INTERNATIONAL MONETARY FUND

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GABON

July 2022

FIRST AND SECOND REVIEWS OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS FOR NONOBSERVANCE OF PERFORMANCE CRITERIA, ESTABLISHMENT OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

In the context of the Gabon—First and Second Reviews of the Extended Arrangement under the Extended Fund Facility, 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 June 27, following discussions that ended on May 20, 2022, 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 June 14, 2022.
- A **staff supplement** updating information on external arrears clearance and on the completion of one prior action.
- A **Statement by the Executive Director** for Gabon.

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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Washington, D.C.

IMF Executive Board Completes the First and Second Reviews Under the Extended Arrangement under the Extended Fund Facility with Gabon

FOR IMMEDIATE RELEASE

- Program implementation has been mixed amid pandemic-related disruptions.
- A nascent economic recovery is underway, and the medium-term outlook is broadly positive amidst higher oil prices, but it remains subject to considerable uncertainty. The war in Ukraine will affect the economy through higher food and fuel prices.
- The completion of the first and second reviews under the EFF-supported program allows the authorities to draw SDR 116.1 million (US$155.29 million).

Washington, DC – June 27, 2022: On June 27, 2022, the Executive Board of the International Monetary Fund completed the First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (EFF) for Gabon. The completion of the reviews enables the immediate disbursement of SDR 116.1 million (US$155.29 million), bringing total disbursements under the extended arrangement to SDR 197.1 million (about US$263.63 million). The extended arrangement was approved by the IMF Board on July 28, 2021, to help Gabon respond to the economic fallout from the COVID-19 pandemic and to support the authorities' economic and financial reform program (see Press Release No. 21/233).

Gabon's economy was hit by the COVID-19 pandemic, with a decline in real output of 1.9 percent in 2020. Growth recovered to an estimated 1.5 percent in 2021, on the back of a booming mining sector and the rebound in the wood and construction sectors. Growth in the services sector remained subdued as containment measures weighed on the trade and transportation sectors. Higher oil prices contributed to strengthening the fiscal and external positions and reducing public debt.

The outlook remains positive. GDP growth is expected at 2.4 percent in 2022 driven by a continued recovery in wood and construction and a rebound in services. Russia's war in Ukraine and related surge in commodity prices will boost oil exports and revenues and further improve the fiscal and external positions. However, the cost of fuel subsidies will weigh on the budget and higher food prices will add to inflationary pressures. Higher oil revenues will help accommodate the increase in fuel and food subsidies to the most vulnerable and rebuild fiscal and external buffers.

Uncertainty around the economic outlook is elevated, with the balance of risks tilted to the downside. Outbreaks of highly contagious COVID-19 variants, particularly in view of the slow vaccination uptake, a potentially sharper slowdown in China, the intensification of the Russia's war in Ukraine, and possible social tensions ahead of the 2023 presidential elections, pose significant risks to the outlook. On the upside, higher oil prices and accelerated reforms are expected to strengthen domestic revenue and improve public financial management; governance and the business environment will support a return to strong and inclusive growth while safeguarding debt sustainability.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director and Acting Chair stated:

"The economy is gradually recovering from the 2020 recession owing to the strong policy response to the COVID-19 pandemic and the rise in oil prices. Growth has gained momentum, the fiscal and external positions have strengthened, and public debt has declined. The outlook is broadly positive but remains subject to various risks, including from the spillovers from Russia's war in Ukraine, a possible sharper slowdown in China, and a potential resurgence of the COVID-19 pandemic.

"Fiscal policy should continue to support the ongoing recovery while preserving debt sustainability and protecting the most vulnerable groups amid the rising fuel and food prices and inflationary pressures. Increasing domestic revenue collection and improving public finance management will help rebuild policy space for essential development outlays. Expediting the design of well-targeted social safety nets will also be critical to providing adequate support to vulnerable households and strengthening social protection.

"Addressing structural reforms, including governance and corruption weaknesses is paramount to achieve strong and inclusive growth. Enhancing the banking sector and implementing an effective financial inclusion strategy, improving the business environment, and strengthening the anti-corruption framework will help address bottlenecks in the economy and promote private investment."

Gabon: Selected Economic Indicators

Population (2017, UN est.):	2.01 million	Per capita GDP (2017):	US$ 7,490
Quota:	SDR 216.0 million	Literacy rate (2012):	82.3 percent
Main products and exports:	Crude petroleum; Manganese ore.	Poverty rate (2017):	32.4 percent
Key export markets:	China; European Union, Australia		

Macroeconomic Indicators	2019	2020	2021 Prel.	2022 Proj.	2023 Proj.
Output (change in percent)					
Real GDP	3.9	-1.9	1.5	2.8	3.7
Non-oil GDP	3.3	-1.8	2.8	2.4	4.5
Prices (change in percent)					
Inflation (End of period)	1.0	1.6	1.7	4.6	2.0
Inflation (Average)	2.0	1.3	1.1	3.5	3.2
Central Government Finances (percent of GDP)					
Revenue	19.5	17.6	14.7	16.2	17.6
Expenditure and net lending	18.2	19.8	16.6	14.9	14.5
Fiscal Balance (cash basis)	0.8	-2.4	-1.8	0.9	3.2
Total Public Debt	59.8	78.3	65.8	52.6	50.8
Central Government Finances (percent of Non-oil GDP)					
Revenue and grants	29.0	23.4	23.7	29.6	29.8
Oil	11.2	9.0	8.5	12.9	12.6
Non-oil	17.8	14.4	15.0	16.0	17.1
Expenditure and net lending	27.0	26.3	26.7	27.3	24.6
o/w Current	19.8	21.6	21.4	20.6	17.9
o/w Capital	4.2	3.6	3.9	4.2	4.3
Non-oil primary balance	-5.8	-7.4	-7.1	-6.2	-3.4
Basic non-oil primary balance 1/	-4.2	-4.2	-6.1	-6.2	-5.1
Money and Credit					
Broad Money (change in percent)	1.2	6.8	5.5	10.5	16.5
Credit to the private sector (change in percent)	2.5	5.2	15.8	14.9	11.1
Balance of Payments					
Current account (percent of GDP)	-5.0	-6.9	-5.2	0.8	-1.1
FDI (percent of non-oil GDP)	7.3	7.8	7.9	8.0	7.9
CEMAC Foreign Reserves (months of extrazone imp.)	3.6	3.3	3.9	4.1	4.3
External Debt (percent of GDP)	39.2	46.0	37.8	31.5	31.0

Sources: Gabonese authorities; World Development Indicators; and IMF staff estimates and projections.
1/ Excluding capital spending financed with external resources.

INTERNATIONAL MONETARY FUND

GABON

June 14, 2022

STAFF REPORT FOR THE FIRST AND SECOND REVIEWS OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS FOR NONOBSERVANCE OF PERFORMANCE CRITERIA, ESTABLISHMENT OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context

On July 28, 2021, the IMF Executive Board approved a 36-month extended arrangement under the Extended Fund Facility (EFF) with a total access of SDR 388.8 million (180 percent of quota) to help Gabon respond to the economic fallout from the COVID-19 pandemic and support the authorities' economic and financial reform program. A nascent economic recovery is underway, and the outlook is broadly positive but remains subject to considerable uncertainty and a range of risks. The war in Ukraine will affect the economy through various channels, including higher food and fuel prices.

The first review, initially planned for December 2021, was delayed allowing additional time to implement the structural reform agenda. Recent and expected progress on the implementation of critical structural benchmarks (SBs), particularly in the governance area, availability of data for the second review, and cumulative performance up to date provides a credible ground to combine the first and second reviews.

Program

Program implementation has been challenging amid pandemic-related disruptions which weighed on public administration management and efficiency. One out of the four end-July 2021 quantitative performance criteria (PCs) and the continuous PC on external arrears accumulation were missed. Two out of the four end-December 2021 PCs and the continuous PC on external arrears accumulation were missed. Preliminary end-March data suggest that the authorities have taken corrective actions to improve program implementation. Government deposits at the Central Bank increased. The authorities have made good progress in implementing the structural reform agenda, notwithstanding some delays relative to the timetable under the program.

Policy Discussions

Discussions focused on the need to strike an appropriate balance between fiscal prudence and targeted support to the vulnerable population to cushion the impact of recent shocks, while completing key governance reforms. Returning to the fiscal consolidation path as initially agreed in the program will be important to build up fiscal buffers and regional reserves and support a return to strong and inclusive growth.

Staff Views

In light of program performance and the authorities' commitments to the program's objectives, staff supports the completion of the first and second reviews under the Extended arrangement.
This would make available a purchase equivalent to SDR 116.1 million (53.75 percent of quota).

Approved By
Vitaliy Kramarenko (AFR) and Geremia Palomba (SPR)

Prepared by the Gabon staff team, comprising Boileau Loko (head), Jemma Dridi, Mahamoud Islam, Désiré Kanga, Chima Simpson-Bell (All AFR), Ayah Said (SPR), Jean-Baptiste Gros (FAD), and Gomez Agou (Resident Representative). Herman Nzebi (local economist) assisted the mission. Mr. Nguema Affane (OED) joined the mission. The team met with Minister of Economy and Recovery, Ms. Nicole Jeanine Roboty Spouse Mbou; Minister of Budget and Public Accounts, Ms. Édith Ekiri Mounombi Spouse Oyouomi; Minister of Good Governance and Fight against Corruption, Mr. Francis Nkea Ndzigue; Minister of Health and Social Affairs, Mr. Guy Patrick Obiang Ndong; Minister of Oil and Gas, Mr. Vincent de Paul Massassa; and representatives of the donor community, civil society, and the private sector. Félicité Adjahouinou, Nourdine Ouattara, Linnet Mbogo, and Lluis Dalmau Taulés also contributed to the preparation of this report. Discussions took place during 2–9 May 2022, through video and teleconference and during May 12−20, 2022 in Libreville.

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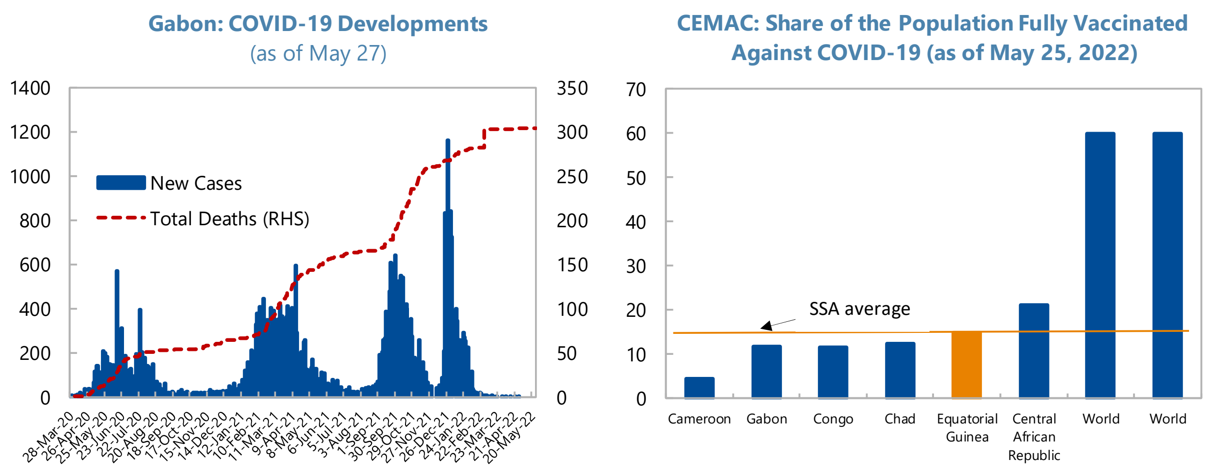
ATTACHMENTS

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

A. Recent Developments

1. All restrictive anti-COVID measures were lifted on March 5, 2022, reflecting the low level of infection (Text Figure 1). Although vaccines are relatively available, the vaccination rate (11.6 percent by mid-April 2022) is below the SSA average, due to widespread hesitancy. The authorities' goal is to vaccinate 60 percent of the eligible population by end-2022. Progress in the vaccination rate and the lifting of all anti-COVID measures would support the economic recovery started in 2021.

Text Figure 1. Gabon: COVID-19 Developments and Vaccination



Sources: Gabon's Prime Minister Office — Prevention Committee against COVID-19; WHO; Our World in Data; and John Hopkins University School of Medicine.

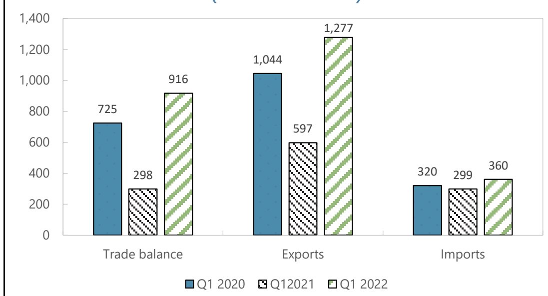
2. Real GDP growth rebounded strongly in 2021 and early 2022. Real GDP grew by an estimated 1.5 percent in 2021, following a contraction of 1.9 percent in 2020 (Figure 1). Oil GDP fell by 4.9 percent, in part owing to compliance with the OPEC+ commitments. Non-oil real GDP increased by 2.8 percent on the back of a booming mining sector and the rebound in the wood and construction sectors. Growth in the services sector remained subdued as containment measures weighed on the trade and transportation sectors. Available 2022 Q1 indicators point to a continued recovery in wood and construction and a rebound in services. Construction and railway transport grew robustly at 21.0 and 23.5 percent (y/y), respectively. Oil and manganese production expanded by 3.0 and 8.5 percent (y/y).

3. Inflation is accelerating. The 12-month inflation picked up to 2.9 percent (e-o-p) in March 2022 from 1.7 percent (e-o-p) in December 2021, driven by increasing food prices, reflecting the impact of the war in Ukraine (Annex I). On March 28, the BEAC Monetary Policy Committee raised the policy rate from 3.50 percent to 4 percent and the rate on its marginal lending facility from 5.25 percent to 5.75 percent.

4. The current account deficit improved in 2021 and early 2022 on the back of higher oil prices, but vulnerabilities remain. The trade balance improved due to higher oil prices, robust non-oil commodity exports and a moderate increase in total imports. The current account deficit improved by 1.7 percentage points (ppts) to an estimated 5.2 percent of GDP in 2021. Nonetheless, Gabon's external position is assessed to be weaker than the level implied by fundamentals and desirable policy settings (Annex II). The trade balance continued to improve in 2022 Q1 with a significant increase in oil export proceeds (Text figure 2). Nominal exports and imports of goods are estimated at about 22.2 percent and 12.6 percent (y/y) above their Q1 2020 (pre-pandemic) levels. However, the increasing trading partner concentration poses a risk (Text Figure 3).

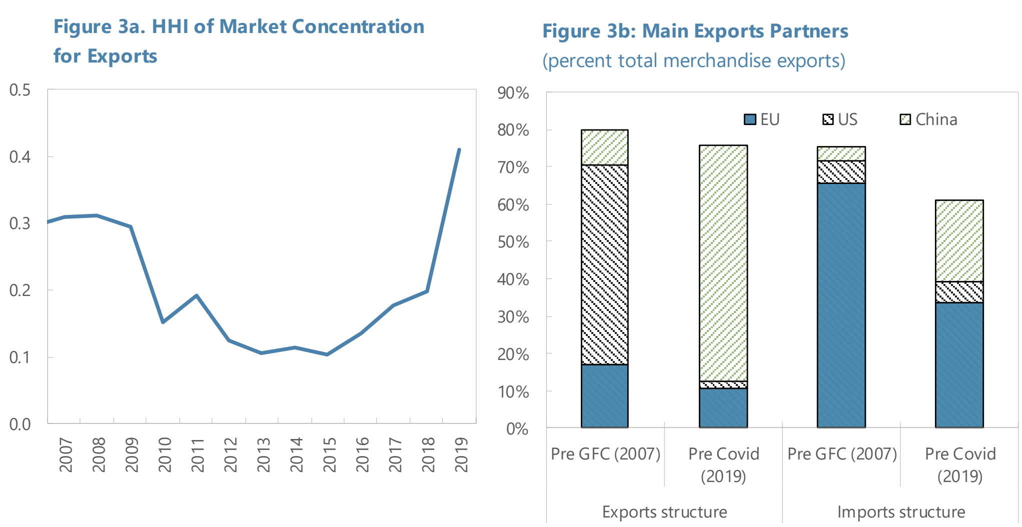
Text Figure 2. Gabon: External Trade Developments

(Billion CFAF)



Sources: Gabonese authorities; and IMF staff calculation.

Text Figure 3. Gabon: Trade Concentration[1, 2]



Sources: ITC; and IMF staff calculations.

1/ The Hirschman Herfindahl Index (HHI) is used to calculate market export concentration $HHI = \sum_{i=1}^{N} \left(\frac{X_i}{X_e}\right)^2$,

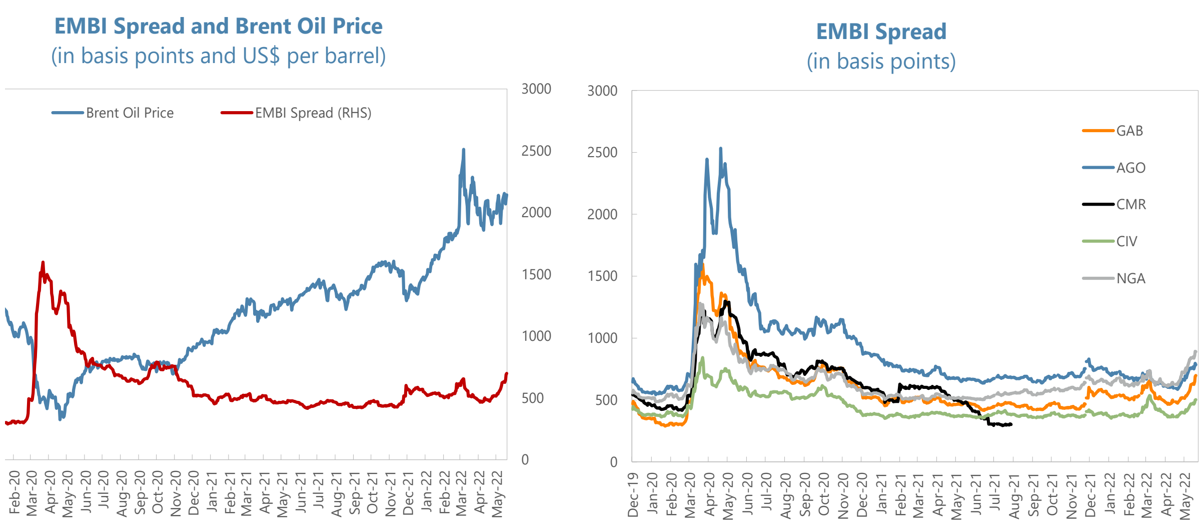
where: *Xi* = value of the exports to *ith* partner; *Xe* = total value of exports; *n* =number of export partners.

2/ GFC refers to Global Financial Crisis. The 2019 data are based on mirror sources.

5. The banking sector appears broadly stable, and lending activity has picked up.[1] At end-August 2021,[2] the solvency ratio was about 18 percent (minimum at 9.5 percent) and the short-term liquidity ratio was 163.4 percent (minimum at 100 percent). The asset quality was reportedly stable with the overdue loans and NPL ratios at 10 and 8 percent, respectively, reflecting the impact of temporary forbearance measures implemented by COBAC (the regional supervisor) expected to end in June 2022. The exit from these measures and a full reflection of COVID-impacted loans would lead to an increase in the overdue loan and NPL ratios. The banks' still high sovereign exposure, reaching almost a fourth of bank assets in Q3 2021, is of concern given the country's relatively high debt level. Credit to the private sector grew robustly by an estimated 13.9 percent (y/y) at end-March 2022 as economic activity continues to gain momentum.

6. External market conditions continue to be relatively favorable, although spreads have increased. Gabon's international bond spread declined to 474 basis points on April 21, 2022, but subsequently increased to 698 basis points on May 20, 2022 (Text Figure 4), reflecting tightening financial conditions and growing global uncertainties. The recent increase in spreads is similar to the one observed in peer countries and staff expects this to be temporary.

Text Figure 4. Gabon: Oil prices and EMBIG Spreads, December 2019–May 2022



Source: Bloomberg LP.

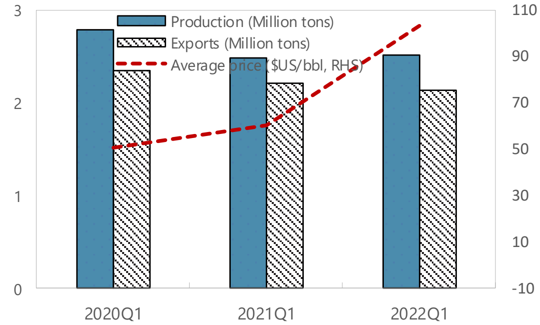
[1] See ¶27.

[2] COBAC stopped the reporting of the Financial Soundness Indicators to the statistical department of the IMF and the last reported data refer to August 2021.

Figure 1. Gabon: Real Sector Developments, 2020–22

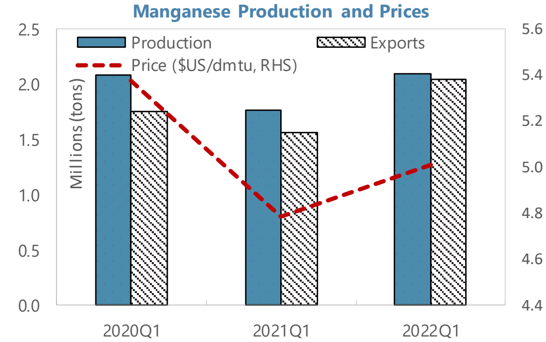
Oil production fell due to the compliance with Opec+ quota, but started increasing in 2022…

Oil Production and Brent Prices



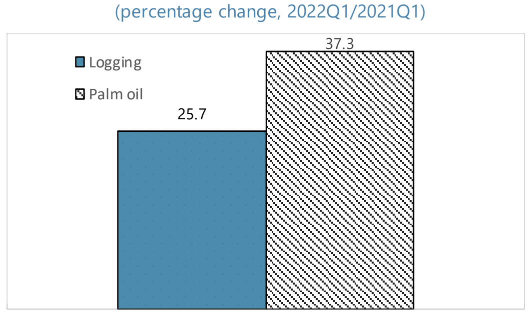
…while manganese production has improved aided by economic recovery in China and exports are expanding despite high transportation costs.

Manganese Production and Prices



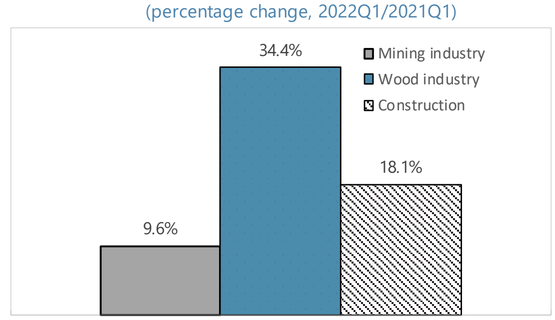
Higher demand has stimulated growth in logging sector, and increase in productivity led to higher palm oil production.

Key primary commodities: Growth rate
(percentage change, 2022Q1/2021Q1)



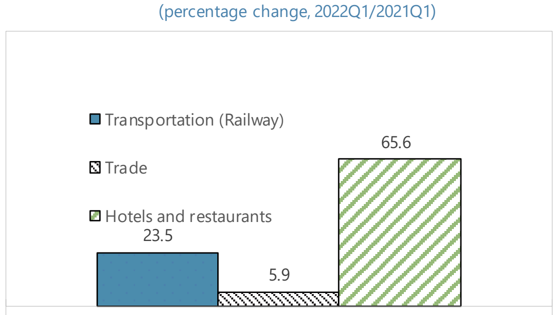
Economic growth in Asia boosted mining industry, and external and domestic (construction) demand stimulated wood industry.

Secondary sector: Growth rate
(percentage change, 2022Q1/2021Q1)



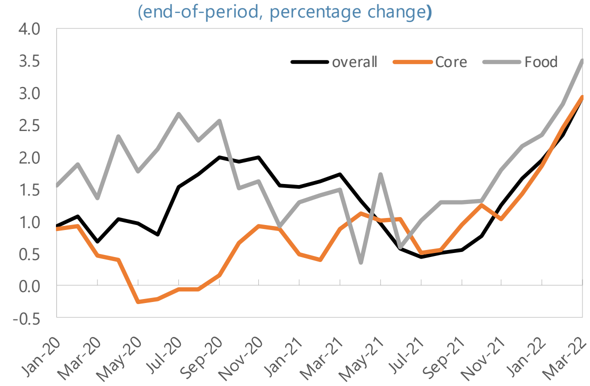
Covid-19 crisis continued to weigh on the retail and transportation sectors, but the easing of some containment measures helped the hotel and restaurant sector.

Tertiary sector: Growth rate
(percentage change, 2022Q1/2021Q1)



Headline inflation picked up in 2022 driven by increasing food inflation. Nonfood prices also contributed about 50 percent of inflation.

Consumer Price Inflation 1/
(end-of-period, percentage change)



Sources: Gabonese authorities; and IMF Staff calculations and estimates.

1/ Core inflation is headline inflation excluding food and energy.

7. Fiscal performance faced challenges in FY21. The non-oil primary deficit (NOPD) was contained at 7.1 percent of non-oil GDP (NOGDP), broadly in line with the program, despite underperforming non-oil revenue and overruns in some spending items (Text Table 1).

Text Table 1. Gabon: Fiscal Developments in 2021

	Prog. (EBS/21/71)	Prel.	Prog. (EBS/21/71)	Prel.	Difference
	Billions of CFAF		Percent of non-oil GDP		
Non-oil revenue and grants	1,168.4	1,057.5	16.5	15.2	-1.4
Non-oil revenue	1,113.4	1,045.7	15.7	15.0	-0.8
Grants	55.0	11.9	0.8	0.2	-0.6
Current primary expenditure 1/	1330.0	1,279.2	18.8	18.3	-0.5
Interest payments	294.0	308.5	4.2	4.4	0.3
Capital expenditure	337.3	272.8	4.8	3.9	-0.9
Domestically financed	165.0	198.9	2.3	2.9	0.5
Foreign-financed	172.3	73.8	2.4	1.1	-1.4
Net lending	0.0	0.0	0.0	0.0	0.0
Non-oil primary balance	-498.8	-494.4	-7.1	-7.1	0.0
			Percent of GDP		
Oil revenue	482.6	595.2	5.0	5.3	0.3
Overall balance (on a cash basis)	-335.7	-204.7	-3.5	-1.8	1.7

Sources: Gabonese authorities; and IMF staff calculations.

1/ Including special accounts.

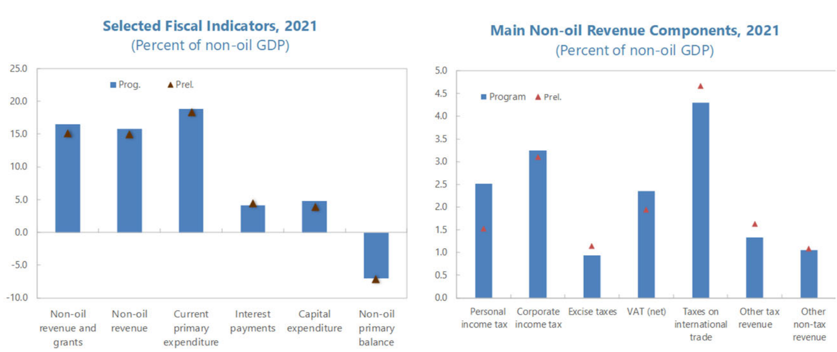
- Non-oil revenue was below the program target due to (i) difficulties in the implementation of a new income tax on foreigners, who are mostly involved in the informal sector; and (ii) subdued recovery in retail trade and transportation (Text Figure 5).

- Primary current spending was contained below the revised budget appropriations by 0.5 ppt of NOGDP. Better control of spending by public entities and special accounts helped offset overruns in spending on transfers and on goods and services. The overrun in transfers reflects the impact of freezing the international fuel price passthrough mechanism in 2021 due to the pandemic and amid social tensions (about ½ percent of NOGDP).

- Domestically financed capital spending was above the budget target by about 0.5 ppt of NOGDP as the authorities implemented some critical projects which could not be executed in 2020 due to the pandemic. However, total capital expenditure was lower than budgeted, reflecting a sizeable cut in foreign-financed capital spending.

- Higher oil revenue reduced the overall deficit (cash basis) to 1.8 percent of GDP (from 2.4 percent in 2020).

Text Figure 5. Gabon: Fiscal Developments in 2021



Sources: Gabonese authorities; and IMF staff estimates.

8. The authorities have mostly relied on domestic financing and a drawdown in deposits to finance the fiscal deficit. Despite a better-than-anticipated overall balance and higher-than-projected issuance of regional bonds, government deposits at the central bank declined by about 1.2 percent of GDP, compared to end-December 2020, and well below the end-December 2021 program objective. This reflects higher than programmed domestic debt payment (including the repayment of debt due by SOGARA, the national refinery, to oil companies), larger domestic deficit and the non-disbursement of budget support by the AfDB (CFAF 33 billion). Overall, net financing from domestic sources reached 1.6 percent of GDP. On the other hand, the authorities accumulated new payment arrears on external debt (FCFA 32.8 billion) and domestic debt (FCFA 91.2 billion). Total public debt declined to about 66 percent of GDP from 78 percent in 2020.

9. The end-2021 and end-2020 stock of domestic arrears were revised upward. The National Refinery and the National Electricity and Water company debt to oil companies due to unpaid fuel and gas purchase were not recorded in domestic public debt arrears at the time of the 2021 revised budget. Preliminary indications suggest that total debt due by the Refinery amounted to CFAF 12 billion at end 2021 (0.1 percent of GDP). The 2020 stock, estimated at CFAF 220 (2.5 percent of GDP) in the program was subsequently revised upward to CFAF 305 billion (3.5 of GDP).

B. Outlook and Risks

10. Macroeconomic conditions are projected to improve gradually (Text Table 2). Non-oil real GDP growth is revised down to 2.4 percent in 2022, from 3 percent at the time of the program approval, reflecting the stronger base in 2021. The war in Ukraine is expected to boost exports of oil and manganese and improve the current account (Annex I). High oil prices will also increase oil revenues and strengthen the overall fiscal position although higher food and energy prices will add to inflation and political pressures for additional implicit and explicit subsidies. The overall fiscal balance will turn positive, reaching 0.9 percent of GDP from a deficit of 1.8 percent of GDP in 2021. Inflation (e-o-p) is projected to increase to 4.6 percent in 2022 as higher food and fuel prices feed through to domestic inflation. Non-oil growth is expected to return to its pre-pandemic trend by 2023, reflecting good prospects in the mining sector and strong momentum in the construction and services sectors. Over the medium term, the overall fiscal balance and the debt profiles are expected to improve more than initially envisaged owing to several factors, including higher oil prices and less ambitious public investment. This will help strengthen further regional reserves. Increasing oil prices, the momentum in mining and wood exports, and the planned fiscal consolidation will help limit the current account deficit below 3 percent of GDP in the medium term. Public debt is projected to decline to 52.6 percent of GDP in 2022 and further below 50 percent over the medium term, reflecting the programmed fiscal consolidation, higher oil prices, projected growth, and expected improvements in debt management.

Text Table 2. Gabon: Key Economic Indicators, 2019–27

	2019	2020	2021	2022	2023	2024	2025	2026	2027
			Est.			Proj.			
Real GDP growth	3.9	-1.9	1.5	2.8	3.7	3.7	3.8	3.8	3.9
Oil	7.0	-2.4	-4.9	4.9	-0.5	-0.3	-0.2	-0.1	-0.1
Non-oil	3.3	-1.8	2.8	2.4	4.5	4.5	4.5	4.5	4.5
Inflation (eop, y-o-y)	1.0	1.6	1.7	4.6	2.0	2.9	1.6	2.7	1.8
Overall fical balance (cash-basis, in percent of GDP)	0.8	-2.4	-1.8	0.9	3.2	2.5	2.1	1.9	1.5
Non-oil primary fiscal balance (in percent of non-oil GDP)	-5.8	-7.4	-7.1	-6.2	-3.4	-2.6	-2.1	-1.6	-1.2
Current account balance (in percent of GDP)	-5.0	-6.9	-5.2	0.8	-1.1	-1.9	-2.2	-2.1	-1.5
Public debt (in percent of GDP)	59.8	78.3	65.8	52.6	50.8	48.5	46.6	45.0	43.4
External	39.2	46.0	37.8	31.5	31.0	29.8	28.8	28.9	28.8
Domestic	20.6	32.3	28.0	21.1	19.8	18.7	17.8	16.1	14.6

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

11. The outlook remains subject to considerable uncertainty and a range of risks (Annex III). On the downside, lower global growth due to intensification of the war in Ukraine and of global geopolitical tensions could negatively affect inflation, the fiscal and external positions, and growth. A sharper slowdown in China, a key trading partner for Gabon, could weigh on oil and manganese exports. Outbreaks of highly contagious COVID-19 variants -particularly in view of the slow vaccination uptake- could delay the recovery. Postponement of some external budget support, as occurred in 2021, would open a fiscal financing gap in 2022. Political stability could be challenged and pressure on public spending could increase ahead of the 2023 presidential election. On the upside, higher oil and manganese prices and accelerated reform implementation could improve the fiscal and external positions and boost growth.

PROGRAM PERFORMANCE

12. Overall program performance has been mixed with some delays in structural reforms (MEFP, Tables 1 and 2).

- All end-July 2021 quantitative performance criteria (PCs), except the continuous PC on external arrears accumulation and the PC on the net domestic financing of the central government (NDF) were met. The three end-July ITs were missed.

- Out of the four end-December 2021 PCs, the controlling QPCs for the first and second reviews, two were missed: the PC on NDF and the PC on disbursing and guaranteeing of external debt were met. The NOPD was below the program nominal target but exceeded the adjusted target by ½ percent of NOGDP, reflecting the non-disbursement of the 2021 AfDB budget support due to delays in the required parliamentary authorization. The PC on central bank net claims on government (NCG) was missed by a large margin, reflecting a significant drawdown in deposits due to the need to compensate for the shortfall in budget support, a larger domestic deficit, and higher domestic arrears repayments. The continuous PC on external arrears was also missed, in part due to a lack of coordination between the General

Directorate of Debt and the Treasury and weak cash management. The IT on social spending was met but the ITs on non-oil tax revenue and on domestic arrears were missed.

- End-March 2022 data suggest some improvement in program performance. Although, the ITs were not recalibrated to account for new developments, including the impact of the war in Ukraine, available data indicate that the non-oil primary deficit is well below the program target. The IT on central bank net claims on the government was missed but government deposits at the central bank increased by about CFAF 100 billion (0.7 percent of GDP) since end-December 2021. The continuous PC on external arrears was breached.

- Seven out of the 14 structural benchmarks (SBs) through May 2022 were met and four were subsequently implemented. Two SBs are set as prior actions. The last SB on review of tax exemptions will be fully implemented with the introduction of the pending tax exemptions measure in the 2022 revised budget. The submission of this revised budget to the Parliament is a prior action.

POLICY DISCUSSIONS

There was a broad consensus on policies and measures to (i) rebuild fiscal and external buffers and preserve debt sustainability while strengthening social protection; (ii) improve domestic revenue collection, governance, and PFM, and limit fiscal risks and arrears; and (iii) strengthen financial soundness and the business environment. These reforms will support a return to strong and inclusive growth.

A. Fiscal Policy

13. The authorities intend to ease the pace of fiscal adjustment in 2022 to accommodate spending pressures emerging from the war in Ukraine (Text Table 3). In their 2022 supplementary budget, the authorities have decided to keep pump prices constant for kerosene and butane gas (the two products most consumed by the most vulnerable households) and to gradually increase the prices of other petroleum products, starting with those used by businesses (MEFP, ¶12). In this context, additional fuel and wheat subsidies will amount to about CFAF 80 billion (1 percent of non-oil GDP or 0.6 percent of GDP). Higher subsidies together with lower non-oil revenue

Text Table 3. Gabon: Projected Fiscal Developments in 2022

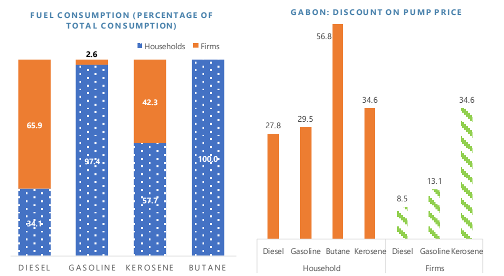
	Prog. (EBS/21/71)	Budget	Revised Budget
	Percent of non-oil GDP		
Non-oil revenue and grants	17.0	16.9	16.7
Non-oil revenue	17.0	16.1	16.0
Grants	0.0	0.7	0.7
Current primary expenditure	17.0	17.9	18.7
Interest payments	3.5	4.2	4.3
Capital expenditure	4.9	4.3	4.2
Domestically financed	2.3	2.5	2.4
Foreign-financed	2.6	1.8	1.8
Net lending	0.0	0.0	0.0
Non-oil primary balance	-4.9	-5.3	-6.2
	Percent of GDP		
Oil revenue	5.8	6.6	7.1
Overall balance (on a cash basis)	-0.3	-0.3	0.9

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

(by 1 ppt of NOGDP) contributed to increase the NOPD to about 6.2 percent of NOGDP, 1.3 ppts of NOGDP above the initial program target for 2022 and 0.9 percent below the 2021 deficit. Higher oil prices and oil revenue (+1.3 ppt of GDP) will improve the overall balance (cash basis) by 1.2 ppts of GDP relative to the program due to the increase in interest payments (+0.1 ppt of GDP). The authorities will use the full amount of their 2009 SDR allocation and about 15 percent of the 2021 SDR allocation to repay domestic debt and improve the composition of domestic financing. The remaining SDRs will be kept in international reserves at the Central Bank to help rebuild regional reserves (MEFP, ¶12).

14. Staff underscores the need to gradually phase out fuel subsidies while developing targeted measures to protect the most vulnerable. Staff's advice is a return to the automatic fuel price adjustment, with full-passthrough on all products except on Butane and Kerosene, mostly consumed by the poor. This will help limit subsidies and reduce leakages to businesses and high-income households (Text Figure 6). The authorities agreed with staff but indicated that their option of protecting all households is based on the absence of well-targeted social safety nets and the need to avoid social tensions, particularly given difficulties already faced by households during the pandemic. Staff underscored that these subsidies should end by end-December 2022 for all products, except kerosene and Butane. Staff also urged the authorities to work closely with the World Bank to finalize the database of the most vulnerable by end-December 2022, and subsequently develop well-targeted measures.

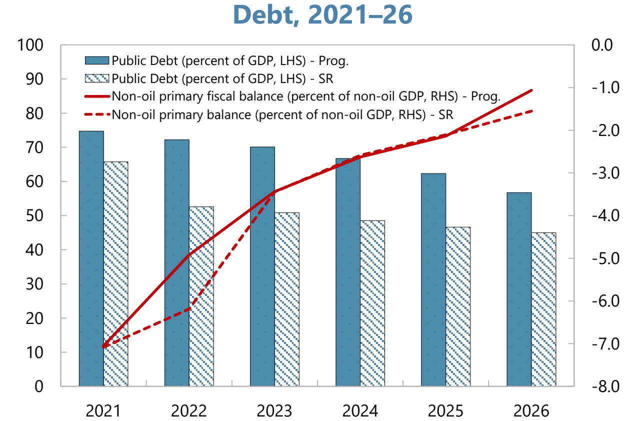
Text Figure 6. Gabon: Fuel Consumption and Subsidies in 2021



Sources: Gabonese authorities; and IMF staff estimates.

15. Sustained implementation of planned revenue reforms is critical to revert to initial medium-term non-oil tax revenue program targets and support fiscal consolidation (Text Figure 7). Non-oil revenue shortfalls are projected at around 1 percent of NOGDP in 2022 compared to the initial program, reflecting delays in the adoption and implementation of some revenue measures envisaged under the program. The authorities are committed to including the remaining tax measures as agreed in the initial program (MEFP, ¶10) in the revised 2022 budget, and further enhancing the data exchange platform between tax and customs administrations and fully implementing the IT measures. Preliminary indications show these measures will yield

Text Figure 7. Gabon: Primary Deficit and Public Debt, 2021–26



Sources: Gabonese authorities; and IMF staff calculations.

1.6 percent of NOGDP in 2023. Staff underscored the need to continue strengthening tax administration and rationalizing tax exemptions, including by ensuring an adequate fiscal analysis of the impact and control of laws promoting new exemptions (through the effective implementation of a Tax Policy Unit and the Overview Committee on Tax Benefits).

16. Enhancing transparency in the reporting of oil revenues is paramount. Staff and the authorities concurred that improving governance in the oil sector could rapidly yield additional revenue to help finance much-needed development spending. In this context, in addition to completing the remaining EITI-related steps, the authorities are committed to (i) ensuring that all oil revenues are channeled through the Treasury; (ii) carrying out an audit of cost oil and of the level of cross-debt (including VAT arrears) between the government, SOEs, and the five largest private oil companies; (iii) revisiting the rules governing the trading activity of the Gabon Oil Company (GOC) to ensure regular and effective transfers of government profit oil; and (iv) carrying out a financial audit of the SOGARA to assess its viability (MEFP, ¶14).

17. Reprioritizing and improvement of spending efficiency should continue. The authorities will continue to tighten wage payment controls to contain the wage bill and accelerate SOE reforms to reduce subsidies (MEFP, ¶20). They also plan to enhance transparency, governance and anti-corruption efforts in spending. Effective implementation of the decree requiring the publication of the names and nationalities of beneficial owners of entities awarded public procurement contracts will be a major step. The authorities will continue to implement the recommendations of the February 2022 PIMA follow-up mission (MEFP, ¶25).

18. Continued efforts are needed to improve the fiscal framework and address the perennial issue of accumulation of domestic arrears more firmly. This will entail further:

- *Improving cash management procedures* (MEFP, ¶¶22-23*)*, including a full-fledged TSA, and revamping the VAT escrow account (end-June 2022 SB).

- *Enhancing fiscal transparency and reporting, and management of fiscal risks* (MEFP, Country Report No. 2021/189, ¶¶37–40, 49–51) by (i) facilitating the automated communication between the different financial information systems; (ii) making budget execution more reliable and facilitating reporting; (iii) better recording earmarked revenues and special accounts operations in the budget; (iv) improving the quality and expanding the coverage of fiscal reports to include all public entities in line with CEMAC directives' provisions; (vi) strengthening governance of SOEs and public agencies, by updating the legal framework governing State/SOE relationships and requesting that SOEs publish annual reports in line with corporate best practices; and (vii) creating the needed tags both on the budget classification side and the Chart of Accounts to allow the mapping of the data between the Treasury and Budget information systems. Robust expenditure control will help minimize the use of exceptional procedures (that avoid regular budget execution steps), limit domestic arrears, and reduce corruption vulnerabilities.

19. Adequate social spending and a stronger social safety net remain key priorities. The pandemic crisis and the fallout of the war in Ukraine on domestic fuel and food prices have reinforced the need for stronger social protection. The authorities have updated the database of the most vulnerable populations —Gabonais Economiquement Faibles (GEF). The next steps, to be implemented with the help of the World Bank, include a census of GEF based on new criteria by end-December 2022 (SB, MEFP, ¶30).

20. Adhering to a prudent debt strategy and improving debt management are critical. The debt sustainability analysis shows that Gabon's public debt remains sustainable but not with a high probability (Annex IV and Table 9). Absent adverse shocks or slippages, the envisaged fiscal consolidation will be sufficient to put debt on a firm downward path. However, financing needs and debt service will remain high in the medium term, limiting fiscal space and highlighting rollover risks. Staff encouraged the authorities to improve debt management in line with the TA delivered during FY2019 (MEFP, ¶26).

21. Together with measures to avoid the accumulation of new arrears, the authorities have developed a five-year clearance plan of existing stock of domestic arrears. The total stock of audited and validated domestic arrears amounted to CFAF 442.3 bn (5 percent of GDP) at end-December 2020. The authorities envisage to clear this stock by 2025 (Text Table 4). Staff welcomes this plan and urges the authorities to identify all other existing domestic arrears, including salary arrears and arrears with certain public entities (MEFP, ¶27), and revise the clearance plan.

Text Table 4. Gabon: Domestic Arrears, 2020–25
(Billions of CFAF)

	2020	2021	2022	2023	2024	2025
Total	**747.5**	**620.5**				
Audited and validated arrears						
Stock	442.3	299.0	180.3	65.0	20.0	0.0
Repayment	0.0	143.3	118.7	115.3	45.0	20.0
Other arrrears						
Stock	305.2	321.5				
Accumulation	316.1	198.8				
Repayment	301.5	182.6				

Source: Gabonese authorities.

B. Other Structural Reforms

22. Structural reforms need to continue to achieve program objectives to support sustainable and inclusive growth. Specific steps include:

- ***Enhancing the banking system.*** Good progress has been made on the liquidation of the three public banks (MEFP, ¶32). The liquidators' work is almost over, but the completion of the overall process requires the setup of a defeasance structure, an entity which will be tasked to transparently sell and secure the proceeds from the sale of remaining assets and to settle remaining liabilities. The authorities should work closely with COBAC and remain vigilant towards any emerging risks in the financial system. Additional efforts to monitor and improve banks' asset quality will be key, including through the repayment of domestic debt and the strengthening of the capacity and independence of the commercial court of Libreville. (MEFP, ¶34).

- ***Strengthening the governance and transparency of public financial institutions*** (CDC, FGIS). Significant efforts have been made to implement the recommendations of recent audit reports and the two institutions have certified their 2021 financial statements and the authorities reiterated their commitments to ensure that the other two non-financial companies (GOC and SOGARA) will also publish their certified statements (MEFP, ¶24).

- ***Developing a national financial inclusion strategy***. The authorities have drafted a national financial inclusion strategy covering 2022–27 (MEFP, ¶33). The next steps include the finalization of this strategy after discussion with all stakeholders, the creation of a unit to coordinate and pilot the strategy, and the finalization of the methodology to monitor progress in achieving key objectives.

- ***Improving governance and strengthening the anti-corruption framework in line with the authorities' commitment under the program (Original MEFP, ¶¶31, 49, 65–70).*** Some progress has been made to improve transparency and governance, particularly in the oil sector. The authorities have joined the EITI and are committed to launch audits of cost-oil of oil companies and of the national refinery. In addition, they are determined to strengthening the anti-corruption framework and the asset declaration regime for public officials by (i) increasing the capacity of the Commission to Combat Illicit Enrichment (CNLCEI); and (ii) amending the asset declaration legal framework to bring it into alignment with the applicable international best practice, including by ensuring the publication of an annual report by the CNLCEI, with monitoring (25 percent) of asset declarations by category of public official **(end-December 2022 SB),** and (iii) publishing the results of the audit for all COVID-19 related expenditures on the government website (**prior action**).

- ***Strengthening the AML/CFT framework***. The on-site component of Gabon's anti-money laundering and combating the financing of terrorism (AML/CFT) mutual evaluation took place in April 2022. The authorities should ensure swift and effective implementation of the recommendations made in the context of the mutual evaluation.

- ***Transition plan towards a green economy***. The government intends to develop a carbon credit trading mechanism at the national level, in line with the Paris Agreement on climate change, to help finance policies and actions in favor of forest conservation (Annex V).

PROGRAM ISSUES

23. The authorities are requesting waivers for non-observance of the two PCs for December 2021 that were not observed as well as the continuous PC on the non-accumulation of new external arrears based on the temporary nature of the deviation and corrective actions.

- The waiver on the non-observance of the NOPD is requested based on the temporary nature of the deviation, reflecting late disbursement of the AfDB budget support. The authorities will continue to apply their expenditure regulation mechanism to closely monitor spending and avoid fiscal slippages.

- The PC on NCG was missed by a large margin, reflecting a significant drawdown in deposits due to the need to compensate for the shortfall in budget support, a larger domestic deficit, and higher domestic arrears repayments. A waiver for the non-observance is requested on the basis of corrective actions. In this context, the, authorities pointed to the rebuilding of deposits since the beginning of the year, reflecting prudent fiscal policy and efforts to save oil revenue windfalls. The authorities have also taken steps to enhance budget execution and cash management to limit the accumulation of new domestic arrears.

- The continuous PC on external arrears was also missed, in part due to a lack of coordination between the General Directorate of Debt and the Treasury and weak cash management. A waiver of non-observance is requested on the basis of corrective actions. The authorities have cleared most of external arrears (Text Table 5) as of June 14, 2022 and are committed to clear the remaining arrears (CFAF 11.09 billion) before the Board meeting (LOI, and MEFP, ¶27). They have reinstated the measures that served well to avoid the accumulation of external arrears at the end of the previous EFF-supported program (MEFP, ¶26). These include weekly meetings between Treasury and Debt Units, and close monitoring of payment deadlines to ensure timely transfers of funds for payment to the Central Bank. The authorities reaffirmed their commitment to remain current on external payments.

- Gabon has outstanding sovereign external arrears to multilateral, official bilateral and commercial creditors. The authorities are in the process of clearing the external arrears with respect to multilateral and official bilateral creditors and plan to complete clearance before the Executive Board meeting. In respect of external commercial arrears and in line with the Fund's Lending-into-Arrears Policy, staff has ascertained that Gabon is making a good faith effort to clear arrears with these commercial creditors. As prompt Fund financial support is considered essential for the successful implementation of Gabon's program and Gabon is pursuing appropriate policies, the Fund may provide financing to Gabon notwithstanding its external arrears to commercial creditors, which the authorities have committed to clear by the time of the Board meeting.

Text Table 5. Gabon: External Arrears, 2021–22

Creditor	Stock on 23 July 2021		Stock on 28 July 2021 1/		Stock at end-December 2021		Stock on June 14, 2022		Due date	Change since July 28, 2021	
	Billion CFAF	Million US$	Billion CFAF	Million US$	Billion CFAF	Million US$	Billion CFAF	Million US$		Billion CFAF	Million US$
All	**36.79**	**68.34**	**36.79**	**68.34**	**50.77**	**91.60**	**11.09**	**20.00**		**-25.71**	**-48.34**
Multilateral	**0.00**	**0.00**	**0.00**	**0.00**	**23.03**	**41.56**	**2.36**	**4.25**		**2.36**	**4.25**
Afican Development Bank	0.00	0.00	0.00	0.00	5.15	9.29	0.35	0.63	15-May	0.35	0.63
Central African States Development Bank	0.00	0.00	0.00	0.00	8.22	14.82	0.00	0.00		0.00	0.00
Islamic Development Bank	0.00	0.00	0.00	0.00	8.81	15.90	1.89	3.40	7-Jun	1.89	3.40
Other	0.00	0.00	0.00	0.00	0.85	1.54	0.12	0.22		0.12	0.22
							0.05	0.10	1-May		
							0.07	0.13	1-Jun		
Bilateral	**18.89**	**35.08**	**18.89**	**35.08**	**19.80**	**35.73**	**8.07**	**14.57**		**-10.82**	**-20.51**
China	18.89	35.08	18.89	35.08	13.25	23.90	0.55	1.00		-18.34	-34.08
							0.26	0.47	1-May		
							0.09	0.16	5-May		
							0.06	0.12	9-May		
							0.14	0.24	20-May		
Austria	0.00	0.00	0.00	0.00	0.00	0.00	3.08	5.55	17-May	3.08	5.55
Spain	0.00	0.00	0.00	0.00	5.44	9.82	1.32	2.38		1.32	2.38
							0.11	0.19	18-May		
							1.21	2.19	4-Jun		
France	0.00	0.00	0.00	0.00	1.11	2.00	3.02	5.45		3.02	5.45
							1.98	3.57	9-May		
							0.02	0.03	1-Jun		
							1.02	1.85	31-May		
Israel	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.05	20-May	0.03	0.05
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.14	15-May	0.08	0.14
Commercial non-insured	**17.91**	**33.26**	**17.91**	**33.26**	**7.93**	**14.31**	**0.66**	**1.18**		**-17.25**	**-32.08**
France	0.67	1.24	0.67	1.24	0.03	0.06	0.03	0.06	15-May	-0.63	-1.18
Austria	8.71	16.18	8.71	16.18	0.00	0.00	0.00	0.00		-8.71	-16.18
UK			0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Morocco	1.01	1.87	1.01	1.87	0.00	0.00	0.00	0.00		-1.01	-1.87
AFREXIMBANK	7.52	13.97	7.52	13.97	7.90	14.25	0.62	1.13	25-May	-6.90	-12.84

Source: Gabonese authorities.
1/ Board meeting for program approval.

24. The authorities and staff reached an understanding to propose updated program conditionality as follows (MEFP, Tables 1, 3 and 4):

- New PCs and ITs were proposed for end-June 2022, end-December 2022, and end-June 2023 as well as new ITs for end-September 2022 and end-March 2023. These reflect the changing environment, including the impact of the war in Ukraine.

- A new PC is proposed with a first test date at end-December 2022, elevating the indicative target on non-oil tax revenue, given the need for strong-revenue based fiscal consolidation to provide additional space for development outlays.

- The following three prior actions have been established: (i) submission to Parliament of the 2022 supplementary budget consistent with program objectives; (ii) the publication on the government website of the results of the audit for all COVID-19 related expenditures; and (iii) the publication of a ministerial decree requiring that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners, and that those names and nationalities be published online for all legal persons awarded such contracts.

- Seven new SBs are proposed (MEFP, Table 4), based notably on IMF TA on tax expenditure, cash management, and PIMA.

25. The program is fully financed in the next 12 months and there are good prospects of full program financing for the remaining period for the Fund-supported program. Financing needs for the next twelve months will be met by a combination of external borrowing, budget support, and Fund financing (Text Table 6). The authorities are also discussing potential budget support from the World Bank and the BADEA, which have not been included in the macroeconomic framework.[3] The projected financing gap for the period 2022–24 amounts to 4.4 percent of GDP and the IMF is expected to provide financing of 1.8 percent of GDP, contributing about 41 percent of exceptional financing. As normally the case for currency union members, the EFF purchase will be on-lent to the government via the Central Bank to help mitigate the impact of the pandemic and support the reform agenda.

26. Capacity to repay. Gabon's capacity to repay the Fund is expected to be adequate but subject to risks. The total amount of outstanding credit from the Fund will amount to 367.4 percent of quota in 2022 and decline to 359.1 percent of quota in 2023. Outstanding obligations to the Fund based on existing and prospective drawings would peak at 4.7 percent of GDP in 2022 and 10.6 percent of exports of goods and services in 2023. Obligations to the IMF will rise from 5.9 percent of Gabon's imputed international reserves in 2022 to 14.5 percent in 2024. Vulnerabilities

[3] Only 35 percent of external financing in 2021 has turned out compared to projections at program approval, as project execution stalled due to COVID restrictions and payments arrears, and a planned *AfDB* budget support did not materialize. With improving sanitary conditions and reform progress external financing is projected to recover to initial program levels over the medium term.

remain, given gross financing needs and debt-profile risks. In addition, Gabon relies on the regional reserve pool, which has not recovered despite higher oil prices.

27. Regional assurances. BEAC has provided updated policy assurances in CEMAC countries Fund-supported programs. While the end-December 2021 regional policy assurance on NFA was not implemented, the deviation was temporary, and the relevant target was reached in early January 2022. In its follow-up letter of policy support of June 2022, BEAC reiterated its commitment to maintaining an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to support an external reserves build-up. As part of measures to support the reserve position, it has (i) raised its the policy rate (TIAO) and marginal lending facility by 50 basis points in March 2022 to help contain higher inflationary pressures; (ii) increased the interest rate on the liquidity absorption window by 25 basis points in February 2022 to reduce the excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (iii) reduced weekly liquidity injections to 180 billion in March 2022. BEAC will also continue to work towards effective application of the foreign exchange regulation, including by starting implementation of the recently agreed adaptations for the extractive in January 2022. The regional assurances on regional NFA are critical for the success of Gabon's Fund-supported program and will help bolster the region's external sustainability.

28. Safeguards assessment. A 2022 update safeguards assessment found that the BEAC has maintained strong governance arrangements following legal reforms in 2017. The BEAC also completed its multi-year initiative in 2019 to transition to International Financial Reporting Standards (IFRS), strengthening its financial reporting practices. The external audit arrangements continue to be robust. Nonetheless, the internal audit mechanism faces capacity constraints and is not yet fully aligned to international practices. The BEAC also needs to strengthen its risk management and cyber resilience and develop business continuity and disaster recovery plans.

29. Statistical issues. Gabon will continue aligning its data to international standards with STA support. Data on balance of payments and financial soundness indicators are provided with long delays and suffer serious weaknesses. Inadequate treatment of government securities in monetary data complicates reconciliation between fiscal and monetary data. The authorities are committed to reducing data lags and improving the quality of information provided to the Fund and the expected timeline for this. Staff encourages the authorities to implement STA

Text Table 6. Gabon: External Financing, 2021–24

(Billions of CFAF)

	2021	2022	2023	2024	Total prog. period
Financing Needs	**842**	**727**	**537**	**350**	**2457**
Current account balance (excl. official transfers)	588	-113	153	260	888
Private capital and financial flows	-314	593	85	-306	58
Amortization of public loans (excl. IMF) 1/	568	247	300	396	1511
Financing Sources	**779**	**603**	**480**	**279**	**2141**
Official loans	62	391	242	207	901
Project loans	62	136	151	185	534
Budgetary loans	0	255	91	22	368
AFDB	0	105	66	0	171
France	0	30	25	22	77
SDR allocation		120			
Portfolio investment public	495	0	0	0	495
NFA central bank (excl. IMF)	226	232	310	211	979
IMF transactions	-5	-19	-72	-138	-234
Residual Gap	**64**	**124**	**57**	**70**	**316**
Extended Arrangement	64	124	57	70	316

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

1/ Amortization in 2021 includes repayment of Eurobond.

recommendations on improving the timeliness of FSI indicators, and the treatment of government securities in monetary statistics.

STAFF APPRAISAL

30. The economy is gradually recovering, and the outlook remains positive but with significant downside risks. Growth is picking up slowly, both fiscal and external positions have strengthened, and public debt has declined. The war in Ukraine and related surge in commodity prices will boost oil exports and revenues and further improve the fiscal and external positions. However, the cost of fuel subsidies will weigh on the budget and higher food prices will add to inflationary pressures. Higher oil revenues will help accommodate the increase in fuel and food subsidies to the most vulnerable and rebuild fiscal and external buffers. The low vaccination rate, a sharper slowdown in China, the intensification of the war in Ukraine, and social tensions ahead of the 2023 presidential elections pose significant risks to the outlook. Reforms to strengthen domestic revenue and improve public financial management; governance and the business environment will support a return to strong and inclusive growth while safeguarding debt sustainability.

31. The revised 2022 budget appropriately prioritizes protecting the most vulnerable while rebuilding fiscal and external buffers. The revised budget accommodates spending pressures emerging from higher fuel and food prices. Staff agreed with the need to provide adequate support to the vulnerable households in the current context of soaring food and fuel prices. Staff encourages the authorities to continue strengthening social protection, including through well-targeted social safety programs. Staff welcomes the authorities' plan to save part of oil revenues windfall and part of the 2021 general SDR allocation to rebuild fiscal buffers and increase regional reserves and reduce domestic debt. Staff strongly encourages the authorities for a steady implementation of their domestic arrears' clearance plan and of measures to avoid the accumulation of new domestic arrears.

32. The program's focus on addressing structural reforms, including significant governance weaknesses in the oil sector remains critical. The authorities should continue improving governance and transparency to further enhance domestic revenue and PFM and reduce vulnerability to corruption. Major and welcome steps are the country's adhesion to the EITI, the forthcoming publication of the COVID-19 spending audit report, and the forthcoming publication of the decree regarding the publication of the names and nationalities of beneficial owners of legal persons bidding on public procurement contracts. Staff encourages the authorities to deliver on their ambitious agenda to increase domestic revenue and improve PFM. Stronger budget execution and cash management will also help address the perennial issue of domestic arrears more firmly. Enhancing the banking system, improving governance, and strengthening the anti-corruption framework will help promote private investment and unlock the country's growth potential.

33. Staff calls for enhanced program implementation. Several end-December 2021 quantitative targets were not met, and many SBs were implemented with delays. Going forward, closer and more effective coordination across public institutions, including the Ministry of Economy, the Ministry of Budget and the Central Bank will be needed to ensure effective program implementation. Staff welcomes the establishment of a new program implementation unit at the Ministry of Economy. The resumption of weekly meetings between the Treasury and Debt Units, and close monitoring of payment deadlines to ensure timely transfers of funds for payment to the Central Bank are important steps to avoid the accumulation of external arrears.

34. Staff recommends the completion of the first and second reviews under the extended arrangement, waivers of nonobservance of performance criteria, establishment of quantitative performance criteria for the next 12 months, and the financing assurances review. This is based on the implementation, albeit with delay, of the end-December 2021 regional policy assurance and regional policy assurances established in the June 2022 union-wide paper. Staff's support is also based on the temporary nature of the non-observance of the fiscal primary balance PC and on the implementation of corrective actions for the missed PC on central bank net claims and the missed continuous PC on external arrears, and important progress in structural benchmarks, including major steps to improve governance as well as the strength of the authorities' economic policies for the rest of 2022. Staff also supports the second and third purchases in the total amount of SDR 116.1 million. Staff proposes completion of the third review under the extended arrangement be conditional on the implementation of critical policy assurances at the union level, as will be established in the next union-wide background paper, expected in June 2022.

Table 1. Gabon: Selected Economic Indicators, 2019–27

	2019	2020	2021		2022		2023	2024	2025	2026	2027
		Prel.	Prog. 1/	Prel.	Prog. 1/	Proj.			Proj.		
	(Annual percent change, unless otherwise indicated)										
Real sector											
GDP at constant prices	3.9	-1.9	1.5	1.5	3.9	2.8	3.7	3.7	3.8	3.8	3.9
Oil	7.0	-2.4	-4.3	-4.9	8.8	4.9	-0.5	-0.3	-0.2	-0.1	-0.1
o/w primary oil	13.0	-1.2	-5.5	-6.7	13.1	7.1	-1.0	-1.0	-1.0	-1.0	-1.0
Non-oil	3.3	-1.8	2.7	2.8	3.0	2.4	4.5	4.5	4.5	4.5	4.5
GDP deflator	1.6	-9.1	7.6	25.4	0.4	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Oil	-1.1	-30.5	22.1	103.5	-5.2	41.6	-9.7	-6.4	-4.2	-2.6	0.2
Primary oil	-5.4	-37.8	34.7	86.9	-7.4	69.3	-14.8	-10.7	-7.8	-5.4	-0.4
Consumer prices											
Yearly average	2.0	1.3	2.0	1.1	2.0	3.5	3.2	2.5	2.2	2.2	2.2
End of period	1.0	1.6	2.0	1.7	2.0	4.6	2.0	2.9	1.6	2.7	1.8
External sector											
Exports, f.o.b.	1.4	-20.0	23.4	41.5	5.8	45.8	-9.2	-5.1	-2.4	0.1	3.1
Imports, f.o.b.	3.4	-3.1	5.6	3.6	2.1	13.3	2.1	0.3	2.0	2.1	5.2
Terms of trade (deterioration= –)	-1.0	-30.9	20.6	36.2	-5.7	50.2	-13.8	-10.1	-7.6	-5.3	-0.5
	(Percent of GDP, unless otherwise indicated)										
Overall fiscal balance (commitment basis)	1.4	-2.1	-3.2	-1.9	-0.4	1.3	3.0	2.5	2.0	1.8	1.7
Primary fiscal balance (commitment basis)	3.6	1.2	-0.2	0.9	2.2	3.7	5.4	4.8	4.3	4.1	3.9
Overall fiscal balance (cash basis)	0.8	-2.4	-3.5	-1.8	-0.3	0.9	3.2	2.5	2.1	1.9	1.5
Non-oil primary balance (in percent of non-oil GDP)	-5.8	-7.4	-7.1	-7.1	-4.9	-6.2	-3.4	-2.6	-2.1	-1.6	-1.2
Non-oil primary basic balance (in percent of non-oil GDP) 2/	-4.2	-6.1	-3.0	-6.2	-0.2	-5.1	-1.6	-0.5	0.0	0.6	2.8
Gross government deposits in BEAC	2.3	2.5	2.4	1.2	2.5	2.0	3.6	4.4	5.0	5.4	6.0
Total public debt 3/	59.8	78.3	74.7	65.8	72.2	52.6	50.8	48.5	46.6	45.0	43.4
External public debt (including to the IMF)	39.2	46.0	44.4	37.8	44.4	31.5	31.0	29.8	28.8	28.9	28.8
Domestic public debt	20.6	32.3	30.4	28.0	27.8	21.1	19.8	18.7	17.8	16.1	14.6
o/w statutory advances from BEAC	4.6	5.1	4.7	4.0	4.0	3.3	3.3	3.2	3.0	2.8	2.6
	(Percent change, unless otherwise indicated)										
Money and credit											
Credit to the economy	2.2	5.4	6.2	14.8	7.0	15.0	11.1	...	...	...	...
Broad money	1.2	6.8	11.7	5.5	12.4	10.5	16.5	...	...	...	...
Velocity ratio of Non-oil GDP over broad money	3.0	2.8	2.7	2.8	2.5	2.9	2.6	...	...	...	...
	(Percent of GDP, unless otherwise indicated)										
Gross national savings	27.1	24.0	25.5	27.0	28.5	28.9	30.0	28.2	29.0	29.1	29.5
Gross fixed investment	32.1	30.9	30.3	32.2	31.4	28.0	31.1	30.1	31.2	31.2	31.0
o/w private	29.3	28.2	26.8	29.8	27.8	25.7	28.6	27.2	27.8	27.6	27.4
public	2.8	2.7	3.5	2.4	3.6	2.3	2.5	2.9	3.5	3.6	3.6
Current account balance	-5.0	-6.9	-4.8	-5.2	-2.9	0.8	-1.1	-1.9	-2.2	-2.1	-1.5
excl. large agri-industry projects 4/	-2.3	-4.1	-2.8	-3.5	-1.5	1.8	-0.1	-1.0	-1.3	-1.0	0.0
	(CFA francs billion, unless otherwise indicated)										
Memorandum items											
Nominal GDP	9,887	8,816	9632.1	11,219	10043.4	13,905	13,803	13,986	14,351	14,858	15,617
Nominal non-oil GDP	6,657	6,625	7072.2	6,978	7404.6	7,607	8,143	8,705	9,301	9,946	10,700
National currency per U.S. Dollar (average)	586	575	..	..	..	..	..	..	..	..	
Oil prices (Brent, U.S. Dollar/BBL)	64	42	60	70	56	111	96	87	81	78	75

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

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, 2019–27

	2019	2020	2021		2022		2023	2024	2025	2026	2027
	Prel.	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.		Proj.			
	(Billions of CFAF)										
Current account	-494	-608	-461	-588	-294	113	-153	-260	-321	-306	-234
Goods (net)	1,857	1,172	1,580	2,338	1,738	4,012	3,402	3,115	2,948	2,906	2,946
Export of goods (fob)	3,706	2,966	3,409	4,197	3,605	6,117	5,551	5,269	5,145	5,149	5,306
Hydrocarbons	2,648	1,933	2,117	2,939	2,216	4,740	4,017	3,565	3,263	3,061	3,020
Timber	380	377	411	414	429	433	470	517	569	626	664
Manganese	628	574	774	735	827	801	901	987	1,058	1,126	1,201
Import of goods (fob)	-1,850	-1,793	-1,829	-1,858	-1,867	-2,105	-2,149	-2,154	-2,197	-2,243	-2,360
Petroleum sector	-306	-222	-241	-234	-252	-356	-325	-286	-260	-241	-235
Other	-1,544	-1,571	-1,588	-1,625	-1,614	-1,749	-1,824	-1,868	-1,938	-2,001	-2,124
Services (net)	-1,095	-906	-944	-1,044	-1,011	-1,279	-1,218	-1,170	-1,143	-1,094	-1,032
Exports	296	294	326	333	375	378	424	478	538	603	344
Imports	-1,392	-1,200	-1,270	-1,378	-1,386	-1,657	-1,642	-1,648	-1,680	-1,696	-1,778
Income (net)	-1,197	-839	-1,084	-1,807	-953	-2,566	-2,239	-2,113	-2,039	-2,036	-2,069
Current transfers (net)	-59	-35	-13	-75	-67	-53	-98	-92	-87	-83	-79
Capital account	0	0	0	0	0	0	0	0	0	0	0
Financial account	158	164	332	755	233	-113	387	517	545	493	424
Direct investment (net)	909	847	751	836	563	750	718	686	709	744	782
Portfolio investments (net)	176	300	91	78	0	-13	-13	0	0	0	0
Other investment assets and liabilities (net)	-928	-983	-510	-159	-330	-849	-318	-170	-165	-251	-358
Medium- and long-term transactions 2/	-314	-205	-96	-242	-42	-311	-306	-441	-438	-347	-373
o/w Net Arrears Accumulation	-67										
Short term transactions	-613	-778	-413	83	-288	-538	-11	271	273	96	14
Errors and Omissions	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-336	-444	-129	167	-61	0	234	257	224	187	190
Financing	336	444	129	-167	61	0	-234	-257	-224	-187	-190
Bank of Central African States	106	378	-37	-231	-83	-252	-382	-349	-224	-187	-190
Change in net reserve assets (- is an increase)	34	205	-32	-226	-65	-232	-310	-211	-118	-117	-110
Use of IMF Credit (net) 3/	72	173	-5	-5	-18	-19	-72	-139	-106	-70	-80
Financing gap	230	66	166	64	144	252	148	92	0	0	0
IMF Financing			126	64	54	124	57	70	0	0	0
IMF-EFF			126	64	54	124	57	70	0	0	0
Program Support (excl. IMF)	230	66	40	0	90	128	91	22	0	0	0
Bilateral	49	0	0	0	25	30	25	22	0	0	0
Multilateral/other	181	66	40	0	65	98	66	0	0	0	0
Memorandum items:	(Percent of GDP)										
Current account	-5.0	-6.9	-4.8	-5.2	-2.9	0.8	-1.1	-1.9	-2.2	-2.1	-1.5
excl. large agri-industry projects 4/	-2.3	-4.1	-2.8	-3.5	-1.5	1.8	-0.1	-1.0	-1.3	-1.0	-0.3
Oil	8.1	7.7	6.0	4.8	6.8	8.7	6.6	4.7	3.3	2.2	2.0
Non-oil	-13.1	-14.6	-10.7	-10.0	-9.8	-7.8	-7.7	-6.5	-5.5	-4.2	-3.5
Exports of goods and services	40.5	37.0	38.8	40.4	39.6	46.7	43.3	41.1	39.6	38.7	38.4
Imports of goods and services	-32.8	-34.0	-32.2	-28.8	-32.4	-27.1	-27.5	-27.2	-27.0	-26.5	-26.1
Capital and financial accounts	3.9	2.6	3.9	6.7	3.2	0.1	3.5	3.9	3.8	3.3	2.7
Foreign Direct Investment	9.2	9.6	7.8	7.5	5.6	5.4	5.2	4.9	4.9	5.0	5.0
Overall balance 5/	-1.1	-4.3	-0.9	1.5	0.3	0.9	2.4	2.0	1.6	1.3	1.2

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

2/ Excluding pogram support (excl. IMF).

3/ Excluding proposed IMF financing.

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

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

Table 3a. Gabon: Central Government Accounts, 2019–27

(Billions of CFA francs)

	2019	2020	2021		2022		2023	2024	2025	2026	2027
			Prog. 1/	Prel.	Prog. 1/	Proj.			Proj.		
					(Billion of CFA francs)						
Total revenue and grants	1,931	1,553	1,651	1,653	1,844	2,255	2,423	2,466	2,560	2,663	2,785
Revenue	1,931	1,549	1,596	1,641	1,844	2,202	2,423	2,466	2,560	2,663	2,785
Oil revenue	747	596	483	595	587	981	1,029	902	819	764	744
Non-oil revenue	1,184	953	1,113	1,046	1,257	1,220	1,394	1,564	1,741	1,900	2,041
Tax revenue	1,070	874	1,039	970	1,179	1,137	1,322	1,496	1,676	1,838	1,975
Of which: earmarked revenue			168	132	158	192	195	199	203	207	211
Taxes on income, profits, and capital gains	412	303	408	321	450	397	460	520	576	621	668
Domestic taxes on goods and services	187	134	233	214	285	283	340	402	472	534	575
Value-added tax	132	63	167	134	215	194	244	300	362	417	449
Other	54	71	66	79	69	89	96	102	109	117	126
Taxes on international trade and transactions	286	310	304	323	346	338	388	431	476	520	557
Import tariffs	261	280	266	283	305	291	338	378	425	469	504
Export taxes	24	29	38	41	40	47	50	52	51	51	53
Other non-oil taxes	187	127	94	113	99	118	133	142	152	163	175
Non-tax revenue	114	79	75	75	78	84	72	68	65	62	66
Grants	0	4	55	12	0	54	0	0	0	0	0
Total expenditure and net lending	1,796	1,742	1,961	1,860	1,883	2,075	2,003	2,116	2,267	2,393	2,521
Current expenditure	1,320	1,431	1,456	1,491	1,362	1,563	1,458	1,511	1,567	1,652	1,741
Wages and salaries	689	683	685	682	695	684	708	749	786	840	915
Goods and services	156	202	227	232	179	213	184	192	200	214	222
Of which Covid-19		29	59.8	60	0	39	0	0	0	0	1
Interest payments	225	297	294	309	262	330	330	327	330	339	347
Domestic	84	125	108	138	80	151	143	142	143	147	149
Foreign	141	171	186	170	182	179	186	185	187	192	198
Transfers and subsidies	250	249	250	268	226	336	236	244	251	259	257
Of which:: oil subsidies	19	12	0	42	0	81	40	30	15	10	10
Of which: Covid-19		19	8	8	0	0	0	0	0	0	1
Capital expenditure	281	241	337	273	363	320	350	406	497	534	569
Domestically financed	175	152	165	199	172	180	200	221	298	318	342
Of which: Public-private partnership	0	30	0	0	0	0	0	0	0	0	0
Of which: Covid-19		23	0	0	0	1					
Foreign financed	106	89	172	74	191	140	151	185	199	216	226
Net lending	75	-4	0	0	0	0	0	0	0	0	0
Road Fund (FER) and special funds	12	19	0	0	0	0	0	0	0	0	0
Expenditure corresponding to earmarked revenue			168	132	158	192	195	199	203	207	211
Special accounts 2/	107	55	0	-35	0	0	0	0	0	0	0
Overall balance (commitment basis)	136	-189	-310	-208	-39	180.4	420	350	293	270	264
Adjustment to cash basis 3/	-52	-24	-26	3	9	-50	25	6	14	6	-36
Overall balance (cash basis)	84	-213	-336	-205	-30	130	445	356	307	276	228
Total financing	-84	213	336	205	30	-130	-445	-356	-307	-276	-228
Foreign borrowing (net)	-154	51	32	-33	-24	-171	-176	-239	-228	-136	-163
Drawings	106	89	172	62	191	117	151	185	199	216	226
Amortization	-200	-663	-606	-564	-215	-247	-327	-437	-812	-351	-389
Arrears (reduction = -)	-59	30	-30	13	0	-41	0	0	0	0	0
Rollover (Eurobonds)	0	595	495	456	0	0	0	13	385	0	0
Domestic borrowing	-233	-76	138	174	-91	-211	-417	-209	-80	-140	-65
Banking system (net)	34	192	439	215	250	308	70	211	133	-24	-6
Nonbank financing (net) 4/	-267	-269	-301	-41	-341	-519	-487	-420	-213	-117	-59
Financing gap (+=deficit / - surplus)	303	239	166	64	144	252	148	92	0	0	0
Exceptional financing (excluding IMF)	230	66	40	0	90	128	91	22	0	0	0
Residual gap	73	173	126	64	54	124	57	70	0	0	0
IMF-EFF 2017-2020	73	0									
IMF-RFI-1		88									
IMF-RFI-2		85									
IMF-EFF			126	64	54	124	57	70	0	0	0
Memorandum items:											
Revenue earmarked for other public entities		116	168	128	158	192	195	199	203	207	211
Gross government deposits in BEAC	232.2	220.0	231.7	131.5	251.7	275.2	490.4	610.4	711.8	808.1	932.5
Statutory advances from BEAC	452.8	452.5	452.5	452.5	402.5	452.5	452.5	452.5	435.7	419.0	402.2
Stock of arrears 5/	241.5	151.2	74.2	123.6	7.5	-18.4	0.0	0.0	0.0	0.0	0.0
External	0.0	38.6	0.0	0.0	0.0	-50.8	0.0	0.0	0.0	0.0	0.0
Domestic	241.5	112.6	74.2	123.6	7.5	32.4	0.0	0.0	0.0	0.0	0.0
VAT Reimbursement	153.9	112.6	76.2	123.6	9.5	32.4	0.0	0.0	0.0	0.0	0.0
Exceptional float 6/	87.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.0	0.0	-2.0	0.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil primary balance excluding capital transfers (NOPB)	-387	-489	-499	-494	-364	-471	-280	-225	-196	-154	-133
as percent of non-oil GDP	-5.8	-7.4	-7.1	-7.1	-4.9	-6.2	-3.4	-2.6	-2.1	-1.6	-1.2
Non-oil GDP at market prices	6,657	6,625	7,072	6,978	7,405	7,607	8,143	8,705	9,301	9,946	10,700

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

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, 2019–27

(Percent of GDP; Billions of CFA francs)

	2019	2020	2021		2022		2023	2024	2025	2026	2027
		Prel.	Prog. 1/	Prel.	Prog. 1/	Proj.			Proj.		
	(Percent of GDP)										
Total revenue and grants	19.5	17.6	17.1	14.7	18.4	16.2	17.6	17.6	17.8	17.9	17.8
Revenue	19.5	17.6	16.6	14.6	18.4	15.8	17.6	17.6	17.8	17.9	17.8
Oil revenue	7.6	6.8	5.0	5.3	5.8	7.1	7.5	6.5	5.7	5.1	4.8
Non-oil revenue	12.0	10.8	11.6	9.3	12.5	8.8	10.1	11.2	12.1	12.8	13.1
Tax revenue	10.8	9.9	10.8	8.7	11.7	8.2	9.6	10.7	11.7	12.4	12.6
Of which: earmarked revenue			2	1.2	2	1.4	1.4	1.4	1.4	1.4	1.4
Taxes on income, profits, and capital gains	4.2	3.4	4.2	2.9	4.5	2.9	3.3	3.7	4.0	4.2	4.3
Domestic taxes on goods and services	1.9	1.5	2.4	1.9	2.8	2.0	2.5	2.9	3.3	3.6	3.7
Taxes on international trade and transactions	2.9	3.5	3.2	2.9	3.4	2.4	2.8	3.1	3.3	3.5	3.6
Other non-oil taxes	1.9	1.4	1.0	1.0	1.0	0.8	1.0	1.0	1.1	1.1	1.1
Non-tax revenue	1.2	0.9	0.8	0.7	0.8	0.6	0.5	0.5	0.5	0.4	0.4
Grants	0.0	0.0	1	0.1	0	0.4	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	18.2	19.8	20.4	16.6	18.7	14.9	14.5	15.1	15.8	16.1	16.1
Current expenditure	13.4	16.2	15.1	13.3	13.6	11.2	10.6	10.8	10.9	11.1	11.1
Wages and salaries	7.0	7.7	7.1	6.1	6.9	4.9	5.1	5.4	5.5	5.7	5.9
Goods and services	1.6	2.3	2.4	2.1	1.8	1.5	1.3	1.4	1.4	1.4	1.4
Of which: Covid-19		0.3	0.5	0.5	0.0	0.3	0.0	0.0	0.0	0.0	1.0
Interest payments	2.3	3.4	3.1	2.7	2.6	2.4	2.4	2.3	2.3	2.3	2.2
Transfers and subsidies	2.5	2.8	2.6	2.4	2.3	2.4	1.7	1.7	1.7	1.7	1.6
Of which: oil subsidies	0.2	0.1	0.0	0.4	0.0	0.6	0.3	0.2	0.1	0.1	0.1
Of which: Covid-19		0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	2.8	2.7	3.5	2.4	3.6	2.3	2.5	2.9	3.5	3.6	3.6
Domestically financed	1.8	1.7	1.7	1.8	1.7	1.3	1.4	1.6	2.1	2.1	2.2
Of which: Public-private partnership	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Covid-19		0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financed	1.1	1.0	1.8	0.7	1.9	1.0	1.1	1.3	1.4	1.5	1.4
Net lending	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure corresponding to earmarked revenue		0.0	1.7	1.2	1.6	1.4	1.4	1.4	1.4	1.4	1.4
Special accounts 2/	1.1	0.6	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	1.4	-2.1	-3.2	-1.9	-0.4	1.3	3.0	2.5	2.0	1.8	1.7
Adjustment to cash basis 3/	-0.5	-0.3	-0.3	0.0	0.1	-0.4	0.2	0.0	0.1	0.0	-0.2
Overall balance (cash basis)	0.8	-2.4	-3.5	-1.8	-0.3	0.9	3.2	2.5	2.1	1.9	1.5
Total financing	-0.8	2.4	3.5	1.8	0.3	-0.9	-3.2	-2.5	-2.1	-1.9	-1.5
Foreign borrowing (net)	-1.6	0.6	0.3	-0.3	-0.2	-1.2	-1.3	-1.7	-1.6	-0.9	-1.0
Drawings	1.1	1.0	1.8	0.6	1.9	0.8	1.1	1.3	1.4	1.5	1.4
Amortization	-2.0	-7.5	-6.3	-5.0	-2.1	-1.8	-2.4	-3.1	-5.7	-2.4	-2.5
Arrears (reduction = -)	-0.6	0.3	-0.3	0.1	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	6.8	5.1	4.1	0.0	0.0	0.0	0.1	2.7	0.0	0.0
Domestic borrowing (net)	-2.4	-0.9	1.4	1.6	-0.9	-1.5	-3.0	-1.5	-0.6	-0.9	-0.4
Banking system	0.3	2.2	4.6	1.9	2.5	2.2	0.5	1.5	0.9	-0.2	0.0
Non-bank sector 4/	-2.7	-3.1	-3.1	-0.4	-3.4	-3.7	-3.5	-3.0	-1.5	-0.8	-0.4
Financing gap (+=deficit / - surplus)	3.1	2.7	1.7	0.6	1.4	1.8	1.1	0.7	0.0	0.0	0.0
Exceptional financing (excluding IMF)	2.3	0.7	0.4	0.0	0.9	0.9	0.7	0.2	0.0	0.0	0.0
Residual gap	0.7	2.0	1.3	0.6	0.5	0.9	0.4	0.5	0.0	0.0	0.0
IMF-EFF 2017-2020	0.7	0.0									
IMF-RFI-1		1.0									
IMF-RFI-2		1.0									
IMF-EFF			1.3	0.6	0.5	0.9	0.4	0.5	0.0	0.0	0.0
	(Billion of CFA francs, unless otherwise indicated)										
Total revenue and grants	1,931	1,549	1,596	1,641	1,844	2,202	2,423	2,466	2,560	2,663	2,785
Total expenditure and net lending	1,796	1,742	1,961	1,860	1,883	2,075	2,003	2,116	2,267	2,393	2,521
Overall balance	136	-189	-310	-208	-39	180	420	350	293	270	264
Memorandum items:											
Revenues earmarked for other public entities		1.3	2	1.1	2	1.4	1.4	1.4	1.4	1.4	1.4
Gross government deposits in BEAC (percent of GDP)	2.3	2.5	2.4	1.2	2.5	2.0	3.6	4.4	5.0	5.4	6.0
Overall balance (percent of GDP)	1.4	-2.1	-3.2	-1.9	-0.4	1.3	3.0	2.5	2.0	1.8	1.7
Non-oil primary balance excluding capital transfers	-387	-489	-499	-494	-364	-471	-280	-225	-196	-154	-133
As percent of non-oil GDP	-5.8	-7.4	-7.1	-7.1	-4.9	-6.2	-3.4	-2.6	-2.1	-1.6	-1.2
Public debt (percent of GDP)	59.8	78.3	74.7	65.8	72.2	52.6	50.8	48.5	46.6	45.0	43.4
External debt (percent of GDP)	39.2	46.0	44.4	37.8	44.4	31.5	31.0	29.8	28.8	28.9	28.8
Domestic debt (percent of GDP)	20.6	32.3	30.4	28.0	27.8	21.1	19.8	18.7	17.8	16.1	14.6
o/w Statutory advances from BEAC	4.6	5.1	4.7	4.0	4.0	3.3	3.3	3.2	3.0	2.8	2.6
Stock of arrears 5/	2.4	1.7	0.8	1.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0
External	0.0	0.4	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0
Domestic	2.4	1.3	0.8	1.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0
VAT Reimbursement	1.6	1.3	0.8	1.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0
Exceptional float 6/	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices	9,887	8,816	9,632	11,219	10,043	13,905	13,803	13,986	14,351	14,858	15,617

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

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, 2019–27

(Percent of non-oil GDP; Billions of CFA francs)

	2019	2020	2021		2022		2023	2024	2025	2026	2027
		Prel.	Prog. 1/	Prel.	Prog. 1/	Proj.		Proj.			
					(Percent of non-oil GDP)						
Total revenue and grants	29.0	23.4	23.3	23.7	24.9	29.6	29.8	28.3	27.5	26.8	26.0
Revenue	29.0	23.4	22.6	23.5	24.9	28.9	29.8	28.3	27.5	26.8	26.0
Oil revenue	11.2	9.0	6.8	8.5	7.9	12.9	12.6	10.4	8.8	7.7	7.0
Non-oil revenue	17.8	14.4	15.7	15.0	17.0	16.0	17.1	18.0	18.7	19.1	19.1
Tax revenue	16.1	13.2	14.7	13.9	15.9	14.9	16.2	17.2	18.0	18.5	18.5
Of which: earmarked revenue			2	1.9	2	2.5	2.4	2.3	2.2	2.1	2.0
Taxes on income, profits, and capital gains	6.2	4.6	5.8	4.6	6.1	5.2	5.7	6.0	6.2	6.2	6.2
Domestic taxes on goods and services	2.8	2.0	3.3	3.1	3.8	3.7	4.2	4.6	5.1	5.4	5.4
Taxes on international trade and transactions	4.3	4.7	4.3	4.6	4.7	4.4	4.8	4.9	5.1	5.2	5.2
Other non-oil taxes	2.8	1.9	1.3	1.6	1.3	1.5	1.6	1.6	1.6	1.6	1.6
Non-tax revenue	1.7	1.2	1.1	1.1	1.1	1.1	0.9	0.8	0.7	0.6	0.6
Grants	0.0	0.1	1	0.2	0	0.7	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	27.0	26.3	27.7	26.7	25.4	27.3	24.6	24.3	24.4	24.1	23.6
Current expenditure	19.8	21.6	20.6	21.4	18.4	20.6	17.9	17.4	16.8	16.6	16.3
Wages and salaries	10.3	10.3	9.7	9.8	9.4	9.0	8.7	8.6	8.5	8.5	8.6
Goods and services	2.3	3.1	3.2	3.3	2.4	2.8	2.3	2.2	2.2	2.2	2.1
Of which: Covid-19		0.4	0.9	0.9	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Interest payments	3.4	4.5	4.2	4.4	3.5	4.3	4.0	3.8	3.5	3.4	3.2
Transfers and subsidies	3.8	3.8	3.5	3.8	3.1	4.4	2.9	2.8	2.7	2.6	2.4
Of which: oil subsidies	0.3	0.2	0.0	0.6	0.0	1.1	0.5	0.3	0.2	0.1	0.1
Of which: Covid-19		0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	4.2	3.6	4.8	3.9	4.9	4.2	4.3	4.7	5.3	5.4	5.3
Domestically financed	2.6	2.3	2.3	2.9	2.3	2.4	2.5	2.5	3.2	3.2	3.2
Of which: Public-private partnership	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Covid-19		0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financed	1.6	1.3	2.4	1.1	2.6	1.8	1.9	2.1	2.1	2.2	2.1
Net lending	1.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure corresponding to earmarked revenue			2.4	1.9	2.1	2.5	2.4	2.3	2.2	2.1	2.0
Special accounts 2/	1.6	0.8	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	2.0	-2.9	-4.4	-3.0	-0.5	2.4	5.2	4.0	3.2	2.7	2.5
Adjustment to cash basis 3/	-0.8	-0.4	-0.4	0.0	0.1	-0.7	0.3	0.1	0.1	0.1	-0.3
Overall balance (cash basis)	1.3	-3.2	-4.7	-2.9	-0.4	1.7	5.5	4.1	3.3	2.8	2.1
Total financing	-1.3	3.2	4.7	2.9	0.4	-1.7	-5.5	-4.1	-3.3	-2.8	-2.1
Foreign borrowing (net)	-2.3	0.8	0.5	-0.5	-0.3	-2.2	-2.2	-2.7	-2.4	-1.4	-1.5
Drawings	1.6	1.3	2.4	0.9	2.6	1.5	1.9	2.1	2.1	2.2	2.1
Amortization	-3.0	-10.0	-8.6	-8.1	-2.9	-3.3	-4.0	-5.0	-8.7	-3.5	-3.6
Arrears (reduction = -)	-0.9	0.4	-0.4	0.2	0.0	-0.5	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	9.0	7.0	6.5	0.0	0.0	0.0	0.2	4.1	0.0	0.0
Domestic borrowing	-3.5	-1.2	2.0	2.5	-1.2	-2.8	-5.1	-2.4	-0.9	-1.4	-0.6
Bank financing (net)	0.5	2.9	6.2	3.1	3.4	4.0	0.9	2.4	1.4	-0.2	-0.1
Nonbank financing (net) 4/	-4.0	-4.1	-4.3	-0.6	-4.6	-6.8	-6.0	-4.8	-2.3	-1.2	-0.6
Financing gap (+=deficit / - surplus)	4.6	3.6	2.3	0.9	1.9	3.3	1.8	1.1	0.0	0.0	0.0
Exceptional financing (excluding IMF)	3.5	1.0	0.6	0.0	1.2	1.7	1.1	0.3	0.0	0.0	0.0
Residual gap	1.1	2.6	1.8	0.9	0.7	1.6	0.7	0.8	0.0	0.0	0.0
IMF-EFF 2017-2020	1.1	0.0									
IMF-RFI-1		1.3									
IMF-RFI-2		1.3									
IMF-EFF			1.8	0.9	0.7	1.6	0.7	0.8	0.0	0.0	0.0
				(Billion of CFA francs, unless otherwise indicated)							
Total revenue and grants	1,931	1,549	1,596	1,641	1,844	2,202	2,423	2,466	2,560	2,663	2,785
Total expenditure and net lending	1,796	1,742	1,961	1,860	1,883	2,075	2,003	2,116	2,267	2,393	2,521
Overall balance	136	-189	-310	-208	-39	180	420	350	293	270	264
Memorandum items:											
Revenues earmarked for other public entities		1.7	2	1.8	2	2.5	2.4	2.3	2.2	2.1	2.0
Gross government deposits in BEAC (percent of GDP)	3.5	3.3	2.4	1.2	2.5	2.0	3.6	4.4	5.0	5.4	6.0
Overall balance (percent of non-oil GDP)	2.0	-2.9	-3.2	-1.9	-0.4	1.3	3.0	2.5	2.0	1.8	1.7
Non-oil primary balance excluding capital transfers	-387	-489	-499	-494	-364	-471	-280	-225	-196	-154	-133
As percent of non-oil GDP	-5.8	-7.4	-7.1	-7.1	-4.9	-6.2	-3.4	-2.6	-2.1	-1.6	-1.2
Oil revenues (percent of oil GDP)	23.1	27.2	18.9	14.0	22.2	15.6	18.2	17.1	16.2	15.5	15.1
Public debt (percent of non-oil GDP)	88.8	104.2	97.2	97.0	93.4	89.8	80.6	73.0	67.3	62.5	60.3
External debt (percent of non-oil GDP)	58.2	61.2	57.7	55.7	57.4	53.8	49.1	44.9	41.5	40.1	40.0
Domestic debt (percent of non-oil GDP)	30.6	43.0	39.5	41.3	36.0	36.0	31.5	28.1	25.7	22.4	20.3
o/w Statutory advances from BEAC	6.8	6.8	4.4	3.3	4.0	3.3	3.3	3.2	3.0	2.8	2.6
Stock of arrears 5/	3.6	2.3	1.0	1.8	0.1	-0.2	0.0	0.0	0.0	0.0	0.0
External	0.0	0.6	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.0
Domestic	3.6	1.7	1.0	1.8	0.1	0.4	0.0	0.0	0.0	0.0	0.0
VAT Reimbursement	2.3	1.7	1.1	1.8	0.1	0.4	0.0	0.0	0.0	0.0	0.0
Exceptional float 6/	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil GDP at market prices	6,657	6,625	7,072	6,978	7,405	7,607	8,143	8,705	9,301	9,946	10,700

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

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, 2019–24
(Billions of CFA francs)

		2019	2020	2021		2022		2023	2024
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
		(In billions of CFA Francs)							
A.	Overall fiscal deficit (cash basis)	-83.6	213.5	335.7	204.7	29.5	-130.1	-445.0	-355.7
B.	Other financing needs	630.3	988.9	1008.3	765.7	716.2	1029.1	1124.7	1076.6
	Amortization (including arrears)	542.2	939.9	924.5	855.6	579.6	753.0	877.1	956.6
	External	259.8	632.9	635.3	550.8	214.8	287.9	326.8	437.1
	Amortization due	200.5	662.6	605.5	563.8	214.8	247.3	326.8	437.1
	Arrears on amortization	59.3	-29.7	29.7	-12.9	0.0	40.6	0.0	0.0
	Domestic	282.4	307.0	289.3	304.7	364.7	465.1	550.2	519.5
	T-bills redemption	209.6	253.5	209.3	130.6	283.9	327.4	446.8	455.5
	Moratorium debt	45.5	50.0	61.0	174.2	80.8	137.7	103.5	64.0
	Other	27.4	3.5	19.0	0.0	0.0	0.0	0.0	0.0
	BEAC	-83.0	-12.0	19.3	-163.3	70.0	143.7	215.2	120.0
	Repayment of statutory advances	-0.3	0.2	0.0	0.0	50.0	0.0	0.0	0.0
	Net deposit accumulation	-82.8	-12.2	19.3	-163.3	20.0	143.7	215.2	120.0
	Repayment of VAT Arrears	139.1	41.3	44.0	-11.0	66.7	91.2	32.4	0.0
	Other (includes restructuring costs)	18.6	19.7	20.4	84.4	0.0	41.2	0.0	0.0
	Arrears on domestic amortization (reduction)	13.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B	Total financing needs	546.7	1202.4	1344.0	970.4	745.8	899.0	679.7	721.0
D	Identified sources of financing	243.8	963.7	1178.3	906.7	601.4	527.3	531.4	628.6
	External	106.2	684.0	667.3	518.0	191.0	117.2	150.8	198.3
	Project financing (ext.)	106.2	88.8	172.3	62.0	191.0	117.2	150.8	184.9
	Eurobond rollover (ext.)	0.0	595.2	495.0	456.0	0.0	0.0	0.0	13.4
	Domestic	137.5	279.7	511.0	388.8	410.4	410.1	380.6	430.3
	T-bill issuance	186.2	122.1	511.0	336.4	410.4	310.1	380.6	430.3
	Commercial banks deposit drawdown	22.2	-15.6	0.0	-8.0	0.0	0.0	0.0	0.0
	Commercial banks credit	-70.8	158.1	0.0	60.4	0.0	100.0	0.0	0.0
	Privatization receipts and PPPs	0.0	15.0	0.0	0.0	0.0	0.0	0.0	0.0
	Recovery of domestic tax arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E=C-D	Financing gap	302.9	238.7	165.7	63.7	144.4	371.7	148.4	92.4
F	Exceptional external financing	230.2	65.8	39.6	0.0	90.0	247.6	90.9	22.0
	Multilateral	181.0	65.8	39.6	0.0	65.0	217.6	65.9	0.0
	African Development Bank	65.6	65.8	39.6	0.0	65.0	97.6	65.9	0.0
	World Bank	115.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	SDR allocation						120.0		
	Other (Africa EXIM Bank)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bilateral	49.2	0.0	0.0	0.0	25.0	30.0	25.0	22.0
	France	49.2	0.0	0.0	0.0	25.0	30.0	25.0	22.0
E-F	Residual financing needs	72.7	172.9	126.1	63.7	54.4	124.1	57.5	70.4
	IMF-EFF 2017-2020	72.8	0.0						
	IMF-RFI-1		88.0						
	IMF-RFI-2		84.9						
	IMF-EFF			126.1	63.7	54.4	124.0	57.4	70.4
	Remaining gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Gabonese authorities; and Fund staff estimates and projections.
1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

Table 4b. Gabon: Financing of the Fiscal Deficit, 2019–24

(Percent of GDP)

		2019	2020	2021		2022		2023	2024
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
		(Percent of GDP)							
A.	Overall fiscal deficit (cash basis)	-0.8	2.4	3.5	1.8	0.3	-0.9	-3.2	-2.5
B.	Other financing needs	6.4	11.2	10.5	6.8	7.1	7.4	8.1	7.7
	Amortization (including arrears)	5.5	10.7	9.6	7.6	5.8	5.4	6.4	6.8
	External	2.6	7.2	6.6	4.9	2.1	2.1	2.4	3.1
	Amortization due	2.0	7.5	6.3	5.0	2.1	1.8	2.4	3.1
	Arrears on amortization	0.6	-0.3	0.3	-0.1	0.0	0.3	0.0	0.0
	Domestic	2.9	3.5	3.0	2.7	3.6	3.3	4.0	3.7
	T-bills redemption	2.1	2.9	2.2	1.2	2.8	2.4	3.2	3.3
	Moratorium debt	0.5	0.6	0.6	1.6	0.8	1.0	0.7	0.5
	Other	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0
	BEAC	-0.8	-0.1	0.2	-1.5	0.7	1.0	1.6	0.9
	Repayment of statutory advances	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
	Net deposit accumulation	-0.8	-0.1	0.2	-1.5	0.2	1.0	1.6	0.9
	Repayment of VAT Arrears	1.4	0.5	0.5	-0.1	0.7	0.7	0.2	0.0
	Other (includes restructuring costs)	0.2	0.2	0.2	0.8	0.0	0.3	0.0	0.0
	Arrears on domestic amortization (reduction)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B	Total financing needs	5.5	13.6	14.0	8.6	7.4	6.5	4.9	5.2
D.	Identified sources of financing	2.5	10.9	12.2	8.1	6.0	3.8	3.8	4.5
	External	1.1	7.8	6.9	4.6	1.9	0.8	1.1	1.4
	Project financing (ext.)	1.1	1.0	1.8	0.6	1.9	0.8	1.1	1.3
	Eurobond rollover (ext.)	0.0	6.8	5.1	4.1	0.0	0.0	0.0	0.1
	Domestic	1.4	3.2	5.3	3.5	4.1	2.9	2.8	3.1
	T-bill issuance	1.9	1.4	5.3	3.0	4.1	2.2	2.8	3.1
	Privatization receipts	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
	Recovery of domestic tax arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E=C-D	Financing gap	3.1	2.7	1.7	0.6	1.4	2.7	1.1	0.7
F.	Exceptional external financing	2.3	0.7	0.4	0.0	0.9	1.8	0.7	0.2
	Multilateral	1.8	0.7	0.4	0.0	0.6	1.6	0.5	0.0
	African Development Bank	0.7	0.7	0.4	0.0	0.6	0.7	0.5	0.0
	World Bank	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	SDR allocation						0.9		
	Other (Africa EXIM Bank)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bilateral	0.5	0.0	0.0	0.0	0.2	0.2	0.2	0.2
	France	0.5	0.0	0.0	0.0	0.2	0.2	0.2	0.2
E-F	Residual financing needs	0.7	2.0	1.3	0.6	0.5	0.9	0.4	0.5
	IMF-EFF 2017-2020	0.7	0.0						
	IMF-RFI-1		1.0						
	IMF-RFI-2		1.0						
	IMF-EFF			1.3	0.6	0.5	0.9	0.4	0.5
	Remaining gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

Table 5. Gabon: Monetary Survey, 2019–23

	2019				2020				2021						2022						2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4			
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Prel.	Prel.	Prel.	Prel.	Prog. 1/	Prel.	Prel.	Poj.	Poj.	Poj.	Prog. 1/	Proj.	Proj.
(Billion of CFA francs, unless otherwise indicated)																					
Net foreign assets	543	519	469	480	679	688	488	393	360	408	143	204	203	204	-110	80	172	329	232	329	654
Bank of Central African States (BEAC)	463	450	341	385	519	508	320	180	133	129	-78	-66	141	-66	-293	-199	-48	59	170	59	384
Foreign assets	818	804	699	813	951	1022	906	757	722	715	746	766	840	766	544	733	885	998	905	998	1308
Foreign liabilities	-355	-354	-358	-428	-432	-514	-586	-577	-589	-580	-824	-831	-699	-831	-837	-933	-933	-939	-734	-939	-924
o/w: IMF credit	232	232	235	304	-306	-389	-466	-459	-469	-461	-536	-541	580	541	-544	-639	-639	-645	616	645	631
Deposit money banks (DMBs)	80	69	129	95	160	180	167	213	227	318	221	270	62	270	183	279	221	270	62	270	270
Foreign assets	226	226	287	214	259	296	286	418	474	594	434	556	266	556	518	594	434	556	266	556	556
Foreign liabilities	-146	-157	-158	-119	-99	-116	-119	-205	-247	-276	-213	-286	-205	-286	-335	-315	-213	-286	-205	-286	-286
Net domestic assets	1728	1693	1761	1825	1660	1708	1851	2067	2068	2102	2333	2391	2554	2391	2560	2367	2544	2539	2930	2539	2687
Domestic credit	1952	1927	1937	2062	2123	2201	2297	2501	2562	2624	2896	3008	2897	3008	2990	2889	3108	3165	3272	3165	3254
Claims on general government (net)	849	824	782	916	1013	1156	1261	1296	1343	1505	1664	1612	1616	1612	1601	1596	1684	1561	1903	1561	1473
Claims on central government (net)	889	859	813	959	1054	1195	1286	1324	1340	1495	1654	1603	1645	1603	1547	1586	1675	1551	1932	1551	1464
BEAC, Claims on central government (net)	502	476	463	525	525	640	710	732	778	746	894	958	851	958	851	904	944	921	817	921	691
BEAC, Claims on central government	685	684	687	757	759	842	919	952	973	972	1083	1090	1083	1090	1088	1181	1191	1196	1069	1196	1181
Claims on central government	685	684	687	757	759	842	919	952	973	972	1083	1090	1083	1090	1088	1181	1191	1196	1069	1196	1181
Statutory advances	453	453	453	453	453	453	453	453	454	453	453	453	453	453	455	453	453	453	403	453	453
Use of IMF credit	232	232	235	304	306	389	466	459	469	465	536	541	580	541	544	639	639	645	616	645	631
Other	0.0	0.0	0.0	0.0	0	0	0	40	50	55	94	97	50.0	96.6	89	89	99	98	50.0	98.4	98.4
Liabilities to central government	-183	-209	-225	-232	-234	-202	-209	-220	-194	-226	-189	-132	-232	-132	-237	-277	-246	-275	-252	-275	-490
Fund for Future Generations/Sovereign Wealth Fund	-11	-11	-12	-13	-13	-13	-12	-10	-11	-11	-11	-11	-30	-11	-11	-83	-119	-155	-50	-155	-370
Other CG deposits and vault cash	-172	-197	-212	-219	-221	-189	-196	-210	-184	-216	-178	-121	-202	-121	-226	-194	-128	-121	-202	-121	-121
Deposit money banks (net)	426	419	382	434	529	555	576	592	561	739	760	645	794	645	696	682	730	630	1115	630	773
Claims on central government	481	473	463	471	589	601	644	645	639	793	814	705	846	705	815	800	848	562	1167	562	890
Liabilities to central government	-55	-54	-81	-37	-60	-46	-68	-53	-78	-53	-54	-61	-53	-61	-119	-118	-118	-118	-53	-118	-118
Claims on public agencies (net)	-39	-36	-31	-43	-41	-39	-25	-29	3	10	10	9	-29	9	55	10	10	9	-29	9	9
Claims on nongovernment (net)	1063	1068	1124	1146	1110	1045	1035	1205	1220	1129	1233	1396	1280	1396	1389	1293	1423	1604	1369	1604	1781
Other items (net)	-224	-234	-176	-237	-463	-494	-446	-433	-495	-523	-563	-617	-342	-617	-430	-523	-563	-626	-342	-626	-567
Broad money (M2)	2271	2213	2230	2305	2339	2396	2338	2461	2428	2510	2476	2595	2758	2595	2450	2447	2717	2868	3099	2868	3340
Currency	369	323	327	366	373	369	373	412	407	408	440	477	421	477	330	377	419	437	473	437	510
Deposits	1903	1889	1903	1939	1966	2027	1966	2049	2021	2102	2036	2118	2337	2118	2120	2070	2298	2430	2627	2430	2831
(Annual change as percent of Broad Money)																					
Net foreign assets				-5.3									-3.6	-7.7					1.1	4.8	
Net domestic assets				6.4									13.8	12.5					12.1	5.1	
Domestic credit				5.7									16.5	19.6					12.1	5.5	
Claims on general government (net)				4.8									13.8	10.7					9.3	-1.8	
Claims on nongovernment (net)				1.2									2.7	7.4					2.9	7.3	
Other items (net)				-0.3									0.0	1.5					0.0	0.0	
Memorandum items: (Annual percentage change, unless otherwise indicated)																					
Broad money (M2)	1.2	6.8	5.5	1.2	3.0	8.3	4.9	6.8	3.8	4.7	5.9	5.5	11.7	5.5	0.9	-2.5	9.7	10.5	12.4	10.5	16.5
Reserve money	11.6	6.8	5.1	11.6	-1.4	18.4	31.2	6.8	5.6	-14.0	-11.4	5.1	-1.4	5.1	-26.6	-12.0	7.7	6.3	-6.3	6.3	14.7
Credit to the private sector	9.3	3.1	4.0	2.5	4.3	-2.1	-7.9	5.2	9.9	8.0	19.1	15.8	6.2	15.8	13.9	14.6	15.5	14.9	7.0	14.9	11.1
Credit to the private sector (in percent of non-oil GDP)	15.8	15.8	16.7	17.0	16.6	15.6	15.5	18.0	17.3	16.0	17.6	19.6	17.9	19.6	18.1	16.8	18.6	20.7	18.3	20.7	21.4
Broad money (in percent of overall GDP)	23.0	22.4	22.6	23.3	26.5	27.2	26.5	27.9	21.6	22.4	22.1	23.1	28.6	23.1	17.6	17.6	19.5	20.6	30.9	20.6	24.2
Velocity (Non-oil GDP/M2)	2.9	3.0	3.0	3.0	2.9	2.8	2.8	2.8	2.9	2.8	2.8	2.8	2.7	2.8	3.0	3.0	3.0	2.8	2.5	2.8	2.6

Sources: BEAC; and IMF staff estimates and projections.

1/ Staff report for the Request for a Three-Year Extended Arrangement under the Extended Fund Facility (August 26, 2021; Country Report No. 2021/189).

Table 6. Gabon: Financial Soundness Indicators for the Banking System, 2015–21

(Percent)

	2015	2016	2017	2018	2019	2020	2021 [1] August
Capital adequacy							
Total bank regulatory capital to risk-weighted assets	8.3	9.1	9.7	10.8	10.7	17.5	17.7
Tier 1 capital to assets [2]	4.5	4.3	4.5	5.0	5.1	9.8	10.7
Asset quality							
Non-performing loans to total loans	5.3	10.7	10.8	12.4	12.8	7.6	7.8
Non-performing loans net of provision to capital [3]	12.9	17.7	9.1	11.8	11.1	2.6	6.5
Earnings and profitability							
Net income to average capital (ROE) [4]	4.8	9.6	9.3	12.0	11.7	16.4	...
Net income to average assets (ROA) [5]	1.1	1.2	1.0	1.3	1.2	2.8	...
Non interest expense to gross income [6]	79.5	71.2	69.7	62.9	65.0	59.9	...
Liquidity							
Liquid assets to total assets	24.4	23.2	24.2	26.4	25.9	27.2	28.5
Liquid assets to short-term liabilities	148.3	148.7	149.3	162.4	161.9	166.9	163.4

Sources: Gabonese authorities; and Banque des Etats de l'Afrique Centrale (BEAC)

1/ The values are provisional.

2/ Tier 1 capital is used as opposed to previously used total capital. This brings us closer to Basel III's leverage ratios.

3/ Difference with historical data due to updates in total regulatory capital.

4/ Numerator updated to use annualized net profit after tax as opposed to previously used net profit before tax.

5/ Numerator updated to use annualized net profit before tax as opposed to previously used net profit after tax.

6/ Numerator updated to include extraordinatry losses (if any) denominator updated to include extraordinary profits (if any).

Table 7. Gabon: Indicators of Capacity to Repay the Fund, 2022–31

	Projection									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fund obligations based on existing credit										
(in millions of SDRs)										
Principal	23.8	88.1	170.5	130.0	76.0	70.1	52.2	28.4	13.5	13.5
Charges and interest	8.1	15.3	10.7	5.8	4.2	3.0	2.0	1.2	0.8	0.6
Fund obligations based on existing and prospective credit										
(in millions of SDRs)										
Principal	23.8	88.1	170.5	130.0	85.7	98.2	96.3	79.7	64.8	64.8
Charges and interest	10.3	21.7	22.0	17.8	13.3	9.2	6.2	4.7	3.5	2.4
Total obligations based on existing and prospective credit										
In millions of SDRs	34.1	109.9	192.5	147.8	99.0	107.4	102.5	84.4	68.3	67.2
In millions of US$	47.5	154.8	273.8	211.8	142.7	155.5	151.5	124.8	100.9	99.3
In percent of exports of goods and services	0.4	1.5	2.7	2.1	1.4	1.5	1.3	1.0	0.8	0.7
In percent of debt service 1/	9.4	18.4	24.6	17.8	14.2	14.3	14.7	10.3	8.4	0.0
In percent of GDP	0.2	0.7	1.1	0.8	0.5	0.6	0.5	0.4	0.3	0.3
In percent of Gross International Reserves	5.9	11.2	14.5	9.2	5.4	5.2	4.2	3.0	2.2	2.1
In percent of quota	15.8	50.9	89.1	68.4	45.8	49.7	47.5	39.1	31.6	31.1
Outstanding Fund credit										
In millions of SDRs	793.5	775.6	691.5	561.5	475.8	377.6	281.3	201.6	136.8	72.0
In millions of US$	1106.0	1093.2	983.6	804.5	685.9	546.8	415.8	298.0	202.2	106.4
In percent of exports of goods and services	10.0	10.6	9.8	8.0	6.7	5.1	3.6	2.5	1.6	0.8
In percent of debt service	217.9	130.2	88.5	67.5	68.4	50.1	40.3	24.5	16.8	0.0
In percent of GDP	4.7	4.6	4.0	3.2	2.6	2.0	1.4	0.9	0.6	0.3
In percent of Gross International Reserves	137.2	79.4	52.2	35.1	26.0	18.3	11.4	7.3	4.4	2.2
In percent of quota	367.4	359.1	320.1	259.9	220.3	174.8	130.2	93.3	63.3	33.3
Net use of Fund credit (in millions of SDRs)	-23.8	-88.1	-170.5	-130.0	-85.7	-98.2	-96.3	-79.7	-64.8	-64.8
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	23.8	88.1	170.5	130.0	85.7	98.2	96.3	79.7	64.8	64.8
Memorandum items:										
Exports of goods and services (in millions of US$)	11,034	10,297	10,039	10,019	10,207	10,682	11,395	11,991	12,682	13,483
Debt service (in millions of US$)	508	840	1,112	1,191	1,003	1,091	1,033	1,217	1,202	1,859
Nominal GDP (in millions of US$)	23,625	23,785	24,431	25,302	26,370	27,825	30,274	31,787	33,405	34,847
Gross Official Reserves Imputed to Gabon (in millions of US$)	806	1,377	1,883	2,295	2,641	2,990	3,651	4,109	4,545	4,789
Quota (millions of SDRs)	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 Purchase and Timing of Reviews Under the Extended Arrangement, 2021–24

Date of availabilty	Condition for disbursement	Amount (millions of SDRs)	Percentage of Quota 1/
July 28, 2021	Approval of the extended arrangement under the EFF.	81.000	37.500
December 1, 2021	Observance of the PCs for end-July 2021, continuous PCs and completion of the first review. 2/	81.000	37.500
June 1, 2022	Observance of the PCs for end-December 2021, continuous PCs and completion of the second review.	35.100	16.250
December 1, 2022	Observance of the PCs for end-June 2022 continuous PCs and completion of the third review.	35.100	16.250
June 1, 2023	Observance of the PCs for end-December 2022, continuous PCs and completion of the fourth review.	35.100	16.250
December 1, 2023	Observance of the PCs for end-June 2023, continuous PCs and completion of the fifth review.	35.100	16.250
April 1, 2024	Observance of the PCs for end-December 2023, continuous PCs and completion of the sixth review.	86.400	40.000
	Total	388.800	180.000

Source: IMF staff projections.

1/ Gabon's quota is SDR 216.0 million

2/ The PCs for end-December 2021 will be controlling as the first review was not completed after end-December 2021.

Table 9. Gabon: Decomposition of Public Debt and Debt Service by Creditor, 2020–23[1]

	Debt Stock (end of period)				Debt Service								
	2020	2021	2020	2021	2020	2021	2022	2023	2020	2021	2022	2023	
	(In US$ millions)		(In percent of GDP)		(In US$ millions)				(In percent of GDP)				
Total	**12,007.6**	**13,313.6**	**78.3**	**65.8**	**2,150.2**	**2,284.0**	**1,837.2**	**1,996.0**	**14.0**	**11.3**	**7.8**	**8.4**	
External	**7,050.7**	**7,647.9**	**46.0**	**37.8**	**1,458.8**	**1,332.9**	**676.4**	**722.7**	**9.5**	**6.6**	**2.9**	**3.0**	
Multilateral creditors[2]	2,394.7	2,473.5	15.6	12.2	200.6	163.4	204.5	245.9	1.3	0.8	0.9	1.0	
IMF	386.5	400.8	2.5	2.0	8.2	9.7	9.2	55.5	0.1	0.0	0.0	0.2	
World Bank	633.1	686.1	4.1	3.4	15.3	20.9	42.4	57.6	0.1	0.1	0.2	0.2	
AfDB	1.2	1.2	0.0	0.0	34.0	42.0	62.3	93.7	0.2	0.2	0.3	0.4	
Other multilaterals	1,373.9	1,385.5	9.0	6.8	143.1	90.8	90.6	39.2	0.9	0.4	0.4	0.2	
Of which: IDB	189.1	177.0	1.2	0.9	47.9	43.4	36.4	32.9	0.3	0.2	0.2	0.1	
Of which: EIB	4.4	4.2	0.0	0.0	0.5	0.7	0.6	0.6	0.0	0.0	0.0	0.0	
Bilateral creditors	1,463.8	1,518.5	9.5	7.5	119.7	151.1	175.1	188.0	0.8	0.7	0.7	0.8	
Paris Club	452.8	476.0	3.0	2.4	30.1	33.5	38.7	52.5	0.2	0.2	0.2	0.2	
France	448.2	471.2	2.9	2.3	29.8	33.2	38.5	52.3	0.2	0.2	0.2	0.2	
Spain	…	…	…	…	…	…	…	…	…	…	…	…	…
Israel	…	…	…	…	…	…	…	…	…	…	…	…	…
Other	4.5	4.8	0.0	0.0	0.2	0.3	0.2	0.2	0.0	0.0	0.0	0.0	
Non-Paris Club	1,011.1	1,042.5	6.6	5.1	179.2	235.3	259.1	257.0	1.2	1.2	1.1	1.1	
China	1,011.1	1,042.5	6.6	5.1	89.6	117.7	129.6	128.5	0.6	0.6	0.5	0.5	
China Development Bank	50.2	46.0	0.3	0.2	9.2	8.1	10.6	10.2	0.1	0.0	0.0	0.0	
China Export-Import Bank	960.9	996.4	6.3	4.9	80.4	109.6	119.0	118.4	0.5	0.5	0.5	0.5	
Bonds (Eurobond)	2,286.4	2,689.0	14.9	13.3	977.7	895.0	186.9	188.1	6.4	4.4	0.8	0.8	
Commercial creditors	468.2	398.2	3.1	2.0	160.8	123.4	109.9	100.7	1.0	0.6	0.5	0.4	
China	154.7	172.2	1.0	0.9	10.5	18.5	46.8	44.3	0.1	0.1	0.2	0.2	
o/w: China Construction Bank	37.2	41.4	0.2	0.2	1.7	1.3	4.6	4.6	0.0	0.0	0.0	0.0	
o/w: Industrial and Commercial Bank of China	117.5	130.9	0.8	0.6	5.2	13.8	30.3	29.5	0.0	0.1	0.1	0.1	
France (BNP Paribas, Societe Generale)	73.3	44.5	0.5	0.2	40.5	28.0	19.2	13.0	0.3	0.1	0.1	0.1	
Austria (Unicredit)	138.9	99.5	0.9	0.5	42.4	24.6	23.2	22.9	0.3	0.1	0.1	0.1	
Domestic	**4,956.9**	**5,665.7**	**32.3**	**28.0**	**691.4**	**951.1**	**1,160.8**	**1,273.3**	**4.5**	**4.7**	**4.9**	**5.4**	
Held by residents, total	…	…	…	…	…	…	…	…	…	…	…	…	…
Held by non-residents, total	…	…	…	…	…	…	…	…	…	…	…	…	…
T-Bills	470.8	456.6	3.1	2.3	…	…	…	…	…	…	…	…	…
Bonds (Regional Markets)	1,358.4	2,323.1	8.9	11.5	386.4	440.7	594.3	744.5	2.5	2.2	2.5	3.1	
Loans	1,542.5	1,527.1	10.1	7.5	145.7	162.2	161.9	198.5	0.9	0.8	0.7	0.8	
Domestic arrears													
Memo items:													
Collateralized debt[3]	…	…	…	…	…	…	…	…	…	…	…	…	…
o/w: Related	…	…	…	…	…	…	…	…	…	…	…	…	…
o/w: Unrelated	…	…	…	…	…	…	…	…	…	…	…	…	…
Contingent liabilities	…	…	…	…	…	…	…	…	…	…	…	…	…
o/w: Public guarantees	…	…	…	…	…	…	…	…	…	…	…	…	…
o/w: Other explicit contingent liabilities[4]	…	…	…	…	…	…	…	…	…	…	…	…	…
Nominal GDP	15,339.0	20,242.2			15,339.0	20,242.2	23,577.2	23,722.3	…	…	…	…	…

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Multilateral creditors are are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending into arrears).

3/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

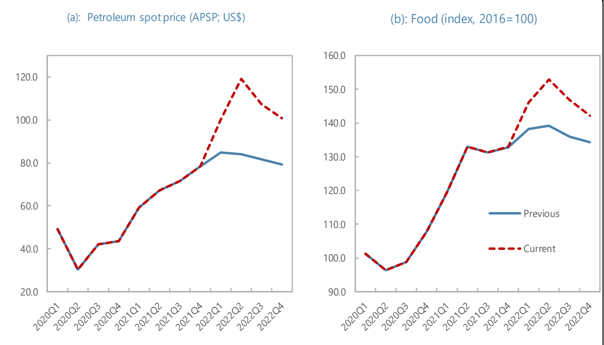
4/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Annex I. Estimating the Impact of the War in Ukraine

The fiscal and external position will benefit from the surge in oil prices, but the cost of fuel subsidies will weigh on the budget and higher food prices will add to inflationary pressures.

1. The war in Ukraine will affect the Gabonese economy, mainly through higher oil and food prices. Oil prices increased sharply by 18.1 percent in 2022 Q1 compared to the January 2022 WEO forecast (Figure 1a). The increase in food prices was 5.7 percent in 2022 Q1 compared to the January 2022 WEO forecast (Figure 1b). Soaring oil and food prices will affect fiscal and external position and intensify inflation pressures.

Figure 1. Gabon: International Oil and Food Prices, 2020–22



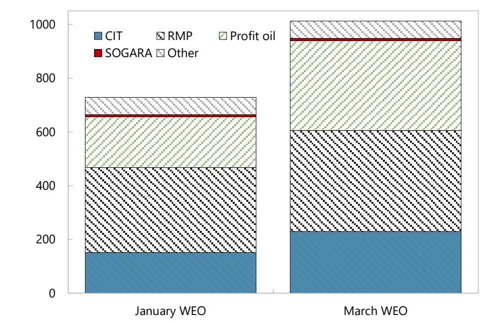
Sources: WEO projections.

Fiscal Position

2. The fiscal position is expected to improve. The positive impact of the spike in oil prices on oil revenues should outweigh higher fuel and food subsidies.

- ***Revenue***. Royalty (RMP and profit oil) which represents about 17 percent of oil production, is expected to increase by 0.1 percent of GDP in 2022 compared to the initial budget law. The Corporate taxes (CIT), another important component of oil revenues, equivalent to 35 percent of the previous year's profit, will impact oil revenue in 2023.

Figure 2. Gabon: Oil Revenue, 2018–22

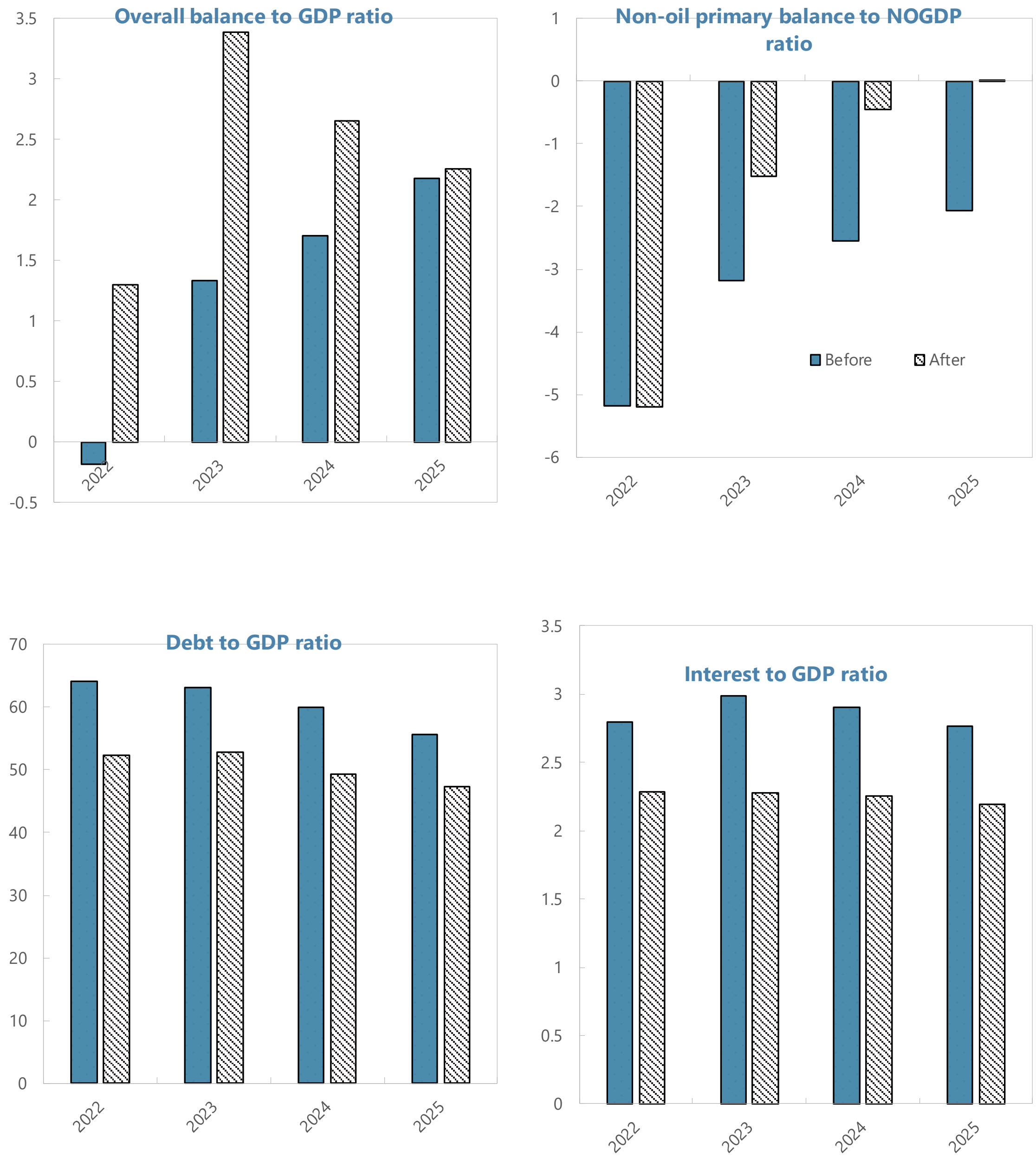


Sources: Gabonese authorities and IMF staff estimates.

- **Higher oil prices will also increase the cost of fuel subsidies and spending.** The authorities froze their automatic price adjustment mechanism in the second half of 2021 to contain social tensions amidst increasing international oil prices. In January 2022, the authorities adjusted the prices of gasoline and diesel purchased by businesses by 16 percent but maintained the prices of all other petroleum-related products consumed by households unchanged. With no policy response, the increase in international oil prices will push up fuel subsidies to CFAF 130.7 billion (1 percent of GDP) in 2022.

- **Higher food prices are also expected to increase wheat subsidies.** The authorities estimate additional wheat subsidies at CFAF 5.7 billion ([0.04] percent of GDP).

Figure 3. Gabon: Fiscal Balance, Debt, and Interest, 2022–25



Sources: Gabonese authorities and IMF staff estimates.

- **The authorities decided to delay the planned increase in import taxes (5 percent) on selected food items**, implying a non-oil tax revenue shortfall of CFAF 12 billion (0.1 percent of GDP).

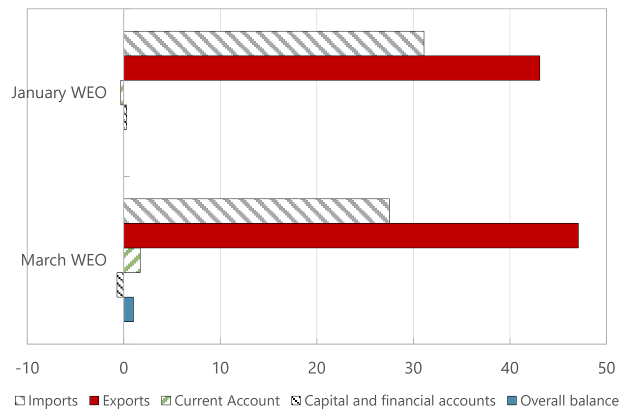
- **Higher oil revenues are expected to improve the overall balance and the debt profile in the near term (Figure 3)**. The overall balance (on cash basis) will improve by 1.1 percent of GDP. The improvement in the fiscal balance will reduce financing needs and enhance debt sustainability.

Financial needs are projected to decline to 5 percent of GDP per year over the period 2022–25 and the debt-to-GDP ratio is expected to fall from 78 percent in 2020 to 52.6 percent in 2022, also supported by higher GDP.

External Position

3. Gabon's external position is expected to strengthen in 2022, as the positive impact of increasing international commodity prices should outweigh a higher import bill. The current account is projected to reach a surplus of 0.7 percent of GDP in 2022, mainly due to higher oil and manganese prices, improving from a deficit of 5.2 percent of GDP in 2021. This represents an improvement of 1 percentage point of GDP relative to the WEO January 2022 projection, and primarily reflects gains in the trade balance, partially offset by higher net income outflows on international assets. Since the beginning of the war in Ukraine the projection for foreign direct investment (FDI) in 2022 has increased by about CFA francs 150 billion, compared with the January WEO, mainly reflecting an increase in FDI to the oil sector.

Figure 4. Gabon: Balance of Payments 2022 (Projected)



Sources: Gabonese authorities and staff calculation

4. Booming exports will improve the trade balance. This results in a large increase relative to the projected surplus of 12 percent from the January 2022 WEO (Figure 4). Preliminary data for 2022 Q1 confirm that export volumes have recovered well from 2021, owing to higher exports of oil, manganese, timber, and palm oil. Nominal oil exports (more than 75 percent of total exports) have increased by about 73 percent (y/y) in 2022 Q1, reflecting the surge in international oil prices.

5. The direct impact of the war on imports should be limited. In 2022, imports should decrease moderately from 28.8 (in 2021) to 27.1 percent of GDP, mostly due to slow growth in private sector non-oil imports relative to GDP growth. Cereals account for nearly 5 percent of total imports of goods, while goods imports from Russia and Ukraine account for ½ percent and 0.2 percent of total imports of goods, respectively. Nevertheless, the war in Ukraine could continue to push up the price of imported food products and thereby weigh on the import bill.

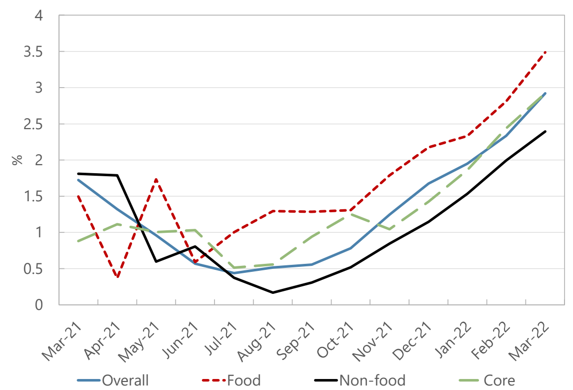
6. External financing conditions have been favorable. Gabon's international bond spread stood at 698 basis points on May 20, 2022. Nevertheless, a prolonged war and the global tightening of monetary policy in response to the inflationary pressures could negatively impact financial market conditions.

Inflation

7. The war in Ukraine has contributed to global inflationary pressures, pushing up commodity prices. Staff estimates based on historical data suggest that international commodity prices take up to a year to be reflected in domestic inflation due to contained domestic demand, price controls and other distortions that limit the passthrough of imported inflation.

8. In this context, 12-month average inflation in Gabon increased to 2.9 percent in March 2022. CPI inflation was already trending upwards, before the war in Ukraine. CPI inflation increased from 0.6 percent in September 2021 to 1.7 percent in December 2021 (y/y). While food price increases led the change, an increase in core inflation was also noticeable, suggesting a broad-based increase across the CPI basket. The war in Ukraine added to the inflationary pressure in 2022, mainly through higher prices for food, which makes up more than 40 percent of the CPI basket. This can be seen from CPI food inflation, which reached 3.5 percent in March 2022 (Figure 5). Under staff calculations, the direct impact of the higher food prices on inflation is 0.8 percent. The contribution of fuel price increases, both directly to consumers and through costs to businesses, has been limited by the government's fuel subsidies. Core inflation, which strips out the effect of food and energy prices, also increased to 2.9 percent in March 2022, from 1.4 percent in December 2021, driven by higher prices for furniture and household goods, health services, hotels and restaurants, and other goods and services.

Figure 5. Gabon: CPI Inflation



Source: Gabonese authorities

9. Further disruption of global supply chains would contribute to higher global inflation, and higher imported inflation in Gabon. Additionally, as the subsidy policy normalizes, allowing full passthrough of international oil prices (except for butane and kerosene), the contribution of fuel prices should be expected to increase. On the other hand, continued fiscal consolidation (moving the non-oil primary deficit from 7.1 percent of NOGDP in 2021 to [6.2] percent of NOGDP in 2022) and the monetary policy response of the BEAC should have a moderating effect on aggregate demand. The BEAC monetary policy committee has already raised the policy rate from 3.5 percent to 4 percent, and BEAC has reduced its liquidity injections.

10. This global inflationary episode also presents the risk of spillovers from monetary policy tightening in larger economies. Major central banks, such as the Federal Reserve and the Bank of England, have already begun increasing their policy rates to address high domestic inflation rates; several emerging economy central banks have responded with similar moves. These decisions, while curbing global inflationary pressures, could also result in a global slowdown of economic activity and reduce capital flows into the region.

Annex II. External Sector Assessment

Gabon's external position in 2021 is weaker than implied by medium-term fundamentals and desirable policies. The current account deficit narrowed in 2021, supported by stronger oil and manganese exports as well as ongoing fiscal consolidation under the program. Going forward, the strengthening of the external position is predicated on continued fiscal reforms and improvements in structural competitiveness.

1. **In 2021, the real effective exchange rate (REER) depreciated slightly despite a significant improvement in the terms of trade.** The terms of trade increased by about 36 percent, reflecting higher oil prices (Figure 1). However, due to the depreciation of the Euro (to which the CFA franc is pegged) vis-à-vis the U.S. dollar and stable domestic prices, the REER depreciated by 1.3 percent.

2. **The current account (CA) deficit narrowed in 2021 driven mostly by the significant increase in oil and non-oil exports.** The CA improved to an estimated -5.2 percent of GDP in 2021, from -6.9 percent of GDP in 2020. Exports increased by 42 percent (y-o-y) in 2021, with oil and non-oil exports increasing by 52 and 22 percent, respectively, while imports increased only by 3.6 percent. From the saving and investment perspective, the public sector saving-investment gap improved, contributing to the narrowing of the CA deficit. In 2022, the current account is expected to register a small surplus on the back of higher oil and commodity prices. The current account is projected to deteriorate slightly after 2022, hovering around a deficit of 1–2 percent of GDP over the medium term, supported by increasing non-oil exports, particularly in the mining (manganese) and agri-business sectors.

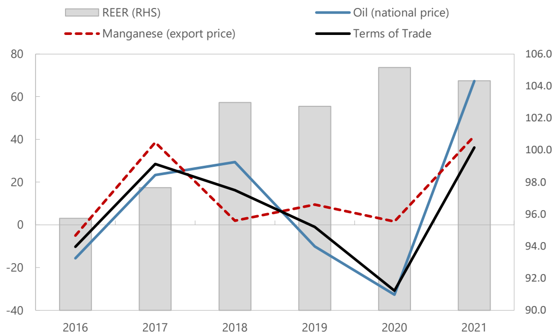
3. **Foreign direct investment continued to drive external financing inflows in 2021.** FDI was estimated at 7.5 percent of GDP in 2021, the majority of which continued to be in the non-oil sector. Disbursements of external debt for projects and external financing (excluding the IMF disbursement) decreased to 5.2 percent of GDP in 2021, compared with 10.5 percent in 2020 owing to non-disbursement of external budget support and significant under-execution of foreign-financed public investment projects. Gabon's imputed net foreign assets at the BEAC improved slightly in 2021. Gabon's foreign exchange reserve adequacy is in line with that of oil-exporting economies in the CEMAC region according to reserve adequacy metrics.[1]

4. **This analysis relies heavily on staff estimations and judgement given actual data limitations.** Provision of official balance of payments statistics is subject to delays, with the latest official, though still preliminary, data from 2018. The analysis also suffers from gaps in these data, including the exclusion of activities in the Special Economic Zone. The lack of 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.

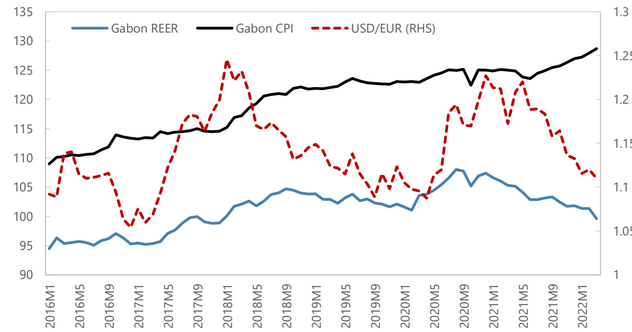
[1] See IMF Policy Paper No. 19/026 for the revised EBA-Lite methodology.

Figure 1. Gabon: External Sector Developments, 2016–21

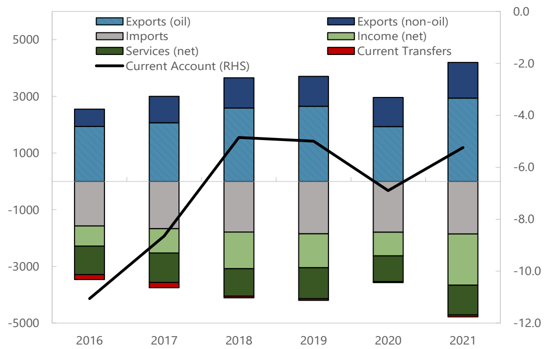
Commodity Prices, Terms of Trade, 2016-21
(Percent change LHS; REER Index RHS)



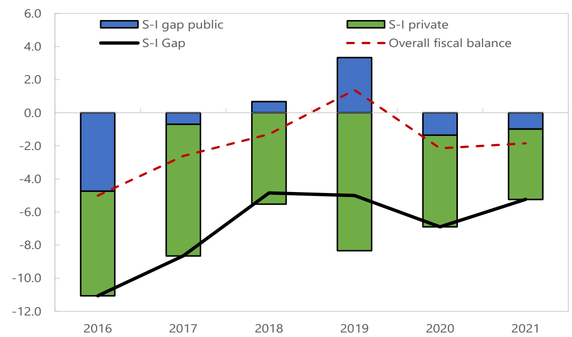
REER, CPI, and USD/EUR Exchange Rate, 2016-2022
(Index LHS; USD/EUR RHS)



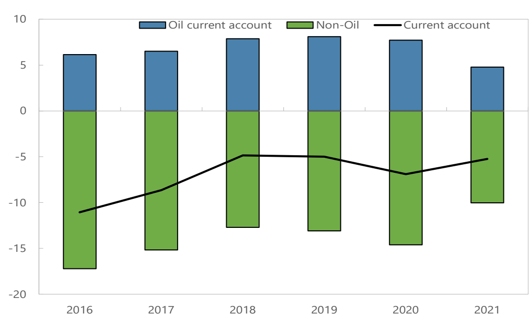
Contribution to the Current Account 2016-21
(Billions of CFA, LHS; Percent of GDP RHS)



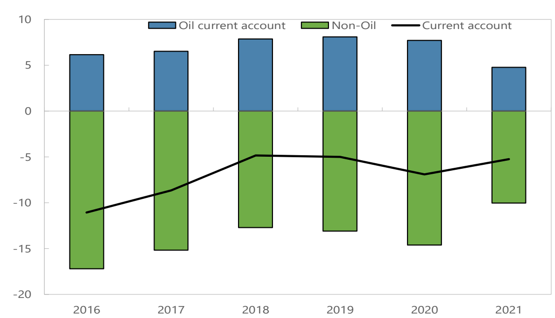
Savings & Investment Balance, 2016-21
(Percent of GDP)



Oil and Non-Oil Current Account Balance, 2016-2021
(Percent of GDP)



Oil and Non-Oil Current Account Balance, 2016-2021
(Percent of GDP)



Sources: Gabonese authorities; International Financial Statistics; and IMF staff estimates.

5. Estimates using the revised EBA-Lite[2] methodology's regression-based approaches suggest the 2021 exchange rate is overvalued by 1.4 to 13.2 percent (Table 1). These estimates suggest a CA gap of -1.8 percent and -0.2 percent, based on the EBA-lite CA and REER models respectively, and a 13.2 percent and 1.4 percent REER gap in 2021. 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 2.7 percent of GDP, compared with the actual cyclically-adjusted CA at -4.6 percent of GDP. This produces a CA-gap of 1.9 percent of GDP, including a 2.9 percent policy gap between actual 2021 levels and desirable policy settings, particularly fiscal policy and public health expenditure.[3] The REER approach estimates a REER norm of 4.64 based on fundamentals and desirable policy settings, compared with its actual level of 4.66 (expressed in logs). In comparison to the EBA-Lite estimates for the 2021 assessment, CA-Actual and CA-Norm changed by 2.7 percent and 0.4 percent. [4]

6. The investment-based model indicates a generally lower CA norm. An important parameter for this model is the efficiency of public and private investment, with larger inefficiencies reducing the optimal level of investment, leading to higher current account norms. Based on PIMA (2019) and follow up PIMA (2022) 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 -4.7 percent of GDP, below baseline projections (Figure 3).

[2] These are calibrated to include: (i) a cyclically-adjusted fiscal balance (-4.0 percent of GDP) and an annual change in reserves (0.0 percent of GDP) consistent with the medium-term projections and meeting CEMAC convergence criteria; (ii) private credit growth set in line with the benchmark level based on regressions on the same country group (0.6 percent); (iii) a desired public health expenditure of 2 percent of GDP based on 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 (0.47); and (v) the real interest rate set to the actual rate for 2021, which implies monetary policy is consistent with output and inflation objectives.

[3] The COVID-19 crisis is significantly affecting external positions. Current account (CA) balances have in many cases changed substantially more in 2020 than in 2019, although the movements are generally expected to fade as the COVID-19 crisis subsides. Following the latest EBA-Lite guidelines (version April 2021), we made no special adjustments to the oil trade balance beyond the standard cyclical adjustments to strip out transitory factors. We also assume there were no temporary and major changes to tourism and remittances, thus related adjustors are set to be zero.

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

Table 1. Gabon: 2018 Revised EBA-Lite CA and REER Regression Results

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-5.2**	
Cyclical contributions (from model) (-)	-0.5	
COVID-19 adjustor (-) 2/	0.0	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	-0.2	
Adjusted CA	**-4.6**	
CA Norm (from model) 3/	**-2.7**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-2.7**	
CA Gap	**-1.9**	**-0.2**
o/w Relative policy gap	2.9	
Elasticity	-0.14	
REER Gap (in percent)	**13.2**	**1.4**

Source: IMF staff estimates.

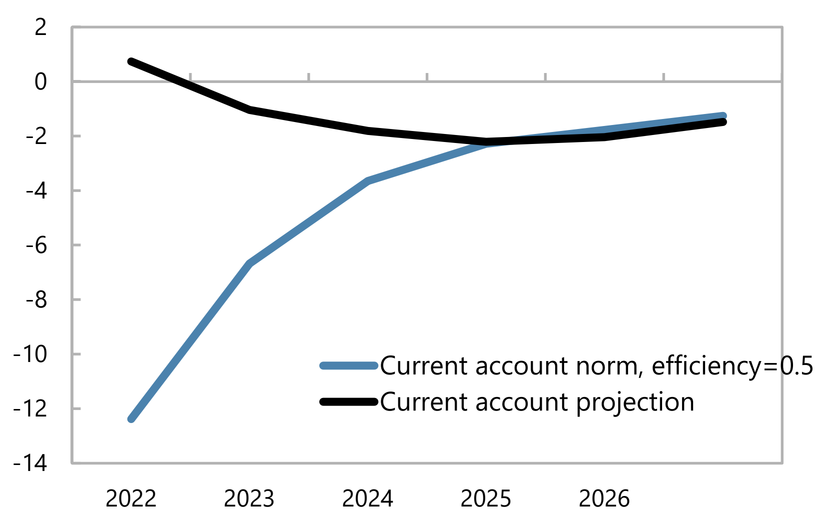
1/ Based on the EBA-lite 3.0 methodology

2/ There is no additional cyclical adjustment to account for the temporary impact of tourism and remittances, which account for a negligible share of GDP.

3/ Cyclically adjusted, including multilateral consistency adjustments.

Figure 3. Gabon: Investment Based-Model Estimated CA and Projected CA

(Percent of GDP)



Source: IMF staff calculations.

7. The bottom-line assessment is that the external position is weaker than implied by medium-term fundamentals and the exchange rate is overvalued. This is drawn from the 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 to meet regional commitments that support the CFA currency peg. The investment model-based approach 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.[5,6] The overall assessment estimates an overvaluation of 1.4 to 13.2 percent based on the range of REER and CA results, respectively, compared with an overall assessment of a 0.9 to 2.5 percent overvaluation in 2020. This assessment is based on the CA gap estimate being 1.4 percent of GDP. Preliminary data suggest that this assessment could further improve in 2022 given the anticipated strengthening of the current account. 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.

8. Continued policy adjustment and measures to strengthen structural competitiveness would sustain the strengthening of the external position. Measures under the new IMF-supported program including fiscal consolidation and efforts to improve the efficiency of public investment, as well as measures to improve governance and the business environment are critical. 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 4).

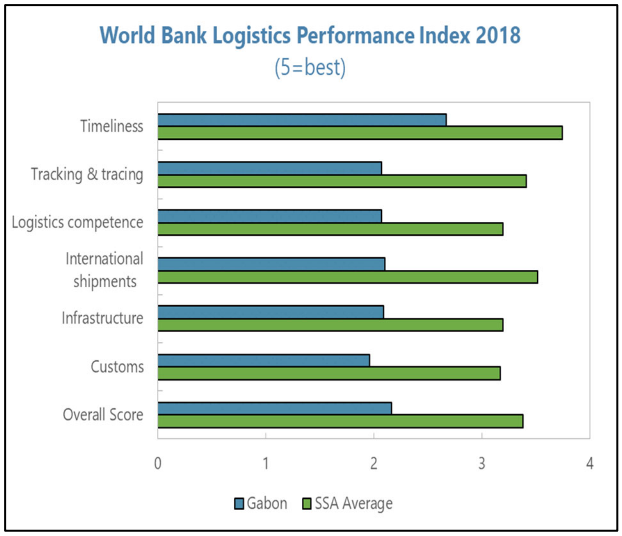
[5] Country Report No. 2021/189.

[6] The consumption model was also applied but the estimates are not reported because they 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 4. Gabon: Structural Competitiveness Indicators

Gabon: WEF Enabling Trade Index and Subcomponents (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 inidcated. Red indicates ranking in bottom quartile, green indicates ranking in top quartile.



Source: World Bank; and World Economic Forum.

Annex III. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
Domestic Risks			
Widespread social discontent due to intensified domestic transmission of the COVID-19 pandemic, delays in vaccination or unequal access to the vaccine.	**Medium**	**Medium** A significant spread of the pandemic, delays in the vaccine rollover and unequal access to it could undermine economic activity, disrupt domestic supply and transportation, and could fuel unrest.	Continue to enforce social distancing regulations. Ramp up crisis preparedness in the health system to cope with a potential surge. Expand emergency assistance. Intensify efforts to secure sufficient resources to address COVID-19 impact, including from development partners. Ensure the efficient use of COVID-19-related emergency resources, including by closely monitoring their expenditure and ensuring full transparency and accountability, as per the commitments in the LOIs appended to Gabon's 2020 RFI Purchase requests.
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.	Reprioritize fiscal spending and enhance the efficiency of spending, while supporting 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 perceptions 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.
Higher frequency and severity of natural disasters related to climate change.	**Medium**	**Medium** Gabon is prone to natural disasters.	Implement policies to invest to protect critical financial, transport, communication, or energy infrastructure. Pursue a credible medium-term fiscal consolidation path to build fiscal and external buffers.
Based on the April 2, 2022, update of the Global Risk Assessment Matrix.			

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. 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. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
		External Risks	
Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions.	**High**	**Medium** Could further distort food supply chain Increase financing costs	Reinforce external buffers. Enhance social safety net. Diversify import sources.
Outbreaks of lethal and highly contagious COVID-19 variants.	**Medium**	**High** Adverse impact on growth through less foreign direct investment inflows and external support. Demand for export products and their prices would fall, widening fiscal and BOP gaps. Weak growth dynamics cause a deterioration in debt sustainability and imply a larger fiscal adjustment, which could feedback in weaker growth.	Continue to prioritize social and health-related spending, including vaccines, and enhance the efficiency of spending. Continue supporting the population, along with clearly anchored policies when the pandemic subsides. Energize external support to the economy and vaccination. Strengthen crisis management and preparedness.
Rising and volatile food and energy prices.	**High**	**High** The materialization of this *upside* risk would improve fiscal and external balances and help reduce BOP and fiscal financing gaps faster.	Save part of the oil proceeds towards policy buffers, including to support regional reserve target. Roll-back crisis-related accommodative policy measures and adhere to the planned fiscal consolidation to boost confidence and promote private sector-led growth.
Abrupt growth slowdown in China	**Medium**	**High** This will reduce exports as Chine is a significant destination for oil and manganese exports.	Diversify export destinations.
Intensified geopolitical tensions and security risks	**Medium**	**Medium** Intensification of the flow of refugees/displaced people into Gabon, as a result of instability in neighboring countries.	Enhance an already well-established policy framework for dealing with emigration.

Annex IV. Debt Sustainability Analysis

***The debt sustainability analysis (DSA) shows that Gabon's public debt is sustainable without high probability, and risks have moderated**. Gabon's public debt is assessed to be sustainable and has decreased from the previous DSA.[1] The framework is more benign than in the previous DSA largely due to the inflating away of the debt and debt service burden via high oil prices but such process is liable to be reversed. Public debt is expected to reach 52.6 percent of GDP in 2022, down from 65.8 percent of GDP in 2021. The downward revision of the public debt-to-GDP level in 2022 relative to the previous DSA is mainly due to higher nominal GDP growth as oil prices increased. Debt is expected to decline to 43.4 percent of GDP in 2027, but gross financing needs are projected to average 4.9 percent of GDP over the medium term, down from 8.8 percent over the period 2011-21. Liquidity pressures have eased, with debt service accounting for 48.9 percent of revenues in 2022, compared to 80 percent in 2021. Debt remains vulnerable to macroeconomic shocks, particularly a real GDP growth shock and a real exchange rate shock. Sustainability should be buttressed by stronger assurances to cover remaining short-term financing gaps, resolving outstanding domestic arrears, and building a track record of remaining current on external debt service payments, and a credible medium-term debt management strategy along with prudent fiscal policies.*

1. The public debt-to-GDP ratio at end-2021 decreased, compared to the previous DSA. The debt level decreased from 78.3 percent of GDP in 2020 to 65.8 percent of GDP in 2021, reflecting mainly higher GDP.

2. Debt levels and gross financing needs are expected to decline in 2022 due to higher oil prices and an improvement in the primary balance. Public debt in the baseline scenario is projected to reach 52.6 percent of GDP in 2022, due to an improvement of primary fiscal balance to 3.7 (from 0.9 percent of GDP in 2021), driven by the spike in oil prices. As a result, gross financing needs are projected to decline to 4.3 percent of GDP in 2022, compared with 8.2 percent of GDP in the previous DSA.

3. While the debt level and the gross financing needs are on a downward trajectory in the medium term, a high debt service is still challenging. As the fiscal and growth impact of the pandemic subsides, debt levels are expected to further decline in 2022 and over the medium term, reaching 43.4 percent of GDP in 2027. Gross financing needs are projected to average 4.9 percent of GDP per year over 2022–27, which is lower than in the previous DSA, and below the historical average of roughly 8.8 percent of GDP over 2011–21. Debt service-to-revenue ratio is projected at 48.9 percent in 2022 and would average 53 percent over the medium term, with a large Eurobond repayment scheduled in 2025, posing some liquidity and rollover risks.

4. Despite continuing uncertainties surrounding the macroeconomic outlook due to COVID-19, risks to Gabon's debt sustainability have receded. While Gabon's debt levels no longer breach benchmark levels of 70 percent of GDP in the baseline, they would worsen in all

[1] The previous DSA refers to the DSA included in the Country Report No. 2021/189.

standard shock scenarios, particularly with an adverse GDP growth shock and a real exchange rate shock, pushing the public debt-to-GDP ratios to around 54 percent. A combined macro-fiscal shock (GDP, primary balance, inflation, exchange rate, and interest rate) would raise debt levels and gross financing needs to almost 68 percent and 12 percent of GDP, respectively. These risks are particularly relevant given the relatively strong GDP growth recovery that underlies the debt and GFN baseline. Debt levels may also be exposed to contingent liability risks given the relatively narrow definition of debt coverage (central government and guaranteed debt). Oil price volatility (and the small banking sector) are additional sources of risks.

5. Gabon faces liquidity pressures as well as problems of arrears. Domestic and external arrears accumulated in 2021. In 2022, liquidity pressures persist with debt service accounting for 48.9 percent of revenues. The public debt service-to-revenues ratio and the interest cost-to-revenue ratio are expected to average about 53 percent (from 80 percent in 2021) and to 18 percent (from 19 percent in 2021), respectively, over the medium term. Despite this downward trajectory, the scheduled payment of a Eurobond in 2025 and the normalization of monetary policy in advanced and emerging economies still constitute significant risks.

6. The heat map reveals an improvement in the vulnerabilities of Gabon's debt sustainability, as some of the indicators have improved since the previous DSA. Results from the heat map analysis show that high risks related to external financing requirements and the significant share of public debt held by non-residents, estimated at 16 percent and 64 percent, respectively, exceed the upper threshold of early warning vis-à-vis assessment benchmarks. The heat map points to moderate to high risks to debt sustainability.

7. A credible medium-term debt management strategy, along with prudent fiscal policies, will be critical to ensuring debt sustainability going forward. Stronger assurances to cover remaining financing gaps in 2022 and 2023 will be critical to mitigating immediate debt sustainability risks going forward. A credible debt management strategy, along with prudent fiscal policies, will be important for managing financing needs, building sufficient fiscal buffers (including by saving a large part of oil windfall), and creating sufficient fiscal space for priority spending over the medium term.

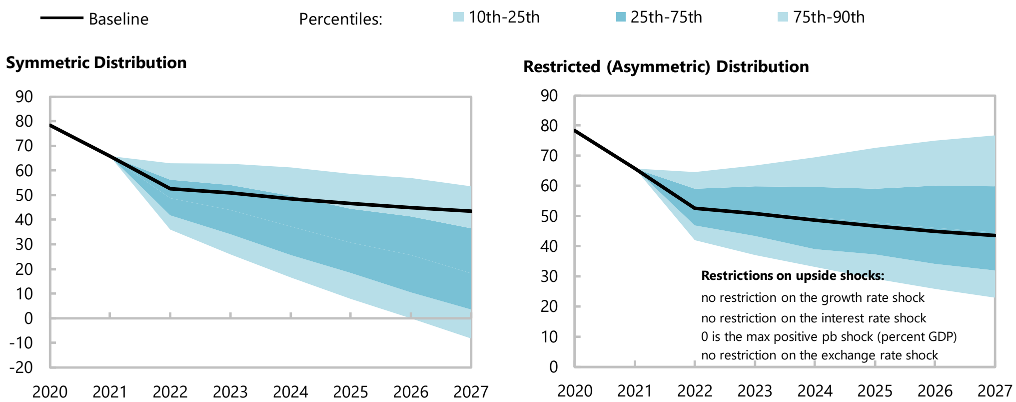
Figure 1. Gabon: Public DSA Risk Assessment

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

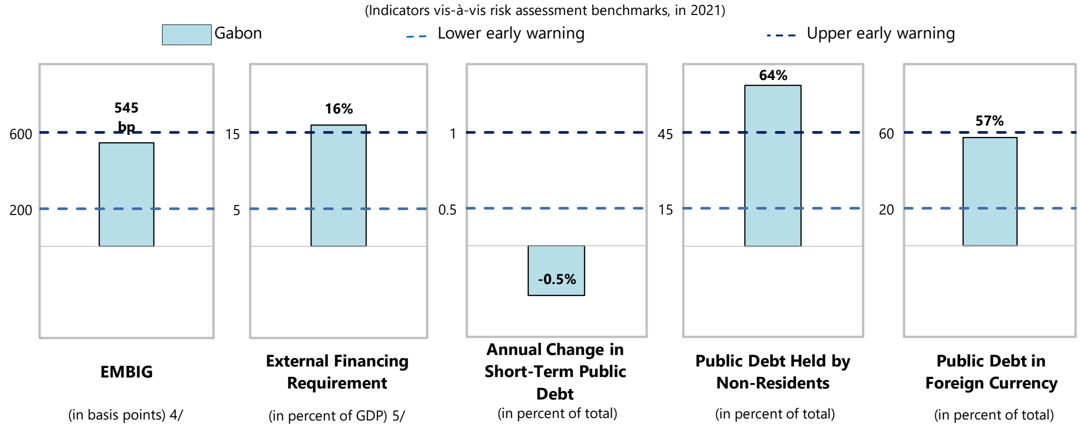
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2021)



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.

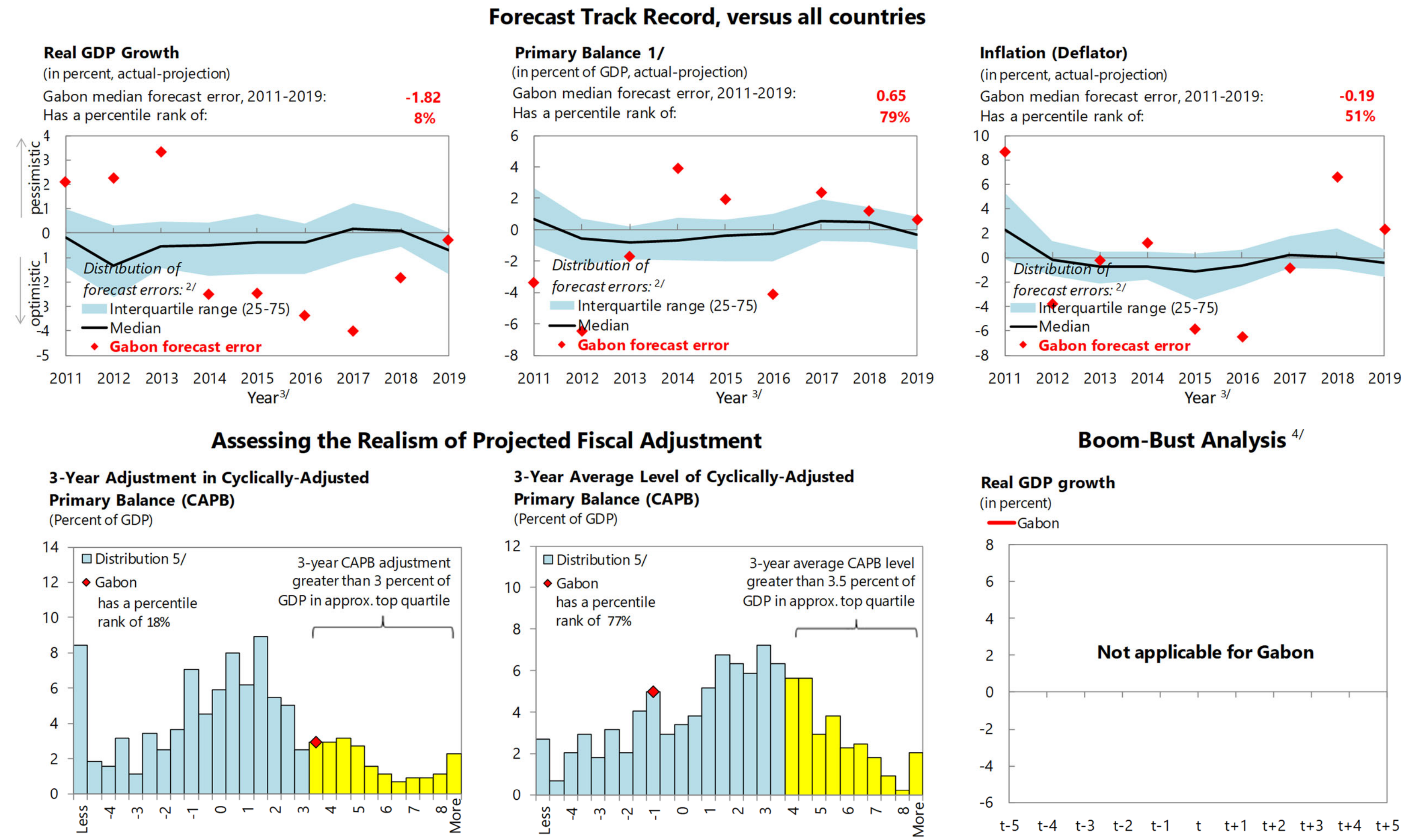
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant,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

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 debt.

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



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)

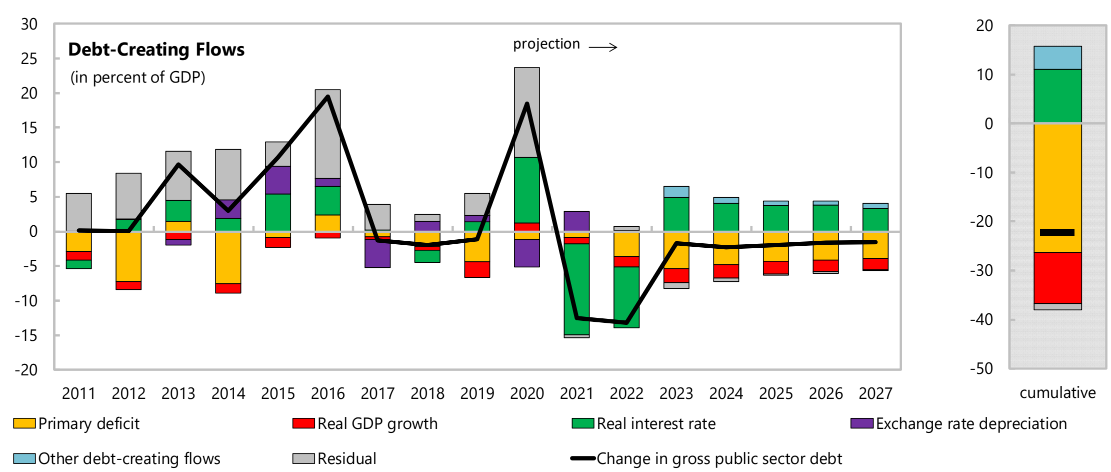
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2011-2019 [2/]	2020	2021	2022	2023	2024	2025	2026	2027
Nominal gross public debt	44.5	78.3	65.8	52.6	50.8	48.5	46.6	45.0	43.4
Of which: guarantees	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Public gross financing needs	3.0	12.8	10.4	4.3	3.3	5.0	7.5	4.6	4.9
Real GDP growth (in percent)	3.7	-1.9	1.5	2.8	3.7	3.7	3.8	3.8	3.9
Inflation (GDP deflator, in percent)	0.2	-9.1	25.4	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Nominal GDP growth (in percent)	4.0	-10.8	27.3	23.9	-0.7	1.3	2.6	3.5	5.1
Effective interest rate (in percent) [4/]	5.2	5.0	4.5	4.6	4.9	5.7	6.7	8.1	8.9

As of May 20, 2022		
Sovereign Spreads		
EMBIG (bp) 3/		698
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							
	2011-2019	2020	2021	2022	2023	2024	2025	2026	2027	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	4.3	18.5	-12.5	-13.2	-1.7	-2.3	-1.9	-1.6	-1.6	-22.3	
Identified debt-creating flows	-1.4	5.5	-12.0	-13.8	-0.9	-1.8	-1.7	-1.4	-1.5	-21.0	
Primary deficit	-2.5	-1.2	-0.9	-3.7	-5.4	-4.8	-4.3	-4.1	-3.9	-26.3	2.4
Primary (noninterest) revenue and grants	22.9	17.6	14.7	16.2	17.6	17.6	17.8	17.9	17.8	105.0	
Primary (noninterest) expenditure	20.4	16.4	13.8	12.5	12.1	12.8	13.5	13.8	13.9	78.7	
Automatic debt dynamics [5/]	1.1	6.7	-11.1	-10.2	3.0	2.2	1.9	2.1	1.6	0.5	
Interest rate/growth differential [6/]	0.5	10.6	-14.0	-10.2	3.0	2.2	1.9	2.1	1.6	0.5	
Of which: real interest rate	1.6	9.4	-13.1	-8.8	4.9	4.0	3.7	3.8	3.3	11.0	
Of which: real GDP growth	-1.1	1.2	-0.9	-1.5	-2.0	-1.9	-1.8	-1.7	-1.6	-10.5	
Exchange rate depreciation [7/]	0.6	-4.0	2.9	...	...	...	...	...	...	...	
Other identified debt-creating flows	0.0	0.0	0.0	0.2	1.6	0.9	0.7	0.6	0.8	4.7	
Privatization receipts and overdue tax collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
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	0.2	1.6	0.9	0.7	0.6	0.8	4.7	
Residual, including asset changes [8/]	5.6	13.0	-0.5	0.6	-0.8	-0.5	-0.2	-0.2	-0.1	-1.3	



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 $[(r - \pi(1+g) - g + ae(1+r)]/(1+g+\pi+g\pi))$ 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 $r - \pi (1+g)$ 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.

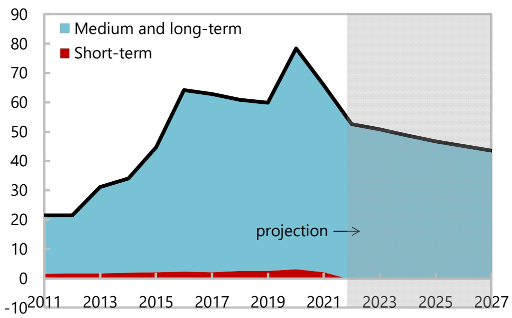
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

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

Composition of Public Debt

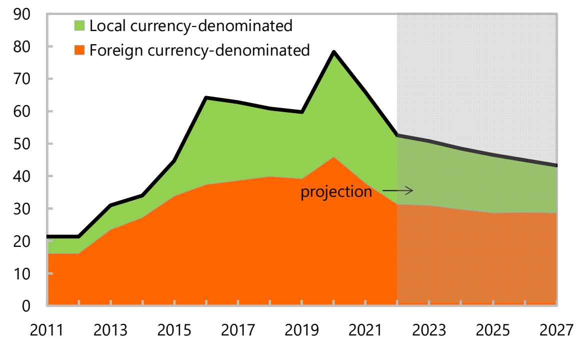
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

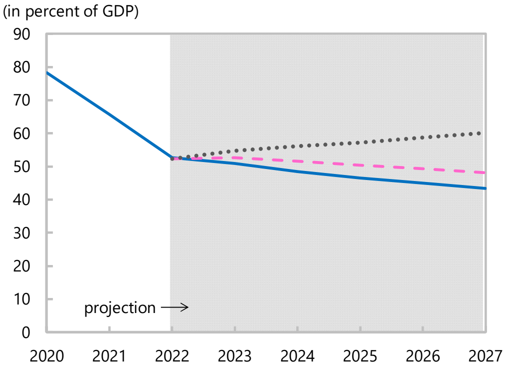


Alternative Scenarios

Baseline Historical Constant Primary Balance

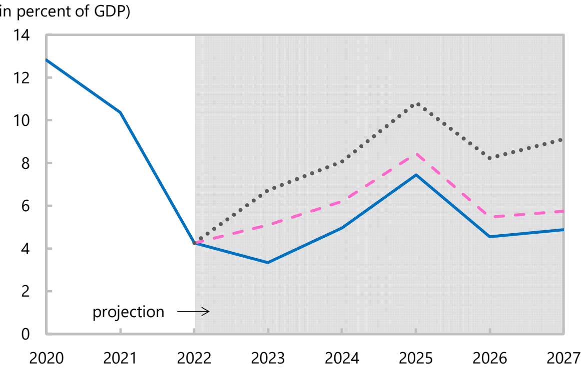
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

(in percent)

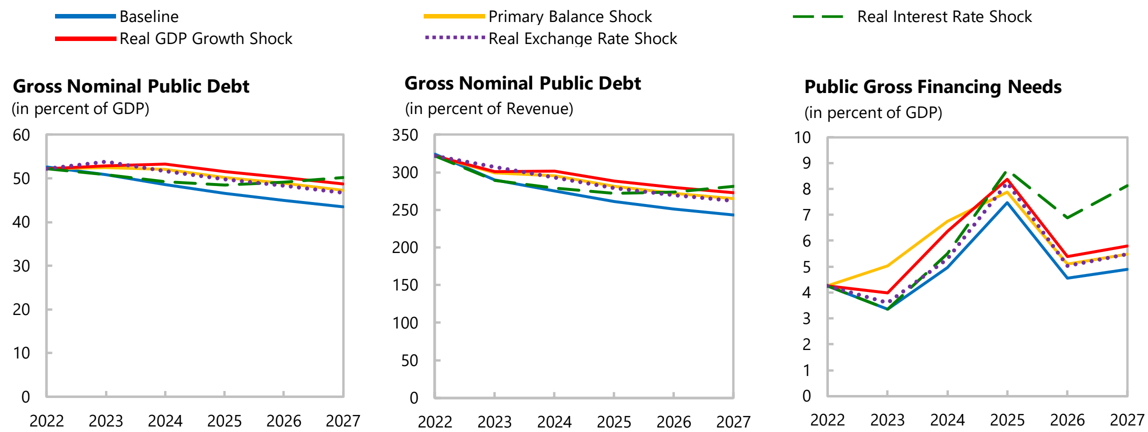
Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	2.8	3.7	3.7	3.8	3.8	3.9
Inflation	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Primary Balance	3.7	5.4	4.8	4.3	4.1	3.9
Effective interest rate	4.6	4.9	5.7	6.7	8.1	8.9
Constant Primary Balance Scenario						
Real GDP growth	2.8	3.7	3.7	3.8	3.8	3.9
Inflation	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Primary Balance	3.7	3.7	3.7	3.7	3.7	3.7
Effective interest rate	4.6	4.9	5.6	6.6	7.9	8.7

Historical Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	2.8	2.6	2.6	2.6	2.6	2.6
Inflation	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Primary Balance	3.7	2.1	2.1	2.1	2.1	2.1
Effective interest rate	4.6	4.9	5.7	6.7	8.1	8.7

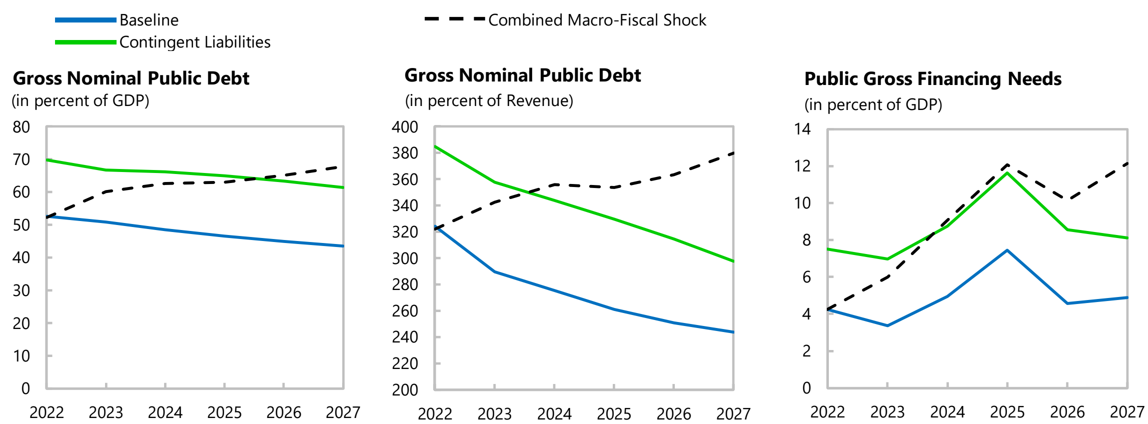
Source: IMF staff.

Figure 5. Gabon: Public DSA — Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

Primary Balance Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	2.8	3.7	3.7	3.8	3.8	3.9
Inflation	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Primary balance	3.7	3.8	3.2	4.3	4.1	3.9
Effective interest rate	4.6	4.9	5.7	6.7	8.0	8.8
Real Interest Rate Shock						
Real GDP growth	2.8	3.7	3.7	3.8	3.8	3.9
Inflation	20.6	-4.3	-2.3	-1.1	-0.3	1.2
Primary balance	3.7	5.4	4.8	4.3	4.1	3.9
Effective interest rate	4.6	4.9	6.8	9.2	12.6	14.4
Combined Shock						
Real GDP growth	2.8	1.3	1.3	3.8	3.8	3.9
Inflation	20.6	-4.9	-2.9	-1.1	-0.3	1.2
Primary balance	3.7	3.8	3.2	4.3	4.1	3.9
Effective interest rate	4.6	5.4	7.0	9.6	12.9	14.6

Real GDP Growth Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	2.8	1.3	1.3	3.8	3.8	3.9
Inflation	20.6	-4.9	-2.9	-1.1	-0.3	1.2
Primary balance	3.7	5.1	4.1	4.3	4.1	3.9
Effective interest rate	4.6	4.9	5.7	6.7	8.1	8.8
Real Exchange Rate Shock						
Real GDP growth	2.8	3.7	3.7	3.8	3.8	3.9
Inflation	20.6	0.2	-2.3	-1.1	-0.3	1.2
Primary balance	3.7	5.4	4.8	4.3	4.1	3.9
Effective interest rate	4.6	5.4	5.6	6.6	8.0	8.8

Source: IMF staff.

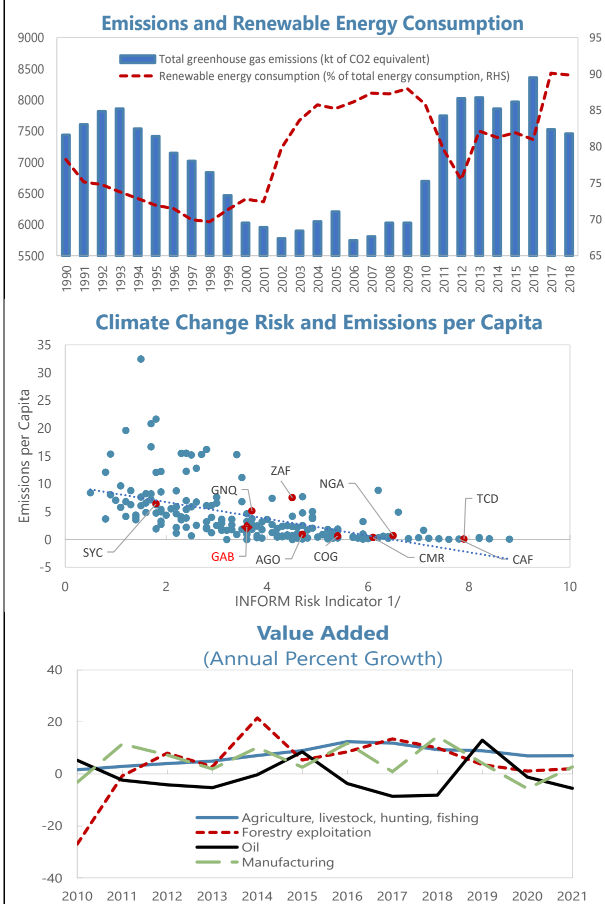
Annex V. Carbon Credits and the Gabonese Economy

In June 2021, Gabon was the first African country to receive financing for its reduction in carbon emissions since

2016.[1] Gabon achieved this reduction by protecting its forests and maintaining high levels of renewable energy consumption from sources such as hydroelectric production. The country aims at reducing its emissions by half in the next four years.

Gabon is a net absorber of carbon emissions and the authorities are aiming to promote trade in carbon credits. Gabon's rainforest absorbs a total of 140 million tons of CO2 every year and its commitment to protect the Congo Basin Rainforest is a global public service. At 91.4 percent of total land area, Gabon has maintained the largest rainforest in sub-Sahara Africa by cutting deforestation levels to less than 1 percent.[2]
This, combined with efforts to reduce its own emissions, distinguishes the country as a global leader in the net zero carbon emissions initiatives. This is despite Gabon's very small contribution to global emissions and its position in the COP26 climate summit's forest protection agreement. Gabon has also been promoting eco-tourism and issuing bonds to preserve its forest.
In September 2021, the Gabonese authorities passed legislation to promote trade in carbon credits.
The authorities are hoping that net carbon emitters can support global efforts to reduce greenhouse gas emissions by compensating Gabon for absorbing emissions—possibly offsetting their own emissions.

Gabon: Climate Risks, Emissions and Value Added



Sources: Gabonese Authorities, INFORM Risk, World Development Indicators; and IMF Staff Calculations.

1/ Higher INFORM Risk scores indicates higher vulnerability to climate change and lower coping capacity.

Despite Gabon's significant contributions to reducing net global carbon emissions, it is quite vulnerable to climate change and has large adaptation needs. Gabon's climate change fund is related to the financing received from absorbing emissions as it aims to promote climate change adaptation and mitigation measures, as well as economic diversification. The climate change fund is expected to finance increased environmental protection, develop human capacity, and build climate resilient industries—especially in the agricultural, forestry and fishing sectors whose value added is consistently growing and could form the foundation for higher and more diversified economic growth.

[1] Under the United Nation's Central African Forest Initiative, Gabon will receive US$150 million over ten years as reward for US$5 per ton.

[2] World Bank data.

Appendix I. Letter of Intent

June 14, 2022

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

Subject: Letter of Intent

Dear Madam Managing Director,

The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress made toward the objectives set forth in the program supported by the three-year extended arrangement under the Extended Fund Facility (EFF) since its approval. It also updates the original MEFP and outlines upcoming measures to be implemented in the near term.

We have made significant progress in the implementation of the abovementioned program despite a difficult context due to the pandemic which has hampered the efficient management of our public administration. Our efforts have brought the pandemic under control, as evidenced by the significant drop in new cases. This allowed the lifting of anti-COVID-19 measures throughout the territory, thus promoting the recovery of economic activity. We remain committed to the fight against the pandemic with the continuation of the vaccination program.

We have implemented seven out of the 14 structural benchmarks (SBs) through May 2022. Four were subsequently implemented, and two are set as prior actions. The last SB on review of tax exemptions will be fully implemented with the introduction of the pending tax exemptions measure in the 2022 revised budget which we plan to submit to Parliament before end-June 2022. However, we met only two of the four quantitative performance criteria and one of the three indicative targets at end-December 2021. The incurrence of new external arrears also resulted in the non-observance of the continuous performance criteria on the accumulation of new external payment arrears. In this context, we have taken corrective actions to improve program implementation, namely (i) continue to apply the expenditure regulation mechanism to closely monitor spending and avoid fiscal slippages, (ii) the clearance of most external arrears as of June 14, 2022 and the implementation of additional measures to avoid the accumulation of new arrears, and (iii) the rebuilding of government deposits at the central bank since the beginning of 2022 resulting in only a temporary non-observance of the performance criteria. We are committed to clear the outstanding stock of external arears (CFAF 11.09 billion as of June 14, 2022) prior the Board meeting. On this basis, we request completion of the first and second reviews, and waivers of non-observance of the two end-December 2021 performance criteria, and the continuous performance criteria on the accumulation of new external payment arrears. We are also requesting the establishment of performance criteria for end-June 2022, end-December 2022, and end-June 2023.

The outlook remains positive despite several uncertainties, including those stemming from the fallout from the war in Ukraine. The surge in oil prices would benefit our economy, including economic growth expected to reach 2.8 percent in 2022 and government revenues. This gain will be offset by inflationary pressures due to the rise in oil and food prices, which could worsen the living standard of the most vulnerable populations.

In this context, our objective in 2022 is to leverage the rise in our main commodities prices to rebuild buffers while protecting the most vulnerable populations. In this regard, and to minimize the cost of subsidies in the 2022 revised budget, we are committed to gradually increasing the pump prices of petroleum products. The objective is to reinstate by end-2022 the automatic pump price adjustment mechanism for all products except kerosene and butane gas, the two products most consumed by the most vulnerable households. Ultimately, the subsidies on the latter two products should be eliminated by implementing a well-targeted social transfer system toward Economically Weak Gabonese (GEF).

We will bolster our revenue mobilization efforts through improved governance in the oil and mining sectors and further streamlining of exemptions. Our efforts will include an audit of the oil sector by an independent firm and the transfer of all oil revenues to the Treasury Single Account. In addition, we will protect the purchasing power of households, including the most vulnerable populations, by maintaining subsidies on petroleum products and wheat, while gradually eliminating the subsidy on petroleum products for businesses.

Furthermore, we will pursue our efforts to improve the management of public finances in three major areas. First, we will continue to strengthen the control, effectiveness and efficiency of public spending by implementing adequate reforms. Second, we will ensure the implementation of the measures included in the original program and new measures to improve cash management. Third, the forthcoming publication of the names and nationalities of the beneficial owners of the holders of public contracts as well as the publication of the audit report for all COVID-19-related expenditures would reinforce transparency in the management of public finances.

Under the corrective actions taken to avoid the accumulation of new external arrears, we have reinstated the measures that served under the previous program, namely: (i) the holding of a weekly meeting of an ad hoc committee created for this purpose and involving the General Directorate of the Treasury and the General Directorate of Debt; (ii) the systematic inclusion of the debt management item on the agenda of the Technical Committee and the Treasury Coordination Committee meetings, stressing the regularity of the meetings; (iii) the verification that transfer orders are sent to the Central Bank (BEAC) on time.

We remain committed to supporting the CEMAC in rebuilding its reserves. Against this background, we are committed to saving part of the additional oil revenues linked to the increase in oil prices as well as part of the SDRs allocated to Gabon in 2021 under the fourth IMF general SDR allocation.

We remain fully committed to improving program implementation and intend to complete all the structural reforms described in this MEFP for stronger and more inclusive growth. We remain convinced that these measures will help achieve the objectives of the program. We are ready to take additional measures, if necessary, and we will consult the IMF beforehand if it proves necessary to review the policies mentioned in this letter and in the attached memorandum, in accordance with the relevant IMF policies. We will provide IMF staff with all data and information necessary to assess our policies, in particular those mentioned in the technical memorandum of understanding.

The government authorizes the IMF to publish this letter of intent, the Memorandum of Economic and Financial Policies, the Technical Memorandum of Understanding, and the forthcoming IMF staff report for the first and second reviews under the program supported by the three-year extended arrangement under the EFF, after approval by the IMF Executive Board.

Sincerely yours,

/s/

Mme. Nicole Jeanine Lydie ROBOTY spouse MBOU
Minister of Economy and Recovery

Attachments (2)

1. Memorandum of economic and financial policy (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I. Additional Memorandum of Economic and Financial Policies

June 14, 2022

This Memorandum of Economic and Financial Policies (MEFP) updates the EFF-supported program's MEFP approved by the IMF's Executive Board on July 28, 2021, covering modifications, additions or follow-ups. Accordingly, we provide an update on the latest developments and the execution of the EFF-supported program, assess the economic outlook and risks, and outline our macroeconomic policies for the remainder of 2022 and beyond.

I. INTRODUCTION

1. In 2021, we worked to deploy the economic and social measures and policies needed to limit the impact of the pandemic on the economy and on the most vulnerable groups in our country. These efforts benefited from the technical and financial support of our development partners, including the IMF in the context of the EFF-supported program.

2. We will continue the necessary efforts to end the health crisis and to accelerate economic growth despite the fallout from the war in Ukraine. These efforts have helped to stop the spread of the pandemic as evidenced by the significant drop in new cases which allowed the lifting of all anti-COVID-19 measures on March 15, 2022. The vaccination campaign continues. We are determined to strengthen the implementation of the EFF-supported program despite the difficult global context marked in particular by the war in Ukraine. We will continue to improve transparency and governance, and combat corruption in line with our commitment in the original MEFP attached to Country Report No. 2021/189.

II. RECENT MACRO-ECONOMIC DEVELOPMENTS AND OUTLOOK

3. Gabon returned to growth in 2021 (1.5 percent) after a contraction of 1.8 percent in 2020. On the supply side, this economic recovery was driven by the manganese, wood, construction, and transportation sectors. This recovery was hindered by the drop in oil production (-6.7 percent), services and trade as the last two sectors were constrained by anti-COVID-19 measures. On the demand side, growth reflected the expansion of non-oil exports (agricultural products, manganese, and wood) and the rebound in private investment (oil and non-oil), which offset the decline in public investment.

4. Budget execution outcomes show that the non-oil primary fiscal balance deficit was contained at 7.1 percent of non-oil GDP (NOGDP) in fiscal year 2021, broadly in line with the original program target, despite a shortfall in non-oil revenues.

(i) Non-oil revenues increased by about 10 percent in 2021 compared to 2020 through the streamlining of tax benefits without legal bases as well as VAT exemptions. Oil revenues increased by 23 percent compared to the 2021 budget on the back of higher oil prices.

(ii) Current primary expenditure was overall kept 0.5 percentage point of non-oil GDP below budget forecasts. However, there was an overrun in "goods and services" and transfers due to, among other things, the continuation of the social policy of free transportation, the payment of the leases of the Cuban medical brigade under the cooperation agreements between the two countries, and the assistance to families for the payment of school fees. Capital spending was lower than forecast due to the under-execution of externally financed capital spending. The latter suffered from difficulties in paying external debt in the first half of 2021. The existence of arrears impaired the implementation of new projects as well as the regular disbursement of ongoing projects. However, domestically financed expenditure exceeded the budget allocation due to the execution in 2021 of critical projects which could not be executed in 2020 due to the COVID-19 pandemic.

(iii) The increase in oil revenues and the under-execution of externally financed capital spending helped reduce the overall deficit (cash basis) to 1.8 percent of GDP (compared to 3.5 percent in 2020).

(iv) We mainly relied on the regional market and on the drawing of deposits from the central bank to finance the deficit, due to the non-disbursement of budget support by the AfDB (CFAF 32.8 billion) and the larger repayment of debt and domestic arrears. Furthermore, we have accumulated new arrears on external debt (CFAF 50.8 billion).

5. The money supply increased by 5.5 percent compared to 2020 with a rise in domestic credit (+18.1 percent) driven by the joint increase in claims on the government (+20.3 percent) and credit to the economy (+15.8 percent). The tertiary sector (business services, administrative services, services to individuals, and retail trade) received 65.9 percent of these loans, the secondary sector (construction, wood industry and food product manufacturing) 24.4 percent and the primary sector (agriculture and related activities) 9.7 percent.

6. First-quarter 2022 information confirms the recovery of economic activity in a context of rising prices:

(i) Oil production increased by 2.8 percent, owing to the increase in production quotas and the sharp rise in the average price of crude oil.

(ii) Manganese production increased by 9.6 percent owing to higher yields from the fields of the two main operators. The recovery also took place in the rubber business, rail transportation (+9.8 percent in volume of goods), telecommunications, trade in petroleum products and industrial vehicles and the hotel industry.

(iii) Foreign trade performance is clearly improving. As of end-March 2022, nominal exports increased by 113.7 percent y-o-y and imports by 20.4 percent. Trade balance remained in surplus and increased by 207.1 percent.

(iv) Inflationary pressures, which began in the last quarter of 2021, increased with the crisis in Ukraine posting a rate of 2.4 percent in the first quarter compared to the same period of 2021, in particular due to imported goods.

(v) In March 2022, revenue increased slightly by 1.9 percent compared to March 2021 due to an increase in non-oil revenue (+5 percent). At the same time, expenditure fell by 4 percent due to the under-execution of all expenses, reflecting particularly the late implementation of the 2022 budget. In this context, the non-oil primary balance showed a surplus of CFAF 102.9 billion and an overall fiscal balance (cash basis) of CFAF 88.6 billion.

(vi) At the end of March 2022, the money supply increased by 0.9 percent compared to 2021, in line with an increase in net domestic credit (+16.7 percent), driven by a rise in claims on the government (+19.3 percent) and claims on the economy (+13.9 percent). Net Foreign Assets deteriorated (-130.5 percent).

7. The medium-term economic outlook is still positive, but remains subject to significant risks, including sharper slowdown in demand from partner countries such as China and a downturn in oil prices. Growth is projected at 2.8 percent in 2022 driven by the recovery in oil activity (+7.1 percent) and an acceleration in non-oil GDP (+2.3 percent). GDP growth should return to its pre-pandemic trend from 2023, following the dynamism of agriculture, manganese, timber, and construction, combined with the recovery of services and trade. Demand should be driven by exports (+6.1 percent) and domestic factors, especially private (+9.6 percent) and public (+1.7 percent) investment.

8. We will contribute more to regional reserves considering the good performance of economic activity and the dynamism of exports in a context of improved terms of trade, following the rise in prices of our main commodities (oil, manganese, cash-crop farming, and wood) and fiscal consolidation. Public debt, estimated at about 66 percent of GDP in 2021, is expected to fall below 50 percent by 2026, supported by our prudent fiscal policy and good economic prospects.

III. PROGRAM PERFORMANCE

9. Program performance is mixed due in particular to the challenges posed by the pandemic (Table 2):

(i) At end-July 2021, all quantitative performance criteria PCs), except the continuous PC on the accumulation of external arrears and net domestic financing of the central government, were met. No indicative target was met at end-July 2021.

(ii) At end-December 2021, the controlling PCs for the first and second reviews of the EFF-supported program, two out of five PCs and one of three indicative targets were met. The PCs on net domestic financing and the disbursement and guarantee of external debt were met. The criterion on the non-oil primary balance was not met due to non-disbursement of AfDB budget support. The PC on the central bank net claims on the government was missed, due to a large withdrawal of deposits. The continuous PC on external arrears was not met. The indicative target on social spending was met, but the indicative targets on non-oil tax revenue and domestic arrears were missed.

10. Significant progress has been made on structural reforms, despite some delays compared to the program schedule. The assessment indicates that seven out of the 14 structural benchmarks (SBs) through May 2022 were not met. Four were subsequently implemented, and two are set as prior actions to be implemented before the next Board meeting, i.e., the publication of the COVID-19 spending audit report and the signing of the ministerial decree requiring that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners, and that those names and nationalities be published online for all legal persons awarded such contracts.

- Concerning the COVID-19 spending audit report, the delay is due to several causes including the late start of the audit work by the independent firm hired under an international tender and the need to involve all the stakeholders.

- The ministerial decree on beneficial owners has been delayed because it was important to ensure its compliance with the regulatory framework in force, especially Gabon's commitments in terms of protection of personal data. The collection and publication of the information covered by this decree are intended to: (a) provide information on the identity of the beneficial owners of companies bidding on and holding public contracts; (b) build a database; (c) enhance transparency in the awarding of public contracts; (d) combat money laundering and the financing of terrorism.

- The last SB relates to the introduction in the budget law of measures to eliminate exemptions. Some measures were introduced in the initial 2022 budget law and the remaining measure that was not included, concerning the increase in the VAT rate (products with a 0 percent VAT rate would see an increase to 5 percent, those at 5 percent to 10 percent, and those at 10 percent to the common law rate of 18 percent), will be introduced in the revised 2022 budget law.

IV. DISCUSSION ON PROGRAM POLICIES FOR 2022

A. Fiscal Policy

11. The initial budget law adopted by the parliament in December 2021 reflects our commitment to pursue fiscal consolidation, with a non-oil primary deficit of 5.4 percent of

NOGDP (compared to 7.1 percent in 2021), slightly above the initial program target (4.9 percent) to account for additional COVID-19-related spending of CFAF 40 billion (about 0.5 percent of NOGDP).

12. We are preparing to submit a revised budget law to the parliament by June 2022 to account for recent developments in the national and international environment. The revised budget projects a widening of the deficit by CFAF 58.4 billion to reach CFAF 463.8 billion (6.2 percent of NOGDP). It considers, in particular, the effects of the war in Ukraine highlighted as follows:

- First, an increase in oil revenues, which we estimate at CFAF 318.6 billion based on a conservative assumption of oil price per barrel at US$ 80.

- Second, increased subsidies due to soaring energy and food prices to protect the most vulnerable populations. The level of subsidies for oil and wheat is re-evaluated at CFAF 92.7 billion against CFAF 14.2 billion in the initial 2022 budget law. To minimize the cost of oil subsidies, we decided to rely on two main factors: (i) the analysis of the components of the price structure, and (ii) the adjustment of the pump prices of petroleum products. We have decided to keep pump prices unchanged, for kerosene and butane gas, the two products most consumed by the most vulnerable households. Meanwhile, we will gradually increase the prices of other petroleum products, starting with those used by businesses to limit the cost of subsidies on the budget. The first objective is to reinstate the automatic price indexation mechanism. Ultimately, subsidies on the price of kerosene and butane gas could be eliminated through a well-targeted social transfer system towards Economically Weak Gabonese (GEF). Regarding wheat, we decided to maintain a permanent dialogue with businesses to contain potential upward pressure on the price of bread. In addition, tax expenditures relating to the "Vie chère" program will reach about CFAF 50 billion.

- Third, the use of the entire 2009 SDR allocation (SDR 114.4 million equivalent to CFAF 93.8 billion) and part of the 2021 allocation (SDR 31.9 million equivalent to CFAF 26.2 billion) to accelerate the repayment of domestic debt and improve the debt profile, the rest being used to support the region's reserves.

13. The war in Ukraine and the uncertainty over the price of raw materials (oil, manganese) and food products pose significant risks to our budget. These uncertainties could translate into non-oil revenue below the program target, primary spending above the program target, or external support below expectations. To ensure compliance with the non-oil primary fiscal balance criterion, any revenue or financing shortfalls relative to program targets will be offset by reductions in non-critical expenditures, in consultation with IMF staff. We recognize that the risk of a subsidy slippage in 2022 is high and depends in particular on the evolution of oil prices. We will remain vigilant and continue to use the existing reserve mechanism to preserve the level of the budget deficit as planned. The reserve is estimated in 2022 at CFAF 80.9 billion (4.1 percent of total expenditure).

B. Fiscal Structural Reforms

Revenues

14. Significant progress has been made to improve transparency in the oil sector. In June, September and December 2021, we published notes on the oil sector. Gabon also joined the EITI initiative in October 2021. We are committed to continuing our reforms to strengthen transparency in the management of oil resources by:

a. Repatriating regularly revenue from Gabon Oil Company (GOC) due to the government; revisiting the trading activities of the GOC concerning profit-oil to ensure regular and timely transfers of oil revenues to the Treasury;

b. Committing ourselves not to resort to any form of pre-financing backed on future oil revenues;

c. Recruiting an independent company (**End-October 2022 Structural Benchmark**) to carry out an audit of the oil sector, in particular, to (a) assess the cost oil, (b) evaluate the agreements between the oil companies, the government and public companies, (c) establish the level of cross-debt between the government, public companies and private oil companies. The audit will cover the five major companies in the sector (**End-March 2023 structural benchmark**). Moreover, we are committed to reviewing the agreements related to debt repayment and their consistency with public financial management rules and ensure that they are taken into account in government accounts;

d. Conducting a financial audit of the national refinery (SOGARA) to assess its viability (Structural benchmark for June 2023);

e. Centralizing oil revenues in the Treasury Single Account (TSA).

15. We have taken steps to streamline tax and customs exemptions in the revised 2021 budget and the initial 2022 budget. Table I provides a summary of the tax reforms that were undertaken.

a. At the customs, the revised 2021 budget included a provision transforming the incentives based on total exemptions into partial exemptions at the reduced rate of 5 percent for the following sectors: social housing, tourism/ hospitality, wood processing, cement and agriculture. Similarly, the period of exemptions has been reduced to three (03) years against five (05) previously. These measures have been effective since January 1, 2022, for the social housing, tourism/hotel and wood processing sectors. For cement, since the only company operating in this industry has a tax stability clause in its arrangement with the government, this new provision will not be applied until 2024. Regarding the agricultural sector, the process of revising the lists has been longer and implementation should be effective from July 1, 2022.

b. In the initial 2022 budget, we have introduced a reform subjecting to the reduced rate of 5 percent, the products exempted from taxation in the context of the fight against the high cost of living at the customs. This new provision allows the twenty-three tariff lines that are fully exempt from customs to be subject to a reduced rate of 5 percent. However, given the general context of rising prices, the implementation of this new provision requires a broad consultation with all stakeholders to better control prices in accordance with the objective of combating the high cost of living, hence the provision is on hold.

c. We have reformed the land titling and management system and introduced the Single Property Tax (SPT) in the initial 2022 budget, which aims to simplify liquidation and make property taxes more cost-effective/ efficient. Although introduced in the initial 2022 budget, the SPT will not be effective until 2023. Changes to the text, made by Parliament, lowered expected revenue and will require further consideration. In addition, the reform requires revisiting the property titling and management system.

16. Further work is required on (i) the introduction of a specific tax for the banking sector, (ii) the financing of social programs, and (iii) the taxation of the tourism sector. In particular, regarding the reform relating to the rate and scope of the social solidarity contribution (CSS) to finance social programs, only operators in the oil and mining sectors protected by fiscal stability clauses are not taxed, and it was agreed that the Mining and Hydrocarbon administrations should lead a consultation with these operators. In fact, the revised 2022 budget proposal will introduce, in the general provisions of the General Tax Code, a new article 3 paragraph 3 which stipulates that "natural or legal persons who have signed contracts or agreements with the government which enshrine a tax stability clause cannot invoke it with the Administration on matters of taxes for which they are only collectors. Fiscal stability clauses must be reviewed every five years". Regarding the tax reform in the tourism sector, the Government considers that it is necessary to support this sector in the short term due to the adverse effects of the coronavirus.

17. We are committed to the establishment of an environmentally friendly tax system. A joint study with the UNDP (United Nations Development Program) has been conducted and the conclusions are in the process of being published.

18. As agreed in the original MEFP (¶25), we are continuing our efforts to modernize and deploy revenue information systems. The SYDONIA World migration process continued in 2021 to cover the customs regions of Port-Gentil and Franceville and will continue in 2022 in the region of Oyem. In addition, we are committed to developing a new system for the dematerialized management of the tax administration's business processes, which will enable, in a single environment, the management of front office (e-T@ax) and back office (LIIR) operations relating to the taxes collected by the DGI. Finally, the tax and customs administrations undertake to draw up a master plan for the continued deployment of their information systems**,** and the support of an IMF TA mission has been requested.

19. We are committed to strengthening our institutional capacity in tax revenue. We confirm our intention to operationalize a tax policy unit in order to strengthen the analytical capacity of the Ministry of Economy and ensure analysis on major tax issues. Similarly, the special commission for the examination of any new request for tax exemption will begin its operations.

Public Finance Management

20. To ensure the sound management of available public resources, notable progress has been made in expenditure budgeting. We will continue to strengthen expenditure control, and improve the efficiency and effectiveness of public spending through reforms in:

a. ***Payroll***: the cleaning of the payroll file will continue with the update of the number of civil servants. In addition, a legal text establishing the procedure for recruiting public servants, with a view to ensuring control of the number of budgetary functions, is currently under review;

b. ***Strategic management and financial monitoring of public enterprises:*** the creation of public agencies will be conditional on prior studies and an institutional mechanism will be created to ensure their financial monitoring;

c. ***Investment***: the implementation of a budget, accounting, financial and physical monitoring tool for projects, the strengthening of the legal and methodological framework for the management of public investments and the use of a Commitment Authorization/Payment Credit (AE/CP) approach to manage public investment projects are measures which, during the program, would further improve the quality of public expenditure;

d. ***Improvement of the institutional framework and management of public finances*** in accordance with the commitments made under the original MEFP (¶40).

21. We transposed the Statement of Government Operations data and the financial balance sheet into the format of the provisions of the public finance statistics manual (GFSM 2014) and CEMAC directives. The use of accrual data and the extension of the scope to the public sector require, among other things, the adoption of OHADA accounting standards and the modernization of SIGFIP. These efforts will be undertaken for the transition to the GFSM 2014.

22. To improve cash management, we plan the following actions:

a. The completion of the full implementation of the TSA (**End-January 2023 Structural benchmark**) notably through the finalization of the repatriation of funds and the closure of accounts in commercial banks;

b. The rationalization of compensation mechanisms that reduce revenues collected by the central administration for both the oil and non-oil sectors. The signing of any new compensation agreement will be the subject of particular attention, and we will henceforth inform the members of the mission;

c. The full implementation of their commitment plans in line with the monthly cash flow plan attached to the finance law;

d. The integration of commitment plans in VECTIS. As part of the cooperation with AFRITAC Centre, a mission will take place this year to support the administration in the realization of this commitment.

23. Other measures include

a. **the reform of the VAT escrow account:** there has been a delay because of lack of capacity. In this context, a technical assistance mission led by an expert from the French Treasury took place from June 8 to June 19, 2022 (**End-June 2022 structural benchmark**);

b. **the significant reduction in the share of public contracts awarded without a call for tenders (over the counter, direct agreement, etc.**): significant efforts were made in 2020 and 2021 and the percentage of contracts awarded without calls for tenders was limited, on average, to 35 percent. These efforts will continue in 2022;

c. **systematic publication of tenders and awards in the public procurement journal** (online), with indication on the beneficiaries. Box 2 summarizes actions taken to publish the data online.

24. We have made progress in assessing, monitoring and addressing vulnerabilities related to SOEs, in line with the phased approach agreed in the program. The four (04) main public enterprises carried out the management audit required under the program and implemented reforms to respond to auditors' observations. It is now their responsibility to strengthen their governance framework and the government to clarify its strategy for each of them. CDC (*Caisse de Dépôts et Consignation*) and FGIS (*Fonds Gabonais d'Investissements Stratégiques*) have certified and published online their 2021 financial statements, and we remain committed to ensure that the two others certify and publish their annual reports in line with corporate best practices.

25. We continue to work to strengthen our public investment management framework to improve its execution and its quality and address critical infrastructure gaps.

- To this end, both legal and methodological activities have been initiated. They relate to:

  a. the organization of budget conferences focusing on investments (since 2020);

  b. the harmonization, with technical and financial partners and other CEMAC countries, of the drafting of a guide for setting up common projects;

c. the drafting of a decree relating to public investment management;

d. the establishment of a national directory for public investments (RNIP) updated annually (fiscal years 2021 and 2022); and

e. the preparation of Public Investment Programs (PIP) attached to budget laws (2021–23 and 2022–24 programming).

- While progress has been made over the past two years, the existing public investment management system still needs to be improved, including through:

a. the adoption of a decree on Public Investment Management;

b. the progressive elimination of derogatory processes for the execution of public investment. Accordingly, we will develop a strategy aimed at gradually reducing the share of derogatory processes in public investment by category of spending and by type of processes, with timebound deadline for such a reduction by end-October 2022 (**Structural benchmark**); and

c. the implementation of the AE/CP methodology to manage public investment projects (¶20 above).

C. Public Debt and Fiscal Risk Management

26. To strengthen debt management, efforts are underway to improve debt reporting, lengthen maturities and avoid the bundling of repayments to mitigate refinancing risk. The refinement of cash arbitrage and better mobilization of resources made it possible to completely clear the stock of existing arrears on the external debt. In order to manage and prevent the accumulation of new arrears, we have taken the following measures: (i) the establishment of a weekly meeting of an ad hoc committee for this purpose between the Treasury and the General Directorate of Debt; (ii) the inclusion of this item on debt management on the agenda of each meeting of the Technical Committee and the Treasury Coordination Committee and ensure that these meetings are held regularly; (iii) and the verification of the timely sending of transfer orders to the BEAC.

27. We are committed to clear all existing arrears on external debt and avoid the accumulation of new ones. As of June 14, 2022, the stock of Gabon's external arrears stood at CFAF11.09 billion (US$20.0 million), including CFAF 2.36 billion (US$4.25 million) vis-à-vis multilaterals and CFAF 8.07 billion (US$14.57 million) vis-à-vis official bilateral creditors insured and from China CFAF 0.55 billion (US$1.00 million). We have also accumulated CFAF 0.66 non-insured arrears of CFAF 0.66 billion (US$1.18 million). We are committed to clear the full amount of external arrears prior to the Board meeting for the completion of the first and second reviews under the EFF-supported program.

28. The total stock of domestic debt amounts to 28.03 percent of GDP at end-December 2021. This stock includes: the debt owed to regional financial market (CFAF 1540.6 billion), bank loans (CFAF 886.4 billion), the Moratorium (CFAF 394.4 billion) and domestic arrears (CFAF 321.5 billion). In December 2021, the government adopted a plan for clearing the audited and validated domestic arrears equivalent to 5 percent of GDP at end-2020. This plan extends over five years and is presented in Table II. The government will continue to identify and assess the arrears that are not considered in the debt stock of 2021, including salary arrears (original MEFP, ¶30) and arrears with certain public entities (original MEFP, ¶33).

29. The Government has produced a finalized version of the annex relating to budgetary risks attached to the budget law for 2022. This annex emphasizes the identification and prioritization of risk factors. Progress remains to be made on the quantification of budgetary risks.

30. We have started the monitoring of the portfolio of government equity in the Digital Infrastructure Heritage Company (SPIN), the GOC, the Equatorial Mining Company (SEM) and the FGIS. This follow-up is done through:

(i) Clear provisions on the responsibility and the nature of the monitoring and the obligations of companies in terms of reporting;

(ii) Measures for the transparency of the monitoring, particularly through regular publications and submissions to the institutions involved in the budgetary process (legislative power, court of auditors);

(iii) The elaboration of a public portfolio management strategy.

D. Strengthen Social Protection

31. We are committed to continue strengthening social protection. With the help of partners, including the World Bank, we have updated the existing database of Economically Weak Gabonese (GEF). The next steps consist of (i) defining new eligibility criteria for GEF; (ii) conducting a survey and establishing a new GEF database based on new poverty indicators (**End-December 2022 structural benchmark**).

E. Strengthen the Financial Sector and Access to Finance

32. The financial sector has grown and remains broadly stable and profitable with a total balance sheet up by 15.2 percent in 2021. The reported share of overdue loans went from 9.8 percent in 2020 to 8.5 percent in 2021. The quality of the banking portfolio may deteriorate with the lifting of the temporary measures of the COBAC.

33. We have continued the process of liquidating the three public banks (BHG, Postebank and BGD) and the preliminary estimate of the cost of the liquidation is around CFAF 135 billion (1.2 percent of GDP) based on an aggregation of the three banks' outstanding liabilities. The COBAC should officially announce the end of the bank liquidation process in the coming months. However, the authorities will set up, by Prime Minister's decree, a defeasance structure placed under the supervision of the Ministry of Economy and Recovery which would gather, the Ministries of the Budget, Housing and the Post Office. This structure will work in close collaboration with the Ministry of Justice to pursue the realization of assets and the settlement of residual liabilities, including judicial liquidation. This process, which would last until 2024, will help put an end to the overall liquidation process. In this regard, we remain committed to reinvigorate the liquidation monitoring committee and to produce and share with IMF staff a note by end-December 2022 a note on (i) the list of litigation cases, (ii) the expected proceeds from the sale of assets, and (iii) the plan to compensate creditors.

34. We have developed a financial inclusion strategy covering the period 2022–27 which will be adopted by the end of 2022. This strategy is based on two axes: (i) improving access to financial services for vulnerable and excluded populations, and (ii) promoting digital finance. A coordinating body (responsible for steering the strategy) and an implementation committee (responsible of the execution) will be put in place.

35. We are implementing a set of measures to strengthen the financial sector. Our strategy to reduce overdue loans is based in particular on our domestic debt clearance plan and the strengthening of the capacity of the Commercial Court. We are also working on the development of a strategy for the development of non-bank investment in government securities in cooperation with the BEAC, making it possible to strengthen the government's capacity to finance itself and to stimulate the development of a culture of savings and social welfare.

F. Improvement of Macroeconomic Statistics

36. We have made efforts to strengthen and modernize our national statistical system. We have been carrying out the General Business Census (RGE) since January 2022 and the first results should be available at the end of the third quarter of 2022 and the publication on the website of the General Directorate of Statistics will be completed before the end of the year 2022. We have launched the design of a multi-sectoral database management platform on key statistics that will be accessible to all users. This data portal will be online before the end of September 2022. We have also undertaken the rebasing of national accounts, the transition to the 2008 SNA, the production of the 2011–20 national accounts and the production of quarterly GDP with IMF technical assistance. However, weaknesses remain in various areas, especially balance of payments and monetary statistics. With assistance from the IMF and other development partners, the Central Bank and the authorities are stepping up efforts to improve the situation.

V. PROGRAM MONITORING

37. We request waivers for the nonobservance of two PCs, namely the fiscal deficit and central bank net claims on government, at end-December 2021 and the continuous PC on the non-accumulation of new external arrears. The waiver on the fiscal deficit is requested based on the temporary nature of the deviation, reflecting the non-disbursement of AfDB budget support. We are committed to closely monitoring spending and avoiding fiscal slippages. The PC on central bank net claims on government was missed by a large margin, reflecting a significant drawdown in deposits due to domestic debt repayments. We have begun to rebuild deposits since the beginning of the year, reflecting prudent fiscal policy and efforts to save oil revenues windfalls and improve cash management. We have cleared most of external arrears as of June 14, 2022. We will clear the outstanding amount of CFAF 11.09 billion prior to the Board meeting on June 27, 2022. We have also taken steps to avoid the accumulation of new external arrears (MEFP, ¶26).

38. We have agreed with the IMF to update the program conditionality as follows:

(i) PCs and ITs for end-June 2022 have been set. New PCs and ITs for end-December 2022 and end-June 2023, as well as new ITs for end-September 2022 and end-March 2023 have been proposed. These revisions and new proposals reflect the changing international and domestic environment, including the impact of the war in Ukraine.

(ii) The IT on non-oil tax revenue becomes a PC from end-December 2022, given the need for a strong-revenue based fiscal consolidation to create additional fiscal space for development outlays.

(iii) Seven new structural benchmarks are proposed, based notably on IMF technical assistance on tax expenditures, cash management and PIMA.

39. Program implementation will be monitored through prior actions, semi-annual reviews, quantitative performance criteria and indicative targets, a continuous performance criterion, and structural benchmarks. The third review is scheduled for December 2022, based on end-June 2022 PCs, the continuous PC, and relevant structural benchmarks, and the fourth review is scheduled for June 2023 based on end-December 2022 quantitative targets, the continuous PC, and relevant structural benchmarks. For all dates, PCs will include: a floor on the primary fiscal balance, excluding oil revenue (cash basis); a ceiling on the central government's net domestic financing (excluding the use of IMF financing), a ceiling on the central bank's net claims on the central government, excluding the use of IMF credit; a ceiling on borrowing or guaranteeing external debt (program and project); and a ceiling on the accumulation of new external arrears by the central government. We further propose that the indicative target on revenue becomes a performance criterion with a first date at end-December 2022.

Prior actions and structural benchmarks are presented in Tables 2, 3 and 4. Quantitative objectives for target dates through December 2022, as well as a continuous quantitative performance criterion, are presented in Table 1.

Table 1. Gabon: Quantitative Program Targets, 2021–23[1,2]

(Billions of CFA francs, unless otherwise indicated)

	2021										2022							2023	
	March	July			September		December				March			June		September	December	March	June
		Prog.	Act.		Prog.	Act.	Prog.	Adj. Prog.	Est.		Prog.	Prel.							
	Act.	PC		Status	IT		PC			Status	IT		Status	IT	PC	IT	PC	IT	IT
I Quantitative Performance Criteria																			
Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)	-11.5	-201.6	-139.8	**Met**	-310.6	-291.8	-498.9	-458.9	-494.4	**Not Met**	-18.1	1.8	**Met**	-91.9	-132.4	-348.5	-470.8	-23.1	-67.4
Unadjusted target (floor)								-498.9											
Adjustment for lower (higher) than expected external program disbursements								40											
Adjustment for oil revenue shortfall due to international price movements								0											
Ceiling on the net domestic financing of the central government (excluding IMF financing) 3/	36.1	150.0	283.5	**Not Met**	135.8	345.5	138.0	178.0	139.6	**Met**	-23.6	-133.1	**Met**	-122.4	38.8	41.5	8.8	-10.0	-29.0
Unadjusted target (floor)								138.0											
Adjustment for lower (higher) than expected external program disbursements								40											
Adjustment for oil revenue shortfall due to international price movements								0											
Ceiling on central bank net claims on central government, excluding use of IMF credit 4/	309.9	297.3	293.9	**Met**	278.1	357.4	270.8	310.8	417.6	**Not Met**	171.7	306.6	**Not Met**	133.4	264.5	305.1	275.8	266.0	242.0
Unadjusted target (floor)								270.8											
Adjustment for lower (higher) than expected external program disbursements								40											
Adjustment for oil revenue shortfall due to international price movements								0											
Ceiling on disbursing and guaranteeing of external debt (program and project) 5/	12.3	92.7	23.8	**Met**	195.9	35.9	853.8	893.8	581.7	**Met**	4.9	7.9	**Not Met**	28.8	208.7	251.4	388.7	12.0	53.0
Unadjusted target (ceiling)								853.8											
Adjustment for lower (higher) than expected external program disbursements								40											
Adjustment for variation in financing conditions								0											
Floor on government tax revenue, excluding oil revenue 6/																	1136.6	275.2	596.9
II Continuos Performance Criterion																			
Ceiling on accumulation of new external arrears by the central government 7/	0	0	33	**Not Met**	0	2	0		12	**Not Met**	0	43.6	**Not Met**	0	0	0	0	0	0
III Indicative Targets																			
Floor on government tax revenue, excluding oil revenue	246.8	597.2	574.7	**Not Met**	772.3	705.4	1038.9		970.5	**Not Met**	264.9	257.3	**Not Met**	602.0	552.0	806.7			
Ceiling on the stock of domestic arrears 8/	239.8	161.4	186.4	**Not Met**	159.8	310.8	159.5		321.4	**Not Met**	139.5	302.7	**Not Met**	99.5	293.0	245.4	193.9	256.1	206.1
Floor on family and social protection 9/	10.9	34.3	20.1	**Not Met**	40.2	42.5	57.7		57.7	**Met**	11.4	11.6	**Met**	33.3	26.2	48.6	74.8	15.5	35.0

Sources: Gabonese authorities; and IMF staff estimates.

1/ Targets as defined in the attached Technical Memorandum of Understanding (TMU).
2/ Cumulative amount from January 1, 2021. Targets are set for the end of the respective month, unless otherwise stated.
3/ The ceiling on net domestic financing of the central government will be adjusted upward (downward) for any lower (higher) external program disbursements and/or oil revenue due to changes in oil prices as set in the TMU.
4/ The ceiling in central bank net claims on the central government will be adjusted upward (downward) for any lower (higher) external program disbursements and/or oil revenue due to changes in oil prices as set in the TMU.
5/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place as set in the TMU.
6/ The indicative target on the floor on government tax revenue, excluding oil revenue will be converted to a performance criterion beginning with the end-December 2022 quantitative program target.
7/ Reports the current stock of new arrears that have been accumulated since December 2020 for the first review and since the latest review for future reviews.
8/ The ceiling will be adjusted upward if Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection.
9/ Includes spending on social protection and social services as defined in the TMU.

Table 2. Gabon: Prior Actions and Structural Benchmarks for 2021

Prior actions and SBs for 2021	Due date	Status	Indicator
Proposed Prior Actions for First and Second Reviews			
• Submission of the 2022 revised budget agreed with IMF staff to Parliament.			Revised budget in line with program objectives.
• Require that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners – and that those names and nationalities be published on-line for all legal persons awarded such contracts.			Ministerial decree shared with IMF staff
• Publication on the government website of the results of the audit for all COVID-19 related expenditures.			Audit report accessible on the website of the Ministry of Economy.
Structural Benchmarks			
• Register new taxpayers at a rate comparable to the one observed during the average of the last three years.	Semiannual	Completed in December 2021.	Summary table from tax department of new registered taxpayers.
• Review of existing tax exemptions and identification of those to remove and review of existing tax rates (e.g., excise, VAT, custom) and implement the appropriate measures in the 2022 budget law.	End-September 2021	Not Met. Most provisions, but one, are included in the FY22 budget law. The pending measure on the increase in the VAT rates is be included in the revised 2022 budget.	Report from the Ministry of Economy reviewing the exemptions (including the matrix annexed to the MEFP attached to Country Report No. 2021/189) and initial 2022 budget law.
• Publication on the government's website of a quarterly note on the oil sector, including reconciliation of oil output and revenues.	Quarterly, starting end-September 2021	Met. Note at end-September and at end-December 2021 published on Ministry of Economy and Recovery website.	A copy of the note published on the website of the Ministry of Economy shared with IMF staff.
• Submission of a membership application to the Extractive Industries Transparency Initiative (EITI).	End-September 2021	Met. Application received by EITI secretariat on 08/16/2021.	A copy of the letter of transmission to the EITI shared with IMF staff.

Table 2. Gabon: Prior Actions and Structural Benchmarks for 2021 (continued)

Prior actions and SBs for 2021	Due date	Status	Indicator
• Publication on the government website of the results of the audit for all COVID-19 related expenditures.	End-September 2021	Not met. Proposed PA.	Audit report accessible on the website of the Ministry of Economy.
• Development of a plan for the clearance of domestic arrears audited and validated in early 2021.	End-September 2021	Not met. Implemented at end-December 2021.	Report shared with IMF staff.
• Adoption by the government of restructuring-plans to address issues identified by the audit of the four major companies (GOC, SOGARA, CDC, FGIS).	End-October 2021	Not met. Implemented in December.	Adopted plan shared with IMF staff.
• Completion of the fiscal risks statement and include it in the FY22 budget law budget documentation.	End-October 2021	Met. Statement attached to FY22 budget law.	Fiscal risks statement shared with IMF staff.
• Require that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners – and that those names and nationalities be published on-line for all legal persons awarded such contracts.	End-November 2021	Not met. Proposed PA.	Procurement contracts with required information published on the website of the Ministry of Economy.
• Communication of an action plan for the continued deployment of their information systems over the program period to achieve complete coverage of the types of taxpayers and to allow paperless declaration and payment transactions.	End-November 2021	Not met. Implemented in December.	Action plan shared with IMF staff.
• Prepare a comprehensive list of all tax arrears, including those of public companies, and identify the recoverable part.	End-December 2021	Met.	Final list shared with IMF staff.
• Present the TOFE according to *GFSM 2001/2014* for central government.	End-December 2021	Met.	TOFE according to *GFSM 2001/2014* for central government sent to IMF staff.
• Complete the revamping of poverty profile to better target poor and vulnerable population (*Gabonais Economiquement Faibles — GEF*) through social protection programs.	End-December 2021	Not Met. Implemented in March 2022	Report on the revised existing database shared with IMF staff.

Table 3. Gabon: Proposed Structural Benchmarks for 2022

Proposed SBs for 2022	Due date	Status	Indicator
• Assess the compliance of existing tax and customs rates to the national and regional legal provisions in the IT systems and conduct the necessary modifications.	End-January 2022	Met.	Report extracted from the IT systems showing the applied rates.
• Reform the VAT escrow account	End-June 2022		Legal/regulatory document revamping the escrow account.
• Complete the liquidations of BHG and Postebank by end-2021 and that of BGD by mid-2022, at no significant cost to the State.	End-June 2022		Letter from the Minister of Finance announcing the completion of the liquidation.
• In line with the 2018 Code of Public Procurement, publish any contract award, regardless of the procedure, in an electronic version of the public procurement journal on the website of the Ministry of Budget and Public Accounts, at most one month after validation of the results by the central administration in charge of public procurement, and a summary notice of all contracts awarded monthly in the same journal. Publish the full text of all awarded contracts on a linked page of the website of the Ministry of Budget and Public Accounts.	End-July 2022		Procurement contracts with required information accessible on the website of the Ministry of Economy.
• Reform the system for granting and managing property/land titles and introduce a single property tax (SPT) in the budget law for FY2023.	End-September 2022		Administrative or legal document on the system for granting and management property/land titles' reform and` draft budget and annexes shared with IMF staff.
• Hiring of the independent audit cabinet for the oil sector	End-October 2022		Contract shared with IMF staff.
• Design of a time-bound strategy to reduce the share of derogatory processes for investment expenditure	End-October 2022		The strategy document for reducing the share of derogatory processes in public investment spending is shared with IMF staff.
• Complete the poverty database based on the new eligibility criteria to better target poor and vulnerable population (*Gabonais Economiquement Faibles — GEF*) through social protection programs.	End-December 2022		Legal/regulatory document implementing the revised eligibility criteria for GEF shared with IMF staff.
• Annual publication of a report by the CNLEI, including the percentage of declaration of assets by category of public officials, which is requested by the Law No. 003/2003.	End-December 2022		Report shared with IMF staff.

Table 4. Gabon: Proposed Structural Benchmarks for 2023

Proposed SBs for 2023	Due date	Status	Indicator
• Completion of the full implementation of the TSA.	End-January 2023		Letters from Minister of Finance and the Central Bank National Director certifying the TSA is fully operational.
• Adoption of a decree on Public Investment Management	End-February 2023		A decree is signed and adopted.
• Audit by a specialized international firm of cost-oil, agreements between oil companies, the government and public companies. The audit will cover the five major companies.	End-March 2023		Audit report accessible on the website of the Ministry of Mines and Petroleum.
• Implementation of the VECTIS module on procurement	End-April 2023		The access to this module is granted to stakeholders.
• Introduce automated interfaces between (i) VECTIS and SIGFIP and (ii) revenue IT systems and VECTIS-SIGFIP.	End-June 2023		Copies of the specifications and reports at end-May 2023.
• Carry out a financial audit of the national refinery (SOGARA) to assess its viability	End-June 2023		Report shared with IMF staff
• Produce and publish a public sector balance sheet (PSBS).	End-June 2023		PSBS accessible on the website of the Ministry of Economy.

Table 5. Gabon: Tax Measures Implemented (in 2021 or Initial 2022 Budget Law)

Category	Measures
Corporate income tax (CIT)	• Alignment of the CIT rate for all sectors (excluding the oil sector) with the common law regime (30 percent) (including the tourism sector, public enterprises, real estate companies, etc.) • Reduction of the allowance from 50 percent on the second profitable year to 25 percent (in compliance with the CEMAC regulation on new businesses) • Limitation of the tax benefits granted to new businesses setting up in the Nkok area: exemption from corporate tax (e.g., 5 years instead of 10 years), reduced rate of corporate tax (common rate of 30 percent instead of the reduced rate of 10 percent for 5 years), end of the exemption from deductions at source. • Actual determination of the taxable base of headquarters and application of the standard rate of 30 percent • Actual determination of the tax base for oil subcontractors / removal or limitation of the provision of the CGI
Value Added Tax (VAT)	• Abolition of exemptions for construction (new Art. 210) • Reform of the reduced rate of VAT on cement: increase to 5 percent to 10 percent (target 18 percent in 2023 = to be taken into account in the 2023 budget law proposal)

Table 6. Gabon: Domestic Debt Clearance Plan (billion FCFA)

	2021	2022	2023	2024	2025
Domestic resources	50	30	30	30	20
Securitization	93.3	70.0	70.0	15.0	0.0
SDRs	0	10.0	10.0	0.0	0.0
Debt repurchases	0	8.7	5.3	0.0	0.0
Total	**143.3**	**118.7**	**115.3**	**45**	**20**

Box 1. Gabon: Actions Undertaken as Part of the GEF Project

The activities undertaken on the GEF resulted in the cleaning of the CNAMGS GEF file based on the current legislation. The following activities have been conducted:

- Making the CNAMGS files more reliable regarding the following tranches/Tiers: Tier 1 (private and semi-public sector), Tier 2 (public officials) and Tier 3 (GEF). This involved, on the one hand, matching the CNAMGS files with each other, and on the other hand, the CNAGMS files with the files of sectoral administrations (CNSS, payroll, Tax administration, etc.);
- Filling the Tier 4 (Self-Employed Mobile Workers) by transferring the GEFs that are currently included in Fund 3 (Economically Weak Gabonese) to Fund 4;
- Deleting duplicates and unnecessary records included in the GEF database, change the status of GEFs and finally migrate agents from Fund 3 to Funds 1 and 2.

Box 2. Gabon: Publication of Data Online

Regarding the publication of data, the following actions have been carried out:

- The free public access online journal —for which publications were already available— was presented to members of the government in December 2021;
- The publication of information on contracts (planning, award, execution and control) for 2021 has been available on the website since January 2022;
- The release of information on contracts for 2022 is ongoing along with the continued loading of information for the remainder of 2021 through 2020;
- All the information on the attributions (provisional subject to appeal) of public contracts for 2022 will be available in time from the approval of the analysis report of the offers by the General Directorate of Public Contracts (DGMP) on its website.

Attachment II. Technical Memorandum of Understanding

June 14, 2022

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 (PC) and indicative targets (IT).** It also set out the PC 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 June 14, 2022, 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 PCs and IT are shown in Table 1 of the MEFP.** Prior actions and structural benchmarks are listed in Tables 2, 3 and 4 of the MEFP. For program monitoring purposes, quantitative performance criteria (PCs) and indicative targets (ITs) are set for June 30, 2022, and December 31, 2022; the same variables are indicative targets for September 30, 2022; March 31, 2023; and June 30, 2023.

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 612.300 as of May 31, 2022. 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 1.0713 U.S. dollars, Pound Sterling valued at 1.2589 U.S. dollars, the Chinese Yuan valued at 6.6612 U.S. dollars, the Special Drawing Right (SDR) valued at 1.3497 U.S. dollars. Official gold holdings were valued at 1852.51 U.S. dollars per fine ounce.

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 grants, and

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

7. **The PC 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 (Text Table 1). 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.

Text Table 1. Gabon: Oil Revenue

Cumulative flows from the beginning of the year	CFAF billions
End March 2022	101.1
End June 2022	499.4
End September 2022	757.5
End December 2022	981.3

Sources: Gabonese authorities; and IMF staff projections.

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 Trésor*) 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.

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

Text Table 2. Gabon: External Program Disbursements (Baseline Projection)

Cumulative flows from the beginning of the year	(In US$ Millions)
External loans for budget support	
End March 2022	0.0
End June 2022	268.7
End September 2022	268.7
End December 2022	429.4
External loans for project financing	
End March 2022	9.4
End June 2022	81.0
End September 2022	152.6
End December 2022	224.2
External loans from commercial sources and international capital markets	
End March 2022	3.9
End June 2022	4.9
End September 2022	5.9
End December 2022	6.9

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

B. Ceiling on the Net Domestic Financing of the Central Government

12. **Definition:** The sum of (i) net bank credit to the government; and (ii) net nonbank financing.

- Net bank credit to the government is equal to the change in the balance between government's liabilities and assets with the national banking system. These assets include (i) cash resources on hand with the treasury; and (ii) treasury deposits with the central bank. The government's outstanding balances include (i) financing from the central bank, and specifically statutory advances; net IMF financing (disbursements net of reimbursements), refinancing of guaranteed bonds, and treasury paper held by the central bank; and (ii) financing from commercial banks, and specifically direct advances and loans, securities, and bills and bonds of the treasury held by local banks. Net bank credit to the government is calculated based on the data provided by the BEAC. These data should be subject to monthly reconciliations between the treasury and the BEAC.

- Net nonbank financing of the government includes (i) the change in the outstanding balance of government securities (treasury bills and bonds) issued in CFA francs on the regional financial market and not held by the local banking system; (ii) privatization receipts (proceeds from the sale of public assets, data to be provided by the authorities); (iii) the change in the balance of correspondent bank accounts and consignment accounts; and (iv) the change in the balance of outstanding claims on the government abandoned by the private sector. The government's net nonbank financing is calculated by the Treasury.

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

13. **Definition:** The ceiling on net claims of the BEAC to the central government, excluding IMF credit is calculated as the gross change of 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 change in 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. The ceiling applied from end-June 2022.

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

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

15. **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, as amended.

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.

16. **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;

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

18. **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 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

19. **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 made after falling due. Arrears resulting from the nonpayment of the debt service for which a rescheduling agreement is sought are excluded from this definition.

20. **Reporting:** The Ministry of Economy will provide the final data on the stock of external arrears of the CG to the IMF, with a lag of not more than six weeks from the end of the month. This PC will be monitored on an ongoing basis, and the Ministry of Economy will provide to the IMF data concerning any external arrears of the CG immediately after such arrears are incurred.

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

21. **Definition:** The program will have a performance criterion on the floor on CG non-oil tax revenue, defined as the sum of direct domestic taxes, indirect domestic taxes, and international trade taxes, as defined by the Government of Gabon's revenue classification. The first test date for this performance criterion will be at end-December 2022.

22. **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

23. **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 these obligations has been accrued, consistently with the provisions provided for by the regional directives (see article 14 of directive on TOFE). 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, 2022.

24. **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 Tax Revenue, Excluding Oil Revenue

25. **Definition:** The program will, through end-September 2022, have a floor on CG non-oil tax revenue, defined as the sum of direct domestic taxes, indirect domestic taxes, and international trade taxes, as defined by the Government of Gabon's revenue classification.

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

C. Cumulative Floor on Central Government Social Spending

27. **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) social services relating to social safety nets, free childbirth coverage, SAMU Social and seniors; (ii) legal assistance; (iii) the costs of the electrification program and hydraulic installations intended for rural areas without access to public water and electricity network; and (iv) the special solidarity contribution (CSS) allocated to economically weak Gabonese (GEF).

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

III. ADJUSTORS TO PERFORMANCE CRITERIA AND INDICATIVE TARGETS

Net Domestic Financing of the Central Government:

Oil prices:

- If Brent oil price projections as reported by IMF-WEO decline by up to 25 percent relative to the program baseline (US$111 per barrel), the ceiling will be adjusted upward to accommodate the shortfall in oil revenue in a given quarter.
- 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.
- If Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection for 2022, and one-half should be allocated to increase central government deposits at the BEAC, with a requisite downward adjustment of the cumulative ceiling on net claims of the banking sector on the CG.

Budget support:

- The program will be adjusted downward (upward) by the amount by which budget support exceeds (falls short of) the projected amounts. Any upward adjustment will be capped to 10 percent of the amount set out in Table 1 of the MEFP.

Non-oil Fiscal Balance

- 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 program disbursements given in Text Table 2.

Social Spending

- Should primary expenditure compression be needed, social spending would nevertheless be maintained to the execution level estimated for 2022 regarding the various budget item included in the cumulative floor for CG social spending (1 percent of NOGDP).

Debt

- The program ceiling on disbursing or guaranteeing of external debt by the central government will be adjusted as follows:

  - 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.

  - upward (downward) in cases where early (late) disbursements of specifically agreed and identified financing flows take place.

IV. PROGRAM MONITORING

A. Reporting Requirements

29. **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, boni 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 Treasury cash balance (Excel 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 General 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, 2022; the net accumulation of new float during 2022, defined in paragraph 6 as the difference between payment orders (*ordonnancements*) and payments made (cash basis), as well as the repayment of pre-2022 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 (Excel 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;

- quarterly reports (table) presenting the stock of expenditure pending at the various execution, to be prepared jointly by the *Direction Générale du Budget et des Finances Publiques* (DGBFIP) and *Direction Générale de la Comptabilité Publique et du Trésor* (DGCPT);

- indicators and other statistical data on recent economic developments, such as the household consumer price index (Excel file), 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 Tables 2, 3 and 4 attached to the letter of Intent of June 14, 2022.

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.

GABON

June 23, 2022

FIRST AND SECOND REVIEWS OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS FOR NONOBSERVANCE OF PERFORMANCE CRITERIA, AND ESTABLISHMENT OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION

Approved By
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Prepared by the African Department

This supplement provides an update on the status of the prior actions (PAs) and the authorities' efforts to clear external arrears, based on new information that has become available since the staff report was issued to the Board. The clearance of external arrears to private creditors removes the need for a financing assurance review to be completed. The update does not alter the thrust of the staff appraisal.

1. **The authorities have implemented the three PAs for the first and second reviews under the EFF Arrangement:**

- ***Supplementary 2022 Budget.*** Following Cabinet approval, the government submitted on June 9 the supplementary 2022 budget to the Parliament in line with IMF staff recommendations. As agreed with staff, the revised budget projects the non-oil primary deficit at 6.2 percent of non-oil GDP, with non-oil revenue and grants at 16.7 percent of non-oil GDP and total primary expenditure at 22.9 percent of non-oil GDP.

- ***Publication of the names and nationalities of beneficial owners awarded public procurement contracts.*** On June 17, 2022, the authorities issued a ministerial decree requiring that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners, and that those names and nationalities be published online for all legal persons awarded such contracts.

- ***Publication on the website of the government of the results of the audit for all COVID-19 related expenditures.*** The audit reports of all COVID-related expenditure for 2020–21 have been published on the Ministry of Economy and Recovery website on June 17, 2022. Staff will discuss the results of the audit with the authorities and their action plan going forward in the context of the next program review.[4]

2. The authorities have cleared external arrears as committed in their MEFP. They have cleared all external *arrears with multilateral, bilateral and commercial non-insured creditors* as of June 14, 2022 (CFAF 11.09 billion) and remained current on their external debt service since then.

3. As Gabon no longer has external arrears to private creditors, completion of a financing assurances review is no longer required.

[4] http://www.economie.gouv.ga/view.twg?dir=2356; http://www.economie.gouv.ga/view.twg?dir=2357

Statement by Mr. Aivo Andrianarivelo, Executive Director for Gabon
Mr. Facinet Sylla, Alternate Executive Director and Mr. Thierry Nguema-Affane, Senior Advisor to the Executive Director

June 27, 2022

Our Gabonese authorities thank Executive Directors, Management, and Staff for the strong technical and financial support to Gabon during the pandemic notably through the emergency assistance in 2020 and the approval of EFF arrangement in 2021. They appreciated the candid discussions with Staff during their missions in Libreville in December 2021 and May 2022.

Program implementation under the EFF has progressed despite a difficult environment. The authorities' efforts to contain the pandemic bore fruit as evidenced by the low infection rates. This contributed to lifting all remaining COVID-related restrictions in the country and boosting economic recovery, especially in the services sector. Reflecting the authorities' ownership of the program, all 14 structural benchmarks under the first and second EFF reviews were implemented, albeit with some delay for half of them. However, performance on quantitative targets was mixed reflecting challenging public financial management in the context of the pandemic. Corrective actions are being taken to improve program implementation. Gabon is expected to benefit from current high oil prices, which will help rebuild fiscal buffers, advance reform implementation, and foster its contribution to reserve accumulation at the regional central bank, BEAC.

The Gabonese authorities remain committed to the program and stand ready to take additional measures if necessary to keep the program on track. In light of this, the Gabonese authorities are requesting the completion of the first and second EFF reviews and approval of related decisions.

I. Recent Developments, Outlook and Risks

The Gabonese economy rebounded in 2021 following a contraction in 2020. GDP growth reached 1.5 percent in 2021, driven by higher commodity exports and a rebound in private investment amid global recovery. Inflation remained contained below the regional convergence criterion of 3 percent, but inflationary pressures have intensified since end-2021 with the global recovery. The current account deficit also narrowed owing to higher net exports. It is worth stressing that diversification of trading partners has increased, as the share of the main three trading partners has declined by almost 20 percent over the decade.

Fiscal performance in 2021 was broadly in line with the program objectives. Both non-oil and oil revenues increased owing to further streamlining of tax exemptions and higher oil prices despite a lower production in compliance with OPEC+ quota. Expenditures were kept below targets due to under-execution of capital spending while current spending increased in the context of the fight against the pandemic. As a result, non-oil primary deficit was contained at 7.1 percent of nonoil GDP as programmed, while the overall fiscal deficit improved on the back of higher oil revenues. Public debt has declined by 12.5 percentage points to 65.8 percent in 2021 and remains sustainable. However, debt service will remain high over the medium-term although efforts are pursued to improve debt reporting, lengthen maturities, and avoid the bundling of repayments to mitigate refinancing risks.

Significant progress has been made in implementing reforms to improve revenue mobilization, public financial management (PFM), social protection, transparency in COVID-19 spending and management of oil revenue. These include the transposition in national legislation of the six regional PFM directives adopted in December 2021, the submission of a membership application to the Extractive Industries Transparency Initiative (EITI), the publication of the COVID-19 spending audit report, and the adoption of a ministerial decree requiring, among others, the disclosure of names and nationalities of ultimate beneficiaries of all public procurement contracts. The existing database of economically weak Gabonese individuals (GEF) has been updated to ensure compliance with eligibility criteria and a new GEF database based on new poverty indicators will be established by end-December 2022. The authorities developed a strategy to clear all domestic arrears and will continue to identify and assess other domestic arrears that were not included in the 2020 stock audited and validated in early 2021, including salary arrears and arrears with certain public entities, to obtain an exhaustive stock of domestic arrears.

The financial sector remains broadly stable and profitable in 2021. NPLs remained stable at 7.8 percent in 2021 albeit asset quality could deteriorate once temporary prudential measures are lifted according to the regional banking commission. The liquidation of the three public banks has advanced and will be completed in the coming months. The authorities intend to set up a special purpose entity to pursue the realization of assets and the settlement of residual liabilities in close collaboration with the Ministry of Justice. A financial inclusion strategy for 2022-2027 was developed to improve access to financial services for vulnerable and excluded populations and promote digital finance. This strategy is expected to be adopted by end-2022.

The near-term outlook remains positive, but downside risks remain significant. Preliminary information for 2022Q1 confirms the uptick in economic activity and signs of recovery are more visible across all sectors. Fiscal and external balances at end-March 2022 improved thanks to higher commodity exports and prices. Inflation is trending higher due to rising petroleum and food prices which could affect the living standard of the most vulnerable population. Credit to the economy has increased with the ongoing recovery in nonoil sector. Overall, these positive trends should continue throughout the year, with growth projected to reach 2.8 percent as nonoil activity further picks up. The authorities share staff's assessment of downside risks to this outlook which include resurgence in COVID infections, lower growth in main trading partner economies and persistent geopolitical tensions. These risks, when realized, could put additional pressure on public finances and hinder social protection. On the other hand, higher commodity prices will enable further rebuilding of fiscal and external buffers.

II. Program Performance

The observance of quantitative performance criteria and targets at end-December 2021 was mixed. This reflects economic and public financial management challenges posed by the pandemic, and lower-than-projected external support, including the non-disbursement of the 2021 budget support from AfDB, which led to shortfalls in non-oil revenue collection, higher drawdowns in deposits and accumulation of external arrears. Nevertheless, the target on social spending for end-December 2021, which has been a priority in the authorities' program, was observed. In the meantime, all external arrears accumulated through mid-June 2022 were cleared, the bulk of them in May 2022, as the fiscal situation is improving.

The authorities followed through with their commitment to implement the frontloaded conditionality measures under the first and second EFF reviews despite setbacks in their implementation. All 14 structural benchmarks –including the 13 SBs under the first review– have been implemented, although more time was needed to implement some of them. The two benchmarks on the publication of the COVID audit report and the decree on ultimate beneficiaries of all public procurement contracts were implemented in June 2022 as prior actions for the first and second reviews. The third prior action, also taken in June 2022, was the submission to the Parliament of the revised budget law for 2022 that further streamlines tax exemptions (another structural benchmark).

Corrective actions were taken to address weaknesses in program implementation. Steps were taken to enhance budget execution, improve cash management and strengthen coordination between the Treasury and Debt departments to avoid new domestic and external arrears. Interdepartmental coordination on debt payments is expected to improve through notably the establishment of a weekly meeting of an ad hoc committee.

In light of this, the authorities are requesting waivers for nonobservance of missed PCs and modification of performance criteria.

III. Policies for 2022

Going forward, the authorities remain strongly committed to the objectives of the program and intend to leverage the current favorable oil price to further strengthen buffers and advance critical reforms to improve revenue mobilization and public financial management, reinforce the financial sector, and ameliorate the business environment, while protecting the most vulnerable. The authorities remain committed to enhancing the anticorruption and AML/CFT frameworks and pursue climate change mitigation efforts. They intend to use the entire 2009 SDR allocation and only 15 percent of the 2021 allocation for domestic debt repayments and budget financing, while the remainder of the allocation will support international reserves at BEAC.

A revised budget for 2022, in line with program objectives, has been adopted by the Parliament on June 21, 2022, to account for the recent geopolitical shocks on public finances. The revised budget still targets fiscal consolidation –although at a slower pace than initially contemplated in the initial budget law– through higher revenue expected from better nonoil revenue mobilization and reprioritization of expenditures. Part of the oil windfalls will be used to mitigate, through petroleum and wheat subsidies, the impact of higher petroleum and food prices on the most vulnerable and avoid any social unrest. In particular, two petroleum products, kerosene and cooking gas, which are mostly consumed by vulnerable households, will remain subsidized. Petroleum subsidies are being contained through price adjustments on other petroleum products and the progressive resumption of the automatic petroleum setting mechanism suspended in 2021. It should be mentioned that the authorities are in the process of developing a well-targeted social transfer system towards economically weak Gabonese individuals (GEF) in collaboration with the World Bank. Priority social and infrastructure spending will be also protected. The non-oil primary deficit is projected to decline from 7.1 percent of non-oil GDP in 2021 to 6.2 percent in 2022 and the overall fiscal balance will turn positive in 2022. Acknowledging the high uncertainty over commodity prices and the risk of possible revenue or financing shortfalls, the authorities will continue to use the existing reserve mechanism to ensure the achievement of the fiscal objectives.

Revenue mobilization and public financial management reforms will be pursued, with the assistance of external partners. The revised budget law for 2022 further streamlines tax and customs exemptions, and efforts will continue to modernize tax and customs administrations. The control of expenditures and the effectiveness and efficiency of public spending will be strengthened, especially regarding the wage bill and public investment. Also, cash management will continue to be reinforced with the completion of the full implementation of the Treasury Single Account (TSA) by January 2023 and the rationalization of compensation mechanisms, with a particular emphasis on the reform of the VAT escrow account. Consistent with the recommendations of the most recent PIMA report, legal and methodological refinements of the public investment management framework are ongoing, with a view to improve public investment execution and quality and address critical infrastructure gaps.

Efforts to strengthen transparency in the management of oil resources will be sustained to ensure that the government receives all oil revenues it is entitled to. In this regard, the authorities will conduct an audit of the oil sector to assess the cost oil, review the agreements between the oil companies, government, and public enterprises, evaluate the viability of the national refinery (SOGARA) and revisit the trading activities of Gabon Oil Company (GOC). They are committed to refrain from requesting prefinancing based on future oil revenues and ensure the repatriation of oil revenues by public enterprises to the TSA at the central bank.

Governance and performance of SOEs and public financial institutions will be reinforced to support revenue mobilization and reduce fiscal risks. The four main SOEs (GOC, SOGARA) and public financial institutions (Caisse de Depots et de Consignations (CDC) and Fonds Gabonais d'Investissements Stratégiques (FGIS)) are implementing the recommendations of the management audits carried out in 2021Q4. CDC and FGIS have already certified and published their 2021 financial accounts. The same is expected from GOC and SOGARA later this year. Also, a public portfolio management strategy will be prepared to enhance the monitoring of government equity in corporations.

The authorities will pursue efforts to strengthen financial sector resilience in Gabon. The ongoing clearance of domestic debt and strengthening of commercial court are expected to improve asset quality and preserve financial stability. Also, given the strong sovereign-bank nexus, the authorities are working with BEAC to widen investor base for government securities by developing a framework for non-banking investment in sovereign papers.

Progress is being made to improve the production and availability of macroeconomic statistics and modernize the national statistical system. The authorities have undertaken the rebasing of national accounts, the transition to the 2008 SNA, the production of the 2011-2022 national accounts and the production of quarterly GDP with IMF technical assistance. A database management platform is being developed to make key statistics accessible to all users and is expected to go live by end-September 2022. The Directorate General of Statistics is providing technical support in updating the GEF database. Weaknesses identified in the production of monetary and balance of payments statistics are being addressed by the regional central bank.

Gabon is following through with its climate change commitments. Gabon is net carbon absorber thanks to its large rainforest. The authorities view this natural resource as a global public good and believe that its preservation is critical to fight climate change at the global level. Efforts in this regard were already rewarded in June 2021 with a payment from the Kingdom of Norway under the CAFI. Consistent with the national climate plan and in line with the Paris agreement on climate change, the authorities adopted in September 2001 a legislation establishing a legal framework for carbon credit trading at the national level and a national climate change fund. The fund will help channel domestic and external financing to support policies and actions towards forest conservation and reduction in carbon emission, including human capacity building.

IV. Conclusion

Progress has been made in program implementation despite a challenging environment. The Gabonese authorities followed through with their reform commitments under the program and corrective actions were taken to improve program implementation. They remain committed to the program and stand ready to take further measures to keep the program on track. In light of this, they are requesting the conclusion of the first and second reviews under the EFF-supported program and approval of related decisions. Executive Directors' favorable consideration of their requests will be appreciated.