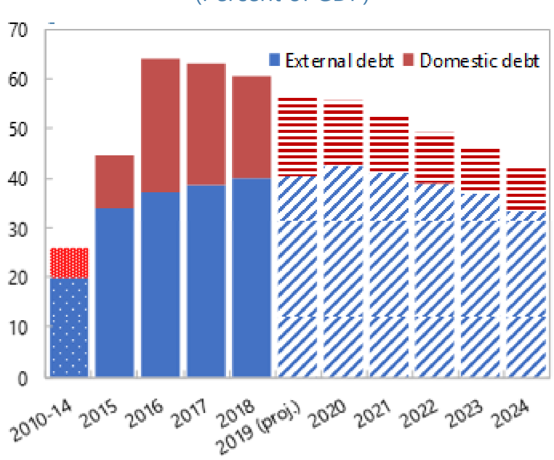
(Percent of GDP)



… helping a gradual decline in the public debt-to-GDP ratio.

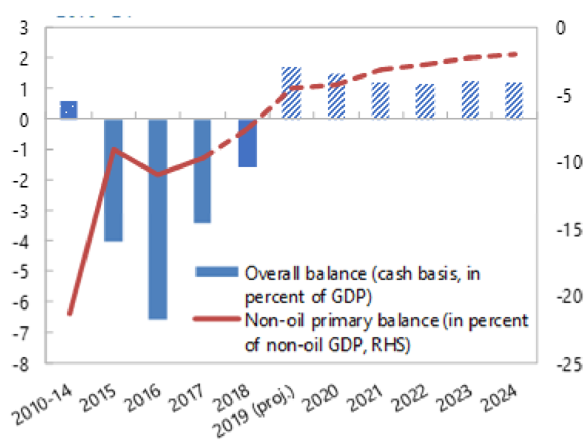
Gabon: Total Public Debt, 2010–24

(Percent of GDP)



The overall and non-oil primary balances have continued to adjust, but the consolidation will need to sustain the decline in public indebtedness.

Gabon: Overall and Non-Oil Primary Balances, 2010–24



Source: Gabonese authorities and IMF staff estimates and projections.

Table 1. Gabon: Selected Economic Indicators, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
		Act.	Prog. 1/	Est..	Third Rev.	Proj.	Proj.		Proj.		
	(Annual percent change, unless otherwise indicated)										
Real sector											
GDP at constant prices	2.1	0.5	1.2	0.8	3.1	3.4	3.8	3.8	4.5	4.5	4.7
Oil	-2.7	-4.8	-2.0	-4.1	1.6	7.9	2.5	1.6	1.7	1.7	1.8
o/w primary oil	-3.7	-8.5	-4.3	-8.2	0.0	11.8	-2.7	0.0	0.0	0.0	0.0
Non-oil	3.3	1.7	1.9	1.9	3.5	2.5	4.0	4.3	5.1	5.1	5.3
GDP deflator	-4.3	3.8	8.0	7.2	2.4	2.6	0.2	0.4	1.1	1.3	2.4
Oil	-11.9	14.5	21.4	20.2	1.4	-2.4	-4.3	-3.0	-1.0	0.1	0.7
Primary oil	-16.1	19.3	33.4	32.3	1.9	-5.0	-6.1	-5.3	-2.0	-0.3	0.3
Consumer prices											
Yearly average	2.1	2.7	4.0	4.8	3.0	3.0	3.0	3.0	2.5	2.5	2.5
End of period	4.1	1.1	4.0	6.3	3.0	3.0	3.0	3.0	2.5	2.5	2.5
External sector											
Exports, f.o.b.	-20.6	17.7	14.3	14.0	7.7	12.1	0.6	3.0	5.5	3.4	5.1
Imports, f.o.b.	-21.3	6.0	2.6	-2.0	4.5	8.3	6.0	1.2	0.7	3.4	3.4
Terms of trade (deterioration= –)	-10.3	28.5	28.1	27.3	0.2	-5.7	-7.2	-5.3	-2.4	-1.1	-1.1
	(Percent of GDP, unless otherwise indicated)										
Overall fiscal balance (commitment basis)	-5.0	-2.6	0.5	-1.3	1.3	1.8	1.4	1.1	1.1	1.2	1.2
Primary fiscal balance (commitment basis)	-2.7	-0.1	2.9	1.1	3.9	4.1	3.7	3.9	3.7	3.6	3.5
Overall fiscal balance (cash basis)	-6.6	-3.4	-0.6	-1.6	1.5	1.7	1.5	1.2	1.1	1.2	1.2
Non-oil primary balance (in percent of non-oil GDP)	-11.0	-9.7	-6.4	-7.6	-4.5	-4.6	-4.2	-3.1	-2.8	-2.3	-2.0
Non-oil primary basic balance (in percent of non-oil GDP) 2/	-6.9	-8.6	-3.6	-5.0	-1.8	-1.8	-0.4	0.7	0.9	1.2	1.5
Gross government deposits in BEAC	2.8	3.6	3.8	3.4	4.7	4.4	7.1	7.4	7.6	7.9	8.5
Total public debt 3/	64.2	62.6	57.3	60.6	53.0	56.5	55.6	52.5	48.9	45.6	42.5
External public debt (including to the IMF)	37.4	38.7	39.4	40.0	39.1	40.5	42.3	40.9	38.8	36.3	32.5
Domestic public debt	26.8	24.2	17.9	20.6	13.9	16.0	13.3	11.6	10.1	9.3	10.0
o/w statutory advances from BEAC	7.7	7.5	4.8	4.8	4.5	4.6	4.4	4.2	3.5	2.9	2.3
	(Percent change, unless otherwise indicated)										
Money and credit											
Credit to the economy	-5.6	-3.0	6.1	6.2	6.9	9.7	11.2	…	…	…	…
Broad money	-5.2	-3.9	14.3	15.7	12.9	14.2	16.0	…	…	…	…
Velocity ratio of Non-oil GDP over broad money	2.8	3.2	2.8	2.8	2.8	2.8	2.6	…	…	…	…
	(Percent of GDP, unless otherwise indicated)										
Gross national savings	24.1	24.9	28.4	27.3	30.1	30.0	31.4	30.6	31.7	32.0	31.6
Gross fixed investment	34.5	31.8	30.5	30.4	31.1	31.1	33.4	31.6	30.1	30.0	28.8
o/w private	29.6	30.3	27.8	27.8	27.4	28.0	28.4	26.7	25.1	24.9	23.8
public	4.9	1.5	2.7	2.6	3.7	3.2	5.0	4.9	5.0	5.0	5.1
Current account balance	-10.4	-6.9	-2.2	-3.2	-1.0	-1.1	-2.0	-1.0	1.5	2.0	2.8
excl. large agri-industry projects 4/	-8.3	-4.3	0.5	-0.7	1.0	1.9	0.7	0.5	1.7	2.1	2.8
CEMAC Foreign Reserves											
(US$ billions, end-of-period)	5.0	5.8	6.5	6.6	8.5	8.2	10.5	12.4	13.8	15.0	…
(in months of extrazone imports)	2.3	2.4	2.6	2.7	3.3	3.3	4.1	4.8	5.2	5.5	…
Gross official reserves imputed to Gabon (in billions of US$)	0.60	0.53		0.75		1.19	1.94	2.52	3.08	3.74	4.39
Gross official reserves imputed to Gabon (months of imports)	1.4	1.3		1.6		2.5	4.1	5.3	6.3	7.3	8.4
	(CFA francs billion, unless otherwise indicated)										
Memorandum items											
Nominal GDP	8,311	8,669	9,475	9,369	10,011	9,937	10,332	10,774	11,375	12,049	12,917
Nominal non-oil GDP	5,885	6,024	6,328	6,319	6,772	6,725	7,181	7,665	8,245	8,861	9,649
National currency per U.S. Dollar (average)	593	581	..	555	..	..	..	..	..	..	..
Oil prices (Brent, U.S. Dollar/BBL)	43	54	72	71	72	64	60	58	57	57	57

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).

2/ Excludes foreign financed capital expenditures.

3/ Starting in 2016, data series include the stock of domestic arrears.

4/ Current account excluding net trade changes related to large direct investment in the agri-industry sector.

Table 2. Gabon: Balance of Payments, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
		Est.	Prog. 1/	Est.	Third Rev. 1/	Proj.	Proj.		Proj.		
	(Billions of CFAF)										
Current account	-864	-602	-204	-296	-99	-110	-209	-107	176	245	360
Goods (net)	1,061	1,433	2,051	1,901	2,263	2,194	2,111	2,210	2,422	2,506	2,670
Export of goods (fob)	2,633	3,100	3,764	3,535	4,054	3,963	3,986	4,107	4,332	4,481	4,712
Hydrocarbons	1,941	2,069	2,678	2,450	2,725	2,596	2,389	2,267	2,223	2,216	2,222
Timber	257	281	414	315	459	349	419	444	472	502	507
Manganese	322	619	461	636	528	818	846	887	932	973	1,035
Other	115	131	211	134	342	199	332	509	705	790	948
Import of goods (fob)	-1,572	-1,667	-1,713	-1,634	-1,791	-1,769	-1,875	-1,897	-1,911	-1,976	-2,042
Petroleum sector	-228	-243	-315	-288	-321	-305	-303	-301	-298	-296	-293
Other	-1,344	-1,424	-1,398	-1,346	-1,470	-1,464	-1,572	-1,596	-1,612	-1,680	-1,749
Services (net)	-964	-1,019	-999	-1,024	-1,063	-1,119	-1,107	-1,068	-963	-949	-936
Exports	325	288	284	280	298	304	319	359	406	461	525
Imports	-1,289	-1,306	-1,283	-1,305	-1,362	-1,422	-1,426	-1,426	-1,369	-1,410	-1,461
Income (net)	-780	-830	-1,062	-980	-1,103	-990	-1,043	-1,062	-1,093	-1,120	-1,180
Current transfers (net)	-181	-186	-193	-192	-196	-196	-170	-188	-189	-191	-193
Capital account	0	0	0	0	0	0	0	0	0	0	0
Financial account	221	-48	205	88	-12	89	535	434	137	117	-5
Direct investment (net)	737	763	870	766	1,031	910	988	848	689	698	694
Portfolio investments (net)	0	0	0	0	0	0	146	0	-142	-142	-142
Other investment assets and liabilities (net)	-515	-811	-665	-678	-1,042	-821	-599	-414	-409	-439	-557
Medium- and long-term transactions	-84	-244	-29	-148	-293	-264	-52	-35	84	110	19
o/w Net Arrears Accumulation	165	-40	-123	-88	0	-35					
Short term transactions	-432	-567	-636	-531	-750	-557	-547	-379	-493	-548	-576
Errors and Omissions	0	0	0	-4	0	0	0	0	0	0	0
Overall balance	-643	-650	1	-212	-111	-21	326	328	313	362	355
Financing	643	650	-1	212	111	21	-326	-328	-313	-362	-355
Bank of Central African States	643	162	-115	5	-177	-274	-441	-328	-313	-362	-355
Change in net reserve assets (- is an increase)		51	-227	-111	-290	-347	-508	-309	-275	-306	-293
IMF-EFF flows		111	112	116	113	72	67	-19	-38	-56	-62
Financing Gap	0	488	114	207	289	295	115	0	0	0	0
Of which:											
Bilateral		49	49	49	49	49	0	0	0	0	0
Multilateral/other		439	65	158	240	246	115	0	0	0	0
Memorandum items:	(Percent of GDP)										
Current account	-10.4	-6.9	-2.2	-3.2	-1.0	-1.1	-2.0	-1.0	1.5	2.0	2.8
excl. large agri-industry projects 2/	-8.3	-4.3	0.5	-0.7	1.0	1.9	0.7	0.5	1.7	2.1	2.8
Oil	5.9	6.7	9.4	7.8	8.8	8.3	6.0	5.0	4.7	4.0	3.4
Non-oil	-16.3	-13.6	-11.6	-10.9	-9.8	-9.4	-8.0	-6.0	-3.2	-2.0	-0.6
Exports of goods and services	35.6	39.1	42.7	40.7	43.5	42.9	41.7	41.5	41.7	41.0	40.5
Imports of goods and services	-34.4	-34.3	-31.6	-31.4	-31.5	-32.1	-32.0	-30.8	-28.8	-28.1	-27.1
Capital and financial accounts	2.7	5.1	3.4	3.1	2.8	3.9	6.3	4.0	1.2	1.0	0.0
Foreign Direct Investment	8.9	8.8	9.2	8.2	10.3	9.2	9.6	7.9	6.1	5.8	5.4
Overall balance 3/	-7.7	-1.7	1.2	-0.1	1.8	2.8	4.3	3.0	2.8	3.0	2.7
	(Billions of CFAF, unless otherwise indicated)										
Imputed reserves (end of period) 4/	358.2	307.2	422.1	418.6	599.6	693.1	1,134	1,462	1,775	2,138	2,493

Sources: Gabonese authorities and IMF staff estimates and proje

1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).

2/ Current account excluding net trade changes due to a large direct investment in the agri-industry sector.

3/ Overall balance line here reflects incorporation of budget support financing from Bilateral and Multilateral in their respective above the line items.

4/ Nationally imputed reserves are not foreign exchange reserves, since they do not meet the standard set out in the IMF's Balance of Payments Manual, which requires foreign reserves to be readily available to and controlled by monetary authorities for meeting balance of payments financing needs. However, under the statutes of the BEAC, if a country's imputed reserves fall below zero, the CEMAC Council of Ministers can call for adjustment measures. Private sector access to foreign exchange is not affected by the level of nationally imputed reserves, but only its access to CFAF and the availability of foreign reserves at the level of the union.

Table 3a. Gabon: Central Government Accounts, 2016–24

(Billions of CFA francs)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
		Act.	Prog. 1/	Prel.	Third Rev. 1/	Proj.	Proj.	Proj.			
					(Billion of CFA francs)						
Total revenue and grants	1,424	1,423	1,722	1,581	1,842	1,868	1,946	2,042	2,154	2,298	2,458
Revenue	1,424	1,423	1,722	1,581	1,842	1,868	1,929	2,042	2,154	2,298	2,458
Oil revenue	423	574	682	583	694	719	684	657	645	642	644
Non-oil revenue	1,001	849	1,040	997	1,148	1,148	1,245	1,385	1,509	1,656	1,814
Tax revenue	899	770	928	870	1,062	1,062	1,206	1,343	1,464	1,607	1,761
Taxes on income, profits, and capital gains	300	271	330	298	400	399	475	527	567	619	674
Domestic taxes on goods and services	223	168	194	148	278	278	306	351	391	440	489
Value-added tax	155	112	116	95	183	183	221	260	293	335	375
Other	68	56	78	52	95	95	85	91	98	105	114
Taxes on international trade and transactions	277	246	253	255	305	303	336	369	404	438	478
Import tariffs	266	246	243	255	293	291	314	347	381	414	453
Export taxes	11	0	10	0	11	12	22	22	23	24	25
Other non-oil taxes	99	84	150	170	80	81	90	96	103	111	120
Non-tax revenue	102	79	112	127	86	86	39	42	45	48	53
Grants	0	0	0	0	0	0	17	0	0	0	0
Total expenditure and net lending	1,833	1,649	1,679	1,702	1,711	1,692	1,806	1,919	2,033	2,156	2,309
Current expenditure	1,413	1,350	1,276	1,270	1,313	1,293	1,278	1,393	1,465	1,549	1,652
Wages and salaries	731	733	698	701	673	673	661	705	759	815	888
Goods and services	252	167	137	140	159	159	161	179	188	207	223
Interest payments	193	219	233	225	256	236	241	295	296	296	300
Domestic	61	80	84	93	91	83	81	86	80	72	66
Foreign	114	139	149	132	164	153	159	208	216	224	234
Transfers and subsidies	237	231	207	204	226	226	216	215	223	230	241
o/w: oil subsidies	27	35	22	28	0	0	0	0	0	0	0
Capital expenditure	405	133	256	248	369	317	513	526	568	607	657
Domestically financed	166	67	81	82	185	133	220	235	267	295	320
Foreign financed	239	65	175	166	184	184	293	291	301	312	337
Net lending	25	79	96	101	28	40	0	0	0	0	0
Road Fund (FER) and special funds	19	20	6	3	1	1	14	0	0	0	0
Special accounts 2/	-29	67	45	80	0	40	0	0	0	0	0
Overall balance (commitment basis)	-416	-226	43	-121	131	176	140	123	121	142	149
Adjustment to cash basis 3/	-133	-70	-102	-26	22	-9	12	4	7	8	8
Overall balance (cash basis)	-549	-297	-60	-147	152	167	152	127	128	151	157
Total financing	549	297	60	147	-152	-167	-152	-127	-128	-151	-157
Foreign borrowing (net)	142	-154	-84	-5	-171	-161	183	75	-88	-106	-186
Drawings	239	65	175	166	184	184	293	291	301	312	337
Amortization	-244	-306	-179	-150	-354	-283	-695	-216	-389	-418	-523
Arrears (reduction = -)	147	-26	-80	-21	0	-62	0	0	0	0	0
Rollover (Eurobonds)	0	112	0	0	0	0	585	0	0	0	0
Domestic borrowing	417	-151	-252	-170	-383	-373	-523	-202	-182	-187	-191
Banking system (net)	510	-101	2	67	-76	-32	-218	10	-134	-150	-162
Nonbank financing (net) 4/	-93	-50	-255	-238	-307	-341	-305	-213	-49	-37	-29
Financing gap (+=deficit / - surplus)	-10	602	396	321	401	368	187	0	142	142	221
Exceptional financing (excluding IMF)	...	488	284	207	289	295	115	0	142	142	142
Residual gap	...	114	112	114	113	72	72	0	0	0	78
IMF-EFF	...	114	112	114	113	72	72	0	0	0	0
Memorandum items:											
Gross government deposits in BEAC	232.1	314.9	396.0	315.0	517.4	438.4	732.9	799.4	861.2	949.3	1091.5
Statutory advances from BEAC	452.5	452.5	452.5	452.5	452.5	452.5	452.5	452.5	402.5	352.5	302.5
Stock of arrears 5/	795.5	545.9	273.5	354.8	185.1	105.9	28.2	0.0	0.0	0.0	0.0
External	156.9	113.4	0.0	61.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	638.6	432.5	273.5	293.0	185.1	105.9	28.2	0.0	0.0	0.0	0.0
VAT Reimbursement	347.8	326.9	273.5	293.0	185.1	105.9	28.2	0.0	0.0	0.0	0.0
Exceptional float 6/	248.8	87.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	42.0	17.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil primary balance excluding capital transfers (NOPB)	-646	-582	-406	-479	-307	-308	-303	-239	-228	-204	-195
as percent of non-oil GDP	-11.0	-9.7	-6.4	-7.6	-4.5	-4.6	-4.2	-3.1	-2.8	-2.3	-2.0
Non-oil GDP at market prices	5,885	6,024	6,328	6,319	6,772	6,725	7,181	7,665	8,245	8,861	9,649

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; Country Report No. 19/17).

2/ Includes net transfers to special funds financed by earmarked revenues.

3/ Records cash expenditure on payment orders issued the previous year minus payment orders settled the next year.

4/ Includes bonds held by the non-bank sector, repayment of VAT reimbursement arrears, and securitization of previous extra-budgetary spending.

5/ The clearance of the exceptional float and interest arrears are classified as part of the adjustment to cash basis above the line, while all other clearance of arrears are recorded below the line.

6/ After 2017, exceptional float becomes zero and regular float cannot exceed 10 percent of the sum of current spending (excluding wages and interest) plus domestically-financed investment.

Table 3b. Gabon: Central Government Accounts, 2016–24

(Percent of GDP; Billions of CFA francs)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
		Act.	Prog. 1/	Proj.	Third Rev. 1/	Proj.	Proj.		Proj.		
					(Percent of GDP)						
Total revenue and grants	17.1	16.4	18.2	16.9	18.4	18.8	18.8	19.0	18.9	19.1	19.0
Revenue	17.1	16.4	18.2	16.9	18.4	18.8	18.7	19.0	18.9	19.1	19.0
Oil revenue	5.1	6.6	7.2	6.2	6.9	7.2	6.6	6.1	5.7	5.3	5.0
Non-oil revenue	12.0	9.8	11.0	10.6	11.5	11.6	12.0	12.9	13.3	13.7	14.0
Tax revenue	10.8	8.9	9.8	9.3	10.6	10.7	11.7	12.5	12.9	13.3	13.6
Taxes on income, profits, and capital gains	3.6	3.1	3.5	3.2	4.0	4.0	4.6	4.9	5.0	5.1	5.2
Domestic taxes on goods and services	2.7	1.9	2.0	1.6	2.8	2.8	3.0	3.3	3.4	3.7	3.8
Taxes on international trade and transactions	3.3	2.8	2.7	2.7	3.0	3.0	3.2	3.4	3.6	3.6	3.7
Other non-oil taxes	1.2	1.0	1.6	1.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Non-tax revenue	1.2	0.9	1.2	1.4	0.9	0.9	0.4	0.4	0.4	0.4	0.4
Total expenditure and net lending	22.1	19.0	17.7	18.2	17.1	17.0	17.5	17.8	17.9	17.9	17.9
Current expenditure	17.0	15.6	13.5	13.6	13.1	13.0	12.4	12.9	12.9	12.9	12.8
Wages and salaries	8.8	8.5	7.4	7.5	6.7	6.8	6.4	6.5	6.7	6.8	6.9
Goods and services	3.0	1.9	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Interest payments	2.3	2.5	2.5	2.4	2.6	2.4	2.3	2.7	2.6	2.5	2.3
Transfers and subsidies	2.9	2.7	2.2	2.2	2.3	2.3	2.1	2.0	2.0	1.9	1.9
o/w: oil subsidies	0.3	0.4	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	4.9	1.5	2.7	2.6	3.7	3.2	5.0	4.9	5.0	5.0	5.1
Domestically financed	2.0	0.8	0.9	0.9	1.9	1.3	2.1	2.2	2.4	2.5	2.5
Foreign financed	2.9	0.8	1.8	1.8	1.8	1.8	2.8	2.7	2.6	2.6	2.6
Net lending	0.3	0.9	1.0	1.1	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.2	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Special accounts 2/	-0.3	0.8	0.5	0.9	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-5.0	-2.6	0.5	-1.3	1.3	1.8	1.4	1.1	1.1	1.2	1.2
Adjustment to cash basis 3/	-1.6	-0.8	-1.1	-0.3	0.2	-0.1	0.1	0.0	0.1	0.1	0.1
Overall balance (cash basis)	-6.6	-3.4	-0.6	-1.6	1.5	1.7	1.5	1.2	1.1	1.2	1.2
Total financing	6.6	3.4	0.6	1.6	-1.5	-1.7	-1.5	-1.2	-1.1	-1.2	-1.2
Foreign borrowing (net)	1.7	-1.8	-0.9	0.0	-1.7	-1.6	1.8	0.7	-0.8	-0.9	-1.4
Drawings	2.9	0.8	1.8	1.8	1.8	1.8	2.8	2.7	2.6	2.6	2.6
Amortization	-2.9	-3.5	-1.9	-1.6	-3.5	-2.8	-6.7	-2.0	-3.4	-3.5	-4.0
Arrears (reduction = -)	1.8	-0.3	-0.8	-0.2	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	1.3	0.0	0.0	0.0	0.0	5.7	0.0	0.0	0.0	0.0
Domestic borrowing (net)	5.0	-1.7	-2.7	-1.8	-3.8	-3.8	-5.1	-1.9	-1.6	-1.6	-1.5
Banking system	6.1	-1.2	0.0	0.7	-0.8	-0.3	-2.1	0.1	-1.2	-1.2	-1.3
Non-bank sector 4/	-1.1	-0.6	-2.7	-2.5	-3.1	-3.4	-2.9	-2.0	-0.4	-0.3	-0.2
Financing gap (+=deficit / - surplus)	-0.1	6.9	4.2	3.4	4.0	3.7	1.8	0.0	1.3	1.2	1.7
Exceptional financing (excluding IMF)	...	5.6	3.0	2.2	2.9	3.0	1.1	0.0	1.3	1.2	1.1
Residual gap	...	1.3	1.2	1.2	1.1	0.7	0.7	0.0	0.0	0.0	0.6
IMF-EFF	...	1.3	1.2	1.2	1.1	0.7	0.7	0.0	0.0	0.0	0.0
					(Billion of CFA francs, unless otherwise indicated)						
Total revenue and grants	1,424	1,423	1,722	1,581	1,842	1,868	1,929	2,042	2,154	2,298	2,458
Total expenditure and net lending	1,840	1,649	1,679	1,702	1,711	1,692	1,806	1,919	2,033	2,156	2,309
Overall balance	-416	-226	43	-121	131	176	140	123	121	142	149
Memorandum items:											
Gross government deposits in BEAC (percent of GDP)	2.8	3.6	3.8	3.4	4.7	4.4	7.1	7.4	7.6	7.9	8.5
o/w Fund for Future Generations or Stabilization Fund	1.6	0.5	-1.1	0.1	0.1	1.2	3.8	4.6	4.9	5.3	6.1
Non-oil primary balance excluding capital transfers	-646	-582	-406	-479	-307	-308	-303	-239	-228	-204	-195
As percent of non-oil GDP	-11.0	-9.7	-6.4	-7.6	-4.5	-4.6	-4.2	-3.1	-2.8	-2.3	-2.0
Public debt (percent of GDP)	64.2	62.9	57.1	60.6	52.9	56.5	55.7	52.6	49.2	46.0	42.4
External debt (percent of GDP)	37.4	38.7	39.4	40.0	39.1	40.5	42.4	41.0	39.1	36.9	33.5
Domestic debt (percent of GDP)	26.8	24.2	17.7	20.6	13.9	16.0	13.3	11.6	10.1	9.1	9.0
o/w Statutory advances from BEAC	5.4	5.2	4.8	4.8	4.5	4.6	4.4	4.2	3.5	2.9	2.3
Stock of arrears 5/	9.6	6.3	2.9	3.8	1.8	1.1	0.3	0.0	0.0	0.0	0.0
External	1.9	1.3	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	7.7	5.0	2.9	3.1	1.8	1.1	0.3	0.0	0.0	0.0	0.0
VAT Reimbursement	4.2	3.8	2.9	3.1	1.8	1.1	0.3	0.0	0.0	0.0	0.0
Exceptional float 6/	3.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices	8,311	8,669	9,475	9,369	10,011	9,937	10,332	10,774	11,375	12,049	12,917

Sources: Gabonese authorities and IMF staff estimates and projections.
1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).
2/ Includes net trasfers to special funds financed by earmarked revenues.
3/ Records cash expenditure on payment orders issued the previous year minus payment orders settled the next year.
4/ Includes bonds held by the non-bank sector, repayment of VAT reimbursement arrears, and securitization of previous extra-budgetary spending.
5/ The clearance of the exceptional float and interest arrears are classified as part of the adjustment to cash basis above the line, while all other clearance of arrears are recorded below the line.
6/ After 2017, exceptional float becomes zero and regular float cannot exceed 10 percent of the sum of current spending (excluding wages and interest) plus domestically-financed investment.

Table 3c. Gabon: Central Government Accounts; 2016–24
(Percent of non-oil GDP; billions of CFA francs)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
		Act.	Prog. 1/	Act.	Third Rev. 1/	Proj.	Proj.		Proj.		
					(Percent of non-oil GDP)						
Total revenue and grants	24.2	23.6	27.2	25.0	27.2	27.8	27.1	26.6	26.1	25.9	25.5
Revenue	24.2	23.6	27.2	25.0	27.2	27.8	26.9	26.6	26.1	25.9	25.5
Oil revenue	7.2	9.5	10.8	9.2	10.2	10.7	9.5	8.6	7.8	7.2	6.7
Non-oil revenue	17.0	14.1	16.4	15.8	17.0	17.1	17.3	18.1	18.3	18.7	18.8
Tax revenue	15.3	12.8	14.7	13.8	15.7	15.8	16.8	17.5	17.8	18.1	18.3
Taxes on income, profits, and capital gains	5.1	4.5	5.2	4.7	5.9	5.9	6.6	6.9	6.9	7.0	7.0
Domestic taxes on goods and services	3.8	2.8	3.1	2.3	4.1	4.1	4.3	4.6	4.7	5.0	5.1
Taxes on international trade and transactions	4.7	4.1	4.0	4.0	4.5	4.5	4.7	4.8	4.9	4.9	5.0
Other non-oil taxes	1.7	1.4	2.4	2.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Non-tax revenue	1.7	1.3	1.8	2.0	1.3	1.3	0.5	0.5	0.5	0.5	0.5
Total expenditure and net lending	31.2	27.4	26.5	26.9	25.3	25.2	25.1	25.0	24.7	24.3	23.9
Current expenditure	24.0	22.4	20.2	20.1	19.4	19.2	17.8	18.2	17.8	17.5	17.1
Wages and salaries	12.4	12.2	11.0	11.1	9.9	10.0	9.2	9.2	9.2	9.2	9.2
Goods and services	4.3	2.8	2.2	2.2	2.3	2.4	2.2	2.3	2.3	2.3	2.3
Interest payments	3.3	3.6	3.7	3.6	3.8	3.5	3.4	3.8	3.6	3.3	3.1
Transfers and subsidies	4.0	3.8	3.3	3.2	3.3	3.4	3.0	2.8	2.7	2.6	2.5
o/w: oil subsidies	0.5	0.6	0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	6.9	2.2	4.0	3.9	5.4	4.7	7.1	6.9	6.9	6.9	6.8
Domestically financed	2.8	1.1	1.3	1.3	2.7	2.0	3.1	3.1	3.2	3.3	3.3
Foreign financed	4.1	1.1	2.8	2.6	2.7	2.7	4.1	3.8	3.7	3.5	3.5
Net lending	0.4	1.3	1.5	1.6	0.4	0.6	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.3	0.3	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Special accounts 2/	-0.5	1.1	0.7	1.3	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-7.1	-3.8	0.7	-1.9	1.9	2.6	2.0	1.6	1.5	1.6	1.5
Adjustment to cash basis 3/	-2.3	-1.2	-1.6	-0.4	0.3	-0.1	0.2	0.1	0.1	0.1	0.1
Overall balance (cash basis)	-9.3	-4.9	-0.9	-2.3	2.3	2.5	2.1	1.7	1.6	1.7	1.6
Total financing	9.3	4.9	0.9	2.3	-2.3	-2.5	-2.1	-1.7	-1.6	-1.7	-1.6
Foreign borrowing (net)	2.4	-2.6	-1.3	-0.1	-2.5	-2.4	2.6	1.0	-1.1	-1.2	-1.9
Drawings	4.1	1.1	2.8	2.6	2.7	2.7	4.1	3.8	3.7	3.5	3.5
Amortization	-4.1	-5.1	-2.8	-2.4	-5.2	-4.2	-9.7	-2.8	-4.7	-4.7	-5.4
Arrears (reduction = -)	2.5	-0.4	-1.3	-0.3	0.0	-0.9	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	1.9	0.0	0.0	0.0	0.0	8.2	0.0	0.0	0.0	0.0
Domestic borrowing	7.1	-2.5	-4.0	-2.7	-5.7	-5.5	-7.3	-2.6	-2.2	-2.1	-2.0
Bank financing (net)	8.7	-1.7	0.0	1.1	-1.1	-0.5	-3.0	0.1	-1.6	-1.7	-1.7
Nonbank financing (net) 4/	-1.6	-0.8	-4.0	-3.8	-4.5	-5.1	-4.2	-2.8	-0.6	-0.4	-0.3
Financing gap (+=deficit / - surplus)	-0.2	10.0	6.3	5.1	5.9	5.5	2.6	0.0	1.7	1.6	2.3
Exceptional financing (excluding IMF)		8.1	4.5	3.3	4.3	4.4	1.6	0.0	1.7	1.6	1.5
Residual gap		1.9	1.8	1.8	1.7	1.1	1.0	0.0	0.0	0.0	0.8
IMF-EFF		1.9	1.8	1.8	1.7	1.1	1.0	0.0	0.0	0.0	0.0
					(Billion of CFA francs, unless otherwise indicated)						
Total revenue and grants	1,424	1,423	1,722	1,581	1,842	1,868	1,929	2,042	2,154	2,298	2,458
Total expenditure and net lending	1,840	1,649	1,679	1,702	1,711	1,692	1,806	1,919	2,033	2,156	2,309
Overall balance	-416	-226	43	-121	131	176	140	123	121	142	149
Memorandum items:											
Gross government deposits in BEAC (percent of GDP)	3.7	5.2	6.3	5.0	7.6	6.5	10.2	7.4	7.6	7.9	8.5
o/w Fund for Future Generations or Stabilization Fund	1.6	0.5	-1.2	0.1	0.1	1.3	4.1	4.6	4.9	5.3	6.1
Overall balance (percent of non-oil GDP)	-7.1	-3.8	0.7	-1.9	1.9	2.6	2.0	1.1	1.1	1.2	1.2
Non-oil primary balance excluding capital transfers	-646	-582	-406	-479	-307	-308	-303	-239	-228	-204	-195
As percent of non-oil GDP	-11.0	-9.7	-6.4	-7.6	-4.5	-4.6	-4.2	-3.1	-2.8	-2.3	-2.0
Oil revenues (percent of oil GDP)	17.4	21.7	21.7	19.1	21.4	22.4	21.7	21.1	20.6	20.2	19.7
Public debt (percent of non-oil GDP)	90.7	90.6	85.6	89.8	78.3	83.5	80.1	68.8	63.1	57.4	54.4
External debt (percent of non-oil GDP)	52.8	55.7	59.0	59.2	57.8	59.9	61.0	53.6	50.2	46.1	42.9
Domestic debt (percent of non-oil GDP)	37.9	34.8	26.5	30.6	20.5	23.7	19.1	15.1	12.9	11.4	11.5
o/w Statutory advances from BEAC	7.7	7.5	7.2	7.2	6.7	6.7	6.3	3.8	3.5	2.9	2.3
Stock of arrears 5/	13.5	9.1	4.3	5.6	2.7	1.6	0.4	0.0	0.0	0.0	0.0
External	2.7	1.9	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	10.9	7.2	4.3	4.6	2.7	1.6	0.4	0.0	0.0	0.0	0.0
VAT Reimbursement	5.9	5.4	4.3	4.6	2.7	1.6	0.4	0.0	0.0	0.0	0.0
Exceptional float 6/	4.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil GDP at market prices	5,885	6,024	6,328	6,319	6,772	6,725	7,181	7,665	8,245	8,861	9,649

Sources: Gabonese authorities and IMF staff estimates and projections.
1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).
2/ Includes net trasfers to special funds financed by earmarked revenues.
3/ Records cash expenditure on payment orders issued the previous year minus payment orders settled the next year.
4/ Includes bonds held by the non-bank sector, repayment of VAT reimbursement arrears, and securitization of previous extra-budgetary spending.
5/ The clearance of the exceptional float and interest arrears are classified as part of the adjustment to cash basis above the line, while all other clearance of arrears are recorded below the line.
6/ After 2017, exceptional float becomes zero and regular float cannot exceed 10 percent of the sum of current spending (excluding wages and interest) plus domestically-financed investment.

Table 4a. Gabon: Financing of the Fiscal Deficit, 2017–20
(Billions of CFA francs)

	2017	2018		2019		2020
	Act.	Prog. 1/	Proj.	Third Rev. 1/	Proj.	Proj.
	(In billions of CFA Francs)					
A. Overall fiscal deficit (cash basis)	296.6	59.6	146.5	-152.4	-166.8	-152.4
B. Other financing needs	695.4	716.8	550.2	918.3	946.9	1423.1
Amortization (including arrears)	581.9	507.5	478.9	617.9	613.0	1000.1
External	331.8	259.4	170.4	354.4	345.0	695.4
Amortization due	306.3	179.4	149.8	354.4	283.2	695.4
Arrears on amortization	25.5	80.0	20.7	0.0	61.8	0.0
Domestic	250.1	248.1	308.5	263.5	267.9	304.7
T-bills redemption	93.2	164.3	229.5	188.4	190.3	229.8
Moratorium debt	134.5	84.9	76.3	72.6	72.6	75.0
Other	22.4	-1.0	2.7	2.5	5.0	0.0
BEAC	82.8	81.0	0.1	121.5	123.5	294.5
Repayment of statutory advances	0.0	0.0	0.0	0.0	0.0	0.0
Net deposit accumulation	82.8	81.0	0.1	121.5	123.5	294.5
Repayment of VAT Arrears	20.9	53.3	33.9	88.5	187.1	77.7
Other (includes restructuring costs)	7.8	20.0	32.8	64.5	12.0	50.8
Arrears on domestic amortization (reduction)	2.1	15.9	4.5	0.0	11.4	0.0
C=A+B Total financing needs	992.0	776.4	696.7	765.8	780.1	1270.7
D. Identified sources of financing	390.2	380.1	375.5	364.6	412.4	1083.7
External	177.8	175.1	165.8	183.6	183.6	878.7
Project financing (ext.)	65.3	175.1	165.8	183.6	183.6	293.2
Eurobond rollover (ext.)	112.5	0.0	0.0	0.0	0.0	585.4
Domestic	212.5	205.0	209.7	181.0	228.8	205.0
T-bill issuance	112.9	150.0	85.1	120.0	167.8	150.0
Commercial banks deposit drawdown	75.2		53.9		0.0	0.0
Commercial banks credit			67.5			
Privatization receipts	0.0	39.0	0.0	26.0	26.0	50.0
Recovery of domestic tax arrears	24.3	16.0	3.2	35.0	35.0	5.0
E=C-D Financing gap	601.8	396.3	321.2	401.2	367.6	187.0
F. Exceptional external financing	487.8	284.2	207.3	288.7	295.5	115.0
Multilateral	438.6	235.0	158.1	239.5	246.3	115.0
African Development Bank	328.0	65.0	0.0	0.0	131.2	0.0
World Bank	110.7	0.0	0.0	239.5	115.1	115.0
Other (Africa EXIM Bank)	0.0	170.0	158.1	0.0	0.0	0.0
Bilateral	49.2	49.2	49.2	49.2	49.2	0.0
France	49.2	49.2	49.2	49.2	49.2	0.0
E-F Residual financing needs	113.9	112.1	113.9	112.6	72.1	72.0
IMF-EFF	113.9	112.1	113.9	112.6	72.1	72.0
Remaining gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:						
Stock of government deposits at the BEAC	314.9	396.0	315.0	517.4	438.4	732.9

Sources: Gabonese authorities; and Fund staff estimates and projections.

1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).

Table 4b. Gabon: Financing of the Fiscal Deficit, 2017–20

(Percent of GDP)

	2017	2018		2019		2020
	Est.	Prog. 1/	Proj.	Third Rev. 1/	Proj.	Proj.
				(Percent of GDP)		
Overall fiscal deficit (cash basis)	3.4	0.6	1.6	-1.5	-1.7	-1.5
Other financing needs	8.0	7.6	5.9	9.2	9.5	13.8
Amortization (including arrears)	6.7	5.4	5.1	6.2	6.2	9.7
External	3.8	2.7	1.8	3.5	3.5	6.7
Amortization due	3.5	1.9	1.6	3.5	2.8	6.7
Arrears on amortization	0.3	0.8	0.2	0.0	0.6	0.0
Domestic	2.9	2.6	3.3	2.6	2.7	2.9
T-bills redemption	1.1	1.7	2.4	1.9	1.9	2.2
Moratorium debt	1.6	0.9	0.8	0.7	0.7	0.7
Other	0.3	0.0	0.0	0.0	0.1	0.0
BEAC	1.0	0.9	0.0	1.2	1.2	2.9
Repayment of statutory advances	0.0	0.0	0.0	0.0	0.0	0.0
Net deposit accumulation	1.0	0.9	0.0	1.2	1.2	2.9
Repayment of VAT Arrears	0.2	0.6	0.4	0.9	1.9	0.8
Other (includes restructuring costs)	0.1	0.2	0.4	0.6	0.1	0.5
Arrears on domestic amortization (reduction)	0.0	0.2	0.0	0.0	0.1	0.0
Total financing needs	11.4	8.2	7.4	7.6	7.8	12.3
Identified sources of financing	4.5	4.0	4.0	3.6	4.2	10.5
External	2.1	1.8	1.8	1.8	1.8	8.5
Project financing (ext.)	0.8	1.8	1.8	1.8	1.8	2.8
Eurobond rollover (ext.)	1.3	0.0	0.0	0.0	0.0	5.7
Domestic	2.5	2.2	2.2	1.8	2.3	2.0
T-bill issuance	1.3	1.6	0.9	1.2	1.7	1.5
Privatization receipts	0.0	0.4	0.0	0.3	0.3	0.5
Recovery of domestic tax arrears	0.3	0.2	0.0	0.3	0.4	0.0
Financing gap	6.9	4.2	3.4	4.0	3.7	1.8
Exceptional external financing	5.6	3.0	2.2	2.9	3.0	1.1
Multilateral	5.1	2.5	1.7	2.4	2.5	1.1
African Development Bank	3.8	0.7	0.0	0.0	1.3	0.0
World Bank	1.3	0.0	0.0	2.4	1.2	1.1
Other (Africa EXIM Bank)	0.0	1.8	1.7	0.0	0.0	0.0
Bilateral	0.6	0.5	0.5	0.5	0.5	0.0
France	0.6	0.5	0.5	0.5	0.5	0.0
Residual financing needs	1.3	1.2	1.2	1.1	0.7	0.7
IMF-EFF	1.3	1.2	1.2	1.1	0.7	0.7

Sources: Gabonese authorities; and IMF staff estimates and projections.

1/ Staff report for the Third Review of the Extended Arrangement under the Extended Fund Facility (December 7, 2018; EBS/18/118)

Table 5. Gabon: Monetary Survey, 2016–20

	2016	2017	2018					2019					2020
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
			Act.	Act.	Act.	Prog. 1/	Proj.	Act.	Act.	Proj.	Third Rev. 1/	Proj.	Proj.
	(Billion of CFA francs, unless otherwise indicated)												
Net foreign assets	445	549	369	487	449	650	600	543	519	469	827	875	1306
Bank of Central African States (BEAC)	358	307	232	216	223	422	419	463	450	341	600	693	1125
Foreign assets	487	537	461	455	512	764	766	818	804	699	1054	1113	1621
Foreign liabilities	-129	-230	-229	-239	-289	-342	-348	-355	-354	-358	-454	-420	-497
o/w: IMF credit	0	111	111	113	169	223	228	232	232	235	336	300	367
Deposit money banks (DMBs)	88	242	137	271	226	228	182	80	69	129	228	182	182
Foreign assets	318	367	272	359	313	327	312	226	226	287	327	312	312
Foreign liabilities	-229	-125	-135	-88	-87	-99	-131	-146	-157	-158	-99	-131	-131
Net domestic assets	1705	1420	1600	1714	1781	1602	1672	1728	1693	1761	1715	1727	1712
Domestic credit	1813	1668	1768	1863	1960	1849	1931	1952	1927	1937	1962	1986	1971
Claims on general government (net)	598	533	756	792	880	717	812	849	824	813	754	760	609
Claims on central government (net)	654	599	796	827	880	783	848	889	859	845	820	796	646
BEAC, Claims on central government (net)	221	249	452	451	485	280	366	502	476	463	271	314	87
BEAC, Claims on central government	453	564	564	566	622	676	681	685	684	688	789	753	820
Statutory advances	453	453	453	453	453	453	453	453	453	453	453	453	453
Use of IMF credit	0	111	111	111	169	223	228	232	232	235	336	300	367
Other	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0	0.5	0.5
Liabilities to central government	-232	-315	-111	-115	-138	-396	-315	-183	-209	-225	-517	-438	-733
Fund for Future Generations/Sovereign Wealth Fund	-150	-47	-40	-10	-11	115	-9	-11	-12	-12	-6	-133	-427
Other CG deposits and vault cash	-82	-268	-71	-104	-127	-511	-306	-172	-196	-213	-511	-306	-306
Deposit money banks (net)	433	415	413	425	435	503	483	426	419	382	549	482	559
Claims on central government	622	529	515	538	549	616	542	481	473	463	662	542	618
Liabilities to central government	-189	-113	-102	-113	-114	-113	-59	-55	-54	-81	-113	-59	-59
Claims on public agencies (net)	-56	-66	-40	-36	0	-66	-36	-39	-36	-31	-66	-36	-36
Claims on nongovernment (net)	1114	1069	973	1036	1080	1132	1119	1063	1068	1124	1208	1225	1361
Other items (net)	-108	-248	-169	-149	-179	-248	-258	-224	-234	-176	-248	-258	-258
Broad money (M2)	2049	1969	1968	2201	2229	2251	2278	2271	2213	2230	2542	2602	3018
Currency	352	305	385	364	527	343	385	369	323	327	388	397	460
Deposits	1697	1640	1664	1868	1865	1908	1893	1903	1889	1903	2154	2205	2558
Memorandum items:	(Annual percentage change, unless otherwise indicated)												
Broad money (M2)	-5.2	-3.9	-2.9	17.5	23.0	14.3	15.7	14.2	16.0	14.5	12.9	14.2	16.0
Reserve money	-28.4	-10.3	28.4	7.3	6.3	23.9	27.8	27.9	20.1	19.7	22.3	27.9	20.1
Credit to the private sector	-5.6	-3.0	-11.4	-4.0	4.7	5.9	6.2	9.3	8.5	8.6	6.7	9.7	11.2
Credit to the private sector (in percent of non-oil GDP)	18.2	17.3	…	…	…	17.4	17.5	18.0	18.8	19.1	17.4	18.0	18.8
Broad money (in percent of overall GDP)	24.7	22.7	…	…	…	23.8	24.3	26.2	29.2	32.1	25.4	26.2	29.2
Velocity (Non-oil GDP/average M2)	2.8	3.2	3.3	3.1	3.0	2.8	2.8	2.8	3.0	2.9	2.8	2.8	2.6

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).

Table 6. Gabon: Financial Soundness Indicators for the Banking System, 2010–19

(Percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Mar.
Capital										
Regulatory capital to risk-weighted assets[1, 2]	24.7	12.9	10.9	12.3	9.4	8.3	8.1	12.9	13.7	15.1
Asset quality										
Non-performing loans (gross) to total loans (gross)	3.2	2.8	2.5	2.7	4.1	5.3	6.6	9.1	9.6	11.4
Non-performing less provisions to regulatory capital	1.9	-5.0	-2.6	-0.5	0.3	12.9	17.3	13.7	11.9	18.5
Earnings and profitability										
Return on equity	15.5	24.8	23.3	19.6	21.5	13.5	36.8	22.4	...	...
Return on assets [3]	2.9	2.7	2.3	2.1	2.1	1.3	3.4	2.5	...	...
Liquidity										
Ratio of liquid assets to short-term liabilities	158.5	129.5	143.2	125.2	112.9	148.3	134.0	157.1	169.7	206.9
Total deposits to total (noninterbank) loans	114.7	122.6	115.9	108.6	105.5	113.8	108.4	106.5	115.8	122.8
Credit										
Gross loans (banks' book, in CFAF billions)	1096	1313	1668	1871	1895	1764	1927	1768	1843	1648
Gross loans (annualized growth rate)	...	19.8	27.0	12.1	1.3	-6.9	9.2	-8.2	4.2	-4.5

Source: Banking Commission of Central Africa (COBAC).

1/ Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital and Tier 2 capital.

2/ The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

3/ The ratio of after-tax profits to the average of beginning and end-period total assets.

Table 7. Gabon: Indicators of Capacity to Repay the Fund, 2019–31

						Projection							
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fund obligations based on existing credit (in millions of SDRs)													
Principal	0.0	0.0	6.0	23.8	47.6	47.6	47.6	47.6	41.7	23.8	0.0	0.0	0.0
Charges and interest	0.0	5.4	5.3	5.2	4.6	3.8	2.9	2.1	1.2	0.6	0.3	0.2	0.2
Fund obligations based on existing and prospective credit (in millions of SDRs)													
Principal	0.0	6.0	23.8	47.6	70.0	77.4	77.4	71.5	53.6	29.8	7.5	0.0	0.0
Charges and interest	0.5	8.6	9.7	9.4	8.2	6.9	5.6	4.2	2.9	1.6	0.8	0.3	0.2
Total obligations based on existing and prospective credit													
In millions of SDRs	0.5	14.6	33.5	57.0	78.2	84.3	83.0	75.7	56.5	31.4	8.3	0.3	0.2
In millions of US$	0.6	20.6	47.6	81.3	111.8	120.6	118.8	108.3	80.7	44.9	11.8	0.5	0.3
In percent of exports of goods and services	0.0	0.3	0.6	1.0	1.3	1.3	1.2	1.0	0.7	0.4	0.1	0.0	0.0
In percent of debt service 1/	0.1	2.9	6.4	9.7	12.5	10.9	8.9	6.7	4.6	4.5	0.7	0.0	0.0
In percent of GDP	0.0	0.1	0.3	0.4	0.5	0.5	0.5	0.4	0.3	0.2	0.0	0.0	0.0
In percent of Gross International Reserves	0.1	1.1	1.9	2.6	3.0	2.7	2.4	2.0	1.4	0.7	0.2	0.0	0.0
In percent of quota	0.2	6.7	15.5	26.4	36.2	39.0	38.4	35.0	26.1	14.5	3.8	0.1	0.1
Outstanding Fund credit													
In millions of SDRs	375.1	464.4	458.5	434.6	387.0	317.1	239.7	162.3	90.8	37.2	7.5	0.0	0.0
In millions of US$	527.2	656.6	650.3	619.7	553.6	453.5	342.8	232.1	129.9	53.3	10.7	0.0	0.0
In percent of exports of goods and services	7.2	8.9	8.4	7.5	6.4	4.9	3.4	2.2	1.1	0.4	0.1	0.0	0.0
In percent of debt service	61.8	93.5	87.9	74.1	62.0	41.2	25.6	14.4	7.5	5.3	0.6	0.0	0.0
In percent of GDP	3.1	3.7	3.5	3.1	2.6	2.0	1.4	0.9	0.5	0.2	0.0	0.0	0.0
In percent of Gross International Reserves	44.4	33.9	25.8	20.1	14.8	10.3	6.8	4.2	2.2	0.9	0.2	0.0	0.0
In percent of quota	173.6	215.0	212.2	201.2	179.2	146.8	111.0	75.1	42.0	17.2	3.4	0.0	0.0
Net use of Fund credit (in millions of SDRs)	89.3	89.3	-23.8	-47.6	-70.0	-77.4	-77.4	-71.5	-53.6	-29.8	-7.5	0.0	0.0
Disbursements	89.3	89.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	23.8	47.6	70.0	77.4	77.4	71.5	53.6	29.8	7.5	0.0	0.0
Memorandum items:													
Exports of goods and services (in millions of US$)	7,305	7,354	7,702	8,233	8,637	9,219	9,982	10,636	11,425	12,430	13,643	15,115	16,887
Debt service (in millions of US$)	852	702	740	837	892	1,102	1,341	1,610	1,741	1,003	1,699	1,603	0
Nominal GDP (in millions of US$)	17,014	17,649	18,580	19,765	21,056	22,739	24,223	25,854	27,741	29,888	31,856	34,012	36,016
Gross Official Reserves Imputed to Gabon (in millions of US$)	1,187	1,938	2,522	3,085	3,736	4,389	5,042	5,471	5,874	6,243	6,579	6,906	7,232
Quota (millions of SDRs)	216	216	216	216	216	216	216	216	216	216	216	216	216

Source: IMF staff estimates and projections.

1/ Total debt service includes IMF repayments.

Table 8. Gabon: Schedule of Purchases and Timing of Reviews Under the Extended Arrangement, 2019–20

		Current Schedule	Proposed new schedule		
Date of availabilty	Condition for disbursement	Amount (millions of SDRs)	Amount (millions of SDRs)	Amount (millions of US$)	Percentage of Quota 1/
June 19, 2017	Approval of the extended arrangement under the EFF.	71.430		96.649	33.069
December 1, 2017	Observance of the PCs for end-June 2017, conituous PCs and completion of the first review.	71.430		98.615	33.069
June 1, 2018	Observance of the PCs for end-December 2017, conituous PCs and completion of the second review.	71.430		100.618	33.069
December 1, 2018	Observance of the PCs for end-June 2018, conituous PCs and completion of the third review.	71.430		100.618	33.069
June 1, 2019	Observance of the PCs for end-December 2018, conituous PCs and completion of the fourth review.	71.430	44.670	63.032	20.681
December 1, 2019	Observance of the PCs for end-June 2019, conituous PCs and completion of the fifth review.	71.430	44.670	63.032	20.681
April 30, 2020	Observance of the PCs for end-December 2019, continuous PCs and completion of sixth review.	35.820	89.340	126.125	41.361
	Total	464.400		648.990	215.000

Source: IMF staff projections.
1/ Gabon's quota is SDR 216.0 million.

Annex I. Implementation of Past IMF Advice (Article IV 2015)

Fund Advice	Status	Comment
Fiscal Policy and Public Financial Management		
Eliminate inefficient and costly tax exemptions and exonerations	Ongoing	Partly done. The list of exempted products as part of the fight against "la vie chere" has not been substantially reduced.
Widen the non-oil revenue tax base by improving tax administration	Ongoing	While the authorities' plan to establish a Revenue Authority has been shelved, FAD has fielded many TA missions with recommendations to widen the tax base, including the introduction of property tax.
Modernize customs drawback system	Done	Addressed through FAD TA.
Adopt a risk-based approach to VAT reimbursement	Ongoing	A dedicated account has been opened at the Central Bank for VAT reimbursement.
Rescind the prohibition of imports of vehicles over three years old	Done	This prohibition has been rescinded in 2017.
Review of the tax policy regime	Done	A review of the tax policy regime was carried out by an FAD TA missions.
Greater control of the wage bill	Ongoing	Partly done. Reforms implemented include: incentives for early retirement, recruitment freezes, elimination of an inefficient incentive system, and improvements in human resource management such as merit-based recruitments and promotions.
Fuel subsidies reform	Done	After removing subsidies on commercial diesel in 2014, importation of fuel was liberalized in 2015. Petrol and diesel subsidies reform were implemented in 2016.
Performance budgeting reforms	Ongoing	Following the adoption of the organic law (LOLFEB) in 2015, a new program classification has been implemented and is currrrently used for budget laws. Related budget documentation still needs to be improved and completed.
Financial Sector Policies		
Address financial situation of weak public banks	Ongoing	The government appointed administrators for all three public banks. One insolvent public bank has been liquidated.
Creating credit bureaus and upgrading the operations of land and commercial registries	Ongoing	
Streamline procedures for recording and enforcing loan guarantees	Ongoing	
Strengthening creditor rights enforcement	Ongoing	

Fund Advice	Status	Comment
Structural Policies		
Improve quality of investment projects	Ongoing	A PIMA TA has been completed in 2019.
Improve business climate	Ongoing	A one-stop-center for business has been created at the Special Economic Zone. Plans are underway to extend it to the rest of the economy.
Improve labor market legislation	Ongoing	A preliminary draft of the new Labor Code, prepared by the Ministry of Labor, is being reviewed by stakeholders, including civil society. It would then be submitted to the Council of Ministers.
Strengthen anti-corruption efforts and the AML/CFT framework	Ongoing	A new president of the anti-corruption entity has been nominated and the government has taken several specific measures in response to big recent cases of corruption, including the dismissal of the Vice President and the Minister of Forestry in light of the scandal relating to exports of the precious wood "Kewazingo." In addition, other popular politicians have been put on trial for corruption, but so far none has been found guilty. Regarding AML/CFT, Gabon is still monitored by the FATF-style regional body (FSRB) for teh CEMAC countries (GABAC), owing to the substantial deficiencies revealed during the most recent (2013) AML/CFT assessment. Gabon's next AML/CFT assessment is scheduled to take place in 2021.
Improve Statistics		
Address weaknesses in economic statistics	Ongoing	Important progress has been made: a national statistics agency has been created, a population census adopted, a household survey completed, production of quarterly GDP has begun, health and firms surveys are underway, and work towards high frequency indicators are ongoing. Gabon has submitted its fiscal statistics to the GFS in 2018 and is the first CEMAC country to have done it.

Annex II. External Sector Assessment

Gabon's external position for 2019 is substantially weaker than implied by medium-term fundamentals and desirable polices. The current account deficit narrowed in 2018, supported by stronger oil and manganese exports as well as ongoing fiscal consolidation under the program. Nevertheless, continued fiscal reforms and improvements to structural competitiveness, are needed to strengthen the external position.

1. **In 2018, the terms of trade continued to improve and the real effective exchange rate (REER) appreciated.** The terms of trade improved by 27 percent, supported mainly by higher oil prices, which rose 32 percent (Figure A1). Despite the depreciation of the Euro (to which the CFA franc is pegged) relative to the US dollar, the REER appreciated by 5 percent, owing to higher domestic prices.

2. **The current account (CA) deficit continued to narrow driven by growth in both oil and non-oil exports.** The CA was estimated at -3.2 percent of GDP in 2018, compared with -6.9 percent of GDP in 2017. Exports increased by 14.0 percent (y-o-y) in 2018, with oil and non-oil exports increasing 18 .4 and 7.0 percent year-over-year, respectively, while imports as a share of GDP declined slightly (-2.0 percent). From the savings and investment perspective, fiscal consolidation appears to have played a role in narrowing the CA deficit as public sector saving-investment gap moved into surplus. In 2019, the current account deficit is expected to narrow to -1.1 percent of GDP and strengthen in the medium term as non-oil exports increase, particularly in the manganese and agri-business sectors.

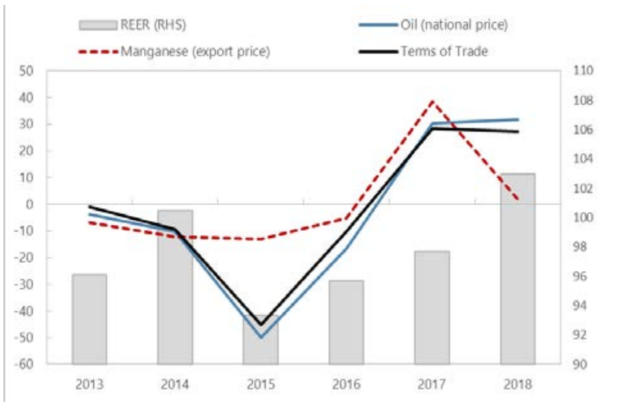
3. **Foreign direct investment continued to drive external financing inflows.** FDI was estimated at 8.2 percent of GDP in 2018, the majority of which was related to the non-oil sector. Disbursements of external debt for project and external financing (excluding the IMF) slowed to 4 percent of GDP, compared with 6 percent in 2017 owing to lower external budget support. Gabon's imputed net foreign assets at the BEAC increased for the first time since 2013.

4. **This analysis relies heavily on staff estimations due to data limitations.** Provision of official balance of payments statistics is subject to delays, with the latest official series from 2016. This data is also subject to gaps, including the exclusion activities in the Special Economic Zone. TA lack of available data for the net international investment position and related series also precludes the use of the External Sustainability approach in the exchange rate assessment. The authorities are working to address these issues with the support of IMF technical assistance.

Figure A1. Gabon: External Sector Developments, 2013–18

Commodity Prices, Terms of Trades, 2013–18

(Percent change LHS; REER Index RHS)

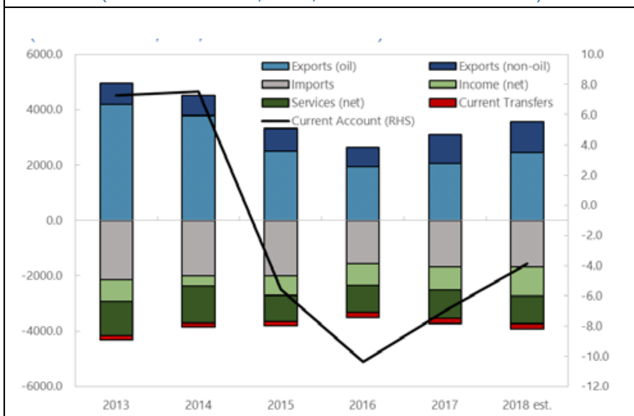


REER, CPI, and USD/EUR Exchange Rate, 2013–18

(Index LHS; USD/EUR RHS)

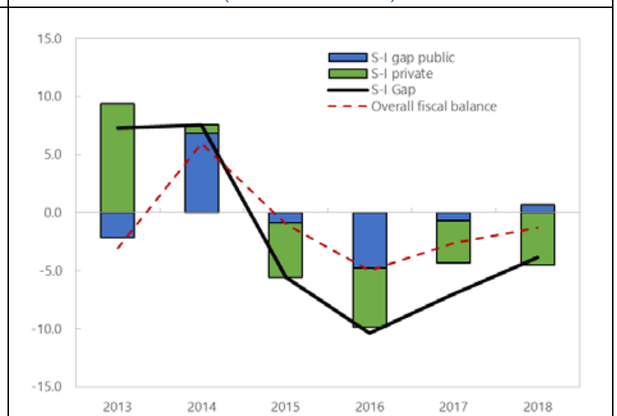
Contribution to the Current Account, 2013–18

(Billions of CFA, LHR; Percent of GDP RHS)



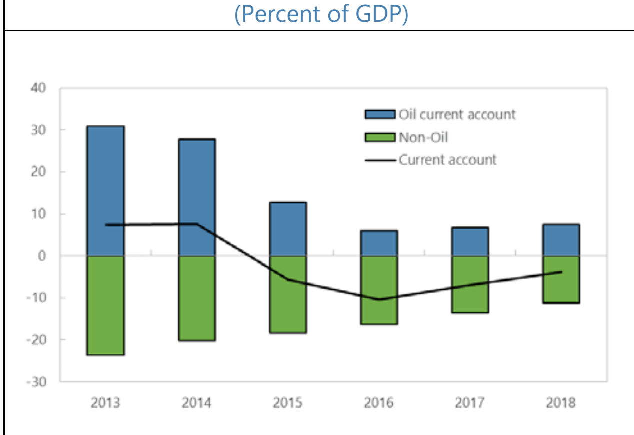
Savings and Investment Balance, 2013–18

(Percent of GDP)



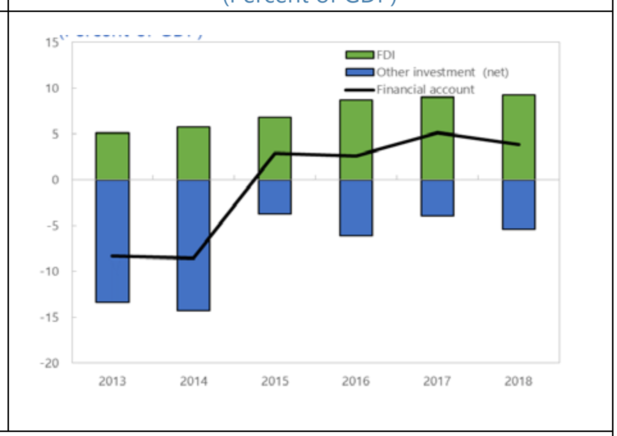
Oil and Non-Oil Current Account Balance, 2013–18

(Percent of GDP)



Financial Account, 2013–18

(Percent of GDP)



Sources: Gabonese authorities and IMF staff estimates and projections.

5. Estimates using the revised EBA-Lite[1] methodology's regression-based approaches suggest the 2018 exchange rate is overvalued by 6 to 17 percent (Table A.1). The approach estimates CA and REER norms using cross-country regressions and desirable policy settings. The "gaps" or deviations of cyclically-adjusted actual values from these norms are used to inform the exchange rate assessment. The CA approach estimates a cyclically-adjusted CA norm of -0.2 percent of GDP, compared with the actual cyclically-adjusted CA at -4.9 percent of GDP. This produces a CA-gap of -4.7 percent of GDP, including a 0.6 percent policy gap between actual 2018 levels and desirable policy settings, particularly fiscal policy and the change in reserves.[2] The REER approach estimates a norm REER of 4.57 based fundamentals and desirable policy settings, compared with its actual level of 4.63 (expressed in logs).

Table A1. Gabon: 2018 Revised EBA-Lite CA and REER Regression Results

	CA Regression[1]	Equilibrium REER Regression[1]
CA/REER Reference[2]	-4.9%	4.63
CA/REER norm[3]	-0.2%	4.57
CA gap	-4.7%	
o/w policy gap	0.6%	2.5%
Residual	-0.05	0.04
Natural disasters and conflicts	0.1%	-0.3%
Real Exchange Rate Overvaluation[4]	**17%**	**6%**

Source: IMF Staff Estimates

1/ Based of the revised EBA-Lite methodology (2018)

2/CA regression uses the 2018 cyclically-adjusted CA value. REER regressions uses the 2018 REER value.

3/For CA regression multilaterally consistent CA norm.

4/Elasticity of CA to REER gap is -0.3.

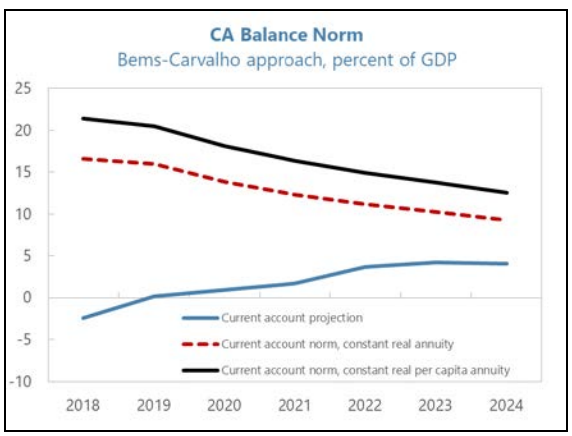
[1] See IMF Working Paper 13/272 for the previous EBA methodology. The key revisions to the EBA-Lite CA regression model focus on clarifying the role of remittances and aid in the external balance; incorporating shocks (natural disasters and armed militarized conflicts) to better capture the determinants of the external balance in EBA-Lite countries; and, expanding the policy determinants by introducing social insurance policies and revising the financial policy variables.

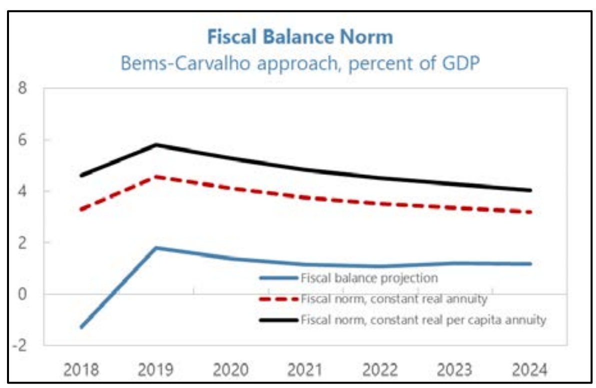
[2] These are calibrated to include: (i) a cyclically-adjusted fiscal balance (1.1 percent of GDP) and an annual change in reserves (2.8 percent of GDP) consistent the medium term projections and meeting CEMAC convergence criteria; (ii) private credit growth set in line with medium-term nominal GDP (4 percent); (iii) a desired public health expenditure of 2.7 percent of GDP based a benchmark level given Gabon's capacity to spend; (iv) the capital control benchmark is based on the latest cross-country average level of the control index (0.15); and (v.) the real interest rate set to the actual rate for 2018, which implies monetary policy is consistent with output and inflation objectives.

6. Gabon's reliance on oil exports warrants consideration of more tailored exchange rate assessments. The regression-based approaches do not consider factors specific to oil exporters, particularly the exhaustibility of natural resources which may require building extra-reserves for intergenerational consumption smoothing. This analysis considers two additional model-based approaches to account for these characteristics: a consumption-based model[3], which estimates a current account norm based on the net present value (NPV) of future oil wealth and the related consumption and savings consistent with intergenerational equity; and an investment-based model[4] which takes a similar approach but also accounts for the possibility of allocating part of the resource wealth to finance productive investment.

7. The consumption-based model suggests a significantly higher CA norm.[5] Based on a constant real per capita annuity of oil and financial wealth, which corresponds to inter-generational equity, the medium-term CA norm would be 13 percent, compared with an underlying CA projection of 3 percent, implying an exchange rate overvaluation of 35 percent (Figure A2). The model suggests a medium-term fiscal norm of 4 percent of GDP consistent with a constant real per capita equity, compared with a projected value of 1 percent. These estimates are subject to uncertainties given the reliance on long-run assumptions, including the potential for new oil discoveries or demographic changes that might slow population growth, which would reduce the CA norm and the degree of overvaluation.

Figure A2. Gabon: Consumption-Based Model Projected and Estimated CA and Fiscal Norms





Sources: Gabonese authorities and IMF staff estimates.

[3] See Bems, R., and I. de Carvalho Filho, 2009, "Exchange Rate Assessments: Methodologies for Oil Exporting Countries," IMF Working Paper 09/281.

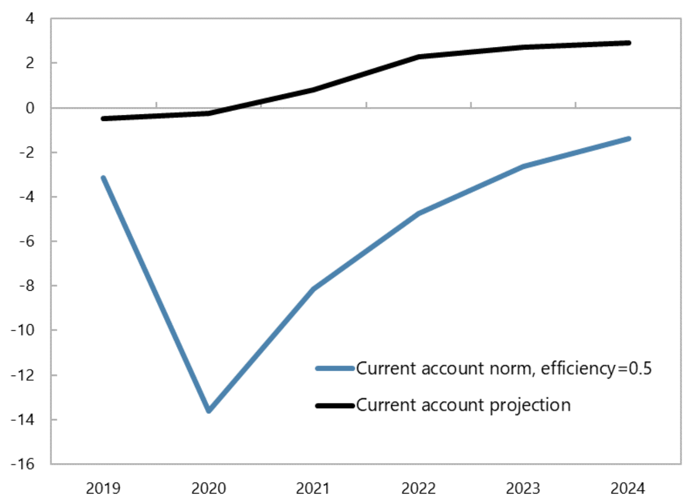
[4] Araujo, J.D., B.G. Li, M. Poplawski-Ribeiro, and L.-F. Zanna, 2016, "Current Account Norms in Natural Resource Rich and Capital Scarce Economies," Journal of Development Economics, Vol. 120, pp. 144–156.

[5] The analysis uses the following key assumptions: (i) total oil reserves of 2.0 billion barrels based on the end-2018 estimate for proven reserves; (ii) population growth of 1.3 percent per annum based on UN population statistics; (iii) 1 percent long-run oil production growth owing to declining supply; and (iv) trade balance elasticity of 0.3 based on findings from other oil exporters (Hakura and Billmeier (2008)).

8. The investment-based model indicates a lower CA norm. An important parameter for this model is the efficiency public and private investment, with larger inefficiencies reducing the optimal level of investment, leading to higher current account norms. Based on recent PIMA (2019) findings, the analysis considers an efficiency value of 0.5 (i.e. only half the amount of investment turns into productive capital), which projects a medium-term CA norm of 4 percent of GDP, below baseline projections (Figure A.3).

Figure A3. Gabon: Investment Based-Model Estimated CA and Projected CA

(Percent of GDP)



Source: IMF staff calculations.

9. The bottom-line assessment is that the external position is substantially weaker than implied by medium-term fundamentals and the exchange rate is overvalued. This is drawn from consideration of the range of regression-based CA and REER approaches, which exhibit relatively low residuals and account for desirable policies not only to support external stability but also meet regional commitments that support the CFA peg. The consumption and investment model-based approaches provide a useful illustration of how Gabon's declining resource base calls for continued strengthening of external position, which may be offset by productive investment in the non-oil sector to diversify the export base. The overall assessment estimates overvaluation of 6 to 17 percent based on the range of REER and CA results, respectively, compared with an overall assessment of a 9 to 16 percent overvaluation in 2018. The substantially weaker assessment is based on the CA gap estimate being below -4.0 percent of GDP and -4.7 percent of GDP. Preliminary data suggest that this assessment could improve in 2019 given the anticipated strengthening of the current account. The assessment based on 2019 projections suggests a CA gap of -2.6 percent, which is consistent with a "weaker than fundamentals assessment." Further, stronger returns from recent FDI, including through higher than anticipated oil production, represent an important medium-term upside risk which could also improve the external position.

10. Continued policy adjustment and measures to strengthen structural competitiveness would further improve the external position. This includes measures under the program including fiscal consolidation and efforts to improve the efficiency of public investment, as well as measures to enhance governance and improve the business environment. In addition to ranking low on the World Bank's Doing Business Ranking (169 out of 190 countries in 2019), Gabon continues to rank low across several trade-related structural indicators, including the World Economic Forum's Enabling Trade Index and the World Bank's Logistics Performance Index (Figure A4).

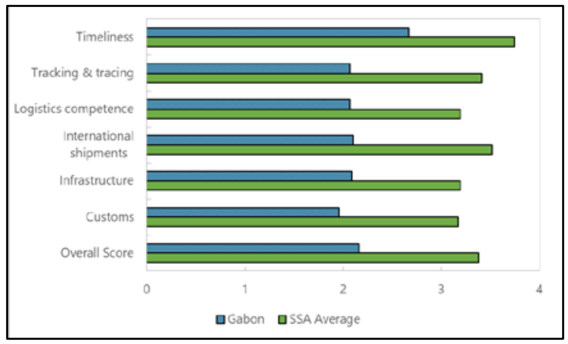
Figure A4. Gabon: Structural Competitiveness Indicators

WEF Enabling Trade Index and Sub-Components (2016) [1]

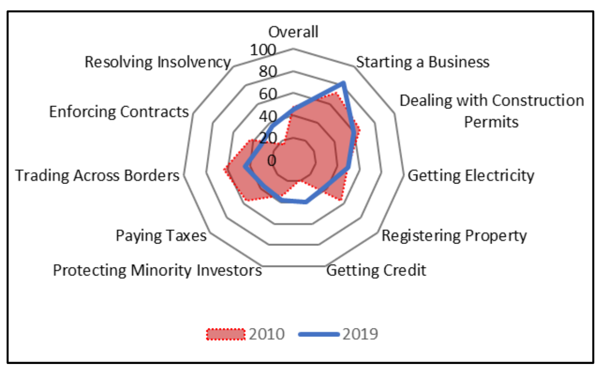
Overall rank (out of 136)	**129**
Domestic market access	**125**
Tariff rate (%)	13.4
Complexity of tariffs	31
Share of duty free imports (%)	22.1
Foreign market access	**128**
Tariff rate faced (%)	4.7
Margin of preference in destination markets	132
Border administration ranking	**119**
Customs service index	105
Efficiency of clearance process	120
Time to import (documentary, hours)	120
Time to import (border compliance, hours)	84
Cost to import (documentary) US$	170
Cost to import (border compliance) US$	1320
Time to export (documentary, hours)	60
Time to export (border compliance, hours)	96
Cost to export (documentary) US$	200
Cost to export (border compliance) US$	163
Irregular payments and bribes	90
Time predictability of import procedures	103
Customs transperency index	86
Infrastructure rankings:	
Transport infrastructure	119
Transport services	130
Availibility and use of ICTs	107
Operational environment ranking	**110**
Protection of property	93
Efficiency and accountability of govt	118
Access to finance	124
Openess to foreign participation	109
Physical security	82

[1] Ranking unless otherwise indicated. Red indicates ranking in bottom quartile. Green indicates ranking in top quartile.

World Bank Logistics Performance Index, 2018 (5 = best)



Doing Business Distance to Frontier (Best Performers = 100)



Source: World Bank, World Economic Forum.

Annex III. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
		Domestic Risks	
Disruption in domestic oil production caused by aging fields and lower than expected production from new projects.	**Medium**	**Medium** Fiscal revenues and exports are susceptible to oil production declines, with potential spillovers to the non-O&G sector.	Use fiscal buffers to temporarily sustain priority spending and support non-oil activity during shutdowns. Enhance facility maintenance and plan adequate investment for refurbishment, and encourage exploration and discovery of new oil.
Deterioration of domestic political conditions.	**Medium**	**Medium** Given growing perception of poor governance and corruption it may be difficult to maintain a sustainable consensus to govern. This could compromise the macroeconomic stabilization gains made over the last three years and derail key reforms.	Communicate the benefits of the government's macroeconomic program and enhance the inclusiveness of the approach to economic management. Step up efforts to improve governance and fight corruption.
Deterioration of Domestic Political Conditions	**Medium**	**Medium** Given growing perception of poor governance and corruption it may be difficult to maintain a sustainable consensus to govern. This could compromise the macroeconomic stabilization gains made over the last three years and derail key reforms.	Communicate the benefits of the government's macroeconomic program and enhance the inclusiveness of the approach to economic management. Step up efforts to improve governance and fight corruption.
		Spillover Risks	
Weaker-than-expected global growth.	**Medium** (U.S.) **High** (Europe) **High** (China) **Medium** (large stressed emerging economies)	**Medium** Adverse impact on growth through less foreign direct investment inflows and external support. Demand for export products and their prices would fall, hurting the domestic economy.	Consolidate fiscal buffers through domestic revenue mobilization and enhancing the efficiency of public investment. Energize external support through better compliance to donors' conditionality and emphasizing the merits and needs of Gabon's development strategy.
Rising protectionism and retreat from multilateralism.	**High**	**High** Demand for export products and their prices would fall, hurting the domestic economy.	Continue improving the business environment to attract further investments and diversify the economy. Use fiscal buffers to temporarily sustain priority spending and support non-oil activity. Diversify the structure of the economy and export products and markets.
Rise in risk premia and the cost of debt on regional financial markets.	**High**	**High** Higher costs of borrowing for government and business reduce economic activities.	Optimize debt portfolio and management. Reduce borrowing needs. Ensure to remain current on debt service obligations Adjust non-priority spending level, if necessary.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex IV. Debt Sustainability Analysis (DSA)

Gabon's public debt-to-GDP remains sustainable in the medium term. Under the baseline scenario, public debt is forecast to decline to about 43 percent of GDP by 2024, supported by ongoing fiscal adjustment and a prudent borrowing strategy. Stress tests indicate that public debt levels also remain sustainable against standard shock scenarios. Nevertheless, liquidity pressures are considerable with debt-service representing a significant share of revenues. While external arrears have recently been addressed, sizeable domestic arrears remain. Looking ahead, liquidity pressures have the potential to intensify with Eurobonds maturing over 2022–25. There are also significant debt-profile risks, including the large share of debt held by non-residents and foreign currency debt. Building a track record of remaining current on debt service payments, proactive measures to mitigate Eurobond refinancing risks, and a credible medium-term debt management strategy will be essential to addressing challenges related to elevated financing needs.

1. Public Debt Level and Composition:

- **Debt definitions and coverage.** Gabon's debt coverage remains narrow, limited to central government and direct government guarantees.[1] Local and SOE debt are not captured. External debt is defined on a currency basis.

- **Debt structure.** At FCFA 5,676 billion (about US$9.9 billion) as at end-2018, public debt stood at 61 percent of GDP (from 63 percent in 2017). The 2018 stock included FCFA 293 billion in domestic arrears and FCFA 37 billion in external arrears to commercial creditors, the latter of which has since been cleared. Gabon's public debt is mostly medium to long term and external (66 percent of the overall stock). Financial market debt related to Gabon's Eurobonds represented the largest share of overall debt at 22 percent of the total stock. Exposure to interest rate risk has increased in recent years, with 40 percent of external debt carrying variable interest rates, mostly related to the Eurobond.

Table 1. Gabon: Public Debt Stock by Components, 2016–18
(Billions of CFA francs)

	2016	2017	2018
External Debt	3,107.0	3,355.8	3,743.7
Bilateral	742.8	678.9	804.6
Multilateral	376.8	913.5	1,056.8
Commercial	641.4	566.5	629.5
Financial Markets	1,346.0	1,196.9	1,252.8
Domestic Debt	2,228.3	2,081.9	1,932.4
Banking	810.7	826.4	772.3
Non-Banking System	1,417.6	1,255.5	1,160.1
Total	5,335.3	5,437.7	5,676.1

Source: Gabonese authorities.

[1] These are small representing 1 percent of the total stock and represent legacy claims from a commercial and multilateral creditor.

2. Baseline and Realism of Projections:

- **Economic growth projections are conservative, anticipating a modest increase in 2019.** Macroeconomic conditions are projected to improve gradually with growth reaching 3.4percent in 2019 and averaging 4 percent over 2020–24 driven by a steady increase in non-oil growth as key FDI projects reach maturity and investment in the oil sector helps production stabilize. Historical projections show a relatively large median-error in growth forecast, owing to volatility in oil production and external financing disbursements (Figure 2). As a result, these projections have taken a conservative approach, incorporating part of expected FDI inflows and economic activity related to existing projects.

- **Fiscal adjustment is expected to continue.** In the baseline projection, the non-oil primary balance improves throughout the projection period (2019–24) thanks to continued fiscal consolidation. On the revenue side, the consolidation effort is driven by higher non-oil revenues that follow from the effects of the ongoing tax policy and administration reforms. Spending is anticipated to increase modestly over the period from 17 percent of GDP in 2019 to 18 percent of GDP in 2024 as capital spending is expected to rise while current expenditure will remain broadly contained. While the MAC-DSA realism module characterizes the cumulative fiscal adjustment as somewhat optimistic on a cumulative basis, it partly reflects the impact of reforms that have already been put in place.

- **The authorities are expected to continue to pursue a prudent borrowing strategy.** They remain committed to reducing debt below the regional target of 45 percent of GDP. The baseline also assumes that the authorities will issue a Eurobond next year and use at least 75 percent to rollover Eurobonds maturing starting in 2022, reducing payments in 2022–24 (see below).

3. Gabon's public debt is declining under baseline projections. As a result of the planned fiscal consolidation and a prudent borrowing strategy, gross debt levels are projected to decline from a peak of 61 percent of GDP in 2018 to about 43 percent of GDP by 2024. The completion of the audit of 2015–17 domestic expenditure arrears, which are currently not included in the baseline pending confirmation from the authorities, could add up to 3 percent of GDP to the debt stock, pending confirmation from the authorities.

4. Total debt service remains high. Gabon recently refinanced the commercial bridge loan due in 2019 easing its debt service burden.[2] Nevertheless, debt service is projected at 55 percent of total fiscal revenues in 2019 and projected to average 48 percent of revenues over 2020–24, reflecting the maturing of external debt built up in recent years**.** This is further reflected in gross

[2] The CFA 158 billion loan was originally scheduled to be fully repaid in 2019. Repayment is now equally split over 2019–20 (CFA 79 billion each year).

financing needs, which are projected at 6 percent of GDP in 2019 and will average 7 percent of GDP over the projection period (2020–24).

5. Gabon has made some progress toward addressing the longstanding issue of arrears. As of March 2019, Gabon cleared the entire stock of external arrears, which stood at 1 percent of GDP at the 2018 DSA and have not accumulated new arrears since then.[3] The authorities have taken several steps to prevent arrears accumulation, including addressing coordination between Treasury and Debt Units issues that led to arrears in the past, improvements in cash management and systems monitor debt payments, and the implementation of the Treasury Single Account. Regarding domestic arrears, the authorities have begun to clear VAT arrears at a faster rate. Once the audit of domestic arrears is complete, the authorities also plan to design and launch a growth-friendly clearance plan.

6. Maturing Eurobonds represent an important refinancing risk Gabon currently has US$2 billion in Eurobonds (approximately 11 percent of GDP) coming due during 2022–24. The authorities understand the importance of swiftly implementing a refinancing strategy, and have budgeted for a US$1 billion Eurobond issuance next year to lock in current market conditions on terms in line with the most recent rollover in 2017 (assumed in the DSA baseline).[4] Key risks to this baseline include new accumulation of external arrears and failure to maintain fiscal performance, which could adversely affect market sentiment, as well as a rise in risk premia. The baseline assumes partial pre-payment with using 75 percent 2020 Eurobond for repayment debt service due in 2022–24.[5] However, the remaining amount Eurobond-related principal due would still be significant averaging 1.2 percent of GDP per year or 6 percent of fiscal revenues (Table 2). Using all of any potential proceeds for a Eurobond rollover would help address large refinancing need. Further, it will be important to ensure that the use of such proceeds remains consistent with planned fiscal adjustment.

Table 2. Gabon: Eurobond Amortization Pre-payment Scenarios
(Percent of GDP)

	2022	2023	2024
No pre-payment	2.5	2.4	2.2
Partial pre-payment (baseline scenario)[1]	1.3	1.2	1.1
Full pre-payment scenario[2]	0.8	0.8	0.7

[1] Assumes 75 percent of US$1 billion Eurobond issued used for pre-payment.

[2] Assumes 100 percent of US$1 billion Eurobond issued used for pre-payment.

[3] While new technical external arrears were briefly reported in November, they were cleared within the 30-day grace period allowed under the TMU and therefore did not breach the continuous PC on new external arrears.

[4] Terms include approximately a 7 percent interest rate and a 10-year maturity.

[5] The remaining 25 percent is held in deposits.

7. Stress tests show that debt remains sustainable under most shock scenarios:

- *Primary balance shock*. A deterioration of 2.4 percentage points of GDP in the primary balance in 2020 increases public debt to 46 percent of GDP by the end of the projection period 2024. The gross financing needs also increase slightly.

- *Growth shock*. Real output growth rates are lowered by one standard deviation for 2 consecutive years starting in 2020. The decline in growth leads to a deterioration of the nominal primary balance, compared with the baseline, reaching 2.1 percent of GDP by 2021. Accordingly, the debt-to-GDP ratio increases to about 59 percent during the growth shock, and to 49 percent by 2024. Gross financing needs increase to 11 percent of GDP by 2024.

- *Interest rate shock*. Real interest rates are assumed to increase by 200 basis points starting in 2019. The government's interest bill increases gradually, reaching an implicit average interest rate of almost 18 percent by 2024, almost 12 percentage points higher than in the baseline. Similarly, the debt-to-GDP ratio and gross financing needs increase, reaching 59 and 19 percent of GDP, respectively, by 2024.

- *Real exchange rate shock*. Based on the upper bound of the overvaluation estimate in the External Sector Assessment (see Annex II), a permanent real exchange rate depreciation of 17 percent increases debt by about 5 percentage points of GDP by 2024. Gross financing needs increase by about 1.5 percentage points of GDP by 2024, compared with the baseline.

- *Combined shock*. A combined shock incorporates the largest effect of individual shocks on all relevant variables (real GDP growth, inflation, primary balance, exchange rate and interest rate). In this case, debt would increase to around 84 percent of GDP. Gross financing needs increase to about 28 percent of GDP in 2024.

- *Additional liabilities*. To capture potential additional liabilities from the audit of domestic arrears and SOE debt not currently captured in debt coverage, a 5 percent shock is added to the second year of projections.[6] In addition to raising the debt stock from 57 percent of GDP to 61 percent in 2020, gross financing needs would reach 12 percent of GDP in 2024.

8. There are significant vulnerabilities related to Gabon's debt profile as indicated in the heat map (Figure 1). It shows that the levels of debt held by non-residents and foreign currency debt breach upper risk-assessment benchmarks, and the market perception, short-term debt, and external financing indicators fall between the upper and lower risk assessment benchmarks. Gross financing needs are elevated, while they do not breach the 15 percent benchmark in the baseline, they would breach in the case of the interest rate shock scenarios.

[6] This reflects the upper estimate from the audit of domestic expenditure arrears (3 percent) and the median SOE liabilities based on a cross-country survey (2 percent)

9. Building a track record of remaining current on debt service and a credible medium-term debt management strategy will be essential to managing the challenges associated with elevated financing needs. Avoiding accumulation of external arrears and addressing domestic arrears should remain a priority. In this regard, the mission will discuss measures to improve coordination and cash management, including those identified at the third review (developing weekly cash flow forecast and organizing monthly transfer of data related to debt service from the Debt Department to the Treasury). Given the importance of addressing maturing Eurobonds, the authorities should use the majority of the proceeds from any near-term issuance for rollover. More broadly, the authorities should strengthen their MTDS in line with recent IMF TA recommendations, including mitigating interest rate and refinancing risks, strengthening the institutional framework for managing debt, strengthening their presence on the domestic financing markets and putting in place a communication strategy with Eurobond investors to prepare for refinancing. Given the potential risks from contingent liabilities, the authorities should work to broaden debt coverage. An important first step would be to establish a list of all SOEs with a view to gathering information on their financial status.

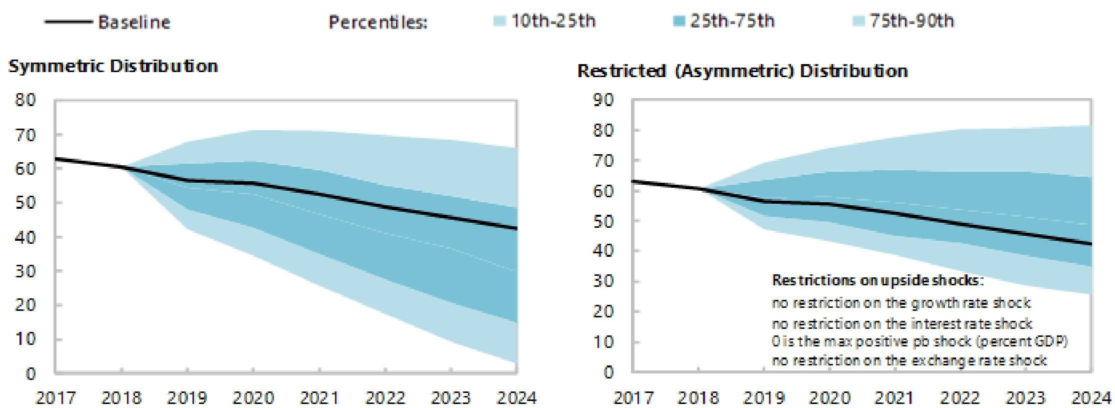
Figure 1. Gabon: Public DSA Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

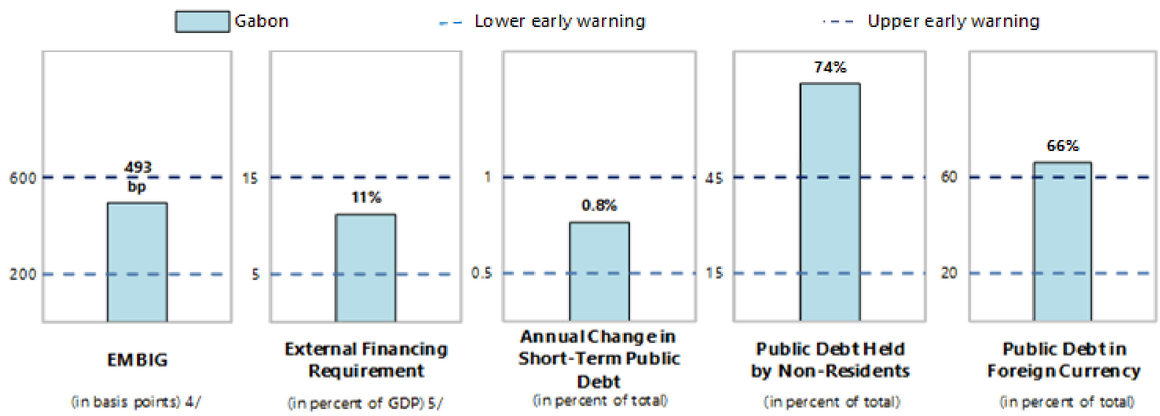
Evolution of Predictive Densities of Gross Nominal Public Debt

(Percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, 2018)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated

4/ Spread defined as an average over the last 3 months.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 2. Gabon: Public DSA—Realism of Baseline Assumptions

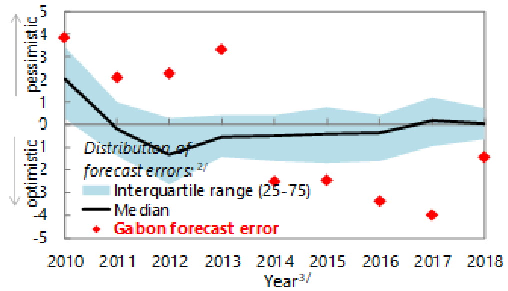
Forecast Track Record, Versus All Countries

Real GDP Growth

(Percent, actual projection)

Gabon median forecast error, 2010–18: -1.44

Has a percentile rank of: 10%

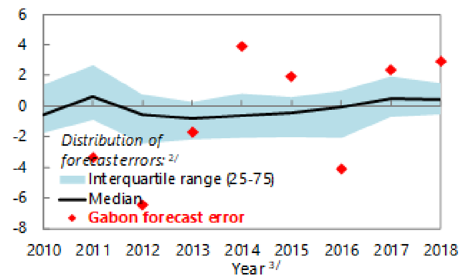


Primary Balance 1/

(Percent of GDP, actual projection)

Gabon median forecast error, 2010–18: 0.12

Has a percentile rank of: 62%

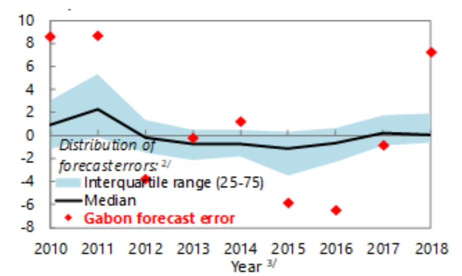


Inflation (Deflator)

(Percent, actual projection)

Gabon median forecast error, 2010–18: -0.19

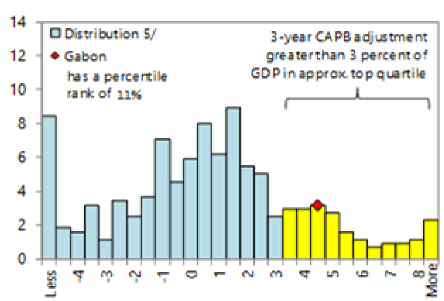
Has a percentile rank of: 46%



Assessing the Realism of Projected Fiscal Adjustment

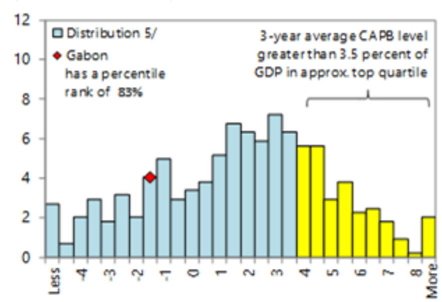
3-Year Adjustment in Cyclically-Adjusted Primary Balance (CAPB)

(Percent of GDP)



3-Year Average Level of Cyclically-Adjusted Primary Balance (CAPB)

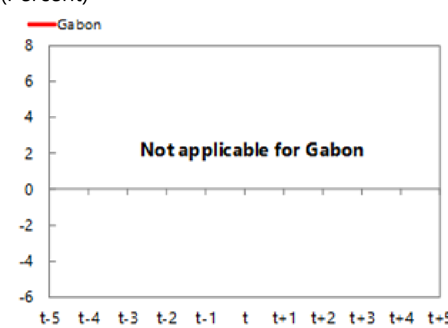
(Percent of GDP)



Boom-Bust Analysis 4/

Real GDP Growth

(Percent)



Source : IMF Staff.

1/ The non-oil primary balance is used as a proxy for the cyclically-adjusted fiscal balance.

2/ Plotted distribution includes all countries, percentile rank refers to all countries.

3/ Projections made in the spring WEO vintage of the preceding year.

4/ Not applicable for Gabon, as it meets neither the positive output gap criterion nor the private credit growth criterion.

5/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 3. Gabon: Public Sector DSA — Baseline Scenario

(Percent of GDP unless otherwise indicated)

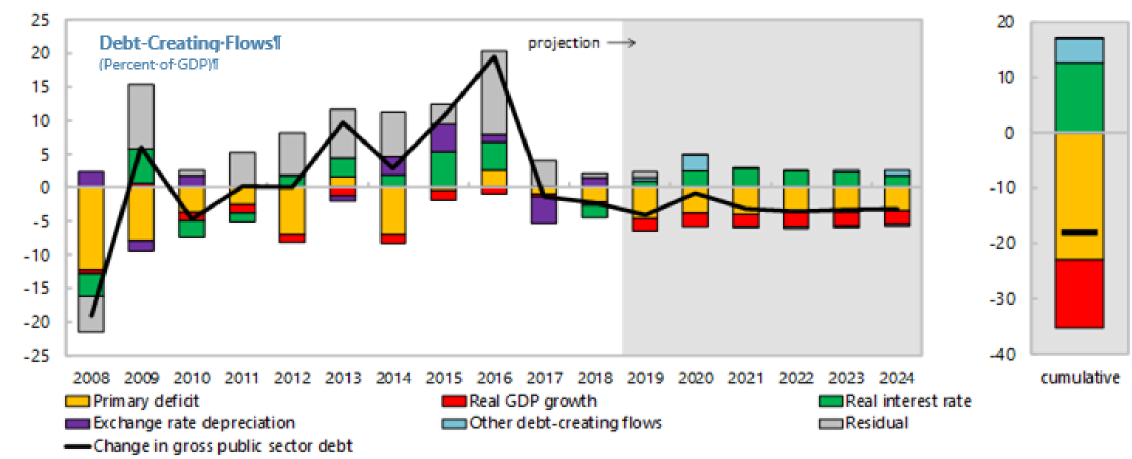
Debt, Economic and Market Indicators 1/

	Actual			Projections					
	2008-2016 [2/]	2017	2018	2019	2020	2021	2022	2023	2024
Nominal gross public debt	31.6	62.9	60.6	56.5	55.6	52.5	48.9	45.6	42.5
Of which: guarantees	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public gross financing needs	2.3	12.7	6.1	5.9	9.0	4.6	6.6	7.3	9.3
Real GDP growth (in percent)	3.8	0.5	0.8	3.4	3.8	3.8	4.5	4.5	4.7
Inflation (GDP deflator, in percent)	0.6	3.8	7.2	2.6	0.2	0.4	1.1	1.3	2.4
Nominal GDP growth (in percent)	4.5	4.3	8.1	6.1	4.0	4.3	5.6	5.9	7.2
Effective interest rate (in percent) [4/]	4.6	4.4	4.2	4.2	4.8	5.8	6.0	6.2	6.5

As of July 31, 2019		
Sovereign Spreads		
EMBIG (bp) 3/		470
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Caa1	Caa1
S&Ps	B	B
Fitch	B	B

Contribution to Changes in Public Debt

	Actual			Projections							
	2008-2016	2017	2018	2019	2020	2021	2022	2023	2024	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	2.8	-1.3	-2.3	-4.1	-0.9	-3.2	-3.5	-3.3	-3.1	-18.1	
Identified debt-creating flows	-2.4	-5.2	-3.0	-5.0	-1.0	-3.1	-3.3	-3.1	-2.9	-18.3	0.6
Primary deficit	-4.1	-1.0	-2.2	-4.5	-3.8	-3.9	-3.7	-3.6	-3.5	-23.0	
Primary (noninterest) revenue and grants	26.5	16.4	16.9	18.8	18.8	19.0	18.9	19.1	19.0	113.6	
Primary (noninterest) expenditure	22.4	15.4	14.7	14.3	15.0	15.1	15.3	15.4	15.6	90.6	
Automatic debt dynamics [5/]	1.7	-4.2	-0.8	-1.0	0.5	0.8	0.2	0.1	-0.3	0.2	
Interest rate/growth differential [6/]	0.6	-0.1	-2.3	-1.0	0.5	0.8	0.2	0.1	-0.3	0.2	
Of which: real interest rate	1.6	0.2	-1.8	0.9	2.5	2.8	2.5	2.2	1.7	12.6	
Of which: real GDP growth	-1.0	-0.3	-0.5	-1.9	-2.0	-2.0	-2.2	-2.1	-2.0	-12.3	
Exchange rate depreciation [7/]	1.1	-4.1	1.5	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.0	0.0	0.0	0.6	2.3	0.0	0.1	0.5	0.9	4.4	
Privatization receipts and overdue tax collect	0.0	0.0	0.0	-0.6	-0.5	-0.6	-0.4	-0.3	-0.2	-2.6	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accumulation of deposits at banking system	0.0	0.0	0.0	1.2	2.9	0.6	0.5	0.7	1.1	7.1	
Residual, including asset changes [8/]	5.1	3.9	0.7	0.9	0.1	-0.1	-0.2	-0.2	-0.2	0.2	



Source: IMF staff.

1/ Public sector is defined as central government and includes public guarantees.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

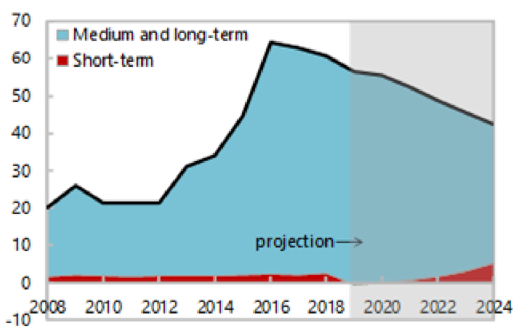
8/ Includes changes in the stock of guarantees, asset changes, and recognition of arrears. For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

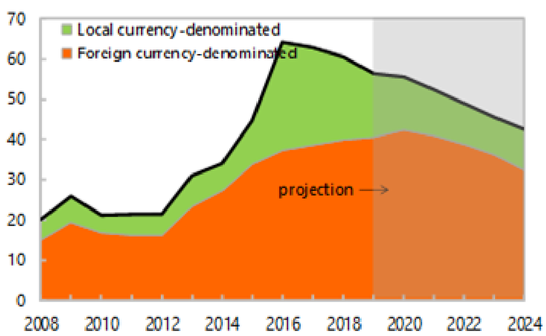
Figure 4. Gabon: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(Percent of GDP)



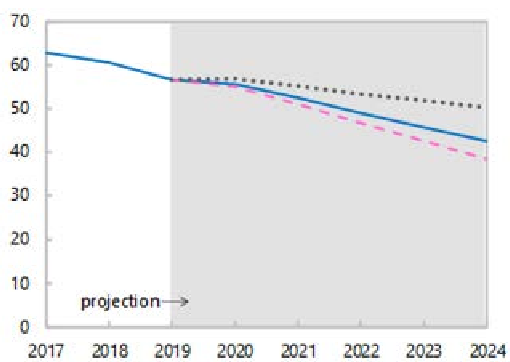
By Currency
(Percent of GDP)



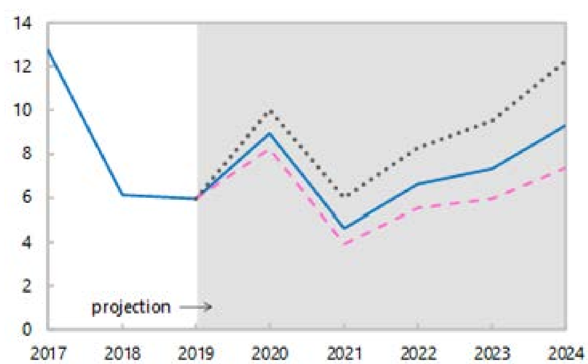
Alternative Scenarios

Baseline   Historical   Constant Primary Balance

Gross Nominal Public Debt
(Percent of GDP)



Public Gross Financing Needs
(Percent of GDP)



Underlying Assumptions
(Percent)

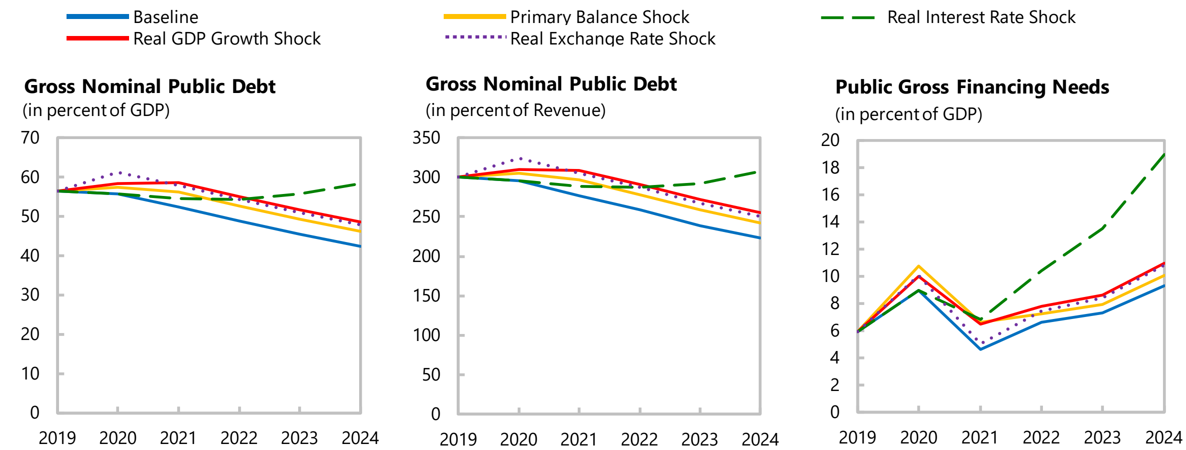
Baseline Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Inflation	2.6	0.2	0.4	1.1	1.3	2.4
Primary Balance	4.5	3.8	3.9	3.7	3.6	3.5
Effective interest rate	4.2	4.8	5.8	6.0	6.2	6.5
Constant Primary Balance Scenario						
Real GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Inflation	2.6	0.2	0.4	1.1	1.3	2.4
Primary Balance	4.5	4.5	4.5	4.5	4.5	4.5
Effective interest rate	4.2	4.8	5.8	6.1	6.3	6.5

Historical Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	3.4	3.4	3.4	3.4	3.4	3.4
Inflation	2.6	0.2	0.4	1.1	1.3	2.4
Primary Balance	4.5	2.8	2.8	2.8	2.8	2.8
Effective interest rate	4.2	4.8	6.0	6.4	6.7	7.0

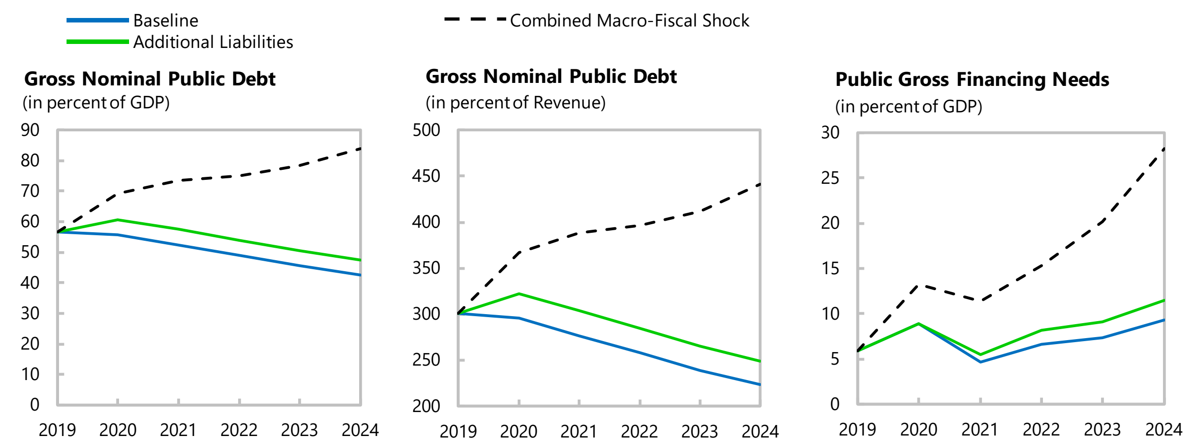
Source: IMF staff.

Figure 5. Gabon: Public DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

	2019	2020	2021	2022	2023	2024
Primary Balance Shock						
Real GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Inflation	2.6	0.2	0.4	1.1	1.3	2.4
Primary balance	4.5	2.0	2.1	3.7	3.6	3.5
Effective interest rate	4.2	4.8	5.9	6.1	6.3	6.5
Real Interest Rate Shock						
Real GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Inflation	2.6	0.2	0.4	1.1	1.3	2.4
Primary balance	4.5	3.8	3.9	3.7	3.6	3.5
Effective interest rate	4.2	4.8	9.9	12.4	15.3	18.0
Combined Shock						
Real GDP growth	3.4	0.8	0.9	4.5	4.5	4.7
Inflation	2.6	-0.5	-0.3	1.1	1.3	2.4
Primary balance	4.5	2.0	2.1	3.7	3.6	3.5
Effective interest rate	4.2	5.5	10.3	13.1	15.9	18.5
Effective interest rate	4.2	4.8	5.7	6.0	6.1	6.3

	2019	2020	2021	2022	2023	2024
Real GDP Growth Shock						
Real GDP growth	3.4	0.8	0.9	4.5	4.5	4.7
Inflation	2.6	-0.5	-0.3	1.1	1.3	2.4
Primary balance	4.5	3.2	2.7	3.7	3.6	3.5
Effective interest rate	4.2	4.8	5.8	6.1	6.2	6.4
Real Exchange Rate Shock						
Real GDP growth	3.4	3.8	3.8	4.5	4.5	4.7
Inflation	2.6	5.9	0.4	1.1	1.3	2.4
Primary balance	4.5	3.8	3.9	3.7	3.6	3.5
Effective interest rate	4.2	5.5	5.7	6.0	6.2	6.4

Source: IMF staff.

Annex V. Capacity Building and Technical Assistance Framework

This note presents the understanding reached between the Gabon country team and the Gabonese authorities on the capacity development strategy and expected objectives in support of the macroeconomic policy priorities for the period ahead. The note defines a set of milestones and outcomes related to the technical assistance (TA) program including actions to be undertaken by the authorities to achieve the agreed goals.

A. Policy Priorities

1. Despite notable progress, there are still weaknesses in administrative and institutional capacity. Within this context, the overarching policy priorities for Gabon remain: (i) conducting prudent macroeconomic policies and maintaining fiscal discipline so as to preserve debt sustainability and avoid accumulation of payments arrears; (ii) increasing domestic revenue by expanding the tax base to meet growing demand for public goods and services, accommodate growing social needs, and over time substitute for uncertain donor support; (iii) increasing the efficiency of public spending; and (iv) addressing weaknesses in the banking sector to reduce risks to financial stability. Gabon also needs to strengthen its statistics to better inform policy decisions and the private sector. Finally, there is a need to continue efforts to implement public finance reforms under the Organic Law of 2014 to strengthen the credibility of the budget, allow transparent budget execution and strengthen reporting and controls.

B. Past Technical Assistance and Capacity Building

2. Gabon has been a high recipient of technical assistance from the Fund in recent years. In most cases, TA tackled structural weaknesses and recommendations are being implemented with mixed results thus far. Over the past two years Gabon has received support either from the fund (HQ or AFRITAC) or other donors (e.g., World Bank) on a wide range of critical topics: (i) tax administration and policy; (ii) public financial management, including cash management, and public investment; (iii) fiscal accounting and reporting; (v) management of natural resources; (vi) macroeconomic statistics; (vii) debt management; (viii) financial markets; and (ix) public procurement. Although the legal and regulatory framework for public finance has improved after the adoption of the organic law on budget, derived from the CEMAC directives,[1] weaknesses in their effective implementation has often hampered progress in PFM. Budget credibility remains weak, leading to substantial changes at the execution phase and difficulties to prepare reliable fiscal reports.

[1] Organic law 02/2014 on budget law and budget execution; Directive 01/11-UEAC-190-CM-22 on budget laws.

C. TA Priorities Going Forward

3. In support of the authorities' policy priorities, TA will continue to focus on developing capacities in the above-mentioned areas to ensure continuity and support authorities efforts in macroeconomic management, especially in revenue (tax and customs) administration and PFM. This TA will aim at strengthening budget credibility and enhancing transparency and governance. The strategy will also leverage IT improvement and other low hanging fruits with immediate positive impact. TA will also aim at enhancing the authorities' capacity to address weaknesses in the financial sector. Support to improve real and external sector statistics will also be expanded. Donors are not providing TA in these various areas that the Fund plans to cover.

Revenue Administration and Policy (2019–22)

- Objective: Achieve more effective and efficient mobilization of domestic resources by: (i) increasing tax compliance and broadening the tax base; (ii) promoting tax compliance and encouraging and facilitating collaboration between tax and customs administrations; (ii) broadening the base and unifying the rates of various taxes (including property); (iii) reducing the number of tax exemptions and special regimes; (iv) strengthening tax and customs administrations; while increasing coverage, frequency and effectiveness of controls; (v) pursue the deployment of new IT tools to manage tax returns and payments and to assess, track and manage key tax and customs risks.
- Outcomes: (i) Filing compliance is better enforced, and audits are risk-based and their coverage is extended; (ii) customs risk management is operational and valuation capacity is strengthened; (iii) abuse of duty and scope of tax and customs exemptions are significantly reduced; (iv) tax and customs procedures are well documented and consistent with the law and their weaknesses are addressed; (v) Tax-to-GDP ratio increases to 17.5 percent of non-oil GDP by 2022.
- Milestones: (i) Further improve the effectiveness of tax audits and extend their coverage (2019–20); (ii) identification and costing of tax exemptions (early 2020); (iii) tax exemptions below 5 percent of non-oil GDP by 2021; (iv) implementation of ASYCUDA World (early 2020) and extension of the E-Tax to all taxes (2021); and (v) reduction of the tax rate paid in cash (end of 2020).
- Input: HQ-led mission in FY20 (July 2019 looked at tax expenditure at DGI/DGD and provided estimates of their size; HQ-led mission in FY19 (April 2019) on property taxation advised on reforming the current system and increasing its contribution to domestic revenue, AFRITAC Centre follow up TA visits on tax and customs administration.
- Assumptions: (i) Improved customer services to facilitate taxpayer voluntary compliance; (ii) improved audit and inspection functions; (iii) elimination of inefficient and unjustified exemptions and gradual improvement of the efficiency of other special exemptions and regimes; (iv) reforming property taxation; (iv) strengthening a culture of performance and integrity; and (v) acceleration and extension of computerization and digitization of revenue administration operations.

Public Finance Management (2020–22)

- Objective: (i) improving cash management and operationalizing the Treasury Single Account (TSA); (ii) strengthening budget processes (encompassing budget planning, preparation, implementation) with a focus on wage bill; (iii) improving investment projects planning, budgeting and execution; (iv) improving transparency of fiscal reporting, including by autonomous public agencies; (v) strengthening data management and the capacity to make debt-sustainability analysis (DSA); (vi) ensure a coordinated development of the different information systems; and (vii) strengthen coordination between the budget, the Treasury, and the debt department to ensure timely payment of debt service.
- Outcomes: Improved financial reporting and improved cash management (2020–22), full transition towards the TSA (2020), enhanced budget credibility, full transition to program budgeting starts (2019–20), and transition to *GFSM 2001/2014* completed (2020).
- Milestones: (i) Published investment program, developed and attached to the budget law (2020), (ii) Approved strategy of domestic arrears clearance (2020); (iii) TSA fully implemented (2020); (iv) Reporting on wage bill execution following the budget programs nomenclature and increased internal controls on wage bill (2021); (v) development and updating of procedures manuals and strengthening of internal controls; (vi) preparation of a Ministry of Economy and Finance IT master plan; and (vi) preparation of a report on fiscal risks, including those emanating from the public enterprises and PPPs annexed to the budget law (2022).
- Input: PIMA follow-up STX visit (January 2020); STX visit to assist in the consolidation and operationalization of the TSA (March 2020) and posting of a resident advisor on cash management; STX visit on arrears clearance strategy (2021); HQ-led mission on wage bill planning, reporting and controls (2021), Fiscal Transparency Evaluation (HQ-led mission, 2022) ; follow up TA from AFRITAC Centre on budget planning and execution and on quality of accounting; AFRITAC TA on the control of public institutions, budget execution, accounting quality, and fiscal risks. AFRITAC Centre also supports on *GFSM 2001/2014* implementation.
- Assumptions: (i) continued political support to PFM reforms; (ii) timely provision of adequate resources to enhance the efficiency of PFM agencies; and (iii) further enhancement of governance practices;

Financial Sector (2020–22)

- Objective: Improving (i) financial sector soundness, by reducing NPLs in the banking system, rationalizing public financing entities, and supporting an effective liquidation of the three public banks; (ii) access to finance by developing and implementing a comprehensive national financial inclusion strategy; (iii) the lending environment including by strengthening the judicial system and improving governance.
- Outcomes: The NPLs for the overall banking system are reduced to single digits (2020–21); public financing entities are grouped and have a new strategy exclusively focused on indirect financing (2020); the liquidation of the three failed banks completed (2020: BHG, 2021: Postbank and BGD) at no significant cost to the state; a national financial inclusion strategy is developed (2021) and its implementation started (2021); the reforms of the judicial system are implemented, with trained judges, functioning commercial courts and security registries (2020–22).

- Milestones: Recommendations to (i) gradually reduce NPLs in the banking system by defining and implementing the arrears clearance strategy (2020) and to (ii) develop a strategy to strengthen access to finance for SMEs (2020).
- Input: HQ-led TA missions to (i) define the arrears clearance strategy ([March 2020]); and (ii) develop a strategy to strengthen access to finance for SMEs (September 2020).
- Assumption Strong commitment to (i) strengthen existing banks and fostering financial stability; (ii) avoid long-lasting and costly liquidations, minimize fiscal cost and treat all borrowers and depositors fairly; (iii) impose the rule of law; and (iv) develop access to finance for all.

Macroeconomic Statistics and Data Transparency (2020–22)

- Objective: Produce more frequent and timely indicators of economic activity, and more comprehensive price statistics, and more representative and timely balance of payments data; and promote data and transparency for better policy making.
- Outcomes: Improve economic policy making and inform private sector decisions.
- Milestones: Quarterly national accounts developed, and *SNA 2008 implemented* (2020–21). Representative PPI index established (2020–21). CPI revised to use weights derived from the 2018 household budget survey (2020). Balance of Payments for 2015 have been finalized and disseminated. Work is currently underway to produce balance of payments for the subsequent years 2016–18. National Data Summary Page established in October 2019 is running and up-to-date (continuous).
- Input: AFRITAC Centre mission to provide TA on developing quarterly national accounts and price indices; HQ-led mission, as part of the JSA-AFR project which concludes in 2020, to improve production of external sector statistics, of which BOP data (January 2020; HQ-led e-GDDS mission undertaken (October 2019).
- Assumptions: (i)Human and financial resources are available; (ii) there is a good collaboration between national agencies involved in statistics; (iii) good cooperation between the BEAC Headquarters and BEAC National Directorate in Gabon.

D. Risks and Mitigation Measures

The implementation of the technical assistance program is subject to various risks. The table below summarizes these risks and lays out the measures to monitor and mitigate their impact during the TA implementation. This will be a live TA management tool that will be updated periodically as the TA program evolves. The authorities have committed to do their part in terms of supplying the necessary human and budgetary resources to absorb future TA and follow up on TA recommendations.

Risk	Probability	Impact	Mitigation Measures
1. Weakening political commitment to reforms			
Weakening support could reverse recent gains and weaken fiscal prospects.	***Medium***	***High***	The Gabonese authorities are aware of the need to increase the efficiency of public spending and raise additional revenue. They have embarked on initiatives to improve the tax policy and administration with the continued support of the Fund and other development partners. Fund to also provide TA geared toward improving PFM and public investment.
2. Implementation capacity constraints			
Weak institutional and human resources capacity could cause delays or hamper its implementation.	***Medium***	***High***	While by regional standards Gabon's institutional and technical capacity may be considered adequate, the limited number of technical staffs in several core ministries may hinder progress. Hand-on training and support from short/long term experts would help improve implementation capacity.
3. Financing risk			
Financing can be one factor that prevents proper implementation of TA recommendations and outcomes. For example, TA recommendations that require the purchase of equipment and/or the hiring of staff may be delayed if the necessary equipment and staff could not be procured and hired for budgetary reasons.	***Medium***	***High***	The authorities are improving their capacity to assess TA-related costs and are committed to include such costs in their annual budgets. Spending efficiency gains could also help create fiscal space to facilitate the implementation of TA recommendations.

E. Authorities' Commitments

The Gabonese authorities are determined to continue to build capacity for a successful implementation of the Extended Arrangement. They have reached understandings with the Fund on a comprehensive capacity building strategy in the context of the Fund Capacity Building Framework project (CBF). They are committed to successfully implement this CBF and complementary TA from other donors by securing the necessary political support, staffing, and other resources. In doing so, they plan to provide adequate financial and human resources to sectors identified as priority sectors in the capacity building program, as well as budget resources to implement TA recommendations with financial implications. The authorities will strengthen the units tasked with monitoring the implementation of reforms by providing these units the resources to manage the overall capacity building program. They also intend to make greater efforts to ensure that sectoral capacity building plans are duly discussed with individuals and units responsible for the implementation of the recommendations.

Appendix I. Letter of Intent

November 28, 2019

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC
USA

Subject: **Letter of Intent on Economic and Financial Policies**

Dear Madam Managing Director:

The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress made in recent months toward the objectives laid out in our program supported by the three-year arrangement under the Extended Fund Facility (EFF). The memorandum also updates the previous MEFP and highlights the policy steps to be taken in the period ahead.

We have made important progress in implementing the program, although performance during the last three months of 2018 was mixed.

Since then, however, we have taken all the measures necessary to enable the satisfactory implementation of the program. Accordingly, we have met our end-June 2019 objectives with regard to tax revenue and the non-oil primary deficit. Unfortunately, we were unable to achieve our objectives on the central bank and banking system net credit to the government, due mainly to difficulties encountered early in the year in the issuance of securities on the regional market. During the year, we have been able to mobilize the necessary resources on the regional market, which should allow us to meet our objectives for end-December 2019.

In addition, we accumulated external arrears in early 2019. Yet in view of the measures taken by the government, we have been current in our external debt service payments since April 2019 (apart from some technical arrears which were promptly resolved). Moreover, we have fully cleared the existing arrears on external debt. Finally, notwithstanding our efforts, we have not achieved our objectives in regard to social spending and payment of domestic arrears. We remain determined to take—and are currently taking—corrective measures necessary to achieve our objectives for end-December 2019.

We have also implemented all the structural benchmarks, except the one for EITI membership, which we have asked to defer until end-March 2020, in order to allow effective participation and collaboration among all stakeholders, including civil society.

Economic activity has rebounded, with growth expected to reach 3.4 percent this year, compared with 0.8 percent in 2018, mainly due to good performance in the oil, mining, public construction, and timber sectors. The recovery is projected to strengthen in 2020, and the medium-term outlook remains favorable, with non-oil growth expected to exceed 5 percent by 2022. Fiscal performance at end-June 2019 was better than anticipated, as a result of cuts in expenditure. The non-oil budget deficit is expected to decline gradually from 4.6 percent of GDP this year to 4.2 percent of GDP in 2020, and to nearly 3 percent in the medium term. The external current account position has improved, and public debt has declined by almost 2 percentage points of GDP.

This performance is encouraging. However, growth remains low and major efforts are still needed regarding the social sector. We have decided to redouble our efforts to consolidate the stabilization of the economy and generate stronger, sustainable and more inclusive growth. Accordingly, in the context of the program, we will continue to implement a series of far-reaching macroeconomic and structural reform measures, particularly in the areas of economic governance and public financial management, in order to enhance domestic revenue mobilization, improve fiscal efficiency and management, and promote a business environment that is more attractive and conducive to private investment.

The program will continue to be monitored through quantitative performance criteria, structural benchmarks, and indicative targets as described in the Technical Memorandum of Understanding (Attachment II). Based on the corrective measures already implemented, those in progress, and the policies described in the MEFP, we are seeking a waiver for non-observance of the two performance criteria for June 2019 that were not observed as well as the continuous performance criteria on the non-accumulation of new external arrears, and requesting completion of the fourth and fifth reviews under the Extended Arrangement and rephasing of the remaining purchases (Attachment III).

We remain confident that the policies described in the current and previous MEFPs are adequate to achieve the program objectives. We stand ready to take additional measures should they be needed to meet the objectives of the economic program, and we will consult with the IMF in advance of any necessary revisions to the policies contained in this letter and attached memorandum, in line with Fund policies on such matters. We will provide Fund staff with all the data and information needed to assess our policies, particularly those mentioned in the Technical Memorandum of Understanding.

The government authorizes the Fund to publish this Letter of Intent, the Memorandum of Economic and Financial Policies for 2019–20, the Technical Memorandum of Understanding, and the forthcoming IMF Staff Report for the fourth and fifth reviews of the Extended Arrangement.

Sincerely yours,

/s/

Roger Owono Mba
Minister of Economy

Attachments (3):

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding
3. Schedule of Purchases and Timing of Reviews Under the Extended Arrangement, 2019–20

Attachment I. Memorandum of Economic and Financial Policies
November 28, 2019

This memorandum describes recent economic developments, presents the Government's policy priorities as part of its program supported by three-year arrangement under the IMF's Extended Fund Facility (EFF), and specifies economic and structural policy objectives.

A. Recent Developments and Economic Outlook

1. Macroeconomic performance continues to improve. Economic activity has picked up, with a growth rate expected to reach 3.4 percent this year compared to 0.8 percent in 2018, mainly due to strong performance in the oil, mining, and timber sectors. Growth in oil production could be around 15 percent in 2019, compared with around 5 percent initially forecasted, thanks to the performance of new oil fields and the absence of operational malfunctions during the year. In the non-oil sector, growth is projected at 2.5 percent compared to 1.8 percent in 2018. The non-oil budget deficit declined from 9.6 percent in 2017 to 7.6 percent in 2018, reflecting both improved domestic revenue collection and better control of current spending. During the same period, the external current account improved by more than 3.5 percentage points of GDP and public debt declined from 62.6 to 60.6 percent of GDP. The government has cleared the entire stock of external debt arrears and has not accumulated new external arrears for the last eight months apart from some technical arrears which were promptly resolved.

2. The economic and financial outlook is encouraging. The continued good performance in the mining sector and the beginning of the production phase of OLAM's agricultural activities should lead to a gradual increase in non-oil growth to 4 percent in 2020 and to above 5 percent in the medium term. Investments in the oil sector, encouraged by the new oil code and recent discoveries of new offshore reserves, will help to slow the decline in oil production due to the obsolescence of mature wells. Under these conditions, overall growth is expected to gradually increase to more than 4.5 percent in the medium term.

3. The economic outlook is subject to upside and downside risks. Downside risks include a slowdown in fiscal consolidation in Gabon or other CEMAC member countries and a lower global growth. However, there are also upside risks, particularly related to the high volume of foreign direct investment in the oil and non-oil sector. The renewed investment effort in infrastructure and agricultural and forestry projects, which are largely rural and labor-intensive, could also generate positive spillovers. However, this potential will depend largely on reforms aimed at improving the business climate. The same applies to expected developments in the industrial fishing sector.

B. Fiscal Policy

4. **Fiscal performance as of end-June was generally satisfactory.** Revenues were slightly higher than projected due to both strong oil and non-oil revenues. Expenditure was lower than expected thanks to efforts to streamline the wage bill and to control transfers and subsidies. There was also under-execution in terms of capital expenditure. Finally, special accounts-related spending was higher than anticipated due to the delays in reforming public agencies and entities.

5. **We are committed to take all necessary measures to limit the end-2019 non-oil primary deficit to 4.6 percent of non-oil GDP, in line with the program.** To achieve this, we will continue to mobilize domestic revenues, particularly through addressing exemptions and earmarked revenues, as well as continue to control spending on special accounts and net lending. In view of the frontloading in domestically-financed capital expenditure and the overrun in net lending, we remain committed to applying the reserve mechanism adopted in the context of the 2019 budget (which makes unavailable about one quarter of the budget appropriation) and the budgetary regulation mechanism put in place since April 2019 with the IMF support, in order to meet the floor of the non-oil primary deficit agreed in the program.

6. **The level of non-oil revenues is expected to remain relatively unchanged at 17.1 percent of non-oil GDP.** To achieve this objective, we have initiated several reforms, including (i) clearing expired custom suspensive procedures; (ii) updating the list of products included in the cost-of-living scheme by removing several items; (iii) enforcing existing measures on manganese taxation and excise duties; (iv) identifying tax arrears to be recovered and their effective collection; (v) rationalization of the advantages using special custom procedures such as deferred payment bond of (e.g., *credit d'enlevement*). These efforts will continue, particularly with the implementation of Sydonia World; improvements in the quality and frequency of corporate tax audits; and the strengthening of internal and external audits, including through the conduct of internal audits by the Inspectorate-General of Services and further digitalization of procedures. In addition, by end-2019 the government will draw up a list of the current exemptions (**new proposed benchmark at end-December 2019**), specifying their legal basis and fiscal impact.

7. **Efforts to reduce current spending will continue.** Current spending is projected at 15.7 percent of non-oil GDP in 2019.

- The wage bill will be maintained at around 10 percent of non-oil GDP. We will continue (i) the physical monitoring of civil servants as well as enforcing retirement for those who have reached the legal age, (ii) the freezing of recruitment with the exception of the education, health and security sectors, and (iv) the clean-up of the payroll records.

- Expenditures on goods and services will be maintained at 2.4 percent of non-oil GDP thanks to continued streamlining efforts, including: (i) the strict supervision of government officials' foreign missions; (ii) the streamlining of administrative lease related expenditure; and (iii) the close monitoring of departments expenditure related to utilities.

- Regarding transfer and subsidies expenditures, efforts will continue to focus on (i) revising the criteria for granting scholarships; (ii) establishing a unit responsible for the financial supervision of public institutions and agencies; (iii) continuing the merging and elimination of public entities (fourteen structures eliminated in 2019); and (iv) monitoring government transfers to agencies through the establishment of performance contracts. Finally, a draft law on harmonizing the status of public institutions will be submitted to Parliament (**prior action**).

8. Capital expenditure is revised downwards to 4.7 percent of non-oil GDP (compared to 5.4 percent in the program) in 2019. This reflects the relatively low execution rate observed during the first six months of the year. The June 2019 PIMA identified the main shortcomings of the public investment management system. The Government agrees with the conclusions of this assessment and is committed to implementing its recommendations.

9. We continue to experience difficulties in controlling expenditures on special accounts and net lending. Contrary to our expectations, the balance of the special accounts will still be in deficit this year, reaching CFAF 40 billion, or about 0.6 percent of non-oil GDP. Net lending, particularly to the SOGARA refinery, will increase to CFAF 40 billion, compared with an initial target of CFAF 28 billion.

10. At 1.7 percent of GDP, the overall fiscal surplus will be slightly higher than expected. Oil revenues are expected to be higher, mainly due to increased oil production and the appreciation of the U.S. dollar. With the continuation of our previously-validated Domestic Arrears Clearance Strategy, the financing requirement of CFAF 780 billion will be mostly financed by security issuance (CFAF 168 billion) and budget support from partners including the World Bank (CFAF 115.1 billion), the AfDB (CFAF 131.2 billion), and the French Development Agency (CFAF 49.2 billion).

2020 Budget

11. Fiscal adjustment will continue in 2020, by deepening reforms initiated in 2019 and introducing new measures. The objective is to reduce the non-oil primary deficit to 4.2 percent of non-oil GDP, an adjustment of 0.4 percentage points compared to 2019.

12. Increase revenue collection. Oil revenues are expected to decline due to the contraction in oil production and prices**.** Tax revenues will increase by 1 percentage point of non-oil GDP. However, due to the decline in non-tax revenues, overall non-oil revenues are expected to increase by only 0.2 percentage points of non-oil GDP. To achieve this objective, revenue mobilization efforts will focus on tax and customs exemptions. Actions will be taken to reduce inefficient and unjustified special regimes and exemptions and to optimize other measures. In this regard, the Government commits to:

- Setting up a tax policy unit (TPU) within the Ministry of Economy and Finance responsible for strategic thinking on all types of revenues. The TPU will be responsible for the annual production and updating of the list of exemptions and assessing their relevance and effectiveness. Based on their findings, the TPU will provide the Minister of Finance recommendations to optimize and develop the tax system in Gabon;

- Amending the law establishing the "Tax and Customs Advantages Commission"[1] in order to extend its jurisdiction to cover any requests for a derogation or exemption on all types of public contracts and tenders (e.g., PPPs) regardless of the method of award (e.g., direct tender) and ensure the enforcement of its decisions. The Government will therefore circulate a notice in the press for the attention of the public and contracting companies.

13. In addition to these reforms, additional measures will be implemented in 2020 to strengthen mobilization of non-oil revenues. This includes:

- Continued efforts to clear suspensive regimes (temporary admission regimes, fictitious warehouses);
- Continued modernization and roll-out of e@Tax and ASYCUDA World;
- Strengthening the capacity of tax and customs administrations to facilitate and systematize controls, particularly on products benefiting from exemptions;
- The effective general roll-out of the special hydrocarbon warehouse;
- The gradual elimination of the deferred payment bond (*crédit d'enlèvement*) (the target to fully eliminate it is 2021);
- The launching of several studies that could pave the way for reforms of the tax and customs system. These include: (i) the assessment of the impact of the reduced corporate tax rate (25 percent instead of 30 percent) on the housing and tourism sectors and the need to change its collection system (to be conducted by the Directorate General for the Economy and Tax Policy); (ii) the harmonization of the different VAT rates currently applied in Gabon; (iii) the clarification between *ad valorem* taxation and specific taxation according to the type of products; and (iv) the implementation of the alternative property tax (*contribution foncière unique*) as recommended by the IMF's June 2019 technical assistance (TA) mission.

14. Continue to streamline current spending. Current spending is expected to decrease by about 1.1 percentage points of non-oil GDP mainly due to the decline in the wage bill (0.8 percentage points of non-oil GDP). Ongoing measures to reduce the wage bill will continue, in particular the cleaning-up of the civil servants' payroll following the biometric census, and the intensification of monitoring and streamlining of public agencies through the roll-out of the dedicated monitoring unit. Expenditure on goods and services will decrease by 0.2 percentage points of non-oil GDP and transfers and subsidies by 0.4 percentage points of non-oil GDP.

[1]Order No. 14-38 of September 8, 2008.

15. In line with our objectives, we plan to increase capital expenditure by almost FCFA 200 billion (more than two percentage points of non-oil GDP). This will be done in parallel with the improvement in the quality of the projects selected in the 2020 budget law. To achieve this, we are committed to implementing the recommendations of the IMF PIMA mission to strengthen public investment management. A Public Investment Program (PIP) will be prepared presenting (i) a comprehensive overview of investment projects (including in the form of public-private partnerships), (ii) their related financing (domestic or FINEX), and (iii) their implementation status and programming over the coming years **(new proposed structural benchmark for end-April 2020)**. Efforts will also be made to renew the Public Investment Management (PIM) framework and the legal framework for public procurement. Lastly, we will continue to systematically prepare cost-benefit analyses for all investment projects budgeted at over FCFA 20 billion.

16. Exhaustive identification of earmarked revenues not yet included in the State budget will continue with AFRITAC Central's support. This includes better management of special accounts and the elimination of earmarked revenues that do not comply with legal provisions (structural benchmark as of end-October 2019) in accordance with the provisions of Law 20/2014 (LOLFEB). The above-mentioned identified earmarked revenues will be fully transferred to and recorded in the general State budget as revenue, as already set out in the 2020 draft budget law for the next fiscal year. In addition, the elimination and/or merging of several specialized public agencies should help increase transparency of earmarked revenues and reduce their scope. Finally, the Government will work with IMF staff to improve the recording and monitoring of the special accounts revenues and expenditures as well as that of earmarked revenues in the TOFE.

17. The expenditure adjustment mechanism introduced in 2019 will be maintained in the 2020 draft budget law. A reserve will be implemented on appropriated expenditure by the budget law according to the following rates: 20 percent for expenditures on goods and services, 15 percent for transfer expenditures, 16 percent for capital expenditures, and 10 percent for other expenditures. These funds shall be made unavailable until they are released. The Government will exempt social expenditures identified under the IMF program of this mechanism.

18. Efforts to mobilize funding sources will be strengthened in 2020. Efforts to recover outstanding tax arrears will intensify. Additionally, the planned issuances on the regional financial market included in the draft budget law (amounting to CFAF 150 billion) and the asset sales (amounting to CFAF 50 billion) may be mobilized on a contingent basis to meet financing needs.

19. A 2020 draft budget law in line with the Government's commitments under the program will be submitted to the Parliament before the conclusion of the Fifth Review (prior action). It will incorporate all the budgetary targets and measures set by the program.

20. Returning to a near fiscal balance and then to a surplus remains our medium-term objective. The cash-based fiscal balance is expected to turn positive as early as 2019 and stabilize at around 1.4 percent of GDP over the medium term. This gradual improvement in the budgetary position will make it possible to reduce the public debt level to below 45 percent of GDP in the medium term.

C. Arrears Management

21. The clearance strategy for existing arrears is maintained. We have fully cleared the stock of external arrears related to non-guaranteed commercial foreign debt since the end of the first quarter of 2019. VAT domestic arrears will be cleared regularly until 2021. The remaining exceptional Treasury budgetary float will be paid as planned in 2019, and the accumulation of new budgetary float in 2019 will remain limited to 15 percent of total expenditures on goods and services, transfers, and domestically-financed investment. Payment to the "Libreville Club" creditors will continue in accordance with the agreed arrears clearance plan: the arrears were consolidated to FCFA 285.7 billion, repayable over 62 months, and the Government agreed to pay FCFA 5 billion to the "Libreville Club" each month. Eight payments totaling FCFA 40 billion have been made so far in 2019.

22. The monitoring of arrears continues to improve. Since June, payment terms have been closely monitored thanks to the activation of dedicated modules and alert procedures in VECTIS and e-BOP. The report on the changes and composition of the stock of unpaid arrears for the second quarter of 2019 was published in October.

23. The government will develop a new clearance strategy for the remainder domestic arrears that is conducive to economic growth. The clearance plan will be based on the independent (PriceWaterhouse Coopers) audit report on State and public institutions' arrears incurred in 2015, 2016, and 2017. The plan will seek to maximize the impact of arrears clearance on growth and poverty. The Government will, if necessary, seek the assistance of the IMF in preparing the clearance plan. Special attention will be paid to small and medium-sized enterprises (SMEs). In this regard, efforts will be made to clear debts below FCFA 100 million, totaling an estimated FCFA 8 billion by mid-December 2019. Based on the findings of the final report and assessments made by the government, some larger claims will be subject to on-site service checks, accounting adjustments, hearings, and legal protocol formalization. These steps will start in November 2019. Overall, the clearance strategy will focus on the following criteria: the degree of labor intensity (agriculture, public works, etc.); the potential of the sector (McKinsey study); the existence or not of bank indebtedness; position vis-à-vis the tax and social administration.

24. The development of the cash flow plan and its coordination with debt management will be strengthened. The government has received IMF TA to improve cash management in relation to debt management. The government is committed to implementing the recommendations made, in particular to ensure regular updating of the monthly cash flow plan and to mobilize the most appropriate instruments to cover deficits in a proactive manner. This includes strengthening the expenditure adjustment mechanism, in place since April 2019.

D. Cash Management

25. The implementation of the treasury single account (TSA) remains a priority for 2020, in order to enhance the transparency and efficiency of cash management. The government commits to continue closing public accounts outside the TSA, particularly those that could not be identified previously, and to not open new ones. The closure of these accounts and the transfer of their balances should be effective by the end-February 2020. A regular review will be carried out on the repayments due by CDC to the public treasury and consideration will be given to optimizing the operation of the TSA (e.g., VAT escrow account, creation of an escrow account for the CNAMGS etc.).

26. It is necessary to optimize the government's cash management mechanisms through the establishment of an official and operational Treasury Committee. The government thus commits to issue a decree to renew the way the Treasury Committee operates (**new proposed structural benchmark for end-January 2020**) in line with the recommendations of the IMF's TA mission of November 2018 and to implement its provisions: weekly meetings for the for the technical committee and monthly for the steering committee. This body will ensure coordination between the Debt (DGD) and the Treasury (DGCPT) Departments. A weekly meeting between the Budget and Treasury departments will be set up in parallel (or within the Treasury Committee) in order to regulate the pace of commitments execution in relation to the available cash.

E. Other Structural Public Financial Management Reforms

27. Efforts to strengthen controls in budget implementation will be further developed at central, local, and public entities levels. The work carried out since the beginning of the program with the Fund has made it possible to systematically issue purchase orders when expenses are incurred, both at the central (via VECTIS) and provincial (via E-BOP) levels. This important step ensures tighter control over the implementation of expenditure to reduce the use of exemption procedures and thus reduce the creation of arrears. The next step is to implement the same type of controls in public entities and institutions, particularly to better control the special accounts expenditures. The Government reiterates its commitment to effectively implement these enhanced controls in the relevant structures by end-2019. Finally, efforts to document budgetary and accounting procedures will continue through the updating of existing procedure manuals (in terms of revenue and expenditure) and the preparation of new manuals.

28. The Government reiterates its commitment to improve the transparency of public finances. We are committed to further improving the transparency of the management of oil and mining revenues. In this regard, the government will intensify its efforts to submit the country's application to the Extractive Industries Transparency Initiative (EITI) (**structural benchmark for end-September 2019 proposed to be reset to end-March 2020**). However, this submission will take time given the need to ensure an effective and fruitful dialogue with civil society. In the meantime, the Ministry of Finance will transmit to the BEAC all the contracts signed with the mining and oil companies **(new proposed structural benchmark for end-December 2019**). We will ensure that these contracts/conventions are compatible with the regional foreign exchange regulations.
The government prepared a report on the situation of oil and mining assets in September 2019, which presents an estimate of the volume and value of the main natural resource assets as well as an estimate of the volume and value of their sales and budget revenues for the previous year (structural

benchmark as at end-June 2019). We will continue publishing a bi-annual report on total production and revenues from the oil and mining sectors.

29. Improvements in the financial supervision of public companies and state operators will be consolidated and sustained. Thanks to the new monitoring unit for public entities, regular audits will be carried out and the budgetary and financial information of public entities will be consolidated. The unit will produce a report after these audits, which will be published. Finally, the unit will be responsible for drafting the annex relating to public institutions and entities in the budget law. Additionally, a dashboard presenting all the government's holdings will be prepared and published.

30. The government intends to continue its efforts to modernize and improve the functioning of the financial reporting information system. These efforts aimed at (1) mainstreaming the use of the VECTIS information system (including for public agencies), ensuring that all expenditures are tracked, and all necessary checks are performed; (2) continuing the roll-out of revenue reporting information systems (e.g. e@Tax); and (3) ensuring automatic interfacing between the different systems. For this purpose, a ministerial IT master plan will be prepared. The government will carry out an assessment of existing systems in order to identify current weaknesses and areas for improvement, and to develop an action plan to strengthen the system.

31. The government is committed to continuing its efforts to improve accountability and reflect a fair picture of the financial situation of the public sector as a whole. The government thus pledges to implement the recommendations of the AFRITAC mission of September 2019 on the clearance of suspense and temporary accounts, to extend this work to remaining years, and to put in place mechanisms to ensure that accounts are cleared on time. It is also committed to produce and transmit annual fiscal reports for the previous year within the deadlines prescribed by the LOLFEB.

32. The government will strengthen the medium-term debt reduction strategy to help address debt servicing and refinancing risks. The government will aim to improve the institutional framework for public debt management, including by relaunching the project to create a National Public Debt Committee (CNDP) to coordinate debt activities and put in place a medium-term debt strategy. To mitigate interest rate risks, preference will be given to fixed interest rates for new commitments and the variable rate debt portfolio will be reviewed with a view to move from a variable rate to a fixed rate when the loan agreement permits. Next year's planned Eurobond issuance will mainly be used for debt smoothing operations to reduce refinancing risks. The use of additional amounts will only be considered after a rigorous cost-benefit analysis and confirmation that it remains consistent with planned fiscal adjustment.

F. Social Sector Policies

33. The government is committed to enhancing its efforts to improve the predictability and quality of social expenditure. The rate of social expenditure execution highlights a number of weaknesses that are mainly explained by the constraints in initiating the bidding process in connection with the school construction program, the regulation during the budget execution phase, and the reserve mechanism which made unavailable about one quarter of the social spending appropriated budget as a buffer during execution phase. Moreover, a significant portion of the scholarships are only due to the students during the last quarter of the fiscal year. As a result, as of end-June 2019, the implementation rate for social expenditure stood at 37 percent of the appropriated 2019 budget. Despite a difficult budgetary context, the government remains committed to strengthening the programming and monitoring of this type of expenditure. The government has thus proceeded with a more exhaustive definition of the scope of social spending. The following are now taken into account: (i) social benefits and pensions for public officials, (ii) subsidies on domestic butane gas for cooking and lighting; (iii) costs of the electrification program and water installations for rural areas without access to the public water and electricity grid, (iv) burial and hospital charges for the poor; (v) support for transportation costs.

34. Additionally, the government will improve the targeting of poor and vulnerable populations and the monitoring of social spending. To this end, the government will rely on Law No. 001/2018 of September 18, which provides for a better definition of its social protection program (Gabonais Economiquements Faibles, or GEF) and the new poverty profile derived from the 2017 Gabonese Poverty Assessment Survey (EGEP). In this regard, the government hopes to simplify the system of current social safety nets, optimize the use of resources allocated to social policies, and provide a systemic and tailored response to the different facets of poverty and vulnerability. The government is committed to formalizing the creation of a GEF commission dedicated to formulating legislation to reduce inclusion errors and, above all, a clear roadmap indicating steps, timelines, necessary resources and responsibilities. Finally, in order to improve the monitoring of social expenditure in the future, the government will implement the functional classification according to the classification of the functions of government (COFOG) standards.

G. Financial Sector

35. We are committed to clearing nonperforming loans and urgently conducting the needed reforms to facilitate access to credit. The strategy and action plan to reduce overdue loans were finalized on March 31, 2019 (structural benchmark for end-March 2019). However, the implementation of this plan has been delayed, both in terms of clearing government arrears and, hence, reducing NPLs, and advancing reforms to improve the judiciary system and lending environment. The Government will (i) immediately appoint a coordinator for the action plan to reduce overdue loans and as well as a contact for the “Libreville Club” and for the domestic arrears repayment strategy, (ii) clear the “Libreville Club” arrears, (iii) establish the strategy for the repayment of domestic arrears with the assistance of the IMF (by February 2020), and (iv) make the Commercial Court of Libreville effective (rehabilitation, equipment, training); and (v) give priority to promote the training of judges and clerks specialized in bank disputes.

36. We are determined to ensure that the liquidation of public banks and the BICIG transaction be carried out at the lowest possible cost to Gabonese taxpayers. By order of the Prime Minister dated March 4, 2019, the authorities created a committee to support liquidators (structural benchmark as at end-January 2019). The committee has started meeting to the satisfaction of the liquidators and the FOGADAC Deposit Guarantee Fund has already initiated a procedure for the repayment of depositors for one of the three banks. However, the sale of assets is progressing slowly. In order to minimize the fiscal cost of the liquidations, the three liquidators of the public banks are invited to pursue tirelessly the loan collection with the debtors of these entities for the recovery of the debts and this, by all the means at their disposal, including the legal proceedings and the publication of the exhaustive list of uncooperative debtors. The government reiterates its support to the independent liquidators in the pursuit of their mission. In order to guarantee the success of the sale of the temporary holding of a non-strategic participation in BICIG, as authorized by COBAC, and to avoid weighing on budget resources, the authorities hired an international consultant to identify a buyer and will conclude the acquisition of bank shares as soon as their sale has been secured.

H. Promotion of the Private Sector

37. The government renews its commitment to implementing structural and institutional reforms to promote private-sector-led growth.

- In this context, the Government has recently drafted a law on the organization of justice. This law creates the commerce courts, and their staffing and special training. The same is true of the law on the organization of the Gabon's court of justice and a new penal code. The latter, which was adopted in 2019, takes into account all new forms of crime, particularly in the areas of finance, terrorism and the environment. It should also be noted that the Trade Register (RCCM) is being reinvigorated and modernized.

- Further actions focus on the regulatory and structural framework on the one hand, and the institutions on the other. These various reforms pursue the following objectives:
  (i) Optimization of commercial justice in order to better secure investors and investments;
  (ii) Reinforcement of investor support; (iii) Improvement of the investment framework
  (iv) Reform of the national vocational training and employment framework (v) Optimization and streamlining of the tax and parafiscal framework; (vi) Strengthening the sectoral competitiveness.

  - With regard to regulatory and structural reforms, the current system will be completed by 2020 with an investment code and a national investment promotion strategy.

  - Institutional reforms consist of continuing the operationalization and strengthening of the performance of the National Agency for Investment Promotion (ANPI), the support unit for public-private partnerships, as well as the special economic zone of NKOK (SEZ).

- There also plans to operationalize the Chamber of Arbitration, train specialized judges from the start of the academic year, and commercial courts. Efforts will continue to promote the OHADA Uniform Act on Arbitration and Mediation.

38. We will develop a national financial inclusion strategy and an SME financing strategy. Three principles will guide our actions: (a) consolidating all public financing instruments for SMEs, with a view to improving their impact, coordination, and visibility; (b) allowing only indirect public financing through commercial banks based on the CDC's experience; (c) supporting SMEs through greater formalization and improved access to financial services. In this context, the government will submit a proposal to consolidate these instruments and adopt the new indirect financing strategy for indirect financing via commercial banks by end-March 2020. Also, by end-March 2020, it will submit the terms of reference for the development of a national strategy for the formalization and inclusion of SMEs. The Government is committed to developing a national financial inclusion strategy in line with the regional financial inclusion initiative, to the extent feasible.

I. Statistics

39. Following the declaration of Law No. 0015/2014 on the establishment and organization of the National Statistical System (SSN), the Government has pursued an ambitious program of reorganization of economic statistics in Gabon. This ambition materialized in 2019 with the finalization of the portal on the enhanced General Data Dissemination System (e-GDDS), which is now available to users. Similarly, the work will be finalized by the end of 2019 to provide a new, harmonized national consumer price index (HICP) for a better measure of inflation. The results of the 2018 poverty survey were published in 2019 and will help better assess the definition of economically vulnerable Gabonese. Similarly, the findings of the recent survey on educational provision will be released by the end of this year.

40. For 2020, the following activities are envisaged:

- Finalization of preliminary work for the organization of the General Census of Agriculture (GAM) and the Demographic and Health Survey of Gabon (EDSG III);
- Changing the base of national accounts to 2010;
- Updating and maintaining of the National Data Summary Page established in October 2019;
- Completion of the AIG enumeration phase and the EDSG III survey;
- The launch of the General Census of Enterprises and the start of the preliminary work on the second Statistics Development Strategy (SNDS II) in the first quarter of 2020.
- Ongoing achievements: Data transmissions to international agencies including, budget statistics in line with the IMF's MFSP 2014.

41. Regarding public finance statistics, it is important to underscore Gabon's efforts in transposing and transmitting TOFE budget statistics for fiscal years 2012 to 2016 according to the 2014 classification of the Government Finance Statistics Manual (GFSM) and transmitting them to the IMF's statistical databases; Gabon was the first to do so in the CEMAC region. This effort continued during 2019 with the transposition and transmission of the 2017 TOFE to the IMF. It is also worth noting the significant progress made in preparing the public finance statistics reports according to the GFSM 2014 and its transposition according to the 2014 GFSM methodology in accordance with the 2011 Directive no. 05/11-UEAC-190-CM-22 of the CEMAC on TOFE.
In particular, the exploitation of data sources from general accounts is progressing, thus ensuring the gradual introduction of what is a prerequisite for the recording on accruals basis, as accounting reforms are adopted. Furthermore, the Government will continue the ongoing work to adapt the TOFE to the format recommended by the 2001/2014 IMF Public Financial Statistics Handbook (GFSM 2001/2014). As such, the Government will request an IMF Fiscal Transparency Evaluation (FTE), prior to the entry into force of the new format, to ensure data quality.

J. TA and Capacity Building

42. TA and national capacity building remain essential to further strengthen our technical and institutional capacities. We would therefore like to see a better alignment of TA with our priorities as part of our economic reforms. Gabon has received substantial TA from the IMF in recent years, and the overall assessment of the implementation of this TA is positive. It has made a significant contribution to capacity building in the country and has facilitated the implementation of our economic programs. In addition, TA will be needed in the coming years to support our economic policy priorities. At this point, we would like TA from the IMF to help us during the period 2020–22 to: (i) pursue prudent macroeconomic policies and maintain fiscal discipline to preserve debt sustainability and avoid the accumulation of arrears; (ii) increase domestic revenues by broadening the tax base to meet the growing demand for public goods and services, meet growing social needs and, over time, replace uncertain donor support; (iii) increase the efficiency of public spending; and (iv) address weaknesses in the banking sector to reduce risks to financial stability. Gabon also needs to strengthen its statistics to better inform policy decisions and the private sector. Donors do not provide TA in the specific areas that would be covered by the IMF's TA. We have reached understanding with IMF staff on a TA and capacity building strategy for the next three years.
We remain committed to further improving our technical and institutional capacities and making the best use of the TA that will be provided by the IMF and other development partners to avoid overlaps. We also commit to ensuring the availability of adequate human and financial resources, and to ensure good collaboration between national institutions involved in the various areas of TA.

K. Program Monitoring

43. Program implementation will be monitored through prior actions, semi-annual reviews, quantitative performance criteria and indicative targets, continuous performance criteria, and structural benchmarks. The sixth and final review is scheduled for June 2020, based on the quantitative performance criteria for end-December 2019, continuous performance criteria, and relevant structural benchmarks. For all the reviews, the quantitative performance criteria will include: a floor on the primary fiscal balance, excluding oil revenue (payment order basis); a ceiling on the stock of net banking system claims on the central government; a ceiling on the stock of central bank claims on the central government, excluding the use of IMF credit; a ceiling on borrowing or guaranteeing external debt (program and project); a floor on government tax revenue, excluding oil revenue; and a ceiling on the accumulation of new external arrears by the central government. The prior actions and structural benchmarks are shown in Tables 3 and 4. The quantitative targets for the target dates up to end-December 2019, as well as a continuous quantitative performance criterion, are shown in Tables 1 and 2.

Table 1. Gabon: Quantitative Program Targets, 2018[1,2]

(Billions of CFA francs, unless otherwise indicated)

		2018			
		December			
		PC[3]	Adj. PC	Est.	Status
I	**Quantitative Performance Criteria**				
	Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[4]	-446.2	-366.2	-479.2	**Not Met**
	Unadjusted target (floor)		-446.2		
	Adjustment for lower (higher) than expected external program disbursements		80.0		
	Ceiling on stock of net claims of the banking system on the central government[5]	826.0	906.0	848.3	**Met**
	Unadjusted target (ceiling)		826.0		
	Adjustment for lower (higher) than expected external program disbursements		80.0		
	Adjustment for oil revenue shortfall due to international price movements		0		
	Adjustment for commercial bank purchases of nonbank government domestic debt				
	Ceiling on central bank net claims on central government, excluding use of IMF credit	107.2	...	138.0	**Not Met**
	Ceiling on contracting or guaranteeing of external debt (program and project)[6]	522.8	442.8	442.8	**Met**
	Unadjusted target (ceiling)		522.8		
	Adjustment for early (late) external program disbursements		-80.0		
	Adjustment for variation in financing conditions		0.0		
	Floor on government tax revenue, excluding oil revenue	941.3		870.0	**Not Met**
II	**Continuous Performance Criterion**				
	Ceiling on accumulation of new external arrears by the central government[7]	0	...	19	**Not Met**
III	**Indicative Targets**				
	Ceiling on the stock of domestic arrears	372.6	...	542.9	**Not Met**
	Floor on social protection spending[8]	214.3	...	79.1	**Not Met**

Sources: Gabonese authorities and IMF staff estimates.

1/ Targets as defined in the attached Technical Memorandum of Understanding.

2/ Cumulative amount from January 1, 2018 for 2018 targets, and cumulative amount from January 1, 2019 for 2019 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ Staff report on the Second Review Under the Extended Arrangement Under the Extended Fund Facility (July 24, 2018; EBS/18/72).

4/ The performance criterion will be adjusted upward or downward for any lower or higher external program disbursements, to a maximum of CFAF 80 billion.

5/ The performance criterion will be adjusted for any over/underperformance in programmed oil revenue due to changes in international oil prices. It will also be adjusted upward (downward) for any lower (higher) external disbursements relative to baseline projections, to a maximum of CFAF 80 billion. Finally, the performance criterion will be adjusted upward for any increase in commercial bank credit to the government reflecting new purchases by commercial banks of existing government domestic debt owed to nonbanks (rachat des creances).

6/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place. This PC is monitored with respect to the contracting of debt on a disbursement basis.

7/ Reports the current stock of new arrears that have been accumulated since the latest review.

8/ Includes spending on health (i.e. primary and preventive care), education (pre-primary, primary, and secondary education), and social safety net programs.

Table 2. Gabon: Quantitative Program Targets, 2019[1, 2]

(Billions of CFA francs, unless otherwise indicated)

	2019										
	Mar.				Jun.				Sep.	Dec.	
	IT[3]	Adj.	Act.	**Status**	PC[3]	Adj.	Act.	**Status**	IT[3]	PC[3]	Prop.
I Quantitative Performance Criteria											
Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[4]	-125.6	-45.6	-33.8	**Met**	-147.1	-67.1	-64.5	**Met**	-232.8	-307.3	-307.7
Unadjusted target (floor)		-125.6				-147.1					
Adjustment for lower (higher) than expected external program disbursements		80.0				80.0					
Ceiling on stock of net claims of the banking system on the central government[5]	766.5	846.5	927.8	**Not Met**	802.3	882.3	894.9	**Not Met**	835.7	820.0	795.6
Unadjusted target (ceiling)		766.5				802.3					
Adjustment for lower (higher) than expected external program disbursements		80.0				80.0					
Adjustment for oil revenue shortfall due to international price movements		0.0									
Adjustment for commercial bank purchases of nonbank government domestic debt		0.0									
Ceiling on central bank net claims on central government, excluding use of IMF credit	57.0	…	270.1	**Not Met**	57.0		244.2	**Not Met**	57.0	-64.5	13.7
Ceiling on contracting or guaranteeing of external debt (program and project)[6]	285.4	205.4	92.5	**Met**	412.2	332.2	203.0	**Met**	458.1		
Unadjusted target (ceiling)		285.4				412.2					
Adjustment for early (late) external program disbursements		-80.0				-80.0					
Adjustment for variation in financing conditions		0.0				0.0					
Ceiling on disbursing and guaranteeing of external debt (program and project)[7]										585.0	585.0
Unadjusted target (ceiling)											
Adjustment for early (late) external program disbursements											
Adjustment for variation in financing conditions											
Floor on government tax revenue, excluding oil revenue	214.0	…	249.3	**Met**	543.1		547.3	**Met**	784.2	1062.4	1061.8
II Continuous Performance Criterion											
Ceiling on accumulation of new external arrears by the central government[8]	0	…	25	**Not Met**	0		25	**Not Met**	0	0	0
III Indicative Targets											
Ceiling on the stock of domestic arrears	287.6	…	479.8	**Not Met**	259.3		385.6	**Not Met**	327.3	342.9	335.3
Floor on social protection spending[9]	90.8	…	91.5	**Met**	181.6		…		272.4	363.2	363.2

Sources: Gabonese authorities and IMF staff estimates.

1/ Targets as defined in the attached Technical Memorandum of Understanding.

2/ Cumulative amount from January 1, 2018 for 2018 targets, and cumulative amount from January 1, 2019 for 2019 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ Staff report for the Third Review of the Extended Arrangement Under the Extended Fund Facility (December 7, 2018; EBS/18/118).

4/ The performance criterion will be adjusted upward or downward for any lower or higher external program disbursements, to a maximum of CFAF 80 billion.

5/ The performance criterion will be adjusted for any over/underperformance in programmed oil revenue due to changes in international oil prices. It will also be adjusted upward (downward) for any lower (higher) external disbursements relative to baseline projections, to a maximum of CFAF 80 billion. Finally, the performance criterion will be adjusted upward for any increase in commercial bank credit to the government reflecting new purchases by commercial banks of existing government domestic debt owed to nonbanks (rachat des creances).

6/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place. This PC is monitored with respect to the contracting of debt on a disbursement basis.

7/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place. The estimates for June 2019 include CFAF 79 billion related the refinancing of the AFREEXIM bridge loan disbursed in 2018. The authorities requested the PC on external debt be modified from a contracting to disbursing basis to better reflect the monitoring of this PC.

8/ Reports new arrears that have been accumulated since the latest review. All external arrears were cleared in March 2019 and no new external arrears have been accumulated since then.

9/ Includes spending on health (i.e. primary and preventive care), education (pre-primary, primary, and secondary education), and social safety net programs.

Table 3. Gabon: Quantitative Program Targets, 2020[1, 2]

(Billions of CFA francs, unless otherwise indicated)

		March	June	September	December
		IT	Proj.	Proj.	Proj.
I	**Quantitative Performance Criteria**				
	Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[3]	-163.1	-172.5	-280.1	-303.1
	Ceiling on stock of net claims of the banking system on the central government[4]	686.9	678.6	660.6	644.6
	Ceiling on central bank net claims on central government, excluding use of IMF credit	-16.3	-41.3	-71.3	-285.7
	Ceiling on disbursing and guaranteeing of external debt (program and project)[5]	77.5	191.1	280.7	1014.6
	Floor on government tax revenue, excluding oil revenue	235.8	605.7	870.3	1205.6
II	**Continuous Performance Criterion**				
	Ceiling on accumulation of new external arrears by the central government[6]	0	0	0	0
III	**Indicative Targets**				
	Ceiling on the stock of domestic arrears	293.5	260.8	305.4	269.7
	Floor on social protection spending[7]	90.8	181.6	272.4	363.2

Sources: Gabonese authorities and IMF staff estimates.

1/ Targets as defined in the attached Technical Memorandum of Understanding.

2/ Cumulative amount from January 1, 2020 for 2020 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ The performance criterion will be adjusted upward or downward for any lower or higher external program disbursements, to a maximum of CFAF 80 billion.

4/ The performance criterion will be adjusted for any over/underperformance in programmed oil revenue due to changes in international oil prices. It will also be adjusted upward (downward) for any lower (higher) external disbursements relative to baseline projections, to a maximum of CFAF 80 billion. Finally, the performance criterion will be adjusted upward for any increase in commercial bank credit to the government reflecting new purchases by commercial banks of existing government domestic debt owed to nonbanks (rachat des creances).

5/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place. The authorities requested the PC on external debt be modified from a contracting to disbursing basis to better reflect the monitoring of this PC.

6/ Reports the current stock of new arrears that have been accumulated since the latest review.

7/ Includes spending on health (i.e. primary and preventive care), education (pre-primary, primary, and secondary education), and social safety net programs.

Table 4. Gabon: Structural Conditionality for 2018–19

Measures	Previous Timeframe	Status	Proposed Timeframe
Submit to Parliament a draft 2020 budget in line with the macroeconomic framework agreed under the EFF.			Prior Action
Publishing a new decree establishing harmonized statutes for public administrative institutions and repealing earlier provisions.	End-Sep. 2018	Not Met. The draft decree was converted into a law	
Submit to Parliament for approval the draft law establishing harmonized statutes for public administrative institutions and repealing earlier provisions.			Prior Action
Publish quarterly reports on the amount and composition of the stock of unpaid payment orders.		Met (published on 10/10/2019 for 2nd quarter 2019)	Next End-Nov. 2019 (for previous quarter)
Publish within 55 days from the end of the quarter, quarterly budget execution reports transmitted to Parliament, using elements and nomenclature of the budget law and including a specific analysis on social spending.		Met (published on 06/23/19 for 2nd quarter 2019)	Next End-Nov. 2019 (for previous quarter)
Collect 40 percent of recoverable tax arrears.	End-Dec 2018	Not met. Collection was completed June 2019.	
Clear 50 percent of expired suspensive customs procedures.	End-Dec. 2018	Not met.	
Complete an independent audit of 2015, 2016, and 2017 domestic expenditure arrears.	End-April 2019	Not Met. Report transmitted Oct. 2019.	
Develop a strategy for the clearance of loans in arrears.	End-Oct. 2018	Met.	
Nominate representatives to the liquidation support group of each state bank in liquidation.	End-Jan. 2019	Not met. Done in April 2019.	
TSA consolidation through closure of all central government accounts opened with commercial banks.	End-Mar. 2019	Met.	
Publish a report disclosing the volume and value of major oil assets, as well as the volume and value of the previous year's sales and fiscal revenue.	End-Jun. 2019	Not met. The report was published in Sept. 2019.	
Submit application for EITI membership to EITI Secretariat.	End-Sep 2019	Not Met.	March 2020
Eliminate noncompliant earmarking of revenues and limit it to exceptions provided for by law.	End-Oct. 2019	Met. Specific provision in the draft 2020 budget law	

Table 5. Gabon: New Proposed Structural Benchmarks

Measures	Macroeconomic Rationale	Related Documentation	Timing
Transmit the contracts signed with mining and oil companies to the BEAC.	Improve transparency of oil and mining revenues	Certification by the Ministry of Finance that contracts and agreements signed with oil and mining operators have been transmitted to the BEAC.	End-Dec. 2019
Establish the list of all existing tax and custom exemptions and assess their fiscal impact.	Boost revenue collection	List of existing tax and custom exemptions with mention of the legal base and evaluating the fiscal impact.	End-Dec. 2019
Adopt and implement a decree on the Treasury Committee repealing and replacing the 2018 decision and in line with TA recommendations.	Improve and rationalize cash flow management	Signed and promulgated decree and minutes of the meetings.	End-Jan. 2020
Prepare a comprehensive Public Investment Program (PIP) with all public investment projects (including PPPs and FINEX).	Improve public investment management	PIP document approved by MEFSN including all investment project regardless of the procurement (e.g., direct, restricted or open tender) of financing (domestic, FINEX, PPPs) methods.	End-April 2020

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Gabonese authorities and the International Monetary Fund (IMF) regarding the definition of quantitative performance criteria (QPC) and indicative targets (IT). It also set out the QPC and IT adjusters, and data reporting requirements for the duration of the Extended Arrangement under the Extended Financing Facility, as described in the authorities' Letter of Intent (LOI) dated November 28, 2019, and the attached Memorandum of Economic and Financial Policies (MEFP). As is standard under all Fund arrangements, we will consult with the Fund before modifying measures contained in the LOI/MEFP or adopting new measures that would deviate from the goals of the program and provide the Fund with the necessary information for program monitoring.

2. The QPCs and IT are shown in Table 1 of the MEFP. Prior actions and structural benchmarks are listed in Table 2 of the MEFP. For program monitoring purposes, quantitative performance criteria (PCs) and indicative targets (ITs) are set for December 31, 2019; the same variables are an indicative target for March 30, 2020.

3. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program accounting exchange rates" as defined below, except for items affecting government fiscal balances, which will be measured at current exchange rates. Unless otherwise indicated, U.S. dollar denominated components of the balance sheet of the Bank of Central African States (BEAC) will be valued at the official exchange rate of the CFAF to the U.S. dollar of 584.05 as of June 1, 2019. Amounts denominated in other currencies will be converted for program purposes into U.S. dollar amounts using the following cross-rates: the Euro valued at 1.1185 U.S. dollars, Pound Sterling valued at 1.2647 U.S. dollars, the Chinese Yuan valued at 6.9062 U.S. dollars, the Special Drawing Right (SDR) valued at 1.38050 U.S. dollars.

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

4. Definitions: The central government (CG), for the purposes of the program, consists of all institutions, government units, and special funds (including the Road Fund) currently covered under the state budget. It does not include any local government authorities, the Bank of Central African States (BEAC), or any government-owned entity with separate legal status. The authorities will inform the Fund staff of any new funds, or other special budgetary and extra-budgetary programs that may be created during the program period to carry out operations of a fiscal nature and will ensure that these will be incorporated within the definition of central government.

5. The fiscal year is the calendar year, starting on January 1 and ending on December 31.

A. Cumulative Floor on the Non-Oil Primary Fiscal Balance on a Payment Order Basis

6. Definition: The non-oil primary fiscal balance of the CG on a payment order basis is measured as the difference between:

i. total central government revenue on a cash basis (excluding oil revenue), and;

ii. total central government expenditure on a payment order basis excluding interest payments.

7. The QPC for the fiscal balance is calculated based on the projected exchange rate. Reporting and adjustment, as defined below, will be made using current exchange rates.

8. Definition: Total CG revenue (excluding oil revenue) is measured on a cash basis and includes offsetting revenue and expenditure operations, including private sector tax obligations offset against central government obligations to the private sector. Tax receipts are specified in the Table of central government financial operations (*Tableau des opérations financières de l'Etat–TOFE*), including all earmarked revenues (Road Fund and special funds). Oil revenue includes payments received in cash and in crude. Revenue received by the treasury will be registered after encashment, which will be at most 7 days after the date of receipt; oil revenue received in kind will be recorded at transaction value on the day of sale.

9. Definition: Total CG expenditure includes spending on a payment order basis (*ordonnancements*), and treasury advances (*avances à régulariser*), and outlays on special funds and from earmarked revenues. The TOFE presentation will also recognize the following government expenditures (in addition to existing expenditure categories): (i) capital transfers arising from assumption of obligations of public enterprises undergoing privatization or liquidation; (ii) capital transfers arising from assumption of obligations of private enterprises; (iii) capital grants arising from assumption of obligations of other general government units; and (iv) current transfers at the end of the fiscal year used for financing of the deficits on accounts at the Treasury, accounts of Treasury correspondents (*Correspondant du Tresor*) and local governments (*Collectivités locales*).

10. Definition: The financial operations specified in the *TOFE* relating to treasury correspondents (*correspondants du Trésor*), local governments (*collectivités locales*), and other treasury operations (*autres opérations de trésorerie*) correspond to the change from period to period in the balance of these accounts. In the case of financial operations on accounts at the Treasury of treasury correspondents (*correspondants du Trésor*) and local governments (*collectivités locales*), a debit (i.e., negative) entry for the whole fiscal year, representing a reduction in the balance of such accounts, cannot exceed the balance of the account at the start of the fiscal year. If for a given account, a debit entry for the whole fiscal year exceeds the balance on this account at the start of the fiscal year, the central government financing of the deficit ran by the treasury correspondent or local government will be recorded in the TOFE as non-bank financing (a credit (i.e., positive) entry under "Assumption of end-fiscal year deficits on accounts at the Treasury of Treasury correspondents and local governments") and as a corresponding increase of the same magnitude of current transfers.

Text Table 1. Gabon: External Program Disbursements (Baseline Projection)

Cumulative flows from the beginning of the year	Prog.
	(In US$ Millions)
External loans for budget support	
End December 2019	662.4
End March 2020	0.0
External loans for project financing	
End December 2019	284.4
End March 2020	113.2
External loans from commercial sources and international capital markets	
End December 2019	46.3
End March 2020	26.4

Sources: Gabonese authorities; and IMF staff projections.

11. Reporting: Data will be provided to the Fund with a lag of no more than six weeks after the end of the month.

12. Adjusters: The floor on the cumulative primary non-oil fiscal balance of the CG on a payment order basis will be adjusted downward (upward) to the extent that external financing is more (less) than external projected disbursements given in Text Table 1, to a maximum of CFAF 80 billion.

B. Ceiling on the Net Claims of the Banking System on the Central Government

13. Definition: Net claims of the banking system on the CG is measured in accordance with the accounting practice at the BEAC, and is defined as the sum of:

i. Central bank net claims on CG, including deposits, loans, advances, accounts receivable, and any other government claim or liability as defined in the monetary survey.

ii. Other depository corporation net claims on CG, including securities of the CG, loans to central government, other advances to CG, and deposits of the central government with depository corporations.

14. Thus defined, the net claims of the banking system on the central government amounted to CFAF 894.9 billion as of June 30, 2019 (Text Table 2).

15. This ceiling does not apply to new agreements for the restructuring of domestic debt or the securitization of domestic arrears.

Text Table 2. Gabon: Net Claims on Central Government

(Billions of CFA francs, stock)

	Dec-16	Dec-17	Jun-18	Dec-18	Jun-19
Banking system, Net claims on central government	653.7	664.5	876.8	848.3	894.9
Central Bank, Net claims on central government	220.6	249.3	451.3	365.5	475.7
Claims on central government	452.7	564.2	566.0	680.5	684.4
Loans to central government	452.5	452.5	452.5	452.5	452.9
Use of IMF credit	0.0	111.3	113.1	227.6	231.5
Other	0.2	0.5	0.0	0.5	0.0
Liabilities to central government	232.1	314.9	114.7	315.0	208.7
Treasury vault cash	36.8	41.5	40.4	40.9	56.0
Fund for Future Generations/Sovereign Wealth Fund	150.2	47.2	10.8	9.2	12.5
Treasury current accounts at the BEAC	45.1	226.2	63.5	264.8	140.2
Other Depository Corporations, net claims on central government	433.1	415.2	425.5	482.7	419.1
Claims on central government	621.7	528.5	538.3	542.1	472.7
Securities Central Government	517.6	461.0	446.9	470.0	385.9
Regional bonds	104.2	67.5	91.4	72.1	86.8
Liabilities to central government	188.6	113.3	112.8	59.4	53.6
Treasury deposits	42.2	24.8	27.2	30.2	19.7
Other deposits	146.4	88.6	85.6	29.2	33.9
CCA	0.0	0.0	0.0	0.0	0.0

Source: BEAC

16. Reporting: Data will be provided to the IMF with a lag of no more than six weeks after the end of the month.

17. Adjusters: The adjusters for the performance criterion on the net claims of the banking system on the central government:

i. The program ceiling will be adjusted downward (upward) by the full amount of the cumulative excess (shortfall) in external program disbursements relative to the baseline projections in Text Table 1, up to a maximum of CFAF 80 billion.

ii. With the objective of shielding fiscal objectives from uncertainties regarding oil prices, the ceiling on net claims of the banking system will be:

a. If Brent oil price projections as reported by IMF-WEO decline by up to 25 percent relative to the program baseline (US$71.900 per barrel), the ceiling will be adjusted upward to accommodate the shortfall in oil revenue in a given quarter.

b. If Brent oil price projections as reported by IMF-WEO decline by more than 25 percent relative to the baseline program projection, then a consultation between the government and the IMF is required.

c. If Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection for 2018-19, the entirety of oil revenues additional to the baseline program projection should be deposited in Gabon's Fund for Future Generations at the BEAC.

iii. The program ceiling will be adjusted upward to reflect any purchase by commercial banks of outstanding contractual government credit (*rachat de créances*) and government bonds issued on the CEMAC market held by non-bank private sector creditors as of end-2017.

C. Ceiling on Net Claims of the BEAC to the Central Government, Excluding the Use of IMF Credit

18. Definition: The ceiling on net claims of the BEAC to the central government, excluding IMF credit is calculated as the gross claims of the BEAC on the central government, including BEAC statutory advances to the CG and other BEAC claims on the CG (excluding BEAC claims on the CG created by the on-lending of IMF credit), less the gross liabilities of the BEAC to the CG, including treasury vault cash, deposits of the Future Generation Fund, deposits of the Sovereign Wealth Fund, and other central government deposits held at the central bank.

19. Reporting: Data will be provided to the IMF with a lag of no more than six weeks from the end of the month.

20. Adjusters: The adjusters for the performance criterion on the net claims of the banking system on the central government:

i. With the objective of shielding fiscal objectives from uncertainties regarding oil prices, the ceiling on net claims of the banking system will be:

a. If Brent oil price projections as reported by IMF-WEO decline by up to 25 percent relative to the program baseline (US$71.900 per barrel), the ceiling will be adjusted upward to accommodate the shortfall in oil revenue in a given quarter.

b. If Brent oil price projections as reported by IMF-WEO decline by more than 25 percent relative to the baseline program projection, then a consultation between the government and the IMF is required.

c. If Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection for 2018–19, the entirety of oil revenues additional to the baseline program projection should be deposited in Gabon's Fund for Future Generations at the BEAC.

D. Ceiling on Disbursing or Guaranteeing of External Debt by the Central Government

21. Definition: For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.

I. For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:

  i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

  ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

  iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

II. Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

22. Definition: For the purposes of the ceiling on disbursing or guaranteeing external debt by the CG, external debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF). The ceiling applies to all external debt whether or not concessional. Guaranteeing external debt triggers the nonobservance of the performance criterion regardless of whether or not a disbursement has been made. The performance criterion will be assessed on a cumulative basis during the fiscal year. The performance criterion does not apply to:

i. Normal import-related commercial debt having a maturity of less than one year;

ii. Rescheduling agreements;

In the case of the issuance of euro bond, the amount deemed disbursed is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final documentation.

23. Adjusters:

i. The program ceiling applicable to new external debt is adjusted upward up to a maximum of 5 percent of the ceiling on new external debt in cases in which differences vis-à-vis the PC on new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.

ii. The program ceiling will be adjusted upward (downward) in cases where early (late) disbursements of specifically agreed and identified financing flows take place.

24. Reporting: The authorities will inform IMF staff within 2 weeks of any planned contracting or guaranteeing of external debt and the related conditions before the debt is either contracted or guaranteed by the CG. Once there is agreement with IMF staff of the planned disbursement or guaranteeing of external debt and the debt is either contracted or guaranteed by the CG, their disbursement will become part of the monitored disbursements of existing debts.

E. Ceiling on the Accumulation of New External Arrears by the Central Government

25. Definition: The accumulation of external payments arrears by the CG will be a continuous performance criterion with a zero limit throughout the program period. External payment arrears are defined as contractual external debt service obligations (interest and/or principal, including moratorium and later/penalty interest, where applicable) of the CG that have not been paid within 30 days after falling due. It shall not apply to external payments arrears arising from external debt being renegotiated with external creditors, including Paris Club creditors; and more specifically, to external payments arrears in respect of which a creditor has agreed that no payment needs to be made pending negotiations.

26. Reporting: This performance criterion will be monitored on an ongoing basis. The Ministry of Economy will provide the final data on the stock of external arrears of the CG to the IMF, including any occurrence of new arrears accumulation, with a lag of not more than three weeks from the end of the month.

F. Cumulative Floor on Central Government Tax Revenue, Excluding Oil Revenue

27. Definition: The program will have a floor on CG non-oil revenue. Non-oil revenue refers to revenue from tax and non-tax collection and exclude all revenue from asset sales, grants, and oil revenue. The floor on government tax revenue, excluding oil revenue is a performance criterion beginning with the end-December 2018 quantitative program target.

28. Reporting: Data will be provided to the IMF with a lag of no more than six weeks from the end of the month.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Cumulative Floor on the Net Reduction of the Stock of Domestic Arrears of the Central Government

29. Definition: The stock of domestic payment arrears of the CG is defined as the sum of all contractual obligations that remained unpaid 90 days after the payment order date. This stock includes, but is not limited to, payment obligations from procurement contracts for goods and services and other contracts providing for payment in domestic currency, as well as statutory obligations for payment (e.g., civil service wages, VAT reimbursements, and other entitlements). The cumulative floor on the net reduction of the stock of domestic arrears of the CG is measured as the stock of outstanding domestic arrears on the test date minus the stock of outstanding domestic arrears as of January 1, 2018.

30. Reporting: Data on repayment and new accumulation of domestic payment arrears and the remaining previous-year stock of domestic payment arrears will be provided to the IMF with a lag of no more than six weeks from the end of the month.

B. Cumulative Floor on Central Government Social Spending

31. Definition: The program will have a floor on non-wage social spending as defined in the CG budget for a particular fiscal year. These programs are funded by government resources. The floor includes: (i) spending on primary, secondary, and vocational education, including basic goods and services, and school infrastructure and rehabilitation; (ii) spending on health programs, including basic goods and services, and transfers for primary health care facilities; and (iii) spending on social protection including health insurance and targeted safety nets. Also taken into account are: (a) subsidies on domestic gas butane for cooking and lighting; (b) the costs of the electrification program and hydraulic installations for rural areas that do not have access to the public water and electricity network, (c) the cost of burial, hospitalization for the indigent; and (d) support for transportation costs. Costs related to the statistical monitoring reform of economically weak Gabonese (GEF) are also included in the floor. Performance relative the program target on social spending is assessed on the basis of commitments versus initial budget appropriations for the above-mentioned social spending components. Monitoring is carried out on the basis of quarterly targets determined in agreement with the Gabonese authorities.

32. Reporting: Data will be provided to the IMF with a lag of no more than six weeks from the end of the month.

III. PROGRAM MONITORING

A. Reporting Requirements

33. To facilitate monitoring of program implementation, the government of Gabon will prepare and send to the IMF by e-mail data and monthly reports within six weeks following the end of the preceding month. Such data will include (but are not limited to) the following:

- the comprehensive monetary survey, the central bank balance sheet, and the consolidated balance sheet of the commercial banks (electronic file);
- the central government financial operations (*opérations financières de l'Etat)* on a payment order basis (*ordonnancements*), identifying any discrepancy between the fiscal deficit and changes in domestic and external arrears and in the treasury float, on the one hand, and total net domestic bank/nonbank and net external financing, on the other (electronic file);
- the detailed breakdown of oil revenue by type of revenue (royalties, profit tax, dividends, bonuses and other) and by company/type of contract, as well as the detailed breakdown of non-oil tax revenue (by type of tax) and nontax revenue (electronic file);
- the detailed breakdown of total central government expenditure, on an adjusted commitment basis, adjusted payment order basis, and cash basis as presented in the *Tableau Intégré* (electronic file);
- the details for domestic and external debt-service obligations, on a contractual and actual payments basis, respectively, with a breakdown into interest and principal and by creditor, as well as any possible accumulation of domestic or external arrears (electronic file);
- the details on the stock of external and domestic debt at the end of each quarter prepared by the Generate Directorate of Debt. The external debt stock is to be evaluated at end-of-quarter exchange rates (electronic file);

- the details for the outstanding stock of the treasury float (month to month) and the cumulative flows from January 1, 2018; the net accumulation of new float during 2018, defined in paragraph 6 as the difference between payment orders (*ordonnancements*) and payments made (cash basis), as well as the repayment of pre-2018 float, with both items to be broken down by wages and salaries, goods and services, transfers and subsidies, interest, capital expenditure, and net lending; any stock-flow adjustment not consistent with flows should be explained (electronic file);

- information on the balance of the accounts relating to treasury correspondents (*correspondants du Trésor*), local governments (*collectivités locales*), and other treasury financial operations specified in the TOFE;

- the amount of new external debt contracted or guaranteed by the central government, with the detailed information on the original terms and conditions (currency of denomination, interest rate, grace period, and maturity) and the envisaged path of disbursement;

- actual disbursements on external debt, including on newly contracted loans, by creditors and by projects/programs and the amounts of debt relief, if any, granted to Gabon by external creditors (electronic file);

- monthly information on the oil sector: export prices, effective exchange rate, production per oil field, volume of exports and volumes provided to SOGARA based on data from the *Direction Générale des Hydrocarbures* (electronic file);

- quarterly report on numbers and value of procurement contracts treated by the *Direction Générale des Marchés Publics* (DMP) by type of contracting;

- indicators and other statistical data on recent economic developments, such as the household consumer price index, merchandise imports and exports (in value and volume terms) by major categories on the basis of customs data, timber production and exports by categories (in value and volume terms), as well as the quarterly reports on economic activity prepared by the General Directorate of the Economy (DGE) and six-monthly report of the balance of payments by the BEAC; and

- a status report on the implementation of the structural reforms specified in Table 2 attached to the letter of November 28, 2019.

The Technical Committee in charge of monitoring the Fund-supported program will provide the African Department of the IMF with any other information that the latter may deem necessary or that may be requested by the staff of the IMF for the effective monitoring of the program.

Attachment III. Gabon: Schedule of Purchases and Timing of Reviews Under the Extended Arrangement, 2019–20

		Current Schedule	Proposed new schedule		
Date of availabilty	Condition for disbursement	Amount (millions of SDRs)	Amount (millions of SDRs)	Amount (millions of US$)	Percentage of Quota 1/
June 19, 2017	Approval of the extended arrangement under the EFF.	71.430		96.649	33.069
December 1, 2017	Observance of the PCs for end-June 2017, conituous PCs and completion of the first review.	71.430		98.615	33.069
June 1, 2018	Observance of the PCs for end-December 2017, conituous PCs and completion of the second review.	71.430		100.618	33.069
December 1, 2018	Observance of the PCs for end-June 2018, conituous PCs and completion of the third review.	71.430		100.618	33.069
June 1, 2019	Observance of the PCs for end-December 2018, conituous PCs and completion of the fourth review.	71.430	44.670	63.032	20.681
December 1, 2019	Observance of the PCs for end-June 2019, conituous PCs and completion of the fifth review.	71.430	44.670	63.032	20.681
April 30, 2020	Observance of the PCs for end-December 2019, continuous PCs and completion of sixth review.	35.820	89.340	126.125	41.361
	Total	464.400		648.990	215.000

Source: IMF staff projections.
1/ Gabon's quota is SDR 216.0 million.

INTERNATIONAL MONETARY FUND

GABON

December 3, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION, FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND REPHASING OF THE REMAINING PURCHASES—INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2019)

Membership Status: Joined September 10, 1963 — Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	216.00	100.00
Fund holdings of currency (Exchange Rate)	484.62	224.36
Reserve Tranche Position	17.18	7.95

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	146.72	100.00
Holdings	118.81	80.98

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
Extended Arrangements	**285.72**	**132.28**

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	Jun 19, 2017	Jun 18, 2020	464.40	285.72
Stand-By	May 07, 2007	May 06, 2010	77.15	0.00
Stand-By	May 28, 2004	Jul 31, 2005	69.44	41.66

Overdue Obligations and Projected Payments to Fund [1/]
(SDR Million, based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2019	2020	2021	2022	2023
Principal			5.95	23.81	47.62
Charges/Interest	1.43	5.40	5.39	5.23	4.67
Total	1.43	5.40	11.35	29.04	52.29

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

Safeguards Assessments:

The Bank of the Central African States (BEAC) is the regional central bank of CEMAC. A full safeguards assessments (SA) under the periodic four-year cycle for regional central banks was completed in August 2017. The assessment noted the positive steps taken by the BEAC to complete amendments to its Charter to strengthen governance provisions and plans to enhance financial reporting transparency through full transition to the international financial reporting standards (IFRS) beginning with the 2018 financial statements. The focus will now shift to implementation of the reforms in daily decision-making and secondary legal instruments. The assessment noted, however, that the BEAC will need to reinforce the capacity of its accounting, internal audit, and risk management functions, and that the governance arrangements over reserves management be aligned with the new BEAC charter. The implementation of most of the recommendations has progressed broadly as planned, and staff maintains close engagement with the BEAC as it continues to implement the governance reforms and transition to IFRS.

Exchange Rate Arrangement:

The de jure and de facto exchange rate arrangement of the Central African Monetary Union (CAMU) is a conventional peg. Gabon has accepted the obligations of Article VIII, Sections 2, 3 and 4 and maintains no separate legal tender. The regional currency is the CFA franc, which is pegged to the Euro at a fixed rate of CFAF 655.95 =Euro 1. Gabon maintains a 1.5 percent tax on wire transfers abroad that is not consistent with Gabon's obligations under Article VIII, Section 2(a) of the Articles of Agreement. The proceeds of this tax are used to fund Gabon's health insurance scheme. Staff encouraged the authorities to remove this restriction. The authorities note that they have exempted a number of transactions (including all interbank transactions) from this tax, but do not propose eliminating the tax.

Article IV Consultations:

Gabon is on a 24-month Article IV consultation cycle, since the EFF-supported arrangement has been in place. The Executive Board concluded the last Article IV consultation on February 19, 2016.

FSAP Participation and ROSCs:

The first regional Financial Sector Assessment Program (FSAP) was carried out during January–March 2006. Regional Reports on Observance of Standards and Codes (ROSCs) were done in the areas of monetary and financial policy transparency, banking supervision, and anti-money laundering and combating the financing of terrorism (AML/CFT) in June 2006. A FSAP update took place during November 2014–January 2015.

Resident Representative:

There is currently a resident representative in Gabon.

Technical Assistance:

A. Central Africa Regional Technical Assistance Center (AFRITAC)

Area	Focus	Time of Delivery
Public Financial Management	Budget execution (Budget)	Oct. 2019
Public Financial Management	Budget execution (Treasury)	Oct. 2019
Government Financial Statistics	Dissemination of financial statistics	Oct. 2019
Public Financial Management	Clearance of suspense accounts	Sep. 2019
Public Finance Management	Fiscal risks	Sep. 2019
Revenue Administration	Follow-up on recommendations (customs)	Sep. 2019
Government Financial Statistics	Coverage and quality of public financial statistics	July 2019
Revenue Administration	Audit and tax arrears	July 2019
Public Financial Management	Earmarked revenues and public agencies	June 2019
Public Financial Management	Seminar on public investment	June 2019
Government Financial Statistics	Dissemination of financial statistics	June 2019
Debt Management	MAC-DSA Training	May 2019
Public Finance Management	Budget preparation	Mar. 2019
Revenue Administration	Enhance main functions of internal revenue administration	Feb. 2019
Debt Management	Medium term debt management strategy	Jan. 2019
Revenue Administration	Tax revenue risk management	Dec. 2018
Debt Management	Management of assets and liabilities	Dec. 2018
Real sector statistics	National accounts	Nov. 2018
Revenue Administration	Medium-term strategy	Nov. 2018
Public Financial Management	Modernizing institutional management of public finances	Nov. 2018
Revenue Administration	Enhancing main functions of internal revenue	Nov. 2018
Public Financial Management	Budget preparation	Oct. 2018
Revenue Administration	Enhancing main functions of internal revenue	Oct. 2018
Government Financial Statistics	Coverage and quality of government statistics	Sep. 2018
Revenue Administration	Enhancing main functions of internal revenue	June 2018
Revenue Administration	Enhancing main functions of customs administration	Apr. 2018
Real sector statistics	National accounts	Mar. 2018
Revenue Administration	Internal revenue/customs administration/fighting fraud	Mar. 2018
Public Finance Management	Treasury management	Mar. 2018
Financial Programming	CPI data improvement	Feb. 2018
Revenue administration	Internal revenue/customs administration/fighting fraud	Jan. 2018
Government Financial Statistics	Public finance statistics	July 2017
Real sector statistics	National accounts	July 2017

B. Headquarters

Department	Purpose	Time of Delivery
FAD	Identification and evaluation of tax exemptions	Aug. 2019
FAD	PIMA	June 2019
FAD	Modernization of property tax	May 2019
FAD	Tax and customs revenues mobilization	Nov. 2018
FAD	Cash management and TSA	Nov. 2018
FAD	Special accounts and earmarked revenues	Jul. 2018
FAD	Follow-up on recommendations on revenue	May 2018
FAD	Identification of new sources of revenue	Feb. 2018
FAD	Actions to increase non-oil revenue mobilization	Aug. 2017
FAD	Modernization of customs and tax departments.	Nov. 2017
FAD	Expenditure arrears management	July 2017
FAD	State owned enterprises (SOEs) and public agencies	May 2017
FAD	Quarterly fiscal reporting	April 2017
FAD	PEFA Assessment	Apr 2017
FAD	Expert visits on customs	Mar 2017
FAD	PEFA Assessment	Dec 2016
FAD	PEFA Assessment	Oct 2016
FAD	Program budget outturn	May 2016
FAD	Short-term customs expert	May 2016
FAD	Short-term customs expert	Oct 2015
FAD	Expenditure chain	Sep 2015
FAD	Trust Fund Design	Sept. 2015
FAD	Rationalization of Expenditure Chain	June 205
FAD	PEFA assessment and PFM reforms	May 2014
FAD	Custom administration	March 2014
FAD	PEFA assessment	Dec. 2013
FAD	Public finance management	July 2013
FAD	Short term expert visit on PFM (4 visits)	Thru 2013–14
FAD	Short term expert visit on Customs (5 visits)	Thru 2013–14
STA	Implementation of the GFSM 2001/2014	Jun.2019
STA	Implementation of the GFSM 2001/2014	Nov. 2018
STA	External sector statistics	April 2018
STA	Implementation of the GFSM 2001/2014	Jan. 2018
STA	National Accounts	June 2017
STA	Financial sector indicators	Apr 2017
STA	Government financial statistics	Mar 2017
STA	Balance of payments statistics	Jan 2017
STA	National Accounts	Jan 2017

RELATIONS WITH THE WORLD BANK

Title	Products	Provisional timing of missions	Expected delivery date
	A. Mutual Information on Relevant Work Programs		
The World Bank work program in the next 12 months	**World Bank advisory services** are ongoing in the following areas:		
	- **Revenue agency:** Under a US$ 300k RAS, the objective is to address government request for support to implement a revenue agency merging Tax and Custom administrations	Na.	Dropped.
	- **Ministry of Economy:** This US$ 200k RAS aims to support the ''Direction de la Prospective'' in developing and rolling out medium term macro fiscal projection tools and a database of public investment projects	The last mission (with dissemination activities initially planned but finally canceled because of a government reshuffle appointing a new Minister of Finance) took place in June 2019	Completed in June 2019
	- **Civil service reform:** Through a US$ 500k RAS. The activities should be centered on supporting ministries' HR departments (which are relatively new), supporting the information system (using the existing system as a base) and providing technical assistance on performance evaluation and incentives since they will launch a cross-cutting work in the area	The RAS agreement expired, and the Government has already sent a request for a two-year extension. The WB team is currently working to extend the RAS.	Final delivery date initially scheduled in September 2019 and expected to be extended by at least six months
	- **Poverty Assessment:** Under a US$ 150k ASA, the objective is to investigate the extent, profile and structure of poverty and inequality in Gabon and to inform the policy debate on how the progress towards	Consultations with the government for the dissemination of the results are currently ongoing.	Completed in June 2019.

Title	Products	Provisional timing of missions	Expected delivery date
	poverty alleviation and shared prosperity could be accelerated.		
	- **Digital Economy for Africa:** This US$ 200k ASA aims to help the Governments, as well as the development partners, to get a comprehensive overview of each country readiness to reap the benefits of the Digital Economy using the Digital Economy for Africa (DE4A) Diagnostic Too, and to inform government policy, strategy and investment for the development of the digital economy in AFCC1 countries (Gabon, Cameroon, Angola, STP, EQG).	Na.	Completed in May 2019
	- **Central Africa-Digital Economy policy dialogue in AFCC1:** Based on the DE4A assessments performed in FY19, this US$ 390k ASA consist in many activities in AFCC1 countries including, in the case of Gabon, the dissemination of DE4A country diagnostics and the policy dialogue for the implementation of the recommendations	The last mission took place in June 2019	Final delivery date expected for March 2020
	- **Improved monitoring of small-scale cross border trade:** Under a US$ 290k ASA, the objective is to assess the strengths and limitations of small-scale cross border trade (SSCBT) data systems where they exist to understand the cost effectiveness of different data collection methods and types of quantitative and qualitative data that policymakers need and use the most. Through this work, the project will inform policy in other regions where SSCBT is important and where monitoring systems would be relevant. The results will also contribute to discussions and negotiations under the CTFA by raising the profile of SSCBT and	The last mission took place in July 2019	Final delivery date expected for May 2020

Title	Products	Provisional timing of missions	Expected delivery date
	drawing attention to the importance of addressing barriers that limit this trade.		
	- **Support to targeting reform and social protection policy dialogue:** The US$ 50k proposed ASA is expected to support the Government of Gabon's Ministry of Social Protection and Solidarity and the Gabonais économiquement faible (GEF) commission in the application of a newly developed targeting methodology to GEF database. The task is expected to support policy dialogue related to reform and expansion of the social protection sector in line with approved Prior Action (PA) on social protection	Na.	Completed in June 2019
	- **Strengthening DRM capacity in ECCAS:** The purpose of this US$ 550k ASA is to systematically enhance country and regional capacities to better manage climate and disaster risks and leverage DRM entry points to promote long-term resilient development.	Na.	Final delivery date expected for June 2020
	- **Unlock private investment to support job growth and economic transformation:** The development objective of this US$ 200k ASA is to provide tailored advice to Cameroon and Gabon on targeted policies with a view to unlock private investment to promote jobs creation and economic transformation in both countries	Na.	The Concept meeting is scheduled for end November 2019 and the final delivery date expected for June 2020
	- **CEMAC housing Finance Market Diagnostic:** This US$ 100k ASA will help provide the CEMAC region with (i) an Affordable Housing Finance Strategic Roadmap; and (ii) a Regional Mortgage Refinancing Company (MRC) Feasibility Study.	The last supervision mission took place in July 2019.	Final delivery date expected for June 2020

Title	Products	Provisional timing of missions	Expected delivery date
	- **MAPS II:** The main development objective of this US$ 25k ASA is to identify major risks to the efficient and transparent functionning of the public procurement system and assist the GoG to design its strategy and sequenced action plan to improve perfomance and pave the way for a greater reliance on national public procurement arrangements for the development partners-financed projects.	A dissemination of the results was organized in June 2019.	Completed in June 2019.
	World Bank lending: - A US$35 million Strengthening the capacity of regional financial institutions in the CEMAC region project was approved in May 2018.**:** The Project Development Objective is to strengthen the capacity of selected CEMAC regional financial institutions to implement their mandates in the areas of financial stability, inclusion and integrity. The Project consists of four components: (i) strengthening the Capacity of BEAC and COBAC to Implement their Financial Stability Mandate; (ii) strengthening the Capacity of BEAC and COBAC to implement their Financial Inclusion Mandate; (iii) strengthening Capacity of GABAC to Implement its Financial Integrity Mandate; (iv) supporting Selected Reforms through Results Based Financing	 Na.	 Final delivery date expected for July 2023
	- A US$18 million Investment Promotion and Competitiveness project was approved in March 2014. The objective of the Project is to contribute to the improvement of the investment climate and foster enterprise development in Gabon. The Project consists of three components: (i) institutional	The last mission took place in September 2019. It was an evaluation mission since the project is now closed.	Closed in June 2019

Title	Products	Provisional timing of missions	Expected delivery date
	development to improve business climate; (ii) support to enterprise development and; (iii) project coordination and public-private dialogue.		
	- A US$58 million IBRD Loan for the Central African Regional and National Backbone project (CAB4) was approved in March 2012 and became effective in March 2013. The objective of the Project is to contribute to increase geographical reach and usage of regional broadband network services and reduce their prices in the territory of the Gabonese Republic. The project components consist of: (i) Enabling environment; (ii) Connectivity; and (iii) Project management. A US$23 million Additional Financing (AF) to scale up the fourth series of projects (SOP4, formerly APL4) of the Central African Backbone (CAB) Program (P122776) coupled with a level two restructuring to extend the project has been prepared.	Last supervision mission took place in November 2019.	Revised closing date scheduled in March 2020
	- A US$58 million IBRD Loan for the Central African Regional and National Backbone project (CAB4) was approved in March 2012 and became effective in March 2013. The objective of the Project is to contribute to increase geographical reach and usage of regional broadband network services and reduce their prices in the territory of the Gabonese Republic. The project components consist of: (i) Enabling environment; (ii) Connectivity; and (iii) Project management. A US$23 million Additional Financing (AF) to scale up the fourth series of projects (SOP4, formerly APL4) of the Central African Backbone (CAB) Program (P122776) coupled with a level two	Last supervision mission took place in November 2019.	Revised closing date scheduled in March 2020

Title	Products	Provisional timing of missions	Expected delivery date
	restructuring to extend the project has been prepared.		
	- A US$60 million Access to Basic Services in Rural Areas and Capacity Building Project (Energy) was approved by the Board in September 2015. Its objectives are to expand access to water and energy services in targeted rural areas and to establish mechanisms to improve sustainability of service provision. The project is effective since October 2016	Last supervision mission took place in October 2019. During this mission the new TTL of the project was introduced to the GoG.	Expected closing date in November 2021. The project has been restructured in June 2019 to change among others the development objectives and the result framework.
	- A US$7.5 million GEF wetlands grant aims to enhance protection of biodiversity in selected forested wetlands on the Ramsar list through knowledge creation and development of conservation measures for sustainable wetlands management.	Last supervision mission took place in July-August 2019.	Expected closing date in April 2020
	- A US$100 million Infrastructure and Local Development Program II was approved in December 2015. It aims at improving access to urban infrastructure and services in selected underserviced neighborhoods and to build basic capacities for municipal management in target cities.	Last supervision mission took place in September-October 2019.	Expected closing date in January 2021. The project has been restructured in June 2019 to change among others the disbursement estimation and the risk analysis.
	- A US$100 million Skills for Employability Support Project was approved in February 2016. The overarching objective of the project is supporting youth employability in Gabon to address the twin goals of promoting shared prosperity and reducing extreme poverty.	The last mission took place in September 2019 for the negotiation. The project is effective since December 2016.	Expected closing date in December 2021. The project has been restructured in April 2019 to change among others the components of the project.

Title	**Products**	**Provisional timing of missions**	**Expected delivery date**
	- A US$9.33 million Wildlife and Human-Elephant Conflict Management Project is effective since January 2017. It will help finance the management of four parks in South Gabon (Loango, Moukalaba-Doudou, Mayumba and Waka). In addition to providing funds to fight poaching, it will be supporting local communities in the area of park management, including eco-tourism and other income-generating activities.	Last supervision mission took place in July-August 2019.	Expected closing date in December 2021.
	- A US$56million e-Gabon project was approved in June 2016. The objective of the Project is to increase the efficiency of public health management and services delivery by rolling out a new National Health Information System - aligning the efficiency of Information and Communications Technology with practitioners' needs - and to advance the development of a digital innovation ecosystem in Gabon to seize opportunities arising from eHealth applications and services	Last supervision mission took place in November 2019.	Expected closing date in January 2022
	- A US$35million e-Gabon additional financing project is currently under preparation with an expected Board date in July 2020. The objective of the Project is to: (i) improve the timeliness and availability of information to support the delivery and management of public health services; and (ii) to foster the development and roll-out of eHealth applications and services, and Information and Communication Technology (ICT) services more generally.	Last supervision mission took place in November 2019.	Expected Board date in July 2020
	- A AUS$ 50 million Statistical project is under preparation. The concept note review meeting took place in	Last supervision mission took place in February 2019. A	Expected closing date in December 2021

Title	Products	Provisional timing of missions	Expected delivery date
	March 2016. The development objective of this project is to strengthen the statistical capacity of the borrower, fill key data gaps, improve statistical production, and enhance statistical dissemination practices.	mission to work on the new price index took place in November 2019.	
	- A new DPO series is under preparation (amount to be defined). The objective of the proposed Inclusive Growth and Spending Efficiency operation is to support government's reforms to improve the efficiency of spending in the health sector and overall and promote a more inclusive and sustainable growth. The Bank approval meeting is scheduled in July 2017	Technical discussions to build the matrix of reforms have already started and the first preparation mission will take place in early December 2019.	FY 2020
	IFC investments: A US$110.9 million Société d'Exploitation du Transgabonais (SETRAG) concessionaire of 650-kilometer Transgabonais rail line between Franceville and Libreville to increase the railway's transport capacity, while also improving its reliability (initially US$45.9 million but extended with an additional financing of US$65 million).		
	B. Requests for Work Program Inputs		
Bank request to Fund	- Article IV documents.		FY20.
	C. Agreement on Joint Products and Missions		
Joint products in the next 12 months	- Collaboration on various data issues.		Ongoing.

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK

Investment Projects/Programs	Timing of Missions	Completion Date
1. The capacity building project on youth employability and social protection was approved in December 2016. This project, funded by a loan of € 84.63 million, aims to build capacity for social protection and social protection. employability of young people through: (i) increasing and diversifying the supply of vocational training and technical education, and health; (ii) improving the quality of training and sector governance; and (iii) promoting social inclusion and national solidarity. This project has two operational components; namely: (i) skills development for employability; and (ii) Promotion of health and social inclusion.	The last supervision mission of this project took place in November 2019.	March 2022.
2. The Seed Program Support Project Phase I was approved in November 2017. This project, funded by a loan of € 98.541 million, aims to (i) contribute to the reduction of the country's food dependency; (ii) create agricultural development zones in the different provinces of the country; (iii) improve living conditions in rural areas through access of rural populations to socio-economic infrastructures and services; (iv) improve the supply of training in rural areas; and (v) develop agricultural entrepreneurship, especially for young people. This project has two operational components; namely (i) rural infrastructure development; and (ii) capacity building.	The project was launched in October 2019.	December 2023.
3. The project to support the diversification of the Gabonese economy was approved in June 2018. This project financed by a loan of 62.74 million euros aims to (i) improve the investment climate; (ii) strengthening the mobilization of domestic resources to ensure sustainable financing of economic diversification; and (iii) promotion of Gabonese priority sectors and SMEs. This project has two operational components; namely (i) support for investment climate reforms to strengthen the competitiveness of the economy; and the mobilization of internal resources for economic diversification; and	The project is expected to be launched in December 2019.	March 2022.

Investment Projects/Programs	Timing of Missions	Completion Date
(ii) support for reforms in priority mine-timber sectors to diversify sources of growth.		
4. The Libreville Integrated Water Supply and Sanitation Program Phase I was approved in October 2018. This operation, which is financed by two loans totaling 117.4 million euros, aims to contribute to improving access to drinking water for Gabonese populations. The project has two operational components; namely (i) development of sanitation infrastructure for drinking; and (ii) improving sector governance and capacity building.	The project is expected to be launched in November 2019.	June 2023.
5. The support program for economic and financial reforms phase III, which is budget support, was approved in November 2018. It is financed by a loan of 100 million euros. The objective of this program is to (i) strengthen fiscal consolidation through increased revenue mobilization and public expenditure rationalization, with particular emphasis on controlling the wage bill and enhancing the efficiency of the public sector. public investment; and (ii) support the diversification of the economy through the improvement of the investment climate and the competitiveness of the agricultural sector in order to facilitate the structural transformation of the economy. This program has two components; namely (i) strengthening fiscal consolidation to restore macroeconomic stability; and (ii) support for the diversification of the economy for inclusive growth.	The final completion and evaluation mission for the performance of this program will take place in the first quarter of 2020.	Although the legal closure of this program took place in June 2019, the implementation of some reforms is ongoing.
6. The GSEZ Private Harbor Project was approved in December 2018. This project, which is financed by a € 40 million loan, is for the design, construction and operation of a new general-purpose cargo terminal at Owendo by GSEZ, with a capacity of four million tons of general cargo per year and additional storage facilities for palm oil and cereals.	The last supervision mission took place in October 2019.	February 2023.

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
General. Data provision has some shortcomings but is broadly adequate for surveillance. Staff's analysis is affected by shortcomings in the accuracy, reliability and adequacy of periodicity and timeliness for certain data, as well as consistency between datasets. The statistical producing agencies do not have sufficient access to source data and lack an institutional framework in which to share information and coordinate compilation efforts. To monitor progress in the implementation of PSGE, household surveys should be conducted and disseminated regularly. Detailed economic and financial statistics, including long historical time series, are published in the *Tendances de l'Économie*, issued twice a year by the General Directorate of Statistics and Economic Studies (DGSEE) of the Ministry of Economy, Trade, Industry, and Tourism. More recent sectoral developments are described in detail in the Tableau de Bord de l'Économie, issued quarterly by the Ministry of the Economy. Due to capacity constraints, Gabon does not provide IIP data, which is required for all IMF members under Article VIII, Section 5, "so far as it is possible to furnish this information."
National Accounts. AFRITAC Central (AFC) is working with authorities to incorporate the System of National Accounts 1993 methodological recommendations. A new series of national accounts, covering the period 2001-2010 has been prepared. AFC TA mission assisted with the compilation of national accounts for 2011-2015, and the whole new series should be released after the 2011-2015 accounts have been completed. AFC also assisted Gabon with the implementation of quarterly national accounts and high frequency indicators, but no progress was achieved. **Employment and unemployment.** Data on unemployment and the total labor force are not systematically available.
Price Statistics. In 2007 the authorities began publishing an improved CPI index, which covers the same basket of goods and services as the Central African Economic and Monetary Community (CEMAC) Harmonized Consumer Price Index (HCPI) and uses a weighting scheme derived from Gabon's 2003 household expenditure survey. The CPI only covers the capital city of Libreville. The improved CPI has 2004 as base year and covers only the capital city of Libreville.
Government Finance Statistics. Significant progress has been made in adopting the analytical framework and classifications of the GFSM2001/ 2014 and by producing a TOFE from the government trial balance. The Gabonese authorities' original aim was to produce by the end of 2018 a TOFE covering budgetary central government, local authorities and social security. This aspiration has been scaled back to focus on producing high-quality statistics for budgetary central government. Further extension of the coverage to other government subsectors is planned for a later stage as the necessary statistical sources become available. The adoption of full accruals would also need to await the strengthening of the public accounting system. Gabonese authorities have indicated their commitment to GFS data and have been investing in training staff, but there remain risks particularly around the mobility of staff. Gabon is on track to provide

GFS budgetary central government data to the IMF for inclusion in the *Government Finance Statistics Yearbook* by the end of 2019.
Monetary and Financial Statistics. Monetary statistics are reported to the Fund by the Banque des États de l'Afrique Centrale (BEAC) on a monthly basis in the standardized report forms (SRFs), with delays up to two months. The depository corporation survey does not include data on deposit taking microfinance institutions, a growing sector in the country, and does not report interest rates offered by the financial institutions to non-financial entities on deposits and loans.
Financial Sector Surveillance. The Banking Commission of Central African States (COBAC) reports all core and some encouraged financial soundness indicators to STA for Gabon. BEAC has not reported data for Gabon to the Financial Access Survey (FAS) since 2013. Until 2013, BEAC reported some data and indicators of the FAS, including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs). Financial sector surveillance is hampered by significant delays in the provision of financial sector indicators (FSI). FSI are received with over 6 months delay, which hampers duly monitoring of the sector.
External Sector Statistics. Balance of payments statistics are compiled by the national directorate of the BEAC and the estimates are validated by staff from BEAC headquarters. Data are disseminated with considerable delay. However, 2018 IMF mission assisted compilers to reduce the dissemination backlog with the submission of BOP data through 2015 to the STA for publication. The situation of Gabon's external account statistics is both varied and contradictory. On the one hand, there is a sizeable backlog in producing these statistics, which is a sign of a generally deteriorating situation. But on the other hand, an examination of the system in place, the methods used, and the figures produced point to a much more optimistic picture: the system for collecting and producing data is in place and operates effectively when it is in use. A new application, BDP6+, which was put in place since 2017, benefits from increased computerization at all stages of data production and should further improve the situation. Up until the recent past, external trade data have mostly been based on estimates, which were not cross-checked with customs data. Entries on other items of the current account were not very reliable or accurate due to low response rates to enterprise surveys, despite partial correction through adjustments. Foreign direct investment in the financial account is likely to have been underestimated owing to insufficient detail in the oil sector survey and a complete neglect of surging non-oil related greenfield investments, such as those related to the large OLAM activities. The magnitude and detailed breakdown of private capital flows, particularly short term, suffered because data have not been comprehensive. Over the past few years, mission teams have been receiving simplified analytic presentation of BoP tables, which focused on the recent past and projections over the medium term. Those tables have allowed some basic insights, but considerable revisions to them have been frequent and the referenced shortcomings have made it necessary for Staff to rely on own calculations and estimations for a series of entries.

The country is currently receiving TA as part of the STA-JSA project. The first mission under the project (January 2017) found that the compilation system, essentially based on a survey of companies, is well adapted to the characteristics of the Gabonese economy in which the bulk of balance of payments flows is carried out by direct investment companies that are readily identifiable. Further improvements were brought up with the introduction of the BDP6+ application for electronic collection of data for balance of payments purposes, designed for all the countries in the region, and aligned with the methodology of the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). The next two missions under the STA-JSA project assisted in closing the dissemination gap to 2015 and in proposing improvements to the new application. The most recent TA (March 2019) mission found that work was underway to finalize the BOP for the years 2016–18 with the objective of transmitting the data for publication to STA by end-2019. However, several planned actions are still lagging behind, including production of the IIP for 2013 and 2014, and the updating of the business register. Also, while recognizing the significant progress brought up by the new application, a number of anomalies have been detected, the most important ones relating to (i) weakness in the transaction coverage, and (ii) the monetary statistics, transmitted directly by BEAC Headquarters, and which are obviously erroneous. On the former, inclusion of the SEZ operations is essential, with direct impact on the current and financial transactions/positions, and implicitly a generator of net errors and omissions. There are comprehensive data on the stock of external public debt and its composition, as well as detailed projections on debt service due. Data are provided, usually to Fund missions, by the General Directorate of Public Debt and Accounting (*Direction générale de la comptabilité publique*) of the Ministry of Budget and Public Accounts.

II. Data Standards and Quality	
Gabon implemented the enhanced General Data Dissemination System (e-GDDS) in October 2019 by launching the National Summary data page.	No data ROSC is available.

Gabon: Table of Common Indicators Required for Surveillance

(As of November 26, 2019)

	Date of latest observation (For all dates in table, please use format dd/mm/yy)	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Oct. 2019	Nov. 2019	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jan. 2019	Apr. 2019	M	M	M
Reserve/Base Money	Jan. 2019	Apr. 2019	M	M	M
Broad Money	Jan. 2019	Apr. 2019	M	M	M
Central Bank Balance Sheet	Jan. 2019	Apr. 2019	M	M	M
Consolidated Balance Sheet of the Banking System	Jan. 2019	Apr. 2019	M	M	M
Interest Rates[2]	Oct. 2019	Nov. 2019	M	M	M
Consumer Price Index	Sep. 2019	Nov. 2019	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	12/16	03/15/17	M	Q	N/A
Revenue, Expenditure, Balance– Central Government	Dec. 2016	03/15/17.	M	Q	N/A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec. 2016	Mar. 2017	Q	Q	N/A
External Current Account Balance	Dec. 2015	Mar. 2019	A	A	A
Exports and Imports of Goods and Services	Dec. 2015	Mar. 2019	A	A	A
GDP/GNP	2009	Jan 2012	A	I	A
Gross External Debt	Dec. 2016	Feb. 2017	Q	I	I
International Investment Position[6]	N/A	N/A	N/A	N/A	N/A

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including deposit rate, discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for Gabon and Mr. Nguema-Affane, Senior Advisor to the Executive Director

Executive Board Meeting

December 16, 2019

On behalf of my Gabonese authorities, I would like to thank Directors, Management and staff for their continued support to the Gabonese authorities in their efforts to restore macroeconomic stability and lay the foundations to support economic recovery in the context of the Extended Arrangement under the Extended Fund Facility. The authorities welcome the Selected Issues Paper which addresses topical issues for the authorities. They are particularly grateful for the substantive and productive technical assistance the Fund has provided them. They are committed to implement the comprehensive capacity building strategy agreed with the Fund in the context of the Fund Capacity Building Framework project.

Important progress has been made in implementing the Fund-supported program. Following difficulties encountered during the last quarter of 2018, the authorities have taken all the measures necessary to enable the satisfactory implementation of the program. As a result, performance of the program improved significantly at end-June 2019, compared to end-December 2018. In particular, three out five performance criteria (PCs) at end-June 2019 were met. Most end-September 2019 interim targets (ITs) were met and all structural benchmarks, except the one for EITI membership, were implemented, albeit with some delays. Progress in program implementation has enabled the country to contribute to the rebuilding of regional reserves. The authorities remain strongly committed to the objectives of the program.

Based on the corrective measures already implemented, those in progress, and the authorities' strong commitment to the program, the authorities are requesting (i) a waiver for non-observance of the two performance criteria for June 2019 that were not observed as well as the continuous performance criteria on the non-accumulation of new external arrears, (ii) the completion of the fourth and fifth reviews under the Extended Arrangement, and (iii) a rephasing of the remaining purchases.

Recent developments and Economic Outlook

Macroeconomic performance continues to improve. Economic activity has picked up, with a growth rate expected to reach 3.4 percent this year compared to 0.8 percent in 2018, mainly due to strong performance in the oil, mining, and timber sectors. Growth in oil production could be around 15 percent in 2019, compared with around 5 percent initially forecasted, thanks to the performance of new oil fields and the absence of operational malfunctions during the year. In the non-oil sector, growth is projected at 2.5 percent compared to 1.8 percent in 2018. Inflation declined by 0.9 percent at end-September 2019 due to reduction in food prices, and private sector credit growth at end-September 2019 remain modest at 4.0 percent. During the same period the external current account improved by more than 3.5 percentage points of GDP. The banking sector is well capitalized, liquid and profitable but NPLs remain elevated.

Fiscal performance at end-June 2019 was better than anticipated, reflecting both improved domestic revenue collection and better control of current spending. Revenues were slightly higher than projected due to both strong oil and non-oil revenues. Expenditure was lower than expected thanks to efforts to streamline the wage bill and to control transfers and subsidies. There was also under-execution of capital spending which affected social spending execution, but the latter has improved in recent months. In addition, special accounts-related spending was higher than anticipated due to the delays in reforming public agencies and entities. After declining from 9.6 percent in 2017 to 7.6 percent in 2018, the non-oil budget deficit is expected to further decline to 4.6 percent of GDP in 2019 as the authorities are sustaining efforts to mobilize domestic revenues and control spending. Public debt declined from 62.6 to 60.6 percent of GDP and remains sustainable.

The recovery is projected to strengthen in 2020 and the medium-term outlook remains favorable. The continued good performance in the mining sector and the beginning of the production phase of large agricultural projects launched years ago should lead to a gradual increase in non-oil growth to 4 percent in 2020 and to above 5 percent in the medium term. Investments in the oil sector, encouraged by the new oil code and recent discoveries of new offshore reserves, will help to slow the decline in oil production due to the obsolescence of mature wells. Under these conditions, overall growth is expected to gradually increase to more than 4.5 percent in the medium term. Inflation should remain below 3 percent and the current account should turn positive by 2022. The authorities agree with staff assessment of downside risks to the outlook but stress the upside risks particularly related to the high volume of foreign direct investment in the oil and non-oil sector.

Program performance

Program performance improved at end June 2019. Three out of five performance criteria at end-June 2019 were met, including the one on nonoil revenue. The PCs on the central bank and banking system net credit to the government were missed due mainly to difficulties encountered early in the year in the issuance of securities on the regional market. During the year, mobilization of resources on the regional market improved, which should help meet the objectives for end-December 2019. The continuous performance criteria on the non-accumulation of new external arrears was also missed, as external arrears were accumulated in early 2019. Following the measures taken, the authorities have been current in servicing external debt payments since April 2019. Moreover, all existing arrears on external debt were cleared. Finally, notwithstanding those efforts, social spending and payment of domestic arrears fell short of the objectives. The authorities are currently taking corrective measures necessary to achieve social spending objectives for end-December 2019. All structural benchmarks were implemented, except the one for EITI membership, which has been deferred until end-March 2020, in order to allow effective participation and collaboration among all stakeholders, including civil society.

Policies for 2020 and beyond

While economic performance in 2019 is encouraging, the Gabonese authorities are of the view that growth remains low and major efforts are still needed regarding infrastructure and human capital development. Going forward, they are committed to sustain their reform momentum to consolidate the stabilization of the economy and generate stronger, sustainable and more inclusive growth. Accordingly, in the context of the program, they will continue to implement a series of far-reaching macroeconomic and structural reform measures, particularly in the areas of economic governance and public financial management, in order to enhance domestic revenue mobilization, improve fiscal efficiency and management, and promote a business environment that is more attractive and conducive to private investment. Policies will continue to remain consistent with the objective of restoring the external stability of the CEMAC region.

Fiscal policy

Fiscal policy will remain the cornerstone of the program over the medium-term. Growth-friendly fiscal consolidation will continue in 2020 and over the medium term, by deepening reforms initiated in 2019 and introducing new measures. The objective in the draft 2020 budget law is to reduce the non-oil primary deficit to 4.2 percent of non-oil GDP. To this end, revenue mobilization efforts will be sustained and a special emphasis will continue to be placed on streamlining current spending by containing wage bill growth and rationalizing non priority spending, while pursuing the improvement in social spending execution and increasing the efficiency of the public infrastructure investment.

Fiscal consolidation will be essentially based on revenue mobilization. Efforts to mobilize additional revenues will focus on pursuing the modernization of tax and custom administrations and streamlining of tax and customs exemptions. In addition, a tax policy unit (TPU) will be set up to provide the Minister of Finance recommendations to optimize and develop the tax system in Gabon. Furthermore, the law establishing the "Tax and Customs Advantages Commission" will be amended to strengthen its oversight over all requests for exemptions and ensure the enforcement of its decisions.

Public financial reforms will be sustained to achieve the fiscal objectives. They seek to improve the controls and efficiency of public spending while reducing corruption vulnerabilities, in line with the recommendations of various Fund technical assistance reports, including the PIMA report. The authorities are committed to improve cash management in relation to debt management. This includes strengthening the expenditure adjustment mechanism in place since April 2019 and the establishment in early 2020 of a Treasury Committee. The implementation of the treasury single account (TSA) will remain a priority for 2020, in order to enhance the transparency and efficiency of cash management. Efforts to modernize and improve the functioning of the financial reporting information system and to strengthen controls in budget implementation at all levels will be further pursued. Improvements in the financial supervision of public companies and state operators will be consolidated and sustained using the new monitoring unit for public entities. Efforts will also be made to review the Public Investment Management (PIM) framework and the legal framework for public procurement.

The authorities reiterate their commitment to improve transparency in the management of oil and mining revenues. A report on the situation of oil and mining assets in September 2019 has been prepared and the authorities will submit the country's application to the Extractive Industries Transparency Initiative (EITI) following consultations with civil society. In the meantime, all the contracts signed with the mining and oil companies will be transmitted to the BEAC. The authorities will ensure that these contracts/conventions are compatible with the regional foreign exchange regulations.

The medium-term debt reduction strategy to help address debt servicing and refinancing risks will be strengthened. The authorities will aim to improve the institutional framework for public debt management, including by relaunching the project to create a National Public Debt Committee (CNDP) to coordinate debt activities and put in place a medium-term debt strategy. The planned Eurobond issuance in 2020 will mainly be used for debt smoothing operations to reduce refinancing risks and any additional amounts will be used consistent with the fiscal objectives. A new clearance strategy for domestic arrears that will seek to maximize the impact of arrears clearance on growth, financial sector stability, and poverty will be developed, based on the independent audit report on public debt arrears.

The predictability and quality of social expenditure will be improved. The low rate of social expenditure budget execution of 37 percent in 2019 reflects, among others, constraints in the implementation of the school construction program, and the reserve mechanism that made unavailable about one quarter of the social spending budget. The targeting of poor and vulnerable populations and the monitoring of social spending will be improved by using the definition of poor of the existing social protection program and the new poverty profile derived from the 2017 Gabonese Poverty Assessment Survey (EGEP).

Financial sector policies

The authorities are committed to clearing nonperforming loans and urgently conducting the needed financial development reforms to facilitate access to credit. The strategy and action plan to reduce overdue loans were finalized on March 31, 2019. However, the implementation of this plan has been delayed, both in terms of clearing domestic debt arrears and, hence, reducing NPLs. They are determined to ensure that the ongoing liquidation of public banks and the sale of the temporary holding of a non-strategic participation in a systemic domestic bank are carried out at the lowest possible cost to public finances. The authorities will develop an SME financing strategy and a national financial inclusion strategy, in line with the regional financial inclusion initiative.

Promotion of the private sector

The authorities remain determined to implement structural and institutional reforms to improve the business climate and promote private-sector-led growth building on the encouraging implementation of its economic diversification strategy. In this context, the revision of the judicial framework legislation has been initiated with notably the drafting of a law on the organization of justice that creates commercial courts, and the adoption of the law on the organization of the Gabon's court of justice and of a new penal code this year. The latter takes into account all new forms of crime, particularly in the areas of finance, terrorism and the environment. The current investment framework will be completed by 2020 with an investment code and a national investment promotion strategy. Institutional reforms consist of continuing the operationalization and strengthening of the performance of the National Agency for Investment Promotion (ANPI), the support unit for public-private partnerships, as well as the special economic zone of NKOK (SEZ).

Statistics

Significant progress has been made in the implementation of the ambitious program of reorganization of economic statistics in Gabon and reform momentum in this area will be pursued in 2020. Particularly noteworthy is the portal on the enhanced General Data Dissemination System (e-GDDS), which is now available to users. Similarly, the work on a new, harmonized national consumer price index (HICP) for a better measure of inflation will be finalized by the end of 2019. Significant progress is also being made in the transposition and reporting of public finance statistics according the 2014 IMF's Government Finance Statistics Manual (GFSM). Activities envisaged for 2020 include the changing the base of national accounts to 2010; the updating and maintaining of the National Data Summary Page established in October 2019, the launch of the General Census of Enterprises and the start of the preliminary work on the second Statistics Development Strategy (SNDS II) in the first quarter of 2020.

Conclusion

Program implementation has improved thanks to remedial actions taken to keep the program on track and the Gabonese authorities remain committed to the program. In light of this, the authorities are requesting the completion of the 4th and 5th reviews under the Extended Arrangement. Directors' favorable consideration of the authorities' requests will be appreciated.