INTERNATIONAL MONETARY FUND

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GABON

December 2017

FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR A WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATIONS OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GABON

In the context of the first review of the Extended Arrangement under the Extended Fund Facility, requests for a Waiver for Nonobservance of Performance Criterion, and Modifications of Performance Criteria, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 21, 2017, following discussions that ended on November 1, 2017, with the officials of Gabon on economic developments and policies underpinning the Extended Arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on December 5, 2017.
- A **Supplementary Information** prepared by the IMF staff.
- A **Statement by the Executive Director** for Gabon.

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

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

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

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INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

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December 21, 2017

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Washington, D. C. 20431 USA

IMF Executive Completes First Review of the Extended Arrangement Under the Extended Fund Facility with Gabon and Approves US$ 101.1 Million Disbursement

On December 21, 2017, the Executive Board of the International Monetary Fund (IMF) completed the first review of Gabon's economic program supported by the three-year extended arrangement under the Extended Fund Facility.

Completion of the review enables the immediate disbursement of SDR 71.430 million (about US$ 101.1 million). This brings total disbursements under the arrangement so far to SDR 142.860 million (about US$ 202.3 million).

In completing the first review, the Executive Board approved the authorities' request for a waiver of non-observance of the continuous performance criteria on the ceiling on the accumulation of new external payment arrears by the central government.

Gabon's three-year, SDR 464.4 million extended arrangement (about US$ 642 million at the time of approval, the equivalent of 215 percent of Gabon's quota) was approved by the Executive Board on June 19, 2017 (see Press Release No. 17/233). The government's reform program, supported by the IMF, aims to ensure macroeconomic stability and lay the basis for sustainable growth. It also seeks to attain debt sustainability at the national level and help contribute to restoring and preserving external stability for the Central African Economic and Monetary Union (CEMAC).

Following the Executive Board discussion on Gabon, Mr. Tao Zhang, Deputy Managing Director and Acting Chair stated:

"Gabon's performance under the program has been broadly satisfactory. While the economic situation continues to be difficult, there are signs that the country is coming out of the trough of the downturn. In 2017, oil output is likely to underperform, leading to a small markdown of overall growth from 1 percent to 0.8 percent. However, activity across the rest of the economy is stabilizing. A rebound in growth is expected in 2018 thanks to the recovery in oil prices, the strength of other commodity sectors, and improving private sector confidence.

“Fiscal consolidation is supporting external adjustment and helping to contain public indebtedness, but further deficit reduction is needed to place debt on a firm downward path and start saving a share of the country’s oil revenues to rebuild its resilience to shocks. Larger buffers would also reduce substantial near-term risks to Gabon’s economic recovery plan, including those arising from volatile oil revenues.

“The authorities should aim to mobilize non-oil revenues, which have dropped to historically low levels. While part of the decline is due to negative spillovers from the oil shock and strikes by tax officials, the authorities need to accelerate reforms to scale back the excessive use of ad hoc tax exemptions, and address weaknesses in tax and customs administration.

“The authorities should also aim to strengthen public financial management. The focus should be to strengthen short-term cash flow management and liquidity forecasting, particularly to avoid any new accumulation of arrears that could undermine confidence in the economic recovery. Reforms to improve monitoring of spending on critical social programs should also be pursued to ensure that the burden of fiscal consolidation does not fall disproportionately on the most vulnerable groups of the population.

“Continued economic diversification will require a supportive financial sector. Decisive steps should be taken to resolve the three distressed public banks while minimizing related fiscal costs. The authorities should also clearly communicate the government’s plans to gradually clear domestic arrears, which would help to reverse the rise of non-performing loans and support private sector credit growth. Further steps to bolster medium-term growth should focus on the business environment and the quality and dissemination of economic statistics.

“Gabon’s program is supported by the implementation of supportive policies and reforms by the regional institutions, including tighter monetary policy, elimination of statutory advances, sound bank regulation and supervision, and firm controls over the extension of credit to banks.”

INTERNATIONAL MONETARY FUND

GABON

December 4, 2017

FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR A WAIVER FOR NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATIONS OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Economic activity remains subdued. Budget execution has taken place in difficult conditions given recent shortfalls in non-oil revenues and delays in domestic and external financing. Growth is expected to rebound in 2018 due to better prospects in the oil sector, investment in new growth pillars (agribusiness) and a gradual improvement in confidence as the government reduces its domestic arrears. The fiscal and external current account balances are improving thanks to strong export growth and a decline in public spending. Program implementation has been broadly satisfactory, with most end-June performance criteria and structural benchmarks met, but substantial risks remain. New external arrears were accumulated.

Economic outlook. The short-term outlook remains challenging. While a growth rebound in 2018 is expected given recent developments in FDI inflows and better-than-previously-projected activity in the oil and mining sectors, weaknesses in non-oil revenue collections and tight short-term liquidity conditions are sources of fiscal risk. Timely clearance of domestic arrears will strengthen banks' balance sheets and increase credit to the private sector to support growth. Clearance of external arrears is crucial to maintain Gabon's creditworthiness and adequate access to external financing.

Program policies. Fiscal consolidation will continue in 2018. The overall fiscal deficit (on a cash basis) is projected to decline from 3.6 percent of GDP in 2017 to 2.3 percent in 2018. Fiscal policy will be anchored by containment of current spending, stronger PFM (which should strengthen controls on arrears), greater non-oil revenue mobilization efforts, and strengthening of expenditure prioritization and cashflow management.

Staff views. Given the authorities' track record to date and political commitment to program implementation, and in view of most performance criteria being met and the clearance of all official external arrears as a prior action for the review, staff supports the authorities' request for the completion of the first review, and modification of performance criteria for end-December 2017. Completion of this review would make available a purchase equivalent to SDR 71.43 million.

Approved By
Anne-Marie Gulde-Wolf (AFR) and Yan Sun (SPR)

Discussions on the First Review under the Extended arrangement took place in Libreville during October 18–November 1, 2017. The IMF staff team included Alex Segura-Ubiergo (head), Koffie Nassar and Toomas Orav (all AFR), Gwenaelle Suc (FAD), Franck Dupont (MCM), Manasa Patnam (SPR), and Marcos Poplawski Ribeiro (Resident Representative). Mr. Thierry Nguema Affane (OED) participated in the discussions. The IMF team met with the Economy Minister Regis Immongault, Budget Minister Otandault, BEAC Deputy National Director, other senior officials and representatives of the donor community, civil society and the private sector. Efua Tawiah provided administrative assistance for the preparation of this report.

CONTENTS

APPENDIX

Abbreviations and Acronyms

AFD	French Development Agency
AfDB	African Development Bank
ANGTI	National Agency for Major Infrastructure Projects
ANPI	National Agency for Investment Promotion
BEAC	Central Bank of Central Africa States
BOP	Balance of Payments
CA	Current Account
CEMAC	Central African Economic and Monetary Union
CFAF	Local Currency (African Financial Community Francs)
CG	Central Government
COBAC	Central African Banking Commission
CPI	Consumer Price Index
DGE	General Directorate of the Economy
DMP	Directorate of Public Procurement (*Direction des Marchés Publics*)
DMU	Debt Management Unit
DSA	Debt Sustainability Analysis
EBA	External Balance Assessment
EFF	Extended Fund Facility
EITI	Extractive Industries Transparency Initiative
ESA	External Sustainability Assessment
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FGIS	Gabonese Strategic Investment Fund
HCI	High-Level Council for Investment
GDP	Gross Domestic Product
GRAINE	Smallholder-Based Agriculture Program
IT	Indicative Target
IFIs	International Financial Institutions
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LIA	Lending into Arrears
LOI	Letter of Intent
LOLFEB	Organic Law on Budget Laws and Budget Execution
MEFP	Memorandum of Economic and Financial Policies
NGOs	Non-Governmental Organizations
NOPB	Non-Oil Primary Balance
NPLs	Non-Performing Loans
NPV	Net Present Value
OECD	Organization for Economic Co-operation and Development

PA	Prior Action
PCs	Performance Criteria
PEFA	Public Expenditure and Financial Accountability Assessment
PFM	Public Financial Management
PPPs	Public-Private Partnerships
PRE	Economic Recovery Plan
PSGE	Strategic Plan for Emerging Gabon (*Plan Stratégique Gabon Emergent*)
QPC	Quantitative Performance Criteria
REER	Real Effective Exchange Rate
RGCP	General Government Accounting Regulation
RGSM	Regional Government Securities Market
SB	Structural Benchmark
SEZ	Special Economic Zones
SOEs	State-Owned Enterprises
SOTRADER	Gabon Agriculture Company (*Société Gabonaise de Transformation Agricole*)
TMU	Technical Memorandum of Understanding
TOFE	Table of Government Financial Operations
VAT	Value-Added Tax
WB	The World Bank
WEO	World Economic Outlook

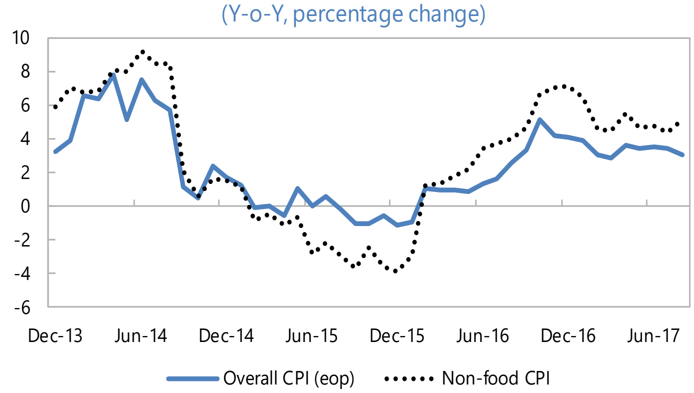
CONTEXT

1. The political environment remains challenging, but the situation has not deteriorated further in recent months. After the highly-contested August 2016 Presidential election, the main opposition party did not take part in a national dialogue organized by the ruling party to defuse tension. In recent months, civil servant strikes have generated disruptions in key sectors (e.g. teachers, custom officials). While the situation seems to have stabilized, risks of new disruptive strikes cannot be ruled out. A continuation of the national dialogue with all political forces and civil society will be key to ensure relatively broad support for the policies underlying the authorities' economic program. In addition, Gabon has continued to play a useful role in regional discussions with other members of CEMAC. An updated assessment on the policy assurances by the CEMAC regional institutions, which remains key for the success of Gabon's Fund-supported program, is discussed in detail in the regional staff report (EBS/17/121).

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE

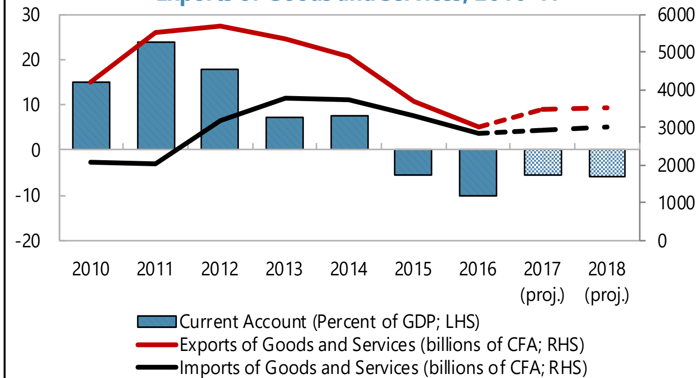
2. Activity remains subdued, but there are signs that Gabon is coming out of the trough of the economic downturn. Oil output is likely to underperform in 2017, with production declining by 7 percent through June due to one-off technical disruptions and the impact of the OPEC production cut. This has led to a small markdown of overall growth in 2017 from 1 to 0.8 percent. However, activity across the rest of the economy is stabilizing. Export-oriented sectors such as manganese, wood, and agribusiness are outperforming thanks to the entry of new operators and a rebound in commodity prices. This is partially offsetting the impact of fiscal adjustment, which is depressing activity in sectors with strong links to government activity, including construction, commerce, and services. The 12-month average consumer price inflation decreased from 2.1 percent in December 2016 to 3 percent in August 2017, in part reflecting the impact of the elimination of subsidies on most retail fuel products (Text Figure 1).

Text Figure 1. Gabon: Inflation, Dec. 2013-Aug. 2017
(Y-o-Y, percentage change)



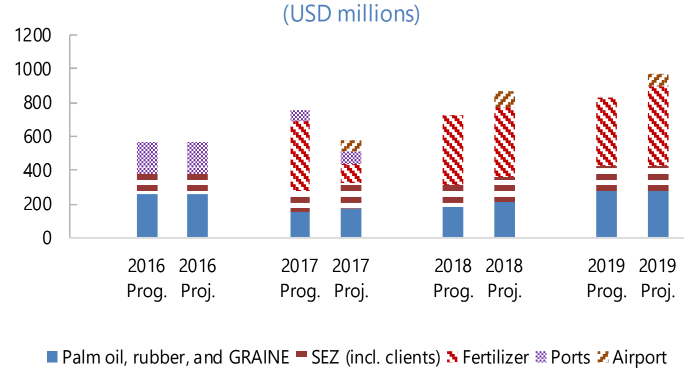
3. Strong export growth and import compression have narrowed the current account deficit in 2017. During the first half of 2017, export values grew 37½ percent (y/y) due to an improvement in the terms of trade, a sharp rise in manganese prices, and markedly higher production levels (i.e. up by over 50 percent). At the same time, imports declined by 13.4 percent reflecting lower public investment and depressed economic activity in import dependent sectors such as construction and commerce. Thus, the external current account is projected to adjust at a faster pace than initially projected, nearly halving from a deficit of 10 percent of GDP in 2016 to 5.4 percent in 2017 (Text Figure 2).

Text Figure 2. Gabon: Current Account, Imports, and Exports of Goods and Services, 2010-17



4. Developments in the financial account were less favorable than expected in the first half of the year due to a shortfall in external project financing and delays in some FDI. Projected FDI in 2017 is expected to total 8.4 percent of GDP (versus initial projections of 10.1 percent). This is mainly due to the postponement of a large fertilizer project until 2018 (Text Figure 3). At the same time, other developments are likely to support the external position. First, in August, Gabon mobilized US$200 million in international capital markets by reopening one of its existing Eurobonds.[1] The proceeds will be used to make an amortization payment in the same amount in December, as part of a debt rollover operation envisaged under the program. The government will also receive about US$100 million in a windfall capital gains tax due to the sale of Shell Gabon to the Carlyle group, which would improve both fiscal and external balances. In addition, OLAM has recently announced additional FDI (about US$400 million) to complete construction of a new international airport by mid-2020.

Text Figure 3. Gabon: OLAM FDI, 2016-2019
(USD millions)



[1] On August 7, Gabon reopened its Eurobond of debt maturing in 2020, increasing the outstanding amount from US$500 to US$700 million paying a coupon of 6.95 percent. Pricing started at 7 percent, but was later revised downward due to strong demand.

5. End-June fiscal performance exceeded initial program targets. The end-June non-oil primary balance target was met. The authorities managed to contain non-wage current spending, and the rate of execution of capital spending was lower than initially projected. However, there were slippages on transfers and subsidies, as the authorities froze the international fuel price pass-through mechanism from March to September amid social tensions. In addition, preliminary data for July and August point to substantial underperformance of non-oil revenues due to delays in the implementation of revenue mobilization measures and disruptions in tax collections generated by strikes from tax officials.

Text Table 1. Gabon: Fiscal Performance 2016-2017

(In percent of GDP, cumulative)

	2016 1/	2017Q1		2017Q2		2017Q3		2017Q4	
	Act.	Prog.	Act.	Prog.	Act.	Prog.	Proj.	Prog.	Proj.
Total revenue and grants	17.1	3.9	4.1	7.3	9.0	12.9	12.4	18.8	17.6
Revenue	17.1	3.9	4.1	7.3	9.0	12.9	12.4	18.8	17.6
Oil revenue	5.1	1.4	1.7	2.4	3.3	4.0	4.9	6.0	7.0
Non-oil revenue	12.0	2.5	2.5	4.9	5.7	9.0	7.5	12.7	10.6
Total expenditure and net lending	22.5	4.8	4.5	10.1	9.5	14.8	12.8	22.0	19.8
Current expenditure	17.0	3.4	3.6	7.4	8.0	11.1	11.1	15.8	15.5
Capital expenditure and net lending	5.2	1.3	0.7	2.5	1.1	3.5	1.2	4.9	3.8
Other expenditure	0.3	0.1	0.2	0.2	0.4	0.2	0.5	1.3	0.5
Overall balance (cash basis)	-6.6	-0.9	-0.8	-2.6	-0.5	-2.5	-1.1	-4.6	-3.6
External financing (net)	1.7	1.4	1.2	0.9	1.3	1.3	2.3	5.0	3.7
o/w: Program financing	0.0	1.5	1.5	1.5	1.5	2.8	1.5	5.8	5.7
o/w: Project financing	2.9	0.7	0.1	1.6	0.4	2.5	0.5	3.3	2.1
o/w: External arrears on principal (net)	1.8	0.0	0.4	-0.9	0.7	-1.7	0.9	-1.7	-1.7
Domestic Financing	5.3	-0.5	-0.3	1.4	-0.7	1.2	-1.3	-0.3	0.0
o/w: Treasury bonds issuance	2.0	0.7	0.0	1.2	0.0	1.5	0.1	1.7	1.1
o/w: Domestic arrears 2/	7.7	0.0	-1.1	0.0	-0.8	-0.7	-0.5	-2.6	-2.7

Sources: Ministry of Economy and IMF staff estimates.

1/ Represent cumulative stock values at end-December 2016.

2/ Comprises change of arrears on domestic debt, net change of VAT arrears, and net change in exceptional float.

6. Large gross financing needs and weak cashflow management placed budget execution under stress. While liquidity pressures were to be anticipated given the timing of external disbursements, shortfalls in both domestic and external financing of approximately 2.7 percent of GDP by end Q3[2] (Text Table 1), resulted in the accumulation of additional external arrears. The early repayment of some domestic arrears and moratorium debt[3] also precluded the repayment of external arrears as programmed. Thus, external arrears increased from 2 percent of GDP at end-2016 to about 3.1 percent of GDP at end-September (Text Table 2). Most of the additional external arrears were with commercial creditors, but about one-third represented bilateral and multilateral arrears.

Text Table 2. Gabon: Total Arrears

	End 2016 (Act.)		Sept. 2017 (Est.) 1/		End 2017 (Est.)	
	CFA Billions	Percent of GDP	CFA Billions	Percent of GDP	CFA Billions	Percent of GDP
Total Arrears	803.2	9.7	869.5	10.0	405.3	4.6
External Arrears	164.6	2.0	273.3	3.1	0.0	0.0
Multilateral	9.9	0.1	25.1	0.3	0.0	0.0
Bilateral	23.0	0.3	51.8	0.6	0.0	0.0
of which: Paris Club	6.1	0.1	13.6	0.2	0.0	0.0
Commercial	131.7	1.6	196.4	2.3	0.0	0.0
Domestic Arrears	638.6	7.7	596.2	6.8	405.3	4.6
Debt Service	42.0	0.5	69.8	0.8	0.0	0.0
Budgetary Float (Treasury)	248.8	3.0	193.9	2.2	99.5	1.1
VAT	347.8	4.2	332.5	3.8	305.8	3.5

Source: Gabon authorities and IMF staff calculations.

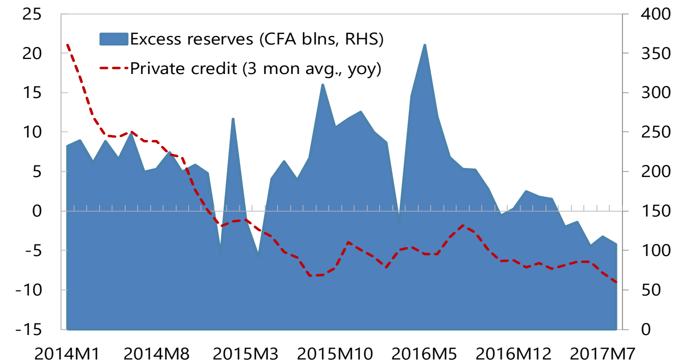
1/ Reflects end-September 2017 data on external arrears, and end-August 2017 data on domestic arrears.

[2] Domestic financing fell short by 1.2 percent of GDP at the end of the second quarter, compared to what was programmed, as the government did not issue the level of domestic debt instruments that the program had anticipated (Text Table 1), reflecting some weaknesses in cashflow planning and debt management. In addition, some external program disbursements (including a budget support operation by the World Bank) did not take place in 2017Q3 as initially envisaged under the program assumptions as the authorities needed more time to implement the measures agreed with the World Bank.

[3] Moratorium debt refers to extra budgetary spending prior to end-2014 that went into arrears and was recognized by a Committee of Certification of Domestic Debt as official government debt. The authorities paid through August CFAF 63bn more than initially anticipated in the cashflow plan underlying the program.

7. Financial conditions remain tight. During the first half of 2017, weak economic activity and delays in the repayment of government arrears to service providers continued to weigh on the banking sector. Bank deposits and credit to the private sector declined by about 14½ percent and 7½ percent (y/y), respectively. At the same time, loans in arrears increased from 9¾ percent at end-2016 to 13½ percent at end-August, and excess reserves (above the mandated reserve requirements) have declined by about ⅔ since the mid-2016 peak (Table 5, Text Figure 4). However, banking sector solvency remains sound with a 15.2 percent capital adequacy ratio at end-August (excluding the three distressed public banks), well above the prudential norm of 8 percent.

Text Figure 4. Gabon: Monetary Decelopments
(January 2014-August 2017)



Sources: Gabon authorities, IMF staff calculations.

8. Program performance is subject to substantial risks but appears broadly satisfactory at mid-2017, except for external arrears accumulation.[4] Nearly all end-June performance criteria (PCs) and indicative targets (ITs) were observed (Text Table 3). However, the continuous PC on non-accumulation of new external arrears was missed, as well as the IT on social protection spending, suggesting the existence of substantial risks to effective program implementation going forward. At the same time, the two structural benchmarks (SBs) for end-June were met. The authorities have fully implemented the Integrated Financial Management Information System (IFMIS) module that makes payments conditional upon the issuance of payment orders (end-June SB), and prepared a plan for the orderly resolution of three distressed state-owned banks (end-July SB). In addition, a unit to monitor Public-Private Partnerships (PPPs) was established (end-September SB), and the authorities prepared a national strategy to strengthen the framework concerning non-performing loans (end September SB). However, a report on the stock of arrears (end-September SB) has been delayed.

Text Table 3. Gabon: Program Performance

	End-June 2017
Quantitative Performance Criteria	
Primary non-oil fiscal balance	●
Net government claims on the banking system	●
Net government claims on the central bank	●
External debt ceiling	●
Continuous Performance Criterion	
New external payment arrears	⬣
Indicative Targets	
Stock of domestic arrears	●
Non-oil tax revenue	●
Social protection spending	⬣

● Met ⬣ Not Met

[4] Completion of the 1st review will also be informed by an assessment of the implementation of supportive policies by CEMAC, as outlined in BUFF/17/44.

OUTLOOK AND RISKS

9. The near-term outlook is broadly unchanged, with growth expected to pick up moderately in 2018. In 2017, overall real GDP growth is projected at 0.8 percent, and non-oil growth at 1.7 percent. Conditions are expected to improve in 2018, with overall growth expected to increase to 2.7 percent. Gabon's oil companies indicated that stable conditions in international energy markets should support higher spending on exploration and extraction, leading to an increase in production by 0.8 percent. Non-oil growth is expected to increase to 3 percent, with private sector firms guardedly optimistic about positive spillovers from the oil sector, continued ramping up of new agroindustry and mining activity, and the implementation of the strategy to clear government arrears, which would boost confidence and help ease financial sector pressures.

10. The medium-term outlook remains more promising. While Gabon's mature oil sector is amidst a long-run decline, new opportunities seem to be emerging in other hydrocarbons, especially gas. More importantly, recent large-scale investment in manganese and agroindustry should provide a platform for economic diversification. These prospects have been bolstered by the recent entry into operation of cargo and mineral ports in Libreville, with additional capacity to scale up mineral and agricultural exports. The new ports will also reduce substantially logistics costs and will thereby improve Gabon's overall competitiveness. Given these conditions, Gabon's diversification strategy is expected to increase growth to 4–5 percent over the medium term. Fiscal consolidation efforts, including less domestic and external borrowing in 2017 than initially anticipated, coupled with the recent appreciation of the CFA against the dollar suggest an improvement in the stock of public debt (including domestic arrears), which is expected to decline from 64.2 percent of GDP in 2016 to 59 percent of GDP in 2017 and fall below 50 percent of GDP by 2021.

11. Risks to the baseline macroeconomic outlook are tilted to the downside.

- On the external front, oil dependence remains a key vulnerability. With oil accounting for one-third of revenues, lower energy prices and/or disrupted production could lead to lower growth and a need for further fiscal tightening. This will require prudent oil production and revenue assumptions as well as fiscal contingency buffers.

- There are two short-term risks that will require strong monitoring and action by the authorities. First, failure to implement the agreed revenue mobilization measures envisaged in the 2018 Budget would trigger financing short-falls and increase the risk of new accumulation of external arrears. In addition, it would also weaken the authorities' plans to reduce domestic arrears, which would undermine confidence and constrain credit growth. The second risk concerns delays in the implementation of measures to address weaknesses in public financial and cash flow management, including the monitoring of risks associated with PPPs, autonomous public entities and public bank restructuring/liquidation. This would weaken the authorities' ability to implement their debt management strategy and increase the risk of new contingent liabilities.

- As a contingency measure, the authorities should pursue their privatization plans, as agreed at the time of the program.[5] They should also stand ready to take additional revenue and expenditure measures, including efforts to contain budget pressures stemming from the wage bill and, if needed, the postponement of lower priority public investment projects. This may require the preparation of a Supplementary Budget in early 2018 if budget developments deviate from current projections.

- Medium-term risks include the protracted effects of fiscal adjustment, slower-than-expected private investment in the event business climate reforms stall, or tension between the government and the opposition undermining order and political stability.

- On the upside, medium-term growth could be higher if investors implement all their FDI-financed investment projects as planned. Given the uncertainty about the timing of these projects (for example, a US$1.6 billion urea fertilizer plant and a US$750 million expansion of the bulk port), staff's baseline includes only part of the planned FDI inflows and their related impact on economic activity. At the same time, the construction of a new airport (US$400 million) that started in August 2017 confirms the interest of investors in Gabon.

ECONOMIC POLICIES FOR 2017–18

12. Economic policies at the CEMAC level and in Gabon are mutually reinforcing. Most countries in CEMAC have experienced declines in economic activity since the onset of the oil price shock. Thus, regional vulnerabilities have increased, with public debt on the rise and the pool of international reserves dropping to about 2.2 months of imports at end-2016. To ensure monetary stability, the regional central bank has maintained a tight monetary policy stance to preserve external stability, including through a freeze in gross credit to the government (i.e. statutory advances). Gabon has played a constructive role to spearhead regional stability efforts and presented an economic recovery plan that became the basis of the EFF-supported program.

13. The overall 2017 fiscal outturn is projected to be better than expected. The overall fiscal deficit (cash basis) is projected to decline to 3.6 percent of GDP in 2017, compared with the program target of 4.6 percent of GDP. However, the non-oil primary deficit (in percent of non-oil GDP), which provides a better measure of the authorities' effective fiscal effort is likely to improve from 11 percent in 2016 to 9.2 percent in 2017—a deficit that is about 0.3 percent higher than initially envisaged. Public debt is expected to decline to 59 percent of GDP (compared with 64.6 percent of GDP initially projected), reflecting slightly less external borrowing than programmed and the appreciation of the exchange rate vis-à-vis the U.S. dollar. While non-oil revenues are expected to underperform due to delays in the implementation of agreed measures and disruptive strikes by custom officials, oil revenues are likely to overperform, in part thanks to some capital gains taxes. To offset the revenue underperformance, the authorities are containing non-wage current spending

[5] The program included plans to mobilize CFAF 50 billion in privatization receipts in 2017, and this amount has now been programmed for 2018. The authorities have agreed to step up efforts to increase privatization receipts but noted that any such plan requires due diligence to ensure adequate value-for-money and transparency.

and public investment. At the same time, wage negotiations have led to a payment of about 0.2 percent of GDP in performance bonuses.

A. Fiscal Policy: Preserving Fiscal Sustainability

14. Fiscal consolidation efforts should be pursued in 2018. The authorities are targeting improvements in fiscal balances of between 1¼ and 3 percent of GDP, depending on the fiscal indicator (Tables 3a-3c). The overall fiscal deficit on a cash basis, which provides the most accurate measure of financing constraints is expected to decline to 2.3 percent of GDP – an improvement of 1.3 percentage points. The overall fiscal deficit on a commitment basis, which provides a more accurate measure of government ongoing net spending pressures (irrespective of whether a payment has been made or not) is expected to decline to a modest level of 1¼ percent of GDP. At the same time, the non-oil primary deficit, which is more directly under the control of the authorities will decline to about 6 percent of non-oil GDP—an improvement of about 3 percentage points. The continuation of the fiscal consolidation process is a key element of the authorities' strategy and the 2018 Budget, including the measures needed to support fiscal consolidation plans, which are expected to be approved in Parliament in late December.[6] This should contribute to the process of external adjustment and place public debt on a downward path.

Text Table 4. Gabon: Estimated Yield of Fiscal Measures
(percent of GDP)

	2018 Proj.
Non-oil revenue	0.9
Measures on CIT 1/	0.1
Rationalization of tax exemptions	0.4
VAT	0.1
Import tax	0.3
Full implementation of CEMAC customs tariffs	0.1
Removal of exemptions incl. in "*programme de lutte contre la vie chere*"	0.2
Full taxation of products not incl. in "*programme de lutte contre la vie chere*"	0.0
Removal of illegal base reductions	0.1
Measures on excise taxes	0.3
Modernization of the customs administration (ASYCUDA World)	0.1
Primary spending	0.8
Wage bill	0.4
Review of remuneration policies	0.4
Special accounts	0.4

Sources: Gabonese authorities and Fund staff calculations.

1/ Includes broadening of the tax base of the single combined tax, development of electronic procedures, regularisation program, and campaigns for tax compliance.

15. The composition of the adjustment will entail both revenue and expenditure measures, with a greater effort on non-oil revenue mobilization efforts. Fiscal consolidation is based on adjustments in primary current spending (about 0.8 percent of GDP) and strong non-oil revenue mobilization efforts (1.4 percent of GDP), which will compensate for a drop in oil revenues of a similar magnitude.

- **Revenue Mobilization.** Higher non-oil revenues reflect measures included in the budget law submitted to parliament (Text Table 4 and MEFP ¶13). Net yields from the reduction of tax expenditures[7] and increases in excise taxes are expected to amount to about 0.4 percent and 0.3 percent of GDP, respectively. Additional measures to increase corporate income taxes and remove illegal custom exemptions are expected to yield about 0.3 percent of GDP. The projection

[6] The authorities agreed to submit to Parliament a budget broadly consistent with the main parameters underlying the EFF-supported program.

[7] Including elimination of all tax exemptions without a legal basis and application of CEMAC customs tariffs.

also incorporates the normalization of revenue administration efforts, which had caused an estimated revenue shortfall in 2017 of 0.4 percent of GDP.

- **Expenditure Policy**. The authorities expect to achieve expenditure savings in the wage bill, mainly through the ongoing review of remuneration policies and attrition (MEFP ¶12), and through the elimination of the deficits in the special accounts, and a more transparent accounting of their revenues and expenditures. These savings will generate some fiscal space to increase public investment by about ¾ percent of GDP, after deeper reductions in 2017 than initially anticipated.

- **Social spending.** Poverty reduction and protection of vulnerable groups is a key program objective, but pro-poor spending fell short of program targets in the first half of 2017. Budget execution data indicates that social protection outlays on goods and services and transfers were on track through June, including key programs to improve access to health care and support AIDS patients. The authorities noted that the shortfall on overall social spending stems from delays on foreign-financed investment projects in education and vocational training, which prevented the budget execution of the domestic counterpart, but indicated that spending was accelerating in the second semester and noted that the 2018 budget includes budget allocations for any project that is not fully executed in 2017. A further complication concerns the timeliness and accuracy of data reporting. The authorities plan to ensure adequate social spending going forward, and staff urged improving the monitoring and reporting of social spending expenditure, including via quarterly fiscal reports (new structural benchmark).

16. Gross financing needs in 2018 will remain elevated (about 9¼ percent of GDP), albeit about 25 percent lower than in 2017. The financing of the fiscal deficit represents only ¼ of gross financing needs, with the bulk of the financing needed to cover external amortization (1.8 percent of GDP), T-bill redemptions (1.5 percent of GDP) and the clearance of domestic arrears (especially on the VAT and moratorium debt) following a 3 to 4-year repayment plan. The near-term debt management strategy relies on the importance of avoiding the accumulation of new external arrears, and the timely clearance of domestic arrears. To avoid the accumulation of new arrears, the authorities are expected to put in place by end-2017 a system to closely monitor the expenditure chain, identify arrears by public entities, and strengthen the information exchange system between the central government and other public entities (MEFP, ¶18).

- **Cashflow management.** To avoid a repetition of the cash-crunch situation and accumulation of arrears experience in 2016–17, the authorities agreed to strengthen expenditure controls, budget execution and cashflow management. Stronger cashflow forecasting should ensure that liquidity is available to meet payment obligations as they arise. For effective cash management, the Treasury committed to developing quarterly estimates of cash inflows and outflows. Additional measures envisaged include completion of a debt management strategy, with a plan to clear all arrears by January 2018, reactivation of the Treasury Committee meetings that assess short-term spending priorities, strengthening the treasury single account and setting up an escrow account at BEAC for VAT refunds (MEFP, ¶19).

B. Structural Fiscal Reforms: Strengthening Public Finances

17. Staff welcomes the authorities' efforts to intensify tax and customs reforms to boost revenue mobilization. Ahead of the establishment of a revenue authority in 2019, adoption of an anti-tax evasion plan and revenue generating measures identified by a recent FAD mission need to be implemented without delay. This includes measures to (i) address the relatively high number of tax defaulters, (ii) collect recoverable tax arrears (given an estimated stock that exceeds 5 percent of GDP), and (iii) introduce risk-based tax audits. On the customs side, steps are being taken to address problems that have generated substantial tax leakage, including gross undervaluation of import values, abuse of the exemption and duty suspension mechanism, misapplication of the common external tariff, and deficiencies in the payment system to clear customs. Two critical measures will be introduced to strengthen tax and customs administration: (i) elimination of tax exemptions without a legal base (new structural benchmark), and (ii) adoption of immediate cash payments for customs clearance, with limited exceptions (new structural benchmark).

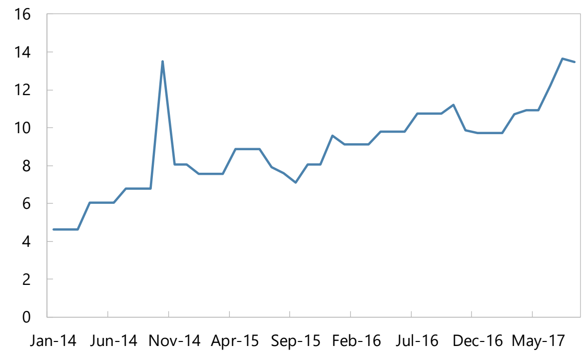
18. The authorities reiterated their commitment to tightening expenditure controls and strengthening fiscal reporting. The prevention, management, and clearance of arrears require comprehensive, timely, and reliable information about their size, composition, and vintage. In this context, staff welcomed recent progress implementing the new expenditure framework, which prevents the issuance of purchase orders without adequate verification against specific budget lines. The authorities should now activate the follow-up system of deadlines associated with the various phases of the expenditure chain to prevent excessive delays between the commitment and payment phases. Implementation of the new system is crucial to ensure compliance with budget targets, prevent extra budgetary spending, and control arrears. Additional measures include the expansion in budget coverage to reintegrate earmarked revenues and special accounts in the budget process, and publish quarterly fiscal reports on budget execution, as requested by the organic budget law (new structural benchmark).

19. Investment efficiency needs to be enhanced through greater transparency of procurement processes and regular use of cost-benefit analysis. Excessive use of non-competitive procedures and poor selection criteria for public investment projects have been limiting the efficiency of public spending and is likely to lead to governance and transparency problems in the use of public resources. In this regard, the production of quarterly reports on public procurement statistics and on public-private partnerships (PPPs) will help improve monitoring and transparency. The authorities reiterated their commitment to undertake systematic cost-benefit analysis for major investment projects included in the budget law but noted that this was not done in the 2018 budget due to capacity constraints. They indicated that a set of guidelines and procedures to prepare these studies would be developed by the end of the year (MEFP ¶29).

C. Financial Sector

20. The banking sector remains generally sound and credit expansion is expected to pick up. Credit growth to the economy is projected to reach about 7½ on average during 2018–20, broadly consistent with the projected annual nominal GDP growth (Table 5). Clearance of arrears to government suppliers and stabilization of loans in arrears, which have grown substantially in recent years (Text Figure 5), will be key determinants of credit expansion. The recent decision by COBAC to increase the risk weighting of sovereign debt from zero to 85 percent could reduce bank incentives to purchase government securities. At the same time, the subsequent decision to allow a three-year transitional phase is expected to provide sufficient time for Gabonese banks to adapt to the new environment and adjust their balance sheets.

Text Figure 5. Gabon: Loans in Arrears
(January 2014-August 2017; percent of total loans)



Sources: COBAC

21. Progress to develop a framework for the resolution of NPLs has been slow. At end-September 2017, the authorities met the structural benchmark on the preparation of a national strategy to strengthen legal and supervisory frameworks for NPLs, but further progress will be needed. The authorities have identified areas where reforms are necessary, including the training of specialized judges, establishment of commercial courts and the modernization of the real estate credit registry (MEFP, ¶34).

22. Distressed state-owned banks should be addressed without further delay. The authorities prepared in July 2017 a draft plan for the restructuring of the three public banks in distress. This plan was envisaging the transformation of the Gabonese Development Bank (BGD) into a combination of development bank and universal bank, with an incorporation of the activities of Post Bank. The plan also envisaged the use of the extensive network of Post Bank for microfinance activities. However, the authorities agreed that the original plan for the three banks had weaknesses and required further analysis. For example, the plan did not include an evaluation (feasibility and costs) of the various options. Thus, the authorities agreed to improve the strategy through a revised plan (new structural benchmark MEFP, ¶33) that will assess the feasibility, costs and trade-offs associated with the various options. Staff will support the authorities in preparing the new restructuring plan, which should simultaneously ensure financial stability, protect depositors and limit fiscal costs[8].

[8] Based on international experience, staff's initial assessment suggests that the strategy should consider the transfer of performing assets and existing liabilities to an external third party. In addition, there are instruments to support lending to small and medium enterprises (SMEs), or the provision of housing loans, using incentives provided to private banks in a way that is likely to be more cost-effective than the maintenance of a public structure for this purpose.

D. Reforms to Foster Private Sector Development

23. Business climate reforms are essential to foster private sector-led growth. Gabon has used Special Economic Zones (SEZs) and Public-Private Partnerships (PPPs) to attract private investment into key sectors (e.g., agri-business). However, to leverage the potential spillovers from these activities requires stepping up structural reforms to address the wider business environment. The authorities have made progress toward simplifying administrative procedures with the implementation of electronic tax filing and an online land registry (MEFP, ¶37). The near-term priorities should include fully operationalizing the High-Level Council on Investment, which seeks to facilitate a public-private dialogue to identify critical business environment reforms. First steps should include addressing key legal bottlenecks for new investment (e.g., land titling; construction permits, and an arbitration chamber for business dispute resolution) and streamlining red tape by establishing a one-stop shop for administrative procedures (MEFP ¶37).

E. Strengthening Statistics

24. Continued efforts are required to strengthen the production and dissemination of national statistics. Gabon underperforms other middle income countries in the production of timely and reliable statistics. In early 2017, a broad-based initiative was launched to improve the quality, coverage, and timeliness of national accounts, fiscal, and balance of payments statistics, supported by the IMF and other development partners. Notably, IMF technical assistance is supporting work toward definitive national accounts data for the years 2010-2016, and the World Bank is assisting in the development of a new enterprise survey, which also aims to fully integrate the activities of firms in the SEZs.[9] Plans are also underway to complete a new poverty survey (preliminary results expected in early 2018), update of the CPI basket (2019), and undertake new surveys on demographics and health (2019). While these various efforts will over time provide new insight into socio-economic developments in Gabon, in the near-term the authorities should also disseminate existing data, including through the regular report of national accounts and fiscal data to the IMF Statistics Department.

PROGRAM MODALITIES AND FINANCING ASSURANCES

25. Program conditionality. The program is monitored in semiannual reviews (Table 8) through quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) (MEFP Tables 1-4). Staff supports the authorities' request for modification of end-December 2017 PCs on the primary fiscal balance, net claims of the banking system on the central government, central bank net claims on central government, and contracting or guaranteeing of external debt. The modification of fiscal and external debt PCs is small and consistent with the revised fiscal projections that incorporate a compositional shift in revenue generation capacities (i.e. higher oil revenues and lower non-oil revenues) and the shortfall in external financing (which is associated

[9] In 2017, the authorities have issued a circular to strengthen compliance with the legal requirement that all businesses located in SEZs should submit adequate statistics to the government.

with a lower projected borrowing ceiling), respectively. The modification of central government net claims with the banking system and central bank arise from the lower than anticipated statutory advances repayments to the BEAC (as agreed at the regional level) and shift deposit accumulation related to the intergenerational fund from 2017 to 2018.[10] The latter factor reflects the impact of shortfalls in domestic and external financing and the subsequent tightening of the liquidity and cash-flow constraints facing the economy. New PCs and ITs are defined in the TMU.

26. Ahead of the Executive Board meeting, the authorities have implemented the following corrective measure, as a prior action:

- **Clearance of all external arrears to official creditors**. In addition, Gabon has external arrears with commercial creditors. In line with the Fund's Lending-into-Arrears Policy, staff has ascertained that Gabon is making a good faith effort to reach a collaborative agreement with its commercial creditors. The authorities have shared relevant information regarding their financial difficulties and provided creditors with an opportunity to give inputs on their strategy to clear commercial arrears. 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. The authorities have also indicated their intention to clear all remaining external arrears, including external arrears to commercial creditors, by end-December 2017.

27. The program is fully financed. Financing needs for the next 12 months will be met by a combination of external borrowing, donor support and Fund financing. In August 2017, Gabon raised about US$200 million from the Eurobond market, in advance of the rollover operation by year end, expected under the program. The projected financing gap for 2017 will be covered by budget support from the African Development Bank (CFA196.8 billion), France (CFA49.2 billion), and the World Bank (CFA116.3 billion). The residual financing gap of CFA108.5 billion will be covered by disbursements from the Fund under the three-year extended arrangement under the EFF (equivalent to SDR71.43 million or 33.069 percent of quota). Bilateral and multilateral donors have confirmed financial support in line with program projections for 2018 and there are good prospects to achieve the projected financing in 2019 and beyond, with the remaining access under the extended arrangement contributing to the closing of the external financing gaps (Table 4a and 4b), while bringing international reserves up to comfortable levels.

28. Capacity to repay the Fund. Gabon's capacity to meet potential repayment obligations to the Fund remains sufficient, albeit subject to risks. In the case of full drawing of the amount under the extended arrangement (Table 8), repayments to the Fund at the end of the projection period would remain manageable at 0.3 percent of GDP, or 2.7 percent of gross reserves (Table 7). Although public debt is expected to remain high during the program period, strong program implementation would put it on a firm downward path. Gabon has a strong record of repayment to the Fund.

[10] Historical revisions to the monetary survey, particularly the downward revisions to the estimated end-2016 stock of deposits, also contributed to altering the path of the government's net claims on the banking system.

29. Program implementation risks are elevated but would remain manageable, assuming a baseline scenario of stable international oil prices and sound domestic policies. This reflects government efforts so far implementing the Fund-supported program approved in June 2017 and the new policy adjustment measures agreed by the authorities in the context of this review. Risks to the program implementation could increase in case of further deterioration of the external environment or rising domestic social and political tensions. In this case, keeping the program on track would require deeper adjustment in macroeconomic policies, in consultation with Fund staff. Successful implementation of the ongoing programs with other bilateral and multilateral institutions will also be necessary to secure additional external financing. In addition, adequate cashflow and domestic debt management will be essential to secure the required financing in the regional debt market. Finally, delays in concluding negotiations of Fund-supported programs with other CEMAC countries could undermine the overall regional strategy with implications for Gabon.

30. Safeguards Assessment. A full safeguards assessment under the periodic four-year cycle for regional central banks was completed in August 2017. The assessment noted the positive steps taken by the BEAC to strengthen governance in its charter, and plans to strengthen financial reporting transparency through full transition to IFRS.[11]

STAFF APPRAISAL

31. While the economic environment remains difficult, recent indicators point to stabilization in economic activity. A rebound in economic activity is expected in 2018 thanks to the recovery in oil prices, the strength of other commodity sectors (especially manganese), substantial investments associated with the authorities' diversification strategy (agribusiness), and improving private sector confidence as the government starts clearing its arrears. However, short-term growth in Gabon will still underperform the average for Sub-Saharan Africa. Over the medium-term, large investments in new pillars of growth (especially agribusiness) is expected to boost the growth rate toward 4-5 percent and reduce Gabon's traditional dependence on oil.

32. Policy adjustment is underway, but greater efforts will be needed to consolidate recent gains. Fiscal consolidation is supporting the external adjustment and contributing to the stabilization of public debt. The reduction in the external current account and fiscal deficits is noteworthy, but the process of adjustment should continue. Gabon needs to reduce further its fiscal deficit and start saving a share of its oil revenues to reduce short-term vulnerabilities and increase its resilience to future shocks. This is key to offset substantial risks to the program, including those arising from lower oil prices or possible delays in mobilizing additional non-oil revenues.

33. Non-oil revenue mobilization has become a top priority to ensure the success of the authorities' program. The sharp decline in non-oil revenues, which have dropped by almost 5 percent of GDP since 2014, is a serious concern. While part of the decline can be attributed to the negative spillovers triggered by the decline in the oil sector, excessive use of *ad hoc* tax exemptions, weaknesses in tax and customs administration, and disruptive strikes by tax officials have pushed

[11] See 2017 Staff Report on the Common Policies of CEMAC Member Countries.

non-oil revenues to exceedingly low levels. The authorities need to take decisive steps to correct this situation and ensure that deeper budget cuts are not needed.

34. Reforms to increase expenditure efficiency and public investment management also need to be pursued. The authorities have taken steps to rationalize spending on non-priority goods and services, and transfers and subsidies. The implementation of an automatic fuel pricing mechanism has generated savings of about 1 percent of GDP relative to 2014. The authorities should avoid backtracking on the commitment to implement the automatic adjustment mechanism for fuel prices, as was done for a few months in 2017. A focus on more targeted support to vulnerable groups is warranted. In this regard, the authorities' capacity to identify critical social programs, monitor spending and assess impact on social outcomes needs to be strengthened urgently. Indeed, delays in the production and reporting of social spending data can undermine the authorities' objective to ensure that fiscal consolidation does not have a negative impact on vulnerable groups. Finally, there is a need to strengthen public investment management, including rigorous project selection and appraisal, to ensure value-for-money and good governance.

35. A continuous focus on prudent public financial and debt management remains essential. Gabon is on track to achieve its short-term target of a public debt-to-GDP ratio of less than 65 percent, as well as its medium-term target of less than 50 percent of GDP. The authorities' immediate focus needs to be ensuring that no new arrears emerge. This requires three inter-related steps. First, an extension of the expenditure tracking software to non-central government public entities is needed to track their ongoing commitments and ensure that a sufficient cash allocation will be available to cover new spending. Second, the Treasury needs to strengthen its cash management and liquidity forecasting framework to prevent the accumulation of new arrears. While precise forecasts are sometimes complicated by uncertainty regarding the temporal profile of external disbursements and, more recently, by disappointing non-oil revenue collections, staff and the authorities agreed that improvements in cash flow planning and expenditure prioritization could go a long way to strengthen the current system. Third, a medium-term debt management strategy should be developed to ensure smooth future redemptions and to develop a realistic domestic issuance plan that gradually reduces gross financing needs and thereby financing pressures.

36. Gabon has been successful at attracting foreign direct investment, especially in the agribusiness sector where the country has a comparative advantage. However, achieving strong, sustainable and inclusive growth will require further progress in improving the broader business environment to prevent the emergence of a dual economic system that is highly effective for certain projects and/or within special economic zones, but does not provide adequate opportunities for the rest of the economy. In this regard, initiatives to fully operationalize the High-Level Council on Investment, which seeks to facilitate public-private dialogue to identify the most binding constraints to private sector development, need to be pursued more effectively.

37. Financial sector stability will continue to be essential to support growth. This has two dimensions. First, efforts to resolve the three distressed public banks, including the option of liquidation as already mandated by COBAC for two of the banks, need to be pursued considering the need to minimize fiscal costs. At the same time, effective communication on the government plans to gradually clear domestic arrears will be crucial to reduce NPLs and support private sector credit growth in a context of declining liquidity and tight monetary policy at the regional level.

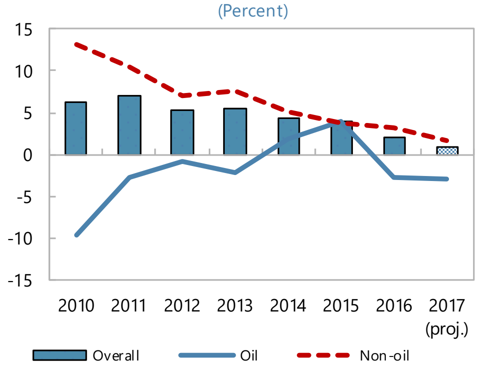
38. Continued efforts to improve the quality and dissemination of economic statistics would support policymaking and private investment. Lack of high frequency indicators and quarterly national accounts complicate the assessment of economic conditions. Staff encouraged the authorities to pursue more decisively ongoing improvements in data collection and dissemination.

39. Staff recommends granting a waiver for the non-observance of the continuous performance criterion on external arrears on the basis of corrective measures, completion of the financing assurances review and approval of the authorities' request for completion of the first review of the Extended Arrangement. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to pursue the program objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's high level of political commitment to program objectives.

Figure 1. Gabon: Selected Economic Indicators, 2010–17

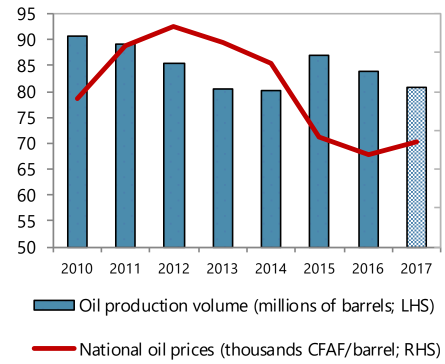
Non-oil growth is decelerating from high levels prior to the oil shock due to sectoral spillovers…

Real growth, 2010-17
(Percent)



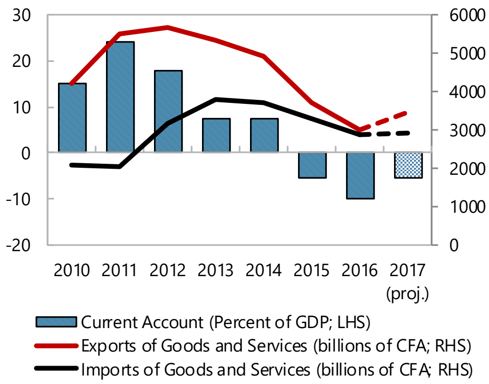
…and aside from a one-off increase in 2015, oil production has trended down.

Oil Production Volume and Oil Price, 2010-17



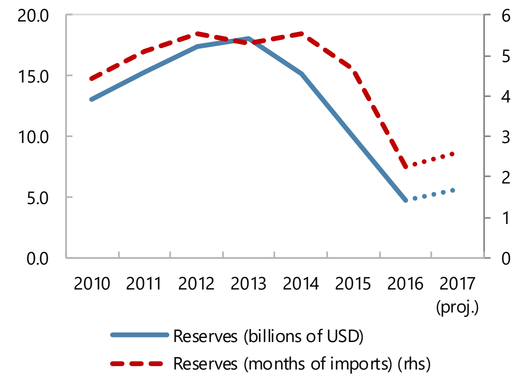
A large fall in exports and sticky imports have led to a sharp deterioration in the current account balance…

Current Account, Imports and Exports of Goods and Services, 2010-17



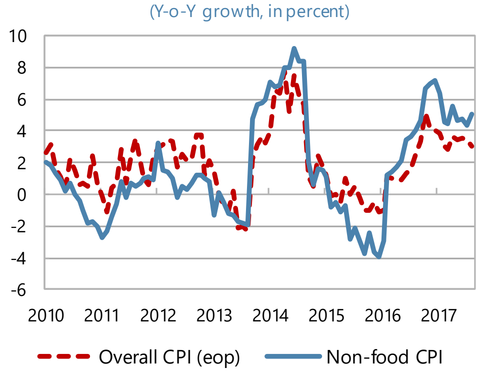
… which has contributed to a sharp decline in regional international reserves at BEAC.

International Reserves, 2010-17



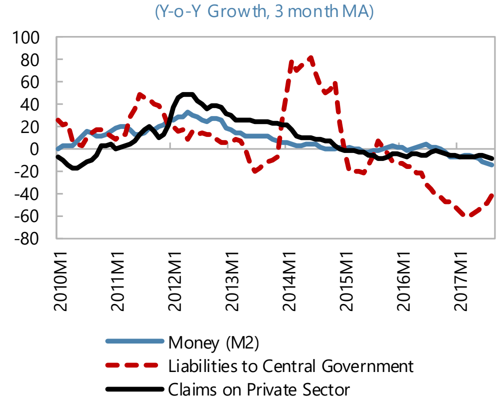
Inflation picked up in the second half of 2016 due to the pass-through of fuel price hikes, but is subsiding.

Inflation in CPI, 2010-17
(Y-o-Y growth, in percent)



Credit to the economy and M2 stagnated as the economy slowed, and government deposits fell sharply.

Monetary Aggregates and Credit, 2010-17
(Y-o-Y Growth, 3 month MA)



Sources: IMF and Gabonese Authorities.

Figure 2. Gabon: Fiscal Indicators, 2010–17

Sources: IMF and Gabonese Authorities.

Table 1. Gabon: Selected Economic Indicators, 2014–22

	2014	2015	2016	2017		2018		2019		2020		2021	2022
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Annual percent change, unless otherwise indicated)												
Real sector													
GDP at constant prices	4.4	3.9	2.1	1.0	0.8	2.7	2.7	4.1	3.7	4.6	4.3	4.7	4.7
Oil	1.8	4.0	-2.7	-2.4	-3.0	-0.4	1.5	0.0	0.1	0.2	0.2	0.8	1.1
o/w primary oil	-0.3	8.6	-3.7	-3.7	-5.9	-1.8	0.8	-1.5	-1.5	-1.5	-1.8	-1.3	-1.6
Non-oil	5.1	3.8	3.3	1.7	1.7	3.3	3.0	5.0	4.5	5.5	5.2	5.5	5.4
GDP deflator	-1.0	-8.9	-4.3	2.5	4.1	0.6	-0.3	1.5	1.4	1.0	1.6	1.8	1.8
Oil	-6.3	-20.2	-11.9	9.9	11.3	-0.1	-4.9	-0.9	0.4	0.0	1.2	2.9	2.1
Primary oil	-6.4	-24.3	-16.1	16.3	18.0	-0.2	-7.2	-2.0	0.6	-0.7	1.1	2.1	2.3
Consumer prices													
Yearly average	4.5	-0.1	2.1	2.5	3.0	2.5	2.8	2.5	2.5	2.5	2.5	2.5	2.5
End of period	1.7	-1.2	4.1	2.5	3.0	2.5	2.8	2.5	2.5	2.5	2.5	2.5	2.5
External sector													
Exports, f.o.b.	-8.5	-26.8	-19.2	23.3	18.9	1.5	1.9	3.1	5.1	10.6	10.9	10.1	6.7
Imports, f.o.b.	-6.6	-0.4	-21.3	20.7	4.5	-2.7	3.4	2.4	3.3	-0.2	5.6	-3.0	4.6
Terms of trade (deterioration= –)	-9.2	-44.9	-10.2	23.5	21.2	-2.5	-4.8	-3.9	-1.0	-2.1	-0.5	-0.1	0.4
Central government finance													
Total revenue	-2.7	-32.8	-20.8	13.3	7.7	3.9	3.8	6.6	9.8	6.0	6.4	6.4	7.2
Oil revenue	-8.3	-54.4	-29.9	22.9	44.5	-1.8	-17.1	-3.2	-0.8	2.3	-0.2	0.8	0.7
Total expenditure	-29.1	-11.4	-4.0	4.3	-6.6	-5.7	0.4	3.4	5.2	4.1	3.3	3.1	6.2
	(Percent of GDP, unless otherwise indicated)												
Non-oil primary balance (in percent of non-oil GDP)	-11.5	-9.0	-11.0	-8.9	-9.2	-6.0	-6.1	-4.3	-4.3	-3.6	-3.1	-2.2	-1.7
Overall balance (commitment basis)	6.0	-1.0	-5.0	-3.3	-2.3	-1.2	-1.2	-0.6	-0.5	-0.3	0.1	0.7	0.9
Overall balance (cash basis)	2.3	-4.0	-6.6	-4.6	-3.6	-2.3	-2.3	-0.6	-0.4	-0.2	0.1	0.7	0.9
Total public debt 2/	34.1	44.7	64.2	64.6	59.0	63.8	59.1	61.5	57.4	56.5	53.0	49.8	46.1
o/w statutory advances from BEAC	2.9	5.3	5.4	5.0	5.2	4.3	5.1	3.5	4.8	2.8	4.5	4.3	3.6
	(Percent change, unless otherwise indicated)												
Money and credit													
Credit to the economy	-2.0	-9.8	-5.6	-6.1	-9.3	3.9	3.2	10.2	10.2	12.8	10.8	12.0	15.6
Broad money	1.6	-1.4	-5.2	9.0	2.6	5.9	9.5	7.1	7.1	12.3	13.5	3.5	2.9
Velocity ratio of NOGDP over broad money	2.5	2.6	2.8	2.8	3.2	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.9
	(Percent of GDP, unless otherwise indicated)												
Gross national savings	43.5	29.2	24.1	24.6	26.5	26.1	27.0	27.5	28.3	30.5	30.5	32.8	34.0
Gross fixed investment	35.9	34.8	34.2	33.8	31.9	33.4	32.7	34.1	33.3	33.4	33.4	31.3	30.5
o/w private	29.2	29.8	29.3	28.9	28.5	28.4	28.5	29.1	28.6	28.4	28.7	26.5	25.4
public	6.7	5.0	4.9	4.9	3.4	5.0	4.2	5.0	4.6	5.0	4.7	4.7	5.1
Current account balance	7.6	-5.6	-10.1	-9.2	-5.4	-7.3	-5.7	-6.6	-5.0	-2.8	-2.8	1.6	3.4
excl. large agri-industry projects 3/	8.5	-3.6	-8.0	-6.5	-3.3	-4.1	-2.3	-3.7	-1.8	-1.3	-0.5	1.4	2.5
CEMAC Foreign Reserves													
(US$ billions, end-of-period)	15.8	10.3	5.0	5.6	5.9	6.5	7.2	7.4	8.4	8.4	10.0	10.8	11.5
(in months of extrazone imports)	5.8	4.8	2.2	2.7	2.7	3.0	3.0	3.2	3.6	3.6	4.2	4.5	4.7
	(CFA francs billion, unless otherwise indicated)												
Memorandum items													
Nominal GDP	8,988	8,503	8,311	8,598	8,728	8,880	8,936	9,378	9,394	9,910	9,956	10,613	11,315
Nominal non-oil GDP	5,581	5,676	5,885	5,995	6,108	6,289	6,406	6,812	6,852	7,339	7,376	7,937	8,554
National currency per U.S. Dollar (average)	494	591	593	..	..	..	..	..	..	..	..	..	..
Oil prices (Brent, U.S. Dollar/BBL)	96	51	43	55	51	55	51	54	52	54	53	53	55

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

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

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

Table 2. Gabon: Balance of Payments, 2014–22

	2014	2015	2016	2017		2018		2019		2020		2021	2022
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Billions of CFAF)												
Current account	679	-474	-841	-790	-474	-648	-511	-623	-468	-281	-282	165	386
Goods (net)	2,523	1,318	1,107	1,405	1,544	1,507	1,549	1,567	1,660	1,937	1,935	2,374	2,570
Export of goods (fob)	4,528	3,315	2,679	3,304	3,187	3,355	3,248	3,459	3,415	3,827	3,788	4,173	4,451
Hydrocarbons	3,800	2,494	1,941	2,285	2,174	2,244	2,045	2,172	2,029	2,221	2,025	2,040	2,054
Timber	234	293	335	423	352	459	458	502	481	603	577	693	831
Manganese	391	421	279	433	501	436	533	437	561	454	643	742	746
Other	103	108	125	162	161	215	212	349	345	549	543	698	820
Import of goods (fob)	-2,005	-1,997	-1,572	-1,899	-1,643	-1,847	-1,699	-1,893	-1,755	-1,890	-1,854	-1,799	-1,881
Petroleum sector	-227	-242	-228	-267	-256	-262	-241	-254	-239	-250	-237	-235	-232
Other	-1,778	-1,755	-1,344	-1,632	-1,388	-1,585	-1,458	-1,639	-1,516	-1,639	-1,617	-1,564	-1,649
Services (net)	-1,342	-930	-964	-1,122	-1,001	-1,090	-1,029	-1,147	-1,086	-1,190	-1,155	-1,130	-1,069
Exports	368	382	325	324	281	317	294	328	306	330	326	369	418
Imports	-1,710	-1,312	-1,289	-1,446	-1,282	-1,407	-1,323	-1,475	-1,393	-1,520	-1,480	-1,499	-1,487
Income (net)	-349	-718	-803	-889	-831	-879	-847	-856	-855	-848	-882	-897	-930
Current transfers (net)	-152	-143	-181	-185	-186	-186	-185	-188	-187	-180	-180	-183	-185
Capital account	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial account	-767	247	198	343	-16	385	294	570	440	453	496	-1	-188
Direct investment (net)	518	586	736	872	735	913	949	1,016	1,045	873	1,034	636	657
Portfolio investments (net)	0	-23	0	0	0	0	0	0	0	0	0	0	0
Other investment assets and liabilities (net)	-1,285	-316	-538	-528	-752	-528	-655	-446	-605	-420	-538	-637	-845
Medium- and long-term transactions	45	-36	-84	-164	-258	78	0	-38	25	-47	12	-11	33
o/w Net Arrears Accumulation			165	-165	-165								
Short term transactions	-1,331	-280	-453	-364	-494	-606	-655	-407	-630	-373	-550	-626	-879
Errors and Omissions	5	4	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-83	-223	-643	-447	-490	-263	-217	-53	-28	172	214	164	198
Financing	83	223	643	447	490	263	217	53	28	-172	-214	-164	-198
Bank of Central African States	88			-52	-3	-39	-75	-118	-132	-172	-214	-164	-198
IMF-EFF flows				118	117	118	112	118	112	29	28	-5	-23
Financing Gap	0	0	0	499	493	303	292	171	160	0	0	0	0
Of which:													
Bilateral				49	49	49	49	49	49	0	0	0	0
Multilateral				450	444	253	243	122	111	0	0	0	0
Memorandum items:	(Percent of GDP)												
Current account	7.6	-5.6	-10.1	-9.2	-5.4	-7.3	-5.7	-6.6	-5.0	-2.8	-2.8	1.6	3.4
excl. large agri-industry projects 2/	8.5	-3.6	-8.0	-6.5	-3.3	-4.1	-2.3	-3.7	-1.8	-1.3	-0.5	1.4	2.5
Oil	27.7	12.7	5.9	8.3	8.1	7.6	6.2	6.5	5.6	6.4	4.8	4.2	4.2
Non-oil	-20.1	-18.3	-16.0	-17.5	-13.6	-14.9	-11.9	-13.2	-10.6	-9.2	-7.6	-2.7	-0.8
Exports of goods and services	54.5	43.5	36.2	42.2	39.7	41.3	39.6	40.4	39.6	41.9	41.3	42.8	43.0
Imports of goods and services	-41.3	-38.9	-34.4	-38.9	-33.5	-36.6	-33.8	-35.9	-33.5	-34.4	-33.5	-31.1	-29.8
Capital and financial accounts	-8.5	2.9	2.4	9.8	5.5	7.7	6.6	7.9	6.4	4.6	5.0	0.0	-1.7
Foreign Direct Investment	5.8	6.9	8.9	10.1	8.4	10.3	10.6	10.8	11.1	8.8	10.4	6.0	5.8
Overall balance 3/	-0.9	-2.6	-7.7	0.6	0.0	0.4	0.8	1.3	1.4	1.7	2.1	1.5	1.8
	(Billions of CFAF, unless otherwise indicated)												
Imputed reserves (end of period) 4/	1227.6	1001.1	358.2	423.4	361.3	462.5	436.1	580.5	568.0	752.4	782.9	944.0	1141.7

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

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

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

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

Table 3a. Gabon: Central Government Accounts, 2014–22

	2014	2015	2016	2017		2018		2019		2020		2021	2022
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Billion of CFA francs)												
Total revenue and grants	2,673	1,797	1,424	1,613	1,533	1,677	1,592	1,787	1,748	1,895	1,861	1,980	2,124
Revenue	2,673	1,797	1,424	1,613	1,533	1,677	1,592	1,787	1,748	1,895	1,861	1,980	2,124
Oil revenue	1,322	603	423	520	611	511	507	494	503	505	502	506	509
Non-oil revenue	1,351	1,194	1,001	1,093	922	1,166	1,085	1,293	1,246	1,389	1,359	1,475	1,615
Tax revenue	1,334	1,158	899	990	861	1,057	1,028	1,190	1,142	1,278	1,248	1,355	1,486
Taxes on income, profits, and capital gains	385	398	300	331	301	352	336	386	359	421	387	416	449
Domestic taxes on goods and services	374	167	223	237	221	256	269	297	313	340	337	367	396
Value-added tax	291	101	155	168	167	183	186	218	224	255	241	264	284
Other	83	66	68	69	54	73	83	79	89	85	96	103	111
Taxes on international trade and transactions	426	355	277	321	271	343	345	392	386	393	434	474	537
Import tariffs	404	331	266	302	256	324	325	371	366	371	411	449	510
Export taxes	21	24	11	19	15	19	20	20	21	22	23	25	27
Other non-oil taxes	150	239	99	101	68	106	78	115	84	124	90	97	105
Non-tax revenue	16	36	102	104	61	109	57	103	103	111	111	120	129
Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenditure and net lending	2,135	1,879	1,833	1,893	1,731	1,786	1,703	1,846	1,791	1,923	1,850	1,908	2,026
Current expenditure	1,454	1,449	1,413	1,357	1,351	1,342	1,321	1,377	1,355	1,427	1,385	1,408	1,454
Wages and salaries	713	715	731	710	732	710	715	708	710	725	710	710	710
Goods and services	244	241	252	188	179	195	180	206	188	218	199	212	244
Interest payments	145	172	193	268	249	241	229	257	251	267	259	261	262
Domestic	26	44	61	75	75	78	75	76	74	72	72	69	66
Foreign	119	128	132	193	174	163	154	181	176	194	188	192	196
Transfers and subsidies	351	321	237	191	191	195	196	206	206	217	217	225	237
o/w: oil subsidies	115	80	27	0	25	0	20	0	0	0	0	0	0
Capital expenditure	607	423	405	421	299	444	372	469	436	495	464	500	572
Domestically financed	337	241	166	135	113	159	122	137	127	241	139	170	192
Foreign financed	270	183	239	286	186	285	250	332	310	254	325	330	380
Net lending	0	-13	25	0	35	0	0	0	0	0	0	0	0
Road Fund (FER) and special funds	37	18	19	15	14	0	10	0	0	0	0	0	0
Special accounts 2/	38	2	-29	100	32	0	0	0	0	0	0	0	0
Overall balance (commitment basis)	537	-82	-416	-280	-197	-109	-111	-59	-43	-28	11	72	97
Adjustment to cash basis 3/	-326	-259	-133	-116	-119	-96	-98	0	2	13	3	5	7
Overall balance (cash basis)	211	-341	-549	-396	-317	-205	-209	-59	-41	-15	15	77	104
Total financing	-211	341	549	396	317	205	209	59	41	15	-15	-77	-104
Foreign borrowing (net)	71	196	142	-73	-173	121	86	131	115	31	105	92	124
Drawings	256	183	239	286	186	285	250	332	310	254	325	330	380
Amortization	-185	-288	-244	-332	-332	-164	-164	-201	-195	-223	-220	-238	-565
Arrears (reduction = -)	0	5	147	-147	-147	0	0	0	0	0	0	0	0
Rollover (Eurobonds)	0	296	0	120	120	0	0	0	0	0	0	0	309
Domestic borrowing	-47	213	417	-148	-121	-337	-282	-361	-346	-45	-147	-169	-228
Banking system (net)	100	293	510	61	68	-67	-20	-174	-186	-37	-32	-203	-262
Nonbank financing (net) 4/	-147	-81	-93	-209	-188	-270	-262	-187	-160	-8	-116	34	34
Financing gap (+=deficit / - surplus)	-235	-68	-10	617	610	420	404	289	272	29	28	0	0
Exceptional financing (excluding IMF)	...	...	...	499	493	303	292	171	160	0	0	0	0
Residual gap	...	...	...	118	117	118	112	118	112	29	28	0	0
IMF-EFF	...	...	...	118	117	118	112	118	112	29	28	0	0
Memorandum items:													
Gross government deposits in BEAC	614.6	532.4	232.1	238.0	232.1	289.1	311.2	413.2	505.3	439.1	542.9	735.0	914.8
o/w Fund for Future Generations or Stabilization Fund	207.4	146.6	150.2	176.2	150.2	227.3	229.3	301.4	327.6	377.3	461.0	653.1	832.8
Statutory advances from BEAC	257.5	452.5	452.5	427.5	452.5	377.5	452.5	327.5	452.5	277.5	452.5	452.5	402.5
Stock of arrears 5/	...	...	803.3	360.4	405.3	173.9	178.9	87.0	76.9	0.0	0.0	0.0	0.0
External	...	...	164.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	...	...	638.6	360.4	405.3	173.9	178.9	87.0	76.9	0.0	0.0	0.0	0.0
VAT Reimbursement	...	...	347.8	260.9	305.8	173.9	178.9	87.0	76.9	0.0	0.0	0.0	0.0
Exceptional float 6/	...	...	248.8	99.5	99.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	...	...	42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil primary balance excluding capital transfers (NOPD)	-639	-513	-646	-533	-559	-379	-388	-296	-295	-267	-231	-172	-150
as percent of non-oil GDP	-11.5	-9.0	-11.0	-8.9	-9.2	-6.0	-6.1	-4.3	-4.3	-3.6	-3.1	-2.2	-1.7
Non-oil GDP at market prices	5,581	5,676	5,885	5,995	6,108	6,289	6,406	6,812	6,852	7,339	7,376	7,937	8,554

Source: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

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, 2014–22

	2014	2015	2016	2017		2018		2019		2020		2021	2022
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Percent of GDP)												
Total revenue and grants	29.7	21.1	17.1	18.8	17.6	18.9	17.8	19.1	18.6	19.1	18.7	18.7	18.8
Revenue	29.7	21.1	17.1	18.8	17.6	18.9	17.8	19.1	18.6	19.1	18.7	18.7	18.8
Oil revenue	14.7	7.1	5.1	6.0	7.0	5.8	5.7	5.3	5.4	5.1	5.0	4.8	4.5
Non-oil revenue	15.0	14.0	12.0	12.7	10.6	13.1	12.1	13.8	13.3	14.0	13.7	13.9	14.3
Tax revenue	14.8	13.6	10.8	11.5	9.9	11.9	11.5	12.7	12.2	12.9	12.5	12.8	13.1
Taxes on income, profits, and capital gains	4.3	4.7	3.6	3.8	3.5	4.0	3.8	4.1	3.8	4.2	3.9	3.9	4.0
Domestic taxes on goods and services	4.2	2.0	2.7	2.8	2.5	2.9	3.0	3.2	3.3	3.4	3.4	3.5	3.5
Taxes on international trade and transactions	4.7	4.2	3.3	3.7	3.1	3.9	3.9	4.2	4.1	4.0	4.4	4.5	4.7
Other non-oil taxes	1.7	2.8	1.2	1.2	0.8	1.2	0.9	1.2	0.9	1.3	0.9	0.9	0.9
Non-tax revenue	0.2	0.4	1.2	1.2	0.7	1.2	0.6	1.1	1.1	1.1	1.1	1.1	1.1
Total expenditure and net lending	23.8	22.1	22.1	22.0	19.8	20.1	19.1	19.7	19.1	19.4	18.6	18.0	17.9
Current expenditure	16.2	17.0	17.0	15.8	15.5	15.1	14.8	14.7	14.4	14.4	13.9	13.3	12.9
Wages and salaries	7.9	8.4	8.8	8.3	8.4	8.0	8.0	7.5	7.6	7.3	7.1	6.7	6.3
Goods and services	2.7	2.8	3.0	2.2	2.0	2.2	2.0	2.2	2.0	2.2	2.0	2.0	2.2
Interest payments	1.6	2.0	2.3	3.1	2.9	2.7	2.6	2.7	2.7	2.7	2.6	2.5	2.3
Transfers and subsidies	3.9	3.8	2.9	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1
o/w: oil subsidies	1.3	0.9	0.3	0.0	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	6.7	5.0	4.9	4.9	3.4	5.0	4.2	5.0	4.6	5.0	4.7	4.7	5.1
Domestically financed	3.7	2.8	2.0	1.6	1.3	1.8	1.4	1.5	1.4	2.4	1.4	1.6	1.7
Foreign financed	3.0	2.1	2.9	3.3	2.1	3.2	2.8	3.5	3.3	2.6	3.3	3.1	3.4
Net lending	0.0	-0.2	0.3	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.4	0.2	0.2	0.2	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts 2/	0.4	0.0	-0.3	1.2	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	6.0	-1.0	-5.0	-3.3	-2.3	-1.2	-1.2	-0.6	-0.5	-0.3	0.1	0.7	0.9
Adjustment to cash basis 3/	-3.6	-3.0	-1.6	-1.3	-1.4	-1.1	-1.1	0.0	0.0	0.1	0.0	0.0	0.1
Overall balance (cash basis)	2.3	-4.0	-6.6	-4.6	-3.6	-2.3	-2.3	-0.6	-0.4	-0.2	0.1	0.7	0.9
Total financing	-2.3	4.0	6.6	4.6	3.6	2.3	2.3	0.6	0.4	0.2	-0.1	-0.7	-0.9
Foreign borrowing (net)	0.8	2.3	1.7	-0.9	-2.0	1.4	1.0	1.4	1.2	0.3	1.1	0.9	1.1
Drawings	2.9	2.1	2.9	3.3	2.1	3.2	2.8	3.5	3.3	2.6	3.3	3.1	3.4
Amortization	-2.1	-3.4	-2.9	-3.9	-3.8	-1.8	-1.8	-2.1	-2.1	-2.3	-2.2	-2.2	-5.0
Arrears (reduction = -)	0.0	0.1	1.8	-1.7	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	3.5	0.0	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7
Domestic borrowing (net)	-0.5	2.5	5.0	-1.7	-1.4	-3.8	-3.2	-3.8	-3.7	-0.5	-1.5	-1.6	-2.0
Banking system	1.1	3.4	6.1	0.7	0.8	-0.8	-0.2	-1.9	-2.0	-0.4	-0.3	-1.9	-2.3
Non-bank sector 4/	-1.6	-0.9	-1.1	-2.4	-2.2	-3.0	-2.9	-2.0	-1.7	-0.1	-1.2	0.3	0.3
Financing gap (+=deficit / - surplus)	-2.6	-0.8	-0.1	7.2	7.0	4.7	4.5	3.1	2.9	0.3	0.3	0.0	0.0
Exceptional financing (excluding IMF)	…	…	…	5.8	5.7	3.4	3.3	1.8	1.7	0.0	0.0	0.0	0.0
Residual gap	…	…	…	1.4	1.3	1.3	1.3	1.3	1.2	0.3	0.3	0.0	0.0
IMF-EFF	…	…	…	1.4	1.3	1.3	1.3	1.3	1.2	0.3	0.3	0.0	0.0
	(Billion of CFA francs, unless otherwise indicated)												
Total revenue and grants	2,673	1,797	1,424	1,613	1,533	1,677	1,592	1,787	1,748	1,895	1,861	1,980	2,124
Total expenditure and net lending	2,135	1,879	1,840	1,893	1,731	1,786	1,703	1,846	1,791	1,923	1,850	1,908	2,026
Overall balance	537	-82	-416	-280	-197	-109	-111	-59	-43	-28	11	72	97
Memorandum items:													
Gross government deposits in BEAC (percent of GDP)	7.2	6.1	2.6	2.5	2.5	2.9	3.1	3.9	4.8	3.9	4.8	6.1	7.3
o/w Fund for Future Generations or Stabilization Fund	2.4	1.7	1.7	1.9	1.6	2.5	2.3	3.0	3.1	3.5	4.1	5.5	6.7
Non-oil primary balance excluding capital transfers	-639	-513	-646	-533	-559	-379	-388	-296	-295	-267	-231	-172	-150
As percent of non-oil GDP	-11.5	-9.0	-11.0	-8.9	-9.2	-6.0	-6.1	-4.3	-4.3	-3.6	-3.1	-2.2	-1.7
Public debt (percent of GDP)	34.1	44.7	64.2	64.6	59.0	63.8	59.1	61.5	57.4	56.5	53.0	49.8	46.1
External debt (percent of GDP)	27.3	33.9	37.4	41.8	36.6	46.4	41.0	48.0	42.7	45.8	41.0	38.6	35.8
Domestic debt (percent of GDP)	6.8	10.8	26.8	22.8	22.4	17.4	18.1	13.5	14.8	10.7	12.0	11.2	10.3
o/w Statutory advances from BEAC	2.9	5.3	5.4	5.0	5.2	4.3	5.1	3.5	4.8	2.8	4.5	4.3	3.6
Stock of arrears 5/	…	…	9.7	4.2	4.6	2.0	2.0	0.9	0.8	0.0	0.0	0.0	0.0
External	…	…	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	…	…	7.7	4.2	4.6	2.0	2.0	0.9	0.8	0.0	0.0	0.0	0.0
VAT Reimbursement	…	…	4.2	3.0	3.5	2.0	2.0	0.9	0.8	0.0	0.0	0.0	0.0
Exceptional float 6/	…	…	3.0	1.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	…	…	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices	8,988	8,503	8,311	8,598	8,728	8,880	8,936	9,378	9,394	9,910	9,956	10,613	11,315

Sources: Gabonese authorities and IMF staff estimates and projections.
1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).
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, 2014–22

	2014	2015	2016	2017		2018		2019		2020		2021	2022
			Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Percent of non-oil GDP)												
Total revenue and grants	47.9	31.7	24.2	26.9	25.1	26.7	24.9	26.2	25.5	25.8	25.2	25.0	24.8
Revenue	47.9	31.7	24.2	26.9	25.1	26.7	24.9	26.2	25.5	25.8	25.2	25.0	24.8
Oil revenue	23.7	10.6	7.2	8.7	10.0	8.1	7.9	7.3	7.3	6.9	6.8	6.4	5.9
Non-oil revenue	24.2	21.0	17.0	18.2	15.1	18.5	16.9	19.0	18.2	18.9	18.4	18.6	18.9
Tax revenue	23.9	20.4	15.3	16.5	14.1	16.8	16.0	17.5	16.7	17.4	16.9	17.1	17.4
Taxes on income, profits, and capital gains	6.9	7.0	5.1	5.5	4.9	5.6	5.2	5.7	5.2	5.7	5.2	5.2	5.2
Domestic taxes on goods and services	6.7	2.9	3.8	4.0	3.6	4.1	4.2	4.4	4.6	4.6	4.6	4.6	4.6
Taxes on international trade and transactions	7.6	6.3	4.7	5.4	4.4	5.5	5.4	5.7	5.6	5.4	5.9	6.0	6.3
Other non-oil taxes	2.7	4.2	1.7	1.7	1.1	1.7	1.2	1.7	1.2	1.7	1.2	1.2	1.2
Non-tax revenue	0.3	0.6	1.7	1.7	1.0	1.7	0.9	1.5	1.5	1.5	1.5	1.5	1.5
Total expenditure and net lending	38.3	33.1	31.2	31.6	28.3	28.4	26.6	27.1	26.1	26.2	25.1	24.0	23.7
Current expenditure	26.0	25.5	24.0	22.6	22.1	21.3	20.6	20.2	19.8	19.4	18.8	17.7	17.0
Wages and salaries	12.8	12.6	12.4	11.8	12.0	11.3	11.2	10.4	10.4	9.9	9.6	8.9	8.3
Goods and services	4.4	4.2	4.3	3.1	2.9	3.1	2.8	3.0	2.7	3.0	2.7	2.7	2.9
Interest payments	2.6	3.0	3.3	4.5	4.1	3.8	3.6	3.8	3.7	3.6	3.5	3.3	3.1
Transfers and subsidies	6.3	5.7	4.0	3.2	3.1	3.1	3.1	3.0	3.0	3.0	2.9	2.8	2.8
o/w: oil subsidies	2.1	1.4	0.5	0.0	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	10.9	7.5	6.9	7.0	4.9	7.1	5.8	6.9	6.4	6.8	6.3	6.3	6.7
Domestically financed	6.0	4.2	2.8	2.3	1.9	2.5	1.9	2.0	1.9	3.3	1.9	2.1	2.2
Foreign financed	4.8	3.2	4.1	4.8	3.0	4.5	3.9	4.9	4.5	3.5	4.4	4.2	4.4
Net lending	0.0	-0.2	0.4	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.7	0.3	0.3	0.3	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts 2/	0.7	0.0	-0.5	1.7	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	9.6	-1.4	-7.1	-4.7	-3.2	-1.7	-1.7	-0.9	-0.6	-0.4	0.2	0.9	1.1
Adjustment to cash basis 3/	-5.8	-4.6	-2.3	-1.9	-2.0	-1.5	-1.5	0.0	0.0	0.2	0.0	0.1	0.1
Overall balance (cash basis)	3.8	-6.0	-9.3	-6.6	-5.2	-3.3	-3.3	-0.9	-0.6	-0.2	0.2	1.0	1.2
Total financing	-3.8	6.0	9.3	6.6	5.2	3.3	3.3	0.9	0.6	0.2	-0.2	-1.0	-1.2
Foreign borrowing (net)	1.3	3.5	2.4	-1.2	-2.8	1.9	1.3	1.9	1.7	0.4	1.4	1.2	1.4
Drawings	4.6	3.2	4.1	4.8	3.0	4.5	3.9	4.9	4.5	3.5	4.4	4.2	4.4
Amortization	-3.3	-5.1	-4.1	-5.5	-5.4	-2.6	-2.6	-3.0	-2.8	-3.0	-3.0	-3.0	-6.6
Arrears (reduction = -)	0.0	0.1	2.5	-2.4	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	5.2	0.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6
Domestic borrowing	-0.8	3.7	7.1	-2.5	-2.0	-5.4	-4.4	-5.3	-5.1	-0.6	-2.0	-2.1	-2.7
Bank financing (net)	1.8	5.2	8.7	1.0	1.1	-1.1	-0.3	-2.6	-2.7	-0.5	-0.4	-2.6	-3.1
Nonbank financing (net) 4/	-2.6	-1.4	-1.6	-3.5	-3.1	-4.3	-4.1	-2.7	-2.3	-0.1	-1.6	0.4	0.4
Financing gap (+=deficit / - surplus)	-4.2	-1.2	-0.2	10.3	10.0	6.7	6.3	4.2	4.0	0.4	0.4	0.0	0.0
Exceptional financing (excluding IMF)				8.3	8.1	4.8	4.6	2.5	2.3	0.0	0.0	0.0	0.0
Residual gap				2.0	1.9	1.9	1.8	1.7	1.6	0.4	0.4	0.0	0.0
IMF-EFF				2.0	1.9	1.9	1.8	1.7	1.6	0.4	0.4	0.0	0.0
	(Billion of CFA francs, unless otherwise indicated)												
Total revenue and grants	2,673	1,797	1,424	1,613	1,533	1,677	1,592	1,787	1,748	1,895	1,861	1,980	2,124
Total expenditure and net lending	2,135	1,879	1,840	1,893	1,731	1,786	1,703	1,846	1,791	1,923	1,850	1,908	2,026
Overall balance	537	-82	-416	-280	-197	-109	-111	-59	-43	-28	11	72	97
Memorandum items:													
Gross government deposits in BEAC (percent of non-oil GDP)	7.2	6.1	2.6	2.5	2.5	2.9	3.1	3.9	4.8	3.9	4.8	6.1	7.3
o/w Fund for Future Generations or Stabilization Fund	2.4	1.7	1.7	1.9	1.6	2.5	2.3	3.0	3.1	3.5	4.1	5.5	6.7
Overall balance (percent of GDP)	6.0	-1.0	-5.0	-3.3	-2.3	-1.2	-1.2	-0.6	-0.5	-0.3	0.1	0.7	0.9
Non-oil primary balance excluding capital transfers	-639	-513	-646	-533	-559	-379	-388	-296	-295	-267	-231	-172	-150
As percent of non-oil GDP	-11.5	-9.0	-11.0	-8.9	-9.2	-6.0	-6.1	-4.3	-4.3	-3.6	-3.1	-2.2	-1.7
Oil revenues (percent of oil GDP)	38.8	21.3	17.4	20.0	23.3	19.7	20.0	19.3	19.8	19.7	19.5	18.9	18.4
Public debt (percent of GDP)	34.1	44.7	64.2	64.6	59.0	63.8	59.1	61.5	57.4	56.5	53.0	49.8	46.1
External debt (percent of GDP)	27.3	33.9	37.4	41.8	36.6	46.4	41.0	48.0	42.7	45.8	41.0	38.6	35.8
Domestic debt (percent of GDP)	6.8	10.8	26.8	22.8	22.4	17.4	18.1	13.5	14.8	10.7	12.0	11.2	10.3
o/w Statutory advances from BEAC	2.9	5.3	5.4	5.0	5.2	4.3	5.1	3.5	4.8	2.8	4.5	4.3	3.6
Stock of arrears 5/	...	...	13.6	6.0	6.6	2.8	2.8	1.3	1.1	0.0	0.0	0.0	0.0
External	...	...	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	...	...	10.9	6.0	6.6	2.8	2.8	1.3	1.1	0.0	0.0	0.0	0.0
VAT Reimbursement	...	...	5.9	4.4	5.0	2.8	2.8	1.3	1.1	0.0	0.0	0.0	0.0
Exceptional float 6/	...	...	4.2	1.7	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	...	...	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extrabudgetary expenditure	...	...	5.3	4.3	3.8	2.1	2.2	0.8	1.0	0.0	0.0	0.0	0.0
Non-oil GDP at market prices	5,581	5,676	5,885	5,995	6,108	6,289	6,406	6,812	6,852	7,339	7,376	7,937	8,554

Sources: Gabonese authorities and IMF staff estimates and projections.
1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).
2/ Includes net trasfers to special funds financed by earmarked revenues.
3/ Records cash expenditure on payment orders issued the previous year minus payment orders settled the next year.
4/ Includes bonds held by the non-bank sector, repayment of VAT reimbursement arrears, and securitization of previous extra-budgetary spending.
5/ The clearance of the exceptional float and interest arrears are classified as part of the adjustment to cash basis above the line, while all other clearance of arrears are recorded below the line.
6/ After 2017, exceptional float becomes zero and regular float cannot exceed 10 percent of the sum of current spending (excluding wages and interest) plus domestically-financed investment.

Table 4a. Gabon: Financing of the Fiscal Deficit, 2017–22

	2017		2018		2019		2020		2021	2022
	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(In billions of CFA Francs)									
A. Overall fiscal deficit (cash basis)	396.1	316.6	205.1	208.6	58.8	40.6	15.2	-14.6	-77.4	-103.9
B. Other financing needs	847.8	751.6	618.5	670.1	669.7	681.5	587.2	548.6	568.6	953.6
Amortization (including arrears)	637.9	665.0	430.5	397.1	408.6	385.6	424.4	434.1	376.5	723.8
External	478.9	478.9	163.8	163.8	201.0	194.6	223.3	220.5	238.4	564.8
Amortization due	332.3	332.3	163.8	163.8	201.0	194.6	223.3	220.5	238.4	564.8
Arrears on amortization	146.6	146.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	159.0	186.1	266.7	233.3	207.6	190.9	201.0	213.6	138.2	159.1
T-bills redemption	93.5	93.5	135.5	135.5	126.8	119.4	145.3	142.1	138.2	159.1
Moratorium debt	56.4	83.5	125.4	92.0	78.4	69.0	53.3	69.0	0.0	0.0
Other	9.1	9.1	5.8	5.8	2.5	2.5	2.5	2.5	0.0	0.0
BEAC	51.0	0.0	101.1	79.1	174.2	194.0	75.8	37.6	192.1	229.8
Repayment of statutory advances	25.0	0.0	50.0	0.0	50.0	0.0	50.0	0.0	0.0	50.0
Other deposits	26.0	0.0	51.1	79.1	124.2	194.0	25.8	37.6	192.1	179.8
Repayment of VAT Arrears	87.0	42.0	87.0	126.9	87.0	101.9	87.0	76.9	0.0	0.0
Other (includes restructuring costs)	30.0	2.7	0.0	67.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears on domestic amortization (reduction)	41.9	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B Total financing needs	1243.9	1068.2	823.6	878.8	728.5	722.1	602.3	534.1	491.1	849.8
D. Identified sources of financing	626.9	457.8	403.1	474.6	439.7	450.0	572.9	506.1	491.1	849.8
External	405.8	305.8	285.1	250.0	331.6	309.6	254.4	325.0	330.0	688.7
Project financing (ext.)	286.0	186.0	285.1	250.0	331.6	309.6	254.4	325.0	330.0	380.0
Eurobond rollover (ext.)	119.8	119.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	308.7
Domestic	221.1	152.0	118.0	224.6	108.1	140.4	318.5	181.0	161.1	161.0
T-bill issuance	142.0	98.0	88.9	114.0	79.0	79.0	136.1	100.0	100.1	100.0
Privatization receipts	50.0	0.0	0.0	50.0	0.0	0.0	153.3	20.0	0.0	0.0
Recovery of domestic tax arrears	29.1	54.0	29.1	60.6	29.1	61.4	29.1	61.0	61.0	61.0
E=C-D Financing gap	617.0	610.4	420.5	404.1	288.8	272.1	29.4	28.0	0.0	0.0
F. Exceptional external financing	499.1	493.5	302.5	291.9	171.1	160.2	0.0	0.0	0.0	0.0
Multilateral	449.9	444.3	253.3	242.7	121.9	111.0	0.0	0.0	0.0	0.0
African Development Bank	328.0	328.0	131.2	131.2	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	122.0	116.3	122.2	111.5	121.9	111.0	0.0	0.0	0.0	0.0
Bilateral	49.2	49.2	49.2	49.2	49.2	49.2	0.0	0.0	0.0	0.0
France	49.2	49.2	49.2	49.2	49.2	49.2	0.0	0.0	0.0	0.0
E-F Residual financing needs	117.9	117.0	117.9	112.2	117.7	111.9	29.4	28.0	0.0	0.0
IMF-EFF	117.9	117.0	117.9	112.2	117.7	111.9	29.4	28.0	0.0	0.0

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

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

Table 4b. Gabon: Financing of the Fiscal Deficit, 2017–22

	2017		2018		2019		2020		2021	2022
	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Proj.	
	(Percent of GDP)									
A. Overall fiscal deficit (cash basis)	4.6	3.6	2.3	2.3	0.6	0.4	0.2	-0.1	-0.7	-0.9
B. Other financing needs	9.9	8.6	7.0	7.5	7.1	7.3	5.9	5.5	5.4	8.4
Amortization (including arrears)	7.4	7.6	4.8	4.4	4.4	4.1	4.3	4.4	3.5	6.4
External	5.6	5.5	1.8	1.8	2.1	2.1	2.3	2.2	2.2	5.0
Amortization due	3.9	3.8	1.8	1.8	2.1	2.1	2.3	2.2	2.2	5.0
Arrears on amortization	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	1.8	2.1	3.0	2.6	2.2	2.0	2.0	2.1	1.3	1.4
T-bills redemption	1.1	1.1	1.5	1.5	1.4	1.3	1.5	1.4	1.3	1.4
Moratorium debt	0.7	1.0	1.4	1.0	0.8	0.7	0.5	0.7	0.0	0.0
Other	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
BEAC	0.6	0.0	1.1	0.9	1.9	2.1	0.8	0.4	1.8	2.0
Repayment of statutory advances	0.3	0.0	0.6	0.0	0.5	0.0	0.5	0.0	0.0	0.4
Other deposits	0.3	0.0	0.6	0.9	1.3	2.1	0.3	0.4	1.8	1.6
Repayment of VAT Arrears	1.0	0.5	1.0	1.4	0.9	1.1	0.9	0.8	0.0	0.0
Other (includes restructuring costs)	0.3	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Arrears on domestic amortization (reduction)	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B Total financing needs	14.5	12.2	9.3	9.8	7.8	7.7	6.1	5.4	4.6	7.5
D. Identified sources of financing	7.3	5.2	4.5	5.3	4.7	4.8	5.8	5.1	4.6	7.5
External	4.7	3.5	3.2	2.8	3.5	3.3	2.6	3.3	3.1	6.1
Project financing (ext.)	3.3	2.1	3.2	2.8	3.5	3.3	2.6	3.3	3.1	3.4
Eurobond rollover (ext.)	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7
Domestic	2.6	1.7	1.3	2.5	1.2	1.5	3.2	1.8	1.5	1.4
T-bill issuance	1.7	1.1	1.0	1.3	0.8	0.8	1.4	1.0	0.9	0.9
Privatization receipts	0.6	0.0	0.0	0.6	0.0	0.0	1.5	0.2	0.0	0.0
Recovery of domestic tax arrears	0.3	0.6	0.3	0.7	0.3	0.7	0.3	0.6	0.6	0.5
E=C-D Financing gap	7.2	7.0	4.7	4.5	3.1	2.9	0.3	0.3	0.0	0.0
F. Exceptional external financing	5.8	5.7	3.4	3.3	1.8	1.7	0.0	0.0	0.0	0.0
Multilateral	5.2	5.1	2.9	2.7	1.3	1.2	0.0	0.0	0.0	0.0
African Development Bank	3.8	3.8	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	1.4	1.3	1.4	1.2	1.3	1.2	0.0	0.0	0.0	0.0
Bilateral	0.6	0.6	0.6	0.6	0.5	0.5	0.0	0.0	0.0	0.0
France	0.6	0.6	0.6	0.6	0.5	0.5	0.0	0.0	0.0	0.0
E-F Residual financing needs	1.4	1.3	1.3	1.3	1.3	1.2	0.3	0.3	0.0	0.0
IMF-EFF	1.4	1.3	1.3	1.3	1.3	1.2	0.3	0.3	0.0	0.0

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

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

Table 5. Gabon: Monetary Survey, 2014–22

	2014	2015	2016	2017								2018						2019	2020	2021	2022
				Q1		Q2		Q3		Q4		Q1		Q2		Q3	Q4				
				Prog. 1/	Prel.	Prog. 1/	Prel.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.	Prog. 1/	Proj.			Proj.			
	(Billion of CFA francs, unless otherwise indicated)																				
Net foreign assets	1314	1107	445	457	525	471	341	499	398	512	484	552	490	430	515	515	559	691	904	1059	1210
Bank of Central African States (BEAC)	1228	1001	358	343	347	355	226	382	253	423	361	463	367	341	393	392	436	568	782	936	1088
Foreign assets	1353	1131	487	472	472	543	408	570	443	670	607	710	613	765	696	695	794	1038	1280	1439	1614
Foreign liabilities	-126	-130	-129	-129	-128	-188	-182	-188	-176	-247	-246	-247	-246	-424	-303	-303	-358	-470	-498	-503	-526
o/w: IMF credit	0	0	0	0	0	59	58	59	56	118	115	118	115	177	172	172	227	339	367	362	339
Deposit money banks (DMBs)	86	118	88	114	177	116	115	117	145	89	123	89	123	89	123	123	123	123	123	123	123
Foreign assets	176	287	318	339	365	341	310	342	340	314	318	314	318	314	318	318	318	318	318	318	318
Foreign liabilities	-90	-170	-229	-225	-188	-225	-195	-225	-195	-225	-195	-225	-195	-225	-195	-195	-195	-195	-195	-195	-195
Net domestic assets	878	1141	1604	1485	1503	1666	1532	1680	1415	1695	1619	1688	1647	1776	1811	1768	1744	1775	1895	1838	1772
Domestic credit	1133	1322	1712	1565	1683	1745	1667	1760	1590	1775	1778	1767	1806	1856	1970	1927	1903	1934	2054	1997	1931
Claims on general government (net)	-171	73	598	541	508	743	530	762	471	772	763	753	805	853	822	866	856	781	778	570	285
Claims on central government (net)	-150	143	654	521	585	724	588	743	558	753	819	734	861	834	878	922	912	837	834	626	341
BEAC, Claims on central government (net)	-357	-79	221	241	253	300	269	300	274	308	336	308	334	367	365	365	369	287	277	80	-173
BEAC, Claims on central government	258	453	453	453	453	512	511	512	509	546	568	546	568	605	625	625	680	792	820	815	742
Statutory advances	258	453	453	453	453	453	453	453	453	428	453	428	453	428	453	453	453	453	453	453	403
Use of IMF credit	0	0	0	0	0	59	58	59	56	118	115	118	115	177	172	172	227	339	367	362	339
Other	0.2	0.4	0.2	0.2	0.4	0.2	0.4	0.2	0.4	0.2	0.2	0.2	0.2	0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Liabilities to central government	-615	-532	-232	-212	-200	-212	-242	-212	-235	-238	-232	-238	-234	-238	-259	-259	-311	-505	-543	-735	-915
Fund for Future Generations/Sovereign Wealth Fund	-207	-147	-150	-150	-103	-150	-122	-150	-122	-176	-150	-176	-152	-176	-178	-178	-229	-328	-461	-653	-833
Other CG deposits and vault cash	-407	-386	-82	-62	-97	-62	-120	-62	-113	-62	-82	-62	-82	-62	-82	-82	-82	-178	-82	-82	-82
Deposit money banks (net)	207	223	433	281	409	425	378	443	366	445	483	427	527	467	513	557	543	551	557	546	513
Claims on central government	421	412	622	573	616	717	583	735	543	737	672	719	715	759	702	745	731	739	745	734	702
Liabilities to central government	-214	-189	-189	-292	-207	-292	-204	-292	-176	-292	-189	-292	-189	-292	-189	-189	-189	-189	-189	-189	-189
Claims on public agencies (net)	-21	-71	-56	19	-77	19	-59	19	-87	19	-56	19	-56	19	-56	-56	-56	-56	-56	-56	-56
Claims on nongovernment (net)	1304	1182	1114	1024	1098	1002	1079	998	1032	1003	1014	1014	1001	1003	1147	1061	1047	1153	1276	1427	1646
Other items (net)	-256	-181	-108	-80	-180	-80	-135	-80	-175	-80	-159	-80	-159	-80	-159	-159	-159	-159	-159	-159	-159
Broad money (M2)	2192	2162	2049	1942	2028	2136	1873	2179	1813	2208	2102	2239	2137	2206	2326	2282	2302	2465	2799	2897	2982
Currency	402	370	352	340	342	374	321	381	0	391	372	411	393	412	435	427	415	445	466	483	497
Deposits	1789	1792	1697	1602	1691	1762	1544	1798	1504	1817	1730	1828	1745	1793	1891	1855	1887	2021	2332	2414	2485
Memorandum items:	(Annual percentage change, unless otherwise indicated)																				
Broad money (M2)	1.6	-1.4	-5.2	-11.8	-6.6	-2.2	-13.1	3.9	-12.0	9.0	2.6	15.3	5.4	3.2	24.2	25.9	9.5	7.1	13.5	3.5	2.9
Reserve money	5.3	6.9	-28.4	-16.7	-28.2	-12.5	-12.8	-4.1	-4.4	17.3	13.0	28.4	28.4	7.3	7.3	6.3	14.0	5.7	22.0	-3.7	-9.3
Credit to the private sector	-2.0	-9.8	-5.6	-10.9	-7.7	-9.2	-7.5	-7.0	-8.9	-5.8	-9.0	-1.0	-8.8	0.1	6.3	2.8	3.2	10.2	10.8	12.0	15.6
Credit to the private sector (in percent of non-oil GDP)	22.6	20.0	18.2	…	…	…	…	…	…	16.0	15.9	…	…	…	…	…	15.7	16.1	16.6	17.3	18.6
Broad money (in percent of overall GDP)	24.4	25.4	24.7	…	…	…	…	…	…	25.7	24.1	…	…	…	…	…	25.8	26.2	28.1	27.3	26.3
Velocity (Non-oil GDP/average M2)	2.5	2.6	2.8	3.0	3.0	2.9	3.1	2.9	3.2	2.8	3.2	2.8	3.2	2.8	2.9	2.8	2.8	2.8	2.8	2.8	2.9

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

Table 6. Gabon: Financial Soundness Indicators for the Banking Sector, 2010–17

(Percent)

	2010	2011	2012	2013	2014	2015	2016				2017		
							Q1	Q2	Q3	Q4	Q1	Q2	July
Capital													
Regulatory capital to risk-weighted assets[1, 2]	24.7	12.9	10.9	12.3	9.4	8.3	8.8	10.0	9.9	8.1	8.2	9.4	12.9
Capital to assets	11.0	9.2	8.3	9.2	9.1	9.3	9.9	9.5	9.7	9.4	9.8	9.6	11.5
Asset quality													
Non-performing loans to total gross loans	3.2	2.8	2.5	2.7	4.1	5.3	5.1	7.2	6.2	6.6	7.0	7.9	7.8
Non-performing loans net of provisions to capital	1.4	-5.0	-2.6	-0.5	0.3	6.5	3.0	15.3	8.6	9.0	9.7	13.1	11.2
Earnings and profitability													
Return on equity	15.5	24.8	23.3	19.6	21.5	13.5	...	4.1	...	36.8	...	134.6	...
Return on assets[3]	2.9	2.7	2.3	1.9	2.1	1.3	...	0.4	...	3.4	...	13.0	...
Liquidity													
Liquid assets to total assets	25.3	20.9	22.7	20.0	19.0	24.4	23.7	25.7	23.2	25.0	23.6	20.8	21.4
Ratio of liquid assets to short-term liabilities	158.5	129.5	143.2	125.5	112.9	148.3	139.9	155.1	135.7	134.0	130.1	119.6	147.7
Total deposits to total (noninterbank) loans	114.7	122.6	115.9	108.6	105.5	113.8	115.5	110.6	108.9	108.4	108.8	102.5	101.9

Source: Banking Commission of Central Africa (COBAC).

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

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

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

Table 7. Gabon: Indicators of Capacity to Repay the Fund, 2016–30

		Projection													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fund obligations based on existing credit															
(in millions of SDRs)															
Principal	0.0	0.0	0.0	0.0	0.0	6.0	11.9	11.9	11.9	11.9	11.9	6.0	0.0	0.0	0.0
Charges and interest	0.0	0.9	1.3	1.3	1.3	1.3	1.2	1.0	0.8	0.6	0.4	0.3	0.2	0.2	0.2
Fund obligations based on existing and prospective credit															
(in millions of SDRs)															
Principal	0.0	0.0	0.0	0.0	0.0	6.0	29.8	53.6	74.4	77.4	77.4	71.5	47.6	23.8	3.0
Charges and interest	0.0	1.2	3.5	5.8	8.1	8.7	8.4	7.1	5.9	4.7	3.5	2.3	1.2	0.5	0.2
Total obligations based on existing and prospective credit															
In millions of SDRs	0.0	1.2	3.5	5.8	8.1	14.7	38.1	60.7	80.3	82.1	80.9	73.7	48.9	24.4	3.2
In millions of US$	0.0	1.7	5.0	8.2	11.5	20.7	53.7	85.5	113.2	115.7	114.0	103.9	68.8	34.3	4.5
In percent of exports of goods and services	0.0	0.0	0.1	0.1	0.2	0.3	0.6	1.0	1.2	1.2	1.2	1.0	0.7	0.3	0.0
In percent of debt service 1/	0.0	0.2	0.9	1.2	1.6	2.7	6.6	10.0	12.7	12.8	12.7	11.6	8.0	4.3	0.5
In percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.4	0.5	0.5	0.5	0.4	0.2	0.1	0.0
In percent of Gross International Reserves	0.0	0.3	0.7	0.8	0.8	1.2	2.7	3.5	4.0	3.5	3.1	2.5	1.5	0.7	0.1
In percent of quota	0.0	0.6	1.6	2.7	3.8	6.8	17.6	28.1	37.2	38.0	37.5	34.1	22.6	11.3	1.5
Outstanding Fund credit															
In millions of SDRs	0.0	142.9	285.7	428.6	464.4	458.5	428.7	375.1	300.7	223.3	145.9	74.5	26.8	3.0	0.0
In millions of US$	0.0	197.8	402.5	604.8	655.6	646.5	603.9	528.4	423.6	314.6	205.5	104.9	37.8	4.2	0.0
In percent of exports of goods and services	0.0	3.3	6.3	9.0	8.8	7.9	6.9	5.9	4.6	3.3	2.1	1.1	0.4	0.0	0.0
In percent of debt service	0.0	21.6	70.6	90.6	89.1	83.6	74.4	61.5	47.4	34.7	22.9	11.7	4.4	0.5	0.0
In percent of GDP	0.0	1.3	2.5	3.6	3.6	3.4	3.0	2.5	1.9	1.3	0.8	0.4	0.1	0.0	0.0
In percent of Gross International Reserves	0.0	31.8	54.6	61.8	48.0	39.0	30.0	21.9	14.9	9.6	5.5	2.5	0.8	0.1	0.0
In percent of quota	0.0	66.1	132.3	198.4	215.0	212.2	198.5	173.7	139.2	103.4	67.5	34.5	12.4	1.4	0.0
Net use of Fund credit (in millions of SDRs)	0.0	142.9	142.9	142.9	35.8	-6.0	-29.8	-53.6	-74.4	-77.4	-77.4	-71.5	-47.6	-23.8	-3.0
Disbursements	0.0	142.9	142.9	142.9	35.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	0.0	0.0	0.0	6.0	29.8	53.6	74.4	77.4	77.4	71.5	47.6	23.8	3.0
Memorandum items:															
Exports of goods and services (in millions of US$)	5,070	5,964	6,353	6,705	7,423	8,167	8,755	8,898	9,111	9,434	9,690	9,929	10,248	10,602	11,001
Debt service (in millions of US$)	635	917	570	668	736	773	812	859	894	906	898	898	863	794	893
Nominal GDP (in millions of US$)	14,021	15,007	16,025	16,925	17,965	19,083	20,347	21,523	22,445	23,779	25,128	26,556	28,073	29,683	31,396
Gross Official Reserves Imputed to Gabon (in millions of US$)	604	621	737	978	1,365	1,656	2,012	2,411	2,840	3,273	3,705	4,130	4,521	4,878	5,206
Quota (millions of SDRs)	216	216	216	216	216	216	216	216	216	216	216	216	216	216	216

Source: IMF staff estimates and projections.

1/ Total debt service includes IMF repayments.

Table 8. Gabon: Schedule of Disbursements and Timing of Reviews Under the Extended Arrangement, 2017–20

Date of availability	Condition for disbursement	Amount (millions of SDRs)	Amount (millions of US$)	Percentage of Quota 1/
June 19, 2017	Approval of the extended arrangement under the EFF.	71.430	96.649	33.069
December 1, 2017	Observance of PCs for end-June 2017, continuous PCs and completion of the first review.	71.430	98.915	33.069
June 1, 2018	Observance of PCs for end-December 2017, continuous PCs and completion of second review.	71.430	100.618	33.069
December 1, 2018	Observance of PCs for end-June 2018, continuous PCs and completion of third review.	71.430	100.618	33.069
June 1, 2019	Observance of PCs for end-December 2018, continuous PCs and completion of fourth review.	71.430	100.792	33.069
December 1, 2019	Observance of PCs for end-June 2019, continuous PCs and completion of fifth review.	71.430	100.792	33.069
April 30, 2020	Observance of PCs for end-December 2019, continuous PCs and completion of sixth review.	35.820	50.569	16.583
	Total	464.400	648.954	215.000

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

Appendix I. Letter of Intent

December 3, 2017

The Managing Director
International Monetary Fund
Washington, DC

Dear Ms. Lagarde:

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

We have made progress toward the program objectives. Political and social tensions have been defused through dialogue. The end-June deficit and all other performance criteria, apart from the non-accumulation of new external arrears, were met. All but two of the five structural benchmarks initially planned for the June-October period were also met, with the last ones expected to be completed by end-December.

There are signs that the macroeconomic outlook is improving. While oil output is likely to underperform in 2017, leading to a small markdown of overall growth in 2017 from 1.0 to 0.8 percent, activity across the rest of the economy is stabilizing. Export-oriented sectors such as manganese, wood, and agroindustry are outperforming expectations thanks to the entry of new operators and a rebound in commodity prices. Nonetheless, slow progress in the clearance of government arrears and fiscal consolidation are headwinds to activity in sectors with traditionally strong links to government activity. Against this backdrop, we remain strongly committed to the structural reforms aimed at bolstering competitiveness and setting the basis for a strong and durable recovery.

We are committed to achieving our fiscal objectives. This year's deficit target is projected to decline to 3.6 percent of GDP (compared to 6.6 percent of GDP in 2016), as we have contained non-wage current spending and slowed down the rate of execution of capital spending. We have submitted to Parliament a 2018 budget that will pursue the target of the program of an overall deficit (on cash basis) of 2.3 percent of GDP, as well as some of the necessary supporting legislation. The draft budget is underpinned by measures aimed at strengthening cashflow management, increasing non-oil revenues, and permanently containing current spending.

We are committed to pursuing our arrears clearance strategy. Although we have accumulated new external arrears since the beginning of the program in June, as a prior action for completion of this review, we have cleared all official external arrears this December. For the domestic arrears, representing 6.8 percent of GDP in end-August, we renew our commitment to clear them per the agreed calendar during the program negotiation. The VAT arrears and moratorium debt will be reimbursed over four years, from 2017 to 2020. The floating debt will be cleared in 2017 and 2018.

We are committed to preserving financial sector stability. While the banking sector remains generally sound and credit expansion is expected to pick up, progress in developing a framework for the resolution of NPLs has been slow and we continue to work on the resolution of the three distressed public banks. We are also committed to improving communication of our plans to gradually clear domestic arrears to reduce NPLs and support private sector credit growth. Moreover, we are renewing our efforts to resolve the three distressed public banks, including the option of liquidation as already mandated by COBAC for two of the banks, and considering the need to minimize fiscal costs.

Program implementation will be monitored through quantitative performance criteria, structural benchmarks and indicative targets as described in the Technical Memorandum of Understanding (TMU), Attachment II. Based on the strength of the policies outlined in this letter, and considering our performance under the program, we request the completion of the first review under the extended arrangement, as well as a waiver of non-observance of the continuous performance criteria of non-accumulation of external arrears.

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

The government authorizes the Fund to publish this letter of intent, the memorandum of economic and financial policies for 2017–18, the technical memorandum of understanding, and the forthcoming staff report for the first review of the extended arrangement.

Sincerely yours,

/ S /

Régis Immongault
Minister of Economy, Prospective and Development Planning

Attachments (2)

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

December 3, 2017

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

A. Economic Outlook

1. Gabon's short-term economic outlook has remained subdued at the beginning of 2017 but shows signs of stabilizing. Overall, economic developments were in line with expectations under the Economic Recovery Program (*Programme de relance économique*, PRE) supported by the IMF, with growth continuing to slow down.

2. Oil production fell by 7.2 percent during the first six months of the year, representing a decline twice as large as initially forecast, owing to the aging of mature fields, the impact of the reduction in the production decided at the OPEC level and social unrest. At the same time, in other export-oriented sectors, production has picked up thanks to an improvement in the terms of trade and the coming on stream of a series of long-term projects. For example, manganese exports have increased significantly because of higher prices and the entry into production of a new operator in the sector. The large-scale oil palm and rubber production project led by OLAM has also started. However, economic activity in other sectors (subsistence agriculture and services) has remained moderate. The 12-month average inflation rate increased from 2.1 percent in December 2016 to 3.6 percent in August 2017, reflecting the impact of the removal of subsidies for retail prices of most petroleum products.

3. Strong export growth, combined with a contraction in imports, reduced the current account deficit in the first half of 2017. Based on preliminary customs data for the first half of the year, the value of exports increased by 37.5 percent (year on year), and the value of imports fell by 13.4 percent. The rise in exports has been driven by rising international prices for oil and manganese, and by increased production of manganese and processed wood. The contraction in imports occurred across all product categories (except consumer goods), due to lower public investment and economic activity (mainly imports of capital goods, intermediary goods, and energy). Thus, losses in international reserves have slowed significantly in recent months. Nevertheless, the cumulative decline in Gabon’s imputed reserves for the last 12 months has been significant, from around three months of next year’s imports in June 2016 to just one and a half months in June 2017.

4. Monetary conditions continue to tighten. The expanded monetary base and credit to the private sector decreased by 9 percent and 8 percent, respectively, in 2017 compared to 2016. The decline in credit to the private sector is due to the general slowdown in economic activity since the oil shock and to the weakening of the business climate in the context of high levels of non-performing loans and domestic debt.

5. **The end-June fiscal targets under the program have been met**. The non-oil primary balance target has been met, while the overall fiscal deficit (on a cash basis) at the end of 2017 is projected at 3.6 percent of GDP.

6. **Financing of the Gabonese economy has been less favorable than expected in the first half of the year, but the medium-term outlook remains robust**. Preliminary findings show that:

a. The inflow of foreign direct investment (FDI) is expected to be lower in 2017 than initially forecast, by about CFAF100 billion (1.2 percent of GDP). This is explained by Shell's postponement of some FDI in the oil sector (the second-largest operator in this sector in Gabon) and the start-up, delayed to 2018, of the fertilizer project by the conglomerate of Indo-Singaporean agribusiness companies, OLAM. At the same time, OLAM recently announced additional FDI (approximately US$400 million) to build a new international airport by June 2020, for which construction has already started. This new project confirms the commitment of this key private investor to its operations in Gabon.

b. Last August Gabon mobilized US$200 million in international financial markets by reopening one of its existing government bonds. The funds have been reserved for the payment of the amortization of these bonds in December, as part of a debt roll-over operation, as envisaged under the program supported by the IMF.

c. The Government will also receive US$100 million in a windfall capital gains tax from the sale of Shell Gabon to the Carlyle Group, which will improve fiscal and external balances.

d. Finally, international organizations, including the IMF, World Bank, African Development Bank (AfDB) and French Development Agency (*Agence française de développement*, AFD) have this year provided financial support to the Government's overall macroeconomic and fiscal objectives, including efforts to pay domestic and external arrears. The IMF has disbursed US$98 million in June 2017 and will disburse an additional US$98 million by the end of December. During the last quarter, the World Band and AFD disbursed US$200 million and €75 million, respectively. The AfDB disbursed €500 million in total over the course of 2017.

7. **Government arrears, including arrears on expenditures and debt service, continued to increase in 2017.** The clearing of external and domestic arrears was initiated in 2017. About 21 percent of external arrears accumulated in 2016 have been paid by end September. On the domestic front, fiscal efforts have resulted in the reduction of the stock of domestic arrears and of arrears on the budgetary float by 2.6 percent of GDP. However, new external and domestic arrears have accumulated since January 2017. At the end of August 2017, the stock of external and domestic arrears stood at 3.1 percent of GDP and 6.8 percent of GDP, respectively. At the same time, the total stock of debt at the end of 2017 is estimated to amount to 59 percent of GDP, compared to 64.7 percent forecast earlier, due to the appreciation of the USD-XAF exchange rate during the third semester.

8. **The economic outlook indicates a recovery in economic activity in 2018.** Stable conditions in international oil markets should support a steady recovery in investment in the sector, bringing Gabon's medium-term oil production back up to current levels. This will help support an economic recovery in 2018 with an overall growth of 2.7 percent, compared with 0.8 percent in 2017. This projection could be revised upwards during the year after assessing the achievements of the first few months, in view of the expected effects of the investment announced both in the public and private sectors, particularly in the oil sector.

9. Overall economic activity is supported by increased mining, agricultural and transportation activities, allowing non-oil growth to reach 3 percent. Nonetheless, the need for fiscal adjustment will continue to weigh on companies that depend on government activities, particularly in the trade and services sectors. We expect growth to continue to strengthen over the medium term, reaching annual rates of around 4-5 percent by 2020. Notably, the new non-oil economic activities will benefit from the beginning of operations of the freight and mineral port in Libreville, which is expected to reduce costs substantially and support the expected expansion of mineral and agricultural exports, consistent with our diversification strategy. Likewise, the ongoing rehabilitation of the railway and gradual renewal of railway equipment will improve the flow of goods between the production sites and the port.

B. Fiscal Policy

10. The fiscal policy pursued in 2017 aims to reduce the overall deficit, on a cash basis, to 3.6 percent of GDP, based on tight expenditure controls.

a. While oil sector revenues are rising due to higher prices and the receipt of windfall revenues, the expected increase of 0.7 percent of GDP in non-oil revenue has not materialized, owing to a combination of three factors: (i) a slightly larger-than-expected slowdown in growth, (ii) the late promulgation, in August 2017, of the supplementary budget, and (iii) social tensions with the staff in charge of the collection of tax and customs revenues. The last two factors have had an impact on the implementation of measures to increase the mobilization of non-oil revenue. In spite of this difficult context, three measures have been adopted: exemptions granted under the program to mitigate the high cost of living have been revised to reduce the number of totally exempt products from 191 to 171; a lump-sum combined tax on commercial activities with a turnover of less than CFAF30 million has been created, making it possible to strengthen taxation of previously informal activities; and the exchange of information between the Customs and Tax administrations has been activated. In addition, since October, CEMAC tariffs have been fully implemented, putting an end to reduced rates and exemptions.

b. Public spending has been strongly contained in 2017, mainly reflecting efforts to generate savings in non-wage current spending, and the limited rate of execution of public investment. The existence of arrears on investment projects with foreign partners has indeed slowed down the planned schedule of disbursements. At the same time, expenditure on goods and services has been subject to budget regulation. Finally, the gradual reintegration into the budget of receipts from the Special Accounts has increased transparency regarding these accounts, helped to improve their expenditure controls, and reduced their deficit. These administrative efforts have made it possible to exceed the expected performance with respect to spending control and contain the impact of two unforeseen expenditures: support for fuel prices (CFAF25 billion) and the payment of bonuses and arrears on bonuses to tax and customs officials (CFAF16.9 billion).

c. The budgetary float remains limited to 10 percent of non-wage primary expenditure (excluding foreign-financed investments). Liquidity shortages have prevented the repayment of VAT arrears in the amount expected (CFAF42 billion against CFAF87 billion planned), but we remain committed to clearing the total amount by 2020. By the same token, the commitment to save 5 percent of oil revenues to the Fund for Future Generations (*Fonds pour les générations futures,* FGF) or the Stabilization Fund could not be met. However, the acceleration of the pace of fiscal adjustment, and efforts to generate privatization receipts in 2018 will makes it possible to envisage attaining this target by 2018 and to then progressively increase the savings rate to 35 percent. Despite the tight cashflow position, external and domestic borrowing has remained under control, and public debt has declined. Disbursements of external support from the IMF, World Bank, African Development Bank and the AFD have significantly contributed to covering the financing needs.

11. In the medium term, during the program period (2018-20), the overall fiscal deficit (cash basis) is expected to decline by about 2 percent of GDP, with the aim of achieving a fiscal surplus by the end of the program (2020). At the same time, the non-oil primary deficit is expected to reach 3.1 percent of non-oil GDP by 2020. This level of the overall deficit is expected to reduce the level of public debt to 53 percent of GDP by the end of the program, and to lower it further to below 50 percent of GDP over the following 2 years. Similarly, the deficit of the non-oil primary balance, of less than 4 percent, reflects the gradual depletion of oil resources and the need to save a portion of oil revenues to meet the needs of future generations, as well as to build buffers to cope with the possible future exogenous shocks. The reduction of the budget deficit should also (i) contribute to the regional adjustment by reversing the loss of foreign exchange reserves within CEMAC; (ii) avoid further accumulation of arrears and make it possible to repay existing arrears over three to five years; (iii) help to significantly reduce domestic borrowing by the Government; and (iv) increase deposits at the central bank, including those of the FGF.

12. In 2018, fiscal policy will pursue fiscal consolidation efforts through an intensification of the mobilization of non-oil revenues and expenditure control. An updated 2018 draft Budget Law in line with the overall program objectives has been presented to Parliament. It targets an overall fiscal deficit, on a cash basis, of 2.3 percent of GDP and includes the following measures to control spending:

a. The reduction and control of the wage bill will continue, with the systematic retirement of state employees who have reached the retirement age; a freeze on recruitment, with the exception of the priority sectors of education and health; the elimination of housing and transportation allowances to beneficiaries who receive government housing and cars; the clean-up of payroll records; and a reduction by 10 percent of allowances to chairpersons of the boards of public institutions and of emoluments to members of Government. The Government is pursuing the objective of containing the wage bill by incorporating the allowances within the overall wage bill ceilings. Ongoing reforms aimed at defining the organizational framework of the civil service and evaluating the performance of public officials in terms of the objectives defined in the context of program-based budgeting, will support this objective.

b. Expenditures on goods and services will be contained at their 2017 level by continuing the streamlining measures initiated in 2017, while the planned audit of government grants and subsidies will generate efficiency gains and identify additional ways of optimizing related expenditures.

c. Investment spending will focus on projects with the highest priority in terms of economic and social impact.

d. The element of transparency introduced through the survey and management of the Special Accounts will make it possible to aim for their financial equilibrium by the end of the year.

13. To accelerate the mobilization of non-oil revenues, the Government is committed to implementing several urgent reforms in 2018. With the support of the World Bank, tax expenditures have been identified and their impact on VAT, corporate taxes and registration fees has been assessed. A summary of this assessment will be produced as an appendix to the 2018 Budget Law. To further stimulate the mobilization of non-oil revenues, the Government is committed to taking the following emergency measures in 2018, to which must be added the structural reforms of the tax and customs administrations detailed below:

- The full implementation of CEMAC tariffs, initiated in 2017, will continue;
- The tax base for excise duties will be broadened with the inclusion of new products;
- The regulations regarding the high cost of living will be strictly adhered to, by requiring the payment of taxes, other than customs duties and VAT, by limiting the reduced rates to only the list of products targeted by those regulations;
- Illegal deductions of import duty and undervaluation of imports will be eliminated;
- We will terminate customs clearance defaults.

14. The stronger fiscal consolidation in 2018 will reduce the need for financing and help increase deposits. Targets for capping the budgetary float and paying 10 percent of oil revenue to the FGF will be met. Deposits at the central bank should thus increase by 0.4 percent of GDP from 2017 to 2018. The public debt should remain under control, and the repayment of arrears will continue per the schedule initially established.

C. Management of Arrears

Strategy for the clearing of the stock of arrears

15. The total stock of arrears at the end of August 2017 reached 10 percent of GDP. Outstanding arrears on external and domestic debt amounted to 3.1 percent and 6.8 percent of GDP, respectively. The latter are distributed as follows: 0.8 percent of GDP of arrears on domestic debt service; 3.8 percent of arrears on VAT refunds; and 2.2 percent of GDP represents the budgetary float (expenditures for which a payment order has been issued but not yet paid). Importantly, all arrears related to external debt will be fully cleared by the end of December 2017.

16. The total repayment of arrears will continue in line with the strategy defined under the program supported by the Fund:

- All external arrears will be cleared by December 2017. External arrears to official creditors will be cleared before the first program review.
- VAT arrears will be repaid over four years, from 2017 to 2020.
- Moratorium debt will be repaid over four years, from 2017 to 2020.
- The budgetary float will be settled over two years, 2017 and 2018.

Structural measures to prevent the accumulation of new arrears on expenditures

17. Implementation of the new procedure for the execution of expenditures will be extended to limit the use of exceptional procedures and prevent the occurrence of new arrears. The May 29, 2017 Decree by the Minister of Budget and Public Accounts introduced a new procedure for the execution of expenditures, making it mandatory to produce a purchase order to obtain payment for goods supplied or services delivered. The VECTIS information system has been updated to allow, as of July 1, 2017, the systematic issuance of purchase orders at the commitment stage of the expenditure chain. A press release published in the newspaper "*L'Union*" on July 4, 2017 informed all suppliers to the Government, and training was organized for the central directors of financial affairs and budget controllers to familiarize them with the new procedure. The only exceptional procedures now authorized are for: (i) expenditures without prior authorization; (ii) advances for the start-up of activities; and (iii) advances for the imprest account. However, these new requirements are currently applied only at the central level in government entities with access to the VECTIS information system, which covers about 80 percent of all authorization at the central level. At the level of deconcentrated services, the e-BOP information system will be adapted by January 2018 to also enable the systematic issuance of purchase orders at the local level (new structural benchmark). Regarding public administrations and institutions, a timetable for deploying the new procedure for executing expenditure within these entities will be defined by the Government in consultation with their management teams.

18. The Government will increase its efforts to improve the identification and monitoring of expenditure arrears, including in public institutions.

- **Monitoring payment deadlines**. Efforts are under way to define precisely, by type of expenditure, the payment delays beyond which the budgetary float becomes expenditure arrears, while incorporating at the same time the definition of arrears used by CEMAC. The Circular of January 29, 2012 by the Budget Ministry, which defines the payment deadlines, will be updated. The VECTIS module, which allows to monitor these deadlines and trigger alerts in case the deadlines are exceeded, will be activated by December 2017. Such a monitoring mechanism will also be set up at the local level by making the necessary adaptations to the e-BOP application.

- **Identification of arrears related to the expenditure of public institutions**. A report on the trend and composition of the stock of the budgetary float and arrears on expenditure is being prepared. This will improve the legibility and transparency of this information. However, the information on the arrears accumulated by public institutions remains partial and indicative. A first assessment of the stock and composition of the arrears and budgetary float accumulated by the ten largest public institutions is under way and will be finalized by the end of 2017. The information collected will be presented on an indicative basis in the quarterly report on arrears. At the same time, an independent audit of the 2015 and 2016 arrears by the Government and public institutions will make these data more reliable and complete. As part of the Government's commitments, the results of this audit will be made available by March 2018. In addition, the regular monitoring of arrears by public institutions with respect to their suppliers is hampered by the absence of a system of shared information between the authorizing and accounting officials in most[1] of these entities. The Government is therefore committed to implementing, as of end-March 2018, a program for the roll-out of the budget information system (GEBUCO) to all institutions, to improve the availability of financial information.

19. A set of measures will also be implemented to optimize cash flow management and allow arrears to be settled according to their payment schedule.

- **The debt management strategy will be completed and combined with an arrears clearance program by the end of January 2018.** The three-year debt management strategy will be attached to the Budget Law. It presents the schedule of disbursements, amounts available and terms of the new commitments as well as an analysis of the sustainability of the public debt. Financing needs related to the implementation of this strategy will be identified and broken down by quarter. In parallel, the Government will draw up a program to settle external and internal arrears (including the budgetary float), setting the priorities for the payment of arrears based on explicit criteria (the need to give priority to the clearance of external arrears, the socio-economic impact, date of incurrence, cost, legal risks, currency, type of creditor, etc.). The completed debt strategy, as well as the program for the clearance of the arrears, will be published and posted on the websites of the Budget and Economy ministries by January 2018 (new structural benchmark).

- **The Government's Cashflow Committee will be immediately reactivated.** The Decree of December 14, 2010, which created the Committee for the Government's cash flow plan, is being revised to allow the immediate reactivation of its activities. The Committee will meet at least once every fortnight and will make the necessary decisions regarding cash flow management and adjust the financial targets based on how the budget is being executed. The Committee will pay special attention to the consistent application of the principles for the clearance of the arrears set out in the program.

- **The coverage of the Treasury Single Account will be extended in order to meet the cash flow requirements in an optimal manner.** Article 80 of the Organic Law governing Budget Laws and Budget Implementation (*Loi organique relative aux lois de finances et à l'exécution du budget,* LOLFEB) states that all public resources shall be "paid and kept in a single account opened in the name of the Treasury at the Bank of Central African States" and that "no account may be opened by a public institution in a commercial bank". The 2017 supplementary budget has reiterated this obligation, including for public institutions. To improve the management of its cash flow, efforts are currently being undertaken for the automatic centralization of cash, in order to make information fully available

[1] About 76 percent of public institutions are not covered.

on cash holdings on a daily basis, including in commercial banks. In fact, the existence of Treasury accounts outside the Treasury Single Account (*Compte unique du Trésor*, CUT) adversely affects the performance of the cash flow management of the Government by not allowing a comprehensive view or achieving centralized control of available liquidity. As part of this scrutiny, by the end of January 2018, the Government will carry out a complete inventory of accounts opened outside the Treasury Single Account through which public resources are paid and strictly limit the opening of new bank accounts (new structural benchmark). In a second phase, a plan will be developed to define the strategy for closing these accounts and integrating them into the CUT.

- **An escrow account will be created to receive revenue for refunds of VAT credits.** The creation of this account will make it possible to secure repayments of VAT refunds by allocating the sums necessary for their financing. From an operational point of view, and considering the management constraints of the Treasury Single Account, this account will be administered by the Chief Tax Collector and will initially be opened with the *Caisse des dépôts et consignations*. A Memorandum of Understanding between the Treasury and the Customs and Tax administrations will define the conditions for its regular clearing with the Treasury Single Account. The possibility of transferring this account to the Treasury Single Account in 2019 will be analyzed, in the context of setting up the Gabonese Revenue Authority.

D. Other Structural Reforms of Public Finance Management

Policy for the mobilization of non-oil revenue

20. Tax and customs exemptions will be streamlined and better managed. Many exemptions are currently granted for tax and customs activities, without being based on legal regulations, thus resulting in a loss of revenue for the Government. The Government will abolish the exemptions not provided for under the law but currently applied by the General Directorate of Customs and Taxes (new structural benchmark). The identification of existing exemptions will also serve to support a thorough analysis of their economic justification and the desirability of maintaining them. To increase the economic and social efficiency of the exemptions granted, teams will be mobilized to carry out inspections at the companies benefiting from exemptions to ensure that the counterpart measures the companies have committed to in order to justify the exemption are being properly implemented.

21. Systematic payments in cash will help capture tax and customs revenues. The use of a bonded bank guarantee (*crédit d'enlèvement*) as the principal means of payment of customs duties increases the time required for the collection of tax obligations and leads to an increase in the stock of outstanding payments. In this context, the Government is committed to imposing immediate payment, in cash, as the main form of payment of settling tax and customs obligations (new structural benchmark). Bonded bank guarantees will be reserved for economic operators selected by the Directorate General of Customs based on strict criteria, such as the soundness of the bank guarantees they present or their degree of tax compliance and consistency. The Provisional Collection Voucher will be eliminated to ensure collection only based on goods in bonded warehouses.

22. The prevention, detection and treatment of fraudulent VAT cases will be strengthened. The file of actual taxpayers (active) will be updated monthly and published with the same frequency, together with the sub-file of taxpayers' subject to VAT, on the website of the Directorate General of Taxes and in the local press, to make the registration system and supervision of taxpayers more reliable. In addition, economic operators importing more than CFAF 60 million, without appearing on the list of taxpayers' subject to VAT, will only be allowed to take possession of their goods cleared through Customs after they have regularized their tax situation (new structural benchmark).

23. Reforms to improve tax compliance and promote electronic payments will continue. During 2017, public awareness and tax compliance campaigns were conducted for taxpayers operating in markets and commercial areas, and customs inspections were carried out. The launching of the e-tax project now enables small and medium-sized businesses to file their declarations, and pay corporate taxes, online. Some 400 companies currently use this procedure. These reforms will be extended and consolidated in 2018.

24. The Government is moving ahead with preparatory studies for the establishment of the Gabon Revenue Authority (*Office Gabonais des Recettes*, OGR). A steering committee for the project has been set up under the supervision of a Strategic Committee chaired by the Minister of the Economy. A concept note outlining the project strategy has been developed, with the goal of launching the OGR's activities in January 2019. Based on the recommendations of technical assistance from the IMF's Fiscal Affairs Department, this note will be updated and the strategy strengthened, with the objective of implementing the priority reforms necessary for the operational establishment of the OGR; clarifying the role of the Board of Directors; instituting modernized principles for the management of human resources; and securing its financing. The administrative organization relating to the definition of tax and customs policy will also be specified, including the creation within the Ministry of the Economy of a unit responsible for designing this policy.

Public financial management (PFM)

25. The strengthening of the transparency of budgetary expenditure financed by earmarked revenues will continue. Efforts to improve the transparency and comprehensiveness of the budget after the entry into force of the LOLFEB in 2015 have been extended. The 2017 supplementary budget created two new special accounts (*comptes d'affectation spéciale*, CASs)—training for employment as well as audiovisual and cinematographic production—bringing the total number of CAS to five (the others include CAS for pensions, family benefits, and the promotion of sports). The 2018 draft Budget Law (*projet de loi de finances*, PLF) provides for the introduction of another CAS: universal service of electronic communications. It also defines in detail the revenue that will be earmarked, including the allocations to specific products as well as to how it will be allocated. However, the reliability of the earmarking for the CAS needs to be further strengthened, through the comprehensive and consistent use of budget nomenclature to identify and then track the revenues and expenditures allocated to these programs. The PLF also envisages the same conditions for execution as does the general budget. To ensure this, CAS expenditures will be executed by using the VECTIS or GEBUCO modules. In addition, a large amount of earmarked revenue that has been budgeted has not yet been linked to the respective expenditure, which is a source of risk on compliance with budgetary commitments. Furthermore, the Government is committed to specifying and applying the methods from the budget for dealing with expenses financed by earmarked revenue based on the recommendations, and with the technical support of AFRITAC, either by creating CAS or by resorting to the specific procedures envisaged under the LOLFEB, or by eliminating allocations that do not meet the legal criteria for waivers under the principle of universality of the budget.

26. The Government will continue to strengthen financial supervision of state-owned enterprises (SOEs) and government agencies. Provisions have been introduced into the 2017 supplement budget to strengthen the financial supervision of public institutions, notably by requiring justification for the use of their resources or producing a resource utilization plan in accordance with the annual performance contract signed with the Government. To ensure the effectiveness of the Government's financial supervision of public institutions, a plan is being prepared for the creation of a unit in the General Directorate of Budget and Public Finance. This unit will be responsible for gathering and coordinating the financial information relating to SOEs and for harmonizing the conditions for carrying out their financial supervision. A new Decree establishing harmonized statutes for public administrative institutions will also be published by end-January 2018. The Government is committed to continuing its efforts to improve the financial reporting of public institutions and providing information about their financial situation, particularly for strategic budget components such as their own resources or arrears on expenditures. Regarding SOEs, legislation will specify the objectives of the policy of the Government as a shareholder as well as the methods of guiding this policy. A monitoring framework, including a comprehensive list of public enterprises or enterprises in which the Government is a shareholder, as well as directors representing the Government in these companies, will also be drawn up.

27. The Government will publish quarterly reports on budget execution and continue to implement the other PFM reforms initiated in 2015. Based on the recommendations of FAD technical assistance, a Circular has been drawn up setting out the procedure for the preparation of quarterly reports on the implementation of the budget. The report on budget execution for the first quarter of 2017 has been sent to Parliament, and the report for the second quarter is being finalized. The Government is committed to producing these reports on a regular basis and publishing them on the website of the Budget Ministry as of March 2018, (for the report on the implementation of the last quarter of 2017 - new structural benchmark), within 55 days after the end of the quarter,[2] at the same time as they are transmitted to Parliament. These reports will make it possible to monitor budget allocations more closely, regularly check that the path of budget execution does not deviate from the initial forecasts, and anticipate possible corrective measures. In addition, the legislation necessary to implement Article 45 of the LOLFEB will be finalized in December 2017, to provide Parliament with better information on transfers of appropriations and other transfers made during the financial year.

28. The performance of public procurement will be enhanced through greater transparency of the procedures used. Even though the Public Procurement Code limits the number of single tenders to 15 percent of the total amount of contracts awarded, 94 percent of contracts concluded until July 2017 have been based on single tenders. The lack of competition impedes the effectiveness of public spending, by not ensuring that the government purchases are obtained at the best value for money. The Government is committed to increasing the transparency of the information on the

[2] With the exception of the report for the last quarter of the year, for which an additional 20 days will be allowed to take into account the complementary period.

procedures used, by submitting to the Council of Ministers a quarterly note with statistics relating to public procurement, particularly to the nature and number of contracts awarded by single tender. In addition, the Government reiterates its commitment to (i) systematically refusing recourse to single tenders when the conditions set by the Code are not respected; (ii) presenting justification for any use of single tenders in the annual public reports by the Directorate for Tenders; and (iii) implementing the penalties envisaged under the regulations in case of violation of the rules.

29. Improvement in the management of public investment will continue through the systematic publication of economic analyses before major projects are included in the budget law. Based on the prioritization of infrastructure projects established by the Economic Recovery Plan, five projects of more than CFAF 20 billion are included in the 2018 draft Budget Law. Four of them had already been committed and registered in the 2017 Budget Law. The new project planned for 2018 (construction of a sports hall in Libreville) had been launched several years earlier, but temporarily put on hold. As these are old projects, they were not subject to cost-benefit analyses. From 2018 onwards, no investment project will be able to obtain public funding unless it is supported by a feasibility study. The 2018 draft budget law envisages a Fund for cost-benefit analysis studies. This requirement will be verified by the National Agency for Major Infrastructure Works (*Agence nationale des grands travaux d'infrastructures*, ANGTI). In addition, a Standardized Guide for Investment Projects is being prepared and will be published by the end of 2017 to clarify the criteria used for the selection of projects.

30. The use of public-private partnerships, as defined by legislation, will enhance the efficiency of investment management. Three decrees adopted by the Council of Ministers on September 13, 2017 have specified, respectively, the procedures for awarding public-private partnership (PPP) contracts; the organization and operation of the PPP coordinating unit; and those of the unit for evaluating PPP offers, as provided for by the Order of February 11, 2016. The Law regarding the Public Procurement Code has also been amended to transform the Public Procurement Regulatory Agency into a Public Acquisition Regulatory Agency, also responsible for the control and regulation of offers under PPP. In order to ensure transparent implementation of the competitive bidding procedures defined by the Decree on the Procedures for Awarding PPP Contracts (*Procédures de passation des contrats de PPP*), the Government is committed to submitting a quarterly report to the Council of Ministers that shows in detail the statistics related to PPPs and specifies the rate in percentage and in amount of exemptions granted to allow a negotiated procedure as well as the type of projects.

Policies for the social sectors

31. The Government is consolidating its measures to protect spending in the social sector. The categories of expenditures in 2017 were: prevention and primary health care facilities and the fight against AIDS; pre-school education; primary and secondary education; operation of schools, including in remote areas; and health insurance and social assistance programs for the poorest groups. To strengthen the monitoring and transparency of information on expenditure in these areas, the quarterly reports on budget execution to be issued by the Government will include a detailed analysis of budgetary achievements in the health, education and social security sectors, in particular by comparing them with the projections in the Budget Law (new structural benchmark).

E. Stability of the Local and Regional Financial Sectors

32. The situation of the Gabonese financial sector has continued to deteriorate in 2017. Over the first eight months of the year, deposits and loans decreased by 11.3 percent and 6.3 percent, respectively, well below the 2016 performance. Over the same period, loans in arrears increased from 9.7 percent to 13.5 percent of gross loans, reflecting a further deterioration of the banks' portfolios. The solvency of banks, however, improved from 13.1 percent to 15.2 percent (excluding the three state-owned banks), thanks to a rebound in profits. The COBAC has suspended for 3 years the application of risk weights to the sovereign debts of CEMAC member states.

33. The restructuring plans of state-owned banks will be improved to consider the option of orderly liquidation, before any injection of government funds. The restructuring plans that had been presented to IMF staff do not yet include the evaluation (feasibility and costs) of the various options available nor of the financial projections. Given the deteriorated situation of these banks (equity between minus 140 percent and minus 500 percent of the weighted assets), the option of orderly liquidation of the three banks will be evaluated. An amended plan will be prepared by March 2018 (new structural benchmark) that will evaluate the options available, including the orderly liquidation of these banks. We will consult with the IMF on the assumptions of the plan, which will be implemented no later than May 2018. Our choice will be guided in particular by the need to safeguard public finances and implement solutions that are realistic from a technical and commercial point of view. No public funds will be used to recapitalize or restructure public banks until a credible plan, discussed with the IMF, has been adopted. Options to consider include:

a. Rather than support the financing of SMEs through a state-owned commercial bank (BGD), we will reevaluate whether modern alternatives can be designed that can better manage the risk to the Government, such as guarantees or lines of financing granted to the banks.

b. The plan for the Postebank will notably evaluate the transfer of its healthy assets to another credit institution (bank or microfinance institution) that could guarantee offering basic banking services while benefiting from the expertise of an experienced player.

34. The strategy for the clearance of loans in arrears has identified several areas that will be broken down into detailed action plans. The areas identified include the improvement of judicial procedures and training of specialized judges and establishment of commercial courts (Ministry of Justice); modernization of the registry regarding trade and real estate credit (Ministry of Justice); creation of an Arbitration Chamber within the Chamber of Commerce; repayment of arrears by the Government (Ministry of Finance); and the development of the credit registry at the central bank (BEAC). The strategy will be defined and led by the High Council for the Promotion of Investment (*Haut Conseil pour la Promotion de l'Investissement*, HCPI), with responsibility to the Presidency of the Republic. The HCPI will consult the Professional Association of Credit Institutions in carrying out the action plans and to identify potential areas for reform. The action plans will identify the authorities in charge, objectives, actions to be implemented, means to be deployed, and timetable for implementation. They will be prepared no later than February 2018. The training of judges in banking and commercial activities, and the actual handling of cases relevant to these activities by these judges, will be implemented no later than June 2018.

F. Business Environment and Diversification

35. The sharp drop in oil prices, coupled with maturing oil fields, requires strong action to support the structural transformation of the Gabonese economy. Diversification is essential to boost our economy and promote employment, while at the same time fiscal consolidation is needed to respond to the adverse terms of trade shock. Our goal is to prepare for the future by diversifying our economy in the medium term, while ensuring the sound management of our natural resources to meet the needs of future generations. In the short term, our actions continue to focus on two essential pillars. First, we are committed to strengthening financial stability and ensuring that our financial sector can play a major role in supporting the private sector. In addition, we will improve and strengthen the attractiveness of Gabon's business environment by implementing structural and institutional reforms. Our actions in this area will be based on our Economic Recovery Program (*Programme de Relance Economique*, PRE).

36. The structural reform program covered by the PRE targets nine specific areas that we will continue to implement in order to promote competitiveness and sustainable growth: (1) modernize the forestry sector; (2) improve the productivity of our agriculture and "livestock" sector; (3) promote the fishing industry; (4) enhance the mining sector value chain by establishing a metallurgical center in Moanda; (5) strengthen the framework of public-private partnerships to support infrastructure works (transport, energy, social housing, telecommunications); (6) create the conditions to encourage wider and more prevalent use of mobile online banking; (7) develop the tourism industry; (8) following the opening of the port of Owendo in October, continue to improve the transport network to reduce costs and facilitate the logistics of Gabonese companies; and (9) increase the supply of electricity (of up to 789 MW) and water (of up to 140,000 cubic meters, particularly in Libreville).

37. To support progress in these specific areas, it is essential to continue improving the business climate. This is an essential prerequisite for enabling the private sector to play a leading role in supporting growth, while Government actions focus on defining the institutional and legal frameworks and creating incentives for private companies to ensure their development. We are committed under the program to finalizing reforms that facilitate access to land titles and the engagement of public private partnerships (PPPs), streamlining procedures for building permits, and strengthening the production of statistics to buttress our capacity for macroeconomic management. In particular,

- **Land titles:** Gabon should have a modern and efficient land registry service to facilitate the access of companies to the spaces necessary for the development of multisector economic activities, as illustrated by the Special Economic Zone (*Zone Economique Spéciale*, ZES), and to bank financing. Comprehensive mapping of land occupation and land use - available online at www.pnat.ga - should now be completed by an arbitration process that resolves identified conflicts or overlaps between forest concessions, mining permits, agricultural concessions and protected areas. The next step is to establish the "Commission for the Regulation of Natural Resources and Land Use" to manage these conflicts and finalize the decisions on the allocation of land for economic purposes. A Commission was created in July 2017 by a decree, which specifies its organization and operation. We are committed to completing the following steps: (1) resolution of all land disputes (by June 2018); (2) approval of the National Master Plan (by June 2018).

- **PPPs**: Following the approval of the legal framework for PPP in 2016 and 2017, the National Investment Promotion Agency has set up the PPP Committee that will guide the implementation of this framework for new projects. Because of the budgetary risks associated with this type of partnership, this Committee has been placed within the Ministry of the Economy. In particular, it ensures compliance with the rules set out in the Order relating to the competition of service providers in choosing their private partner.

- **Arbitration Chamber.** At the end of June, we launched an itinerant information campaign with respect to the Chamber of Arbitration, which was created in 2015, in collaboration with the Chamber of Commerce. At the end of September 2017, we inaugurated its premises. This Chamber is an important step in avoiding the excessive use of the judicial system in cases where the parties can agree on the principle of extra-judicial negotiation or where litigation takes place in connection with small amounts. We are also committed to (i) improving the training of specialized judges, (ii) establishing commercial courts (Ministry of Justice), (iii) modernizing the registry regarding trade and real estate credit (Ministry of Justice) and (iv) creating an Arbitration Chamber within the Chamber of Commerce.

- **Building Permits.** We remain committed to reducing the average time and cost required to obtain these permits, given the fact that this constitutes a major constraint for foreign investors and businesses in general.

- **One-stop shop**. Significant progress has been made in this area. In addition to the fully operational one-stop shop in Libreville and the Visitors' Center located within the Libreville Airport, another one-stop shop was set up at the end of May 2017 in the Nkok Industrial Area. In this center, foreign investors have access to personalized treatment to speed up all formalities related to immigration and work procedures. The Government is also committed to measuring the impact of its activities in this area through a regular survey of the business community. Aware that the success of this reform is conditional on providing sufficient information to the private sector, we have launched in October 2017 an information campaign, in coordination with the Chamber of Commerce, to present the facilities available in this context to the private sector.

38. To increase transparency with respect to the management of oil revenues, the application for candidacy to the Extractive Industries Transparency Initiative will continue to be pursued. The Decree creating the EITI Multi-Stakeholder Group was signed in December 2016 and published in January 2017. The ultimate goal is to produce the report in due time and obtain its validation by the EITI Secretariat.

Statistics

39. Following the creation of the National Statistics Agency in 2015, we have continued to place statisticians in key ministries. We are committed to conducting surveys on demography and health in 2018, on poverty by 2019, and on businesses and households by 2019. With the support of AFRITAC and BEAC, we have also intensified our efforts to improve the quality, coverage and timeliness of statistics regarding national accounts, the fiscal sector and the balance of payments. At the same time, we will ensure that all companies located in the Special Economic Zones (SEZs) fully respect the legal obligation to provide adequate statistics to the Government. To that end, the Ministry of Commerce, responsible for SEZs, issued at the end of June 2017 regulations for all companies registered in the SEZs that make the submission of statistics part of the legal criteria for the privilege to operate in a SEZ.

Support high level public-private dialogue

40. Beyond these specific measures to improve the business climate and support structural reforms, the Government has put in place, and is committed to continuing to oversee a platform for high-level public-private dialogue. This dialogue is essential to obtain support for crucial reforms, which had been delayed due to differences of view. The High Council for Investment (HCI) has now become operational, following the adoption of (i) its internal regulations and (ii) a detailed action plan to implement reforms. The HCI, established in February 2014 and placed under the authority of the President of the Republic has the initial mission of improving competitiveness and encouraging economic diversification. With the vital support of the World Bank in this area, its mission is to support a more active dialogue between the national authorities and the private sector on strategic reforms related to the business climate.

G. Program Monitoring

41. Program implementation will be monitored through prior actions, semi-annual reviews, quantitative performance criteria and indicative targets, continuous performance criteria, and structural benchmarks. The second review is set for June 2018, based on end-December 2017 quantitative performance criteria, the continuous performance criterion and relevant structural benchmarks. For all reviews, quantitative performance criteria will include: a floor on the primary fiscal balance, excluding oil revenue (on a payment order basis); a ceiling on the stock of net claims of the banking system on the central government; a ceiling on central bank net claims on central government, excluding the use of IMF credit; a ceiling on contracting or guaranteeing of external debt (program and project); and a ceiling on the accumulation of new external arrears by the central government. The prior actions and structural benchmarks are set out in Tables 3 and 4. The quantitative targets for target dates through end-December 2018, along with a continuous quantitative performance criterion are set out in Tables 1 and 2.

Table 1. Gabon: Quantitative Program Targets, 2017[1,2]

(Billions of CFA francs, unless otherwise indicated)

		2016		2017										
		December		March		June				September			December	
				Prog.[3]	Act.	Prog.[3]	Adj.	Act.		Prog.[3]	Act		Prog.[3]	Rev. Prog.
		Prel. Prog.	Act.[4]	IT[5]		PC			**Status**	IT		**Status**	PC	
I	**Quantitative Performance Criteria**													
	Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[6]	-646.1	-646.1	-167.1	-146.7	-331.2	-251.2	-221.9	**Met**	-358.6		...	-532.5	-559.3
	Unadjusted target (floor)						-331.2							
	Adjustment for lower (higher) than expected external program disbursements						80.0							
	Ceiling on stock of net claims of the banking system on the central government[7]	574.2	653.7	521.4	662.1	724.2	804.2	646.9	**Met**	742.7		...	752.8	819.1
	Unadjusted target (ceiling)						724.2							
	Adjustment for lower (higher) than expected external program disbursements						80.0							
	Adjustment for oil revenue shortfall due to international price movements						0.0							
	Adjustment for commercial bank purchases of nonbank government domestic debt						0.0							
	Ceiling on central bank net claims on central government, excluding use of IMF credit	240.7	220.6	240.7	252.9	240.7	...	210.5	**Met**	240.7		...	189.7	220.6
	Net claims of central bank on central government	220.6	240.7	240.7	252.9	299.6		268.5		299.6			307.6	335.6
	Ceiling on contracting or guaranteeing of external debt (program and project)[8]	...	...	191.9	138.9	329.4	329.4	225.8	**Met**	511.1		...	1022.8	916.2
	Unadjusted target (ceiling)						329.4							
	Adjustment for early (late) external program disbursements						0.0							
	Adjustment for variation in financing conditions						0.0							
II	**Continuous Performance Criterion**													
	Ceiling on accumulation of new external arrears by the central government			0	66	0	...	110	**Not Met**	0	144	**Not Met**	0	0
III	**Indicative Targets**													
	Ceiling on the stock of domestic arrears	638.6	638.6	638.5	589.0	638.5	638.5	637.2	**Met**	577.6	610.3	...	411.7	453.5
	Floor on government tax revenue, excluding oil revenue	899.4	899.4	196.9	212.5	379.2	379.2	463.0	**Met**	693.9	609.7	...	989.6	860.9
	Floor on social protection spending[9]	...	...	30.3	...	68.2	68.2	49.4	**Not Met**	106.1	...	...	151.6	151.6

Sources: Gabonese authorities and IMF staff estimates.

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

2/ Cumulative amount from January 1, 2017 for 2017 targets, and cumulative amount from January 1, 2018 for 2018 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

4/ Reflects revised end-December 2016 monetary data, which revises data on net central bank and banking system claims.

5/ The authorities' own target.

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

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

8/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place.

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

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

(Billions of CFA francs, unless otherwise indicated)

		2017		2018					
		December		March		June		September	December
		Prog.[3]	Rev. Prog.	Prog.[3]	Rev. Prog.	Prog.[3]	Rev. Prog.		
		PC		IT		PC		IT	IT
I	**Quantitative Performance Criteria**								
	Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[4]	-532.5	-559.3	-145.8	-104.3	-280.7	-173.0	-301.1	-387.9
	Ceiling on stock of net claims of the banking system on the central government[5]	752.8	819.0	734.1	861.0	833.6	878.2	921.5	911.5
	Ceiling on central bank net claims on central government, excluding use of IMF credit	189.7	220.6	189.7	219.2	189.7	193.3	193.3	141.5
	Net claims of central bank on central government	307.6	335.5	307.6	334.1	366.5	365.0	365.0	368.6
	Ceiling on contracting or guaranteeing of external debt (program and project)[6]	1022.8	916.2	123.2	99.7	253.0	205.9	284.0	485.7
II	**Continuous Performance Criterion**								
	Ceiling on accumulation of new external arrears by the central government	0	0	0	0	0	0	0	0
III	**Indicative Targets**								
	Ceiling on the stock of domestic arrears	411.7	453.5	387.7	379.0	363.7	304.5	280.0	228.6
	Floor on government tax revenue, excluding oil revenue	989.6	860.9	210.3	275.1	404.9	570.5	771.1	1028.1
	Floor on social protection spending[7]	151.6	151.6	…	30.3	…	68.2	106.1	151.6

Sources: Gabonese authorities and IMF staff estimates.

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

2/ Cumulative amount from January 1, 2017 for 2017 targets, and cumulative amount from January 1, 2018 for 2018 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

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

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

6/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place.

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

Table 3. Gabon: Structural Benchmarks for 2017–18

Sector/Measure	Timeframe	Macroeconomic Rationale	Related Documentation	Status
Public Expenditure Management (PFM)				
Implement the VECTIS module to allow for the systematic issuance of mandatory payment orders; sensitize suppliers and administrative officers on the new procedure.[1]	End-June 2017	Reduce budget risks	Copies of press releases by the Budget Ministry and reports of training sessions with administrative officers.	Met
Publish quarterly reports on the amount and composition of the stock of unpaid payment orders and arrears.	End-September 2017(for preceding quarter)	Reduce budget risks	Copies of the quarterly reports produced by the Budget Ministry and verification of online posting.	Not Met
Publish cost-benefit analyses for investment projects authorized by the budget law, whose budgets exceed CFAF 20 billion.	End-December 2017	Improve public investment management	Publication of analyses as an annex to the 2018 Budget Law.	
Complete an independent audit of 2015 and 2016 domestic expenditure arrears.	End-March 2018	Transparency and Ensure Value-for-Money in the Use of Public Resources	Publication of the audit report in the webpage of the Ministry of Economy.	
Tax Policy/Revenue Administration				
Publish an annex to the Budget Law covering derogations from the existing tax exemption regime, including details on their economic, budgetary, and social impact.	End-December 2017	Strengthen revenue mobilization	Copy of the annex to the 2018 Budget Law.	

[1] FAD has provided relevant technical assistance. The minimum requirements to consider this SB met will include (i) a press release indicating that the issuance of payment orders through the VECTIS system has become mandatory before any government purchase of goods and services; (ii) a meeting with representatives of the business association to explain the new procedures, and (iii) one training session with civil servants to explain the new operational procedures.

Table 3. Gabon: Structural Benchmarks for 2017–18 (concluded)

Sector/Measure	Timeframe	Macroeconomic Rationale	Related Documentation	Status
Financial Sector				
Prepare a plan for the orderly resolution of the activities of the three distressed state-owned banks.	End-July 2017	Reduce financial sector vulnerabilities and fiscal risks.	Copy of the document signed by Minister of Economy.	Met
Prepare a national strategy to strengthen legal and supervisory frameworks concerning non-performing loans.	End-September 2017	Reduce financial sector vulnerabilities and fiscal risks.	Copy of the document presenting the national strategy signed by Minister of Economy.	Met
Business Climate and Diversification				
Establish assessment, validation, and monitoring bodies for PPPs in the Ministry of Economy as provided for by the PPP Law.	End-September 2017	Leverage private sector expertise to support investment projects.	Copy of the Presidential decree.	Met

Table 4. Gabon: Proposed New Structural Benchmarks for 2018

Sector/Measure	Timeframe	Macroeconomic Rationale	Related Documentation
Tax Policy/Revenue Administration			
Eliminate tax and customs exemptions from computer software system that do not have a legal basis.	End-March 2018	Boost revenue collection	Report providing the list of custom codes extracted from the IT system on the nature and amounts of the retained tax and custom exemptions.
Inform importers that cash payment is the regular procedure for the clearance of customs debts and define the list and selection criteria for importers eligible for a bonded bank guarantee (*crédit d'enlèvement*).	End-March 2018	Boost revenue collection	Report on the sensitization campaign and the list and selection criteria for importers eligible for the removal credits.
Regularize tax situation of importers not subject to VAT, but whose transactions exceed the VAT liability threshold.	End-March 2018	Boost revenue collection	Report on completed tax adjustments.
Public Expenditure Management (PFM)			
Publish, within 55 days from the end of the quarter, quarterly budget execution reports transmitted to Parliament, using elements and nomenclature of the budget law and including a specific analysis on social spending.	End-February 2018[1]	Improve transparency of budget execution and fiscal reporting	Reports published on the Budget Ministry website's homepage.
Adapt the E-BOP information system to the new expenditure execution procedure to allow the systematic issuance of purchase orders, and train local staff concerned in the new procedure.	End-January 2018	Improve transparency of public procurement and efficiency of public spending	Copies of the order forms issued by the system and report on the training completed.
List all central government entities whose funds are not deposited on the Treasury single account[2], and strictly limit the opening of new bank accounts.	End-January 2018	Improve and rationalize cash flow management	Inventory submitted to IMF staff.

[1] The first report will provide information for the fourth quarter of 2017. Each subsequent report will be published 55 days after the end of the quarter. 65 days will be allowed for the report related to Q4 each year, considering time lags between payment orders and payments in the last quarter (complementary period).

[2] These include accounts managed by social security funds and other trust funds, extra-budgetary funds and autonomous government entities.

Table 4. Gabon: Proposed New Structural Benchmarks for 2018 (concluded)

Sector/Measure	Timeframe	Macroeconomic Rationale	Related Documentation
Debt Management			
Clear all external arrears to official external creditors.	**Prior Action**	Strengthen debt and cash management	Signed letter of confirmation from the Minister of Economy
Update the debt management strategy that is annexed to the budget law, including a strategy for the clearance of arrears based on transparent criteria for prioritization of external and domestic arrears payments.3	End-January 2018	Ensures government's gross financing needs and payment obligations are met on a timely basis at a reasonable cost	Publication of the updated debt management strategy and of the arrears liquidation plan on Economy and Budget Ministries websites' homepage
Financial Sector			
Prepare an assessment of options, reviewed and agreed by staff, for the resolution/restructuring of the public banks that protects financial stability while minimizing the costs to the state. The report will include description of key assumptions; fiscal cost to the state; and an assessment of forward-looking viability.	End-March 2018	Reduce financial sector vulnerabilities and fiscal risks	Copy of the document signed by Minister of Economy

[3] This strategy should be based on a quarterly cash flow plan.

Attachment II. Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding (TMU) sets out the understandings between the Gabonese authorities and the International Monetary Fund (IMF) regarding the definition of quantitative performance criteria (QPC) and indicative targets (IT)**. It also set out the QPC and IT adjusters, and data reporting requirements for the duration of the extended arrangement under the Extended Financing Facility, as described in the authorities' Letter of Intent (LOI) dated December 3, 2017, and the attached Memorandum of Economic and Financial Policies (MEFP). As is standard under all Fund arrangements, we will consult with the Fund before modifying measures contained in the LOI/MEFP, or adopting new measures that would deviate from the goals of the program, and provide the Fund with the necessary information for program monitoring.

2. **The QPCs and IT are shown in Table 1 of the MEFP. Prior actions and structural benchmarks are listed in Table 2 of the MEFP.** For program monitoring purposes, quantitative performance criteria (PCs) and indicative targets (ITs) are set for December 31, 2017 and June 30, 2018; the same variables are an indicative target for September 30, 2017; March 30, 2018; September 30, 2018l; and December 31, 2018.

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 581.551 as of September 30, 2017. 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 1.1279 U.S. dollars, Pound Sterling valued at 0.7858 U.S. dollars, the Chinese Yuan valued at 6.8885 U.S. dollars, the Special Drawing Right (SDR) valued at 1.3848 U.S. dollars. Official gold holdings were valued at 1,253.71 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;

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

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

8. Definition: Total CG revenue (excluding oil revenue) is measured on a cash basis and includes offsetting revenue and expenditure operations, including private sector tax obligations offset against central government obligations to the private sector. Tax receipts are specified in the Table of central government financial operations (*Tableau des opérations financières de l'Etat–TOFE*), including all earmarked revenues (Road Fund and special funds). Oil revenue includes payments received in cash and in crude (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.

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

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

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

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

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

Cumulative flows from the beginning of the year	Prog. (In US$ Millions)
External loans for budget support	
End September 2017	310.3
End December 2017	1034.6
End March 2018	94.1
End June 2018	199.9
External loans for project financing	
End September 2017	41.8
End December 2017	269.4
End March 2018	71.1
End June 2018	142.2
External loans from commercial sources and international capital markets	
End September 2017	238.5
End December 2017	254.0
End March 2018	13.6
End June 2018	27.2

Source: Gabonese authorities and IMF staff projections.

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

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

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

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

14. Thus defined, the net claims of the banking system on the central government amounted to CFAF 646.9 billion as of June 30, 3017 (Text Table 2).

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

Text Table 2. Gabon: Net Claims on Central Government
(CFAF billions, stock)

	Dec-15	Dec-16	Jun-17
Banking system, Net claims on central government	143.5	653.7	646.9
Central Bank, Net claims on central government	-79.5	220.6	268.5
Claims on central government	452.9	452.7	511.0
Loans to central government	452.5	452.5	452.5
Use of IMF credit	0.0	0.0	58.0
Other	0.4	0.2	0.4
Liabilities to central government	532.4	232.1	242.4
Treasury vault cash	18.6	36.8	36.8
Fund for Future Generations/Sovereign Wealth Fund	146.6	150.2	122.3
Treasury current accounts at the BEAC	367.2	45.1	83.3
Other Depository Corporations, net claims on central government	223.0	433.1	378.4
Claims on central government	412.0	621.7	582.7
Securities Central Government	357.7	517.6	500.1
Regional bonds	54.3	104.2	82.5
Liabilities to central government	189.1	188.6	204.3
Treasury deposits	42.2	42.2	36.1
Other deposits	146.9	146.4	168.2
CCA	0.0	0.0	0.0

Source: BEAC

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

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

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

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

   a. If Brent oil price projections as reported by IMF-WEO decline by up to 25 percent relative to the program baseline (US$55.23 per barrel), the ceiling will be adjusted upward to accommodate the shortfall in oil revenue in a given quarter.

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

   c. If Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection for 2017, one-third of higher-than-programmed oil revenue should be used to reduce the stock of domestic payment arrears, one-third should be used to increase central government expenditure on high-priority public investment projects, and one-third 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.

iii. The program ceiling will be adjusted upward to reflect any purchase by commercial banks of outstanding contractual government credit (*rachat de créances*) and government bonds issued on the CEMAC market held by non-bank private sector creditors as of end-2016.

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

18. Definition: The ceiling on net claims of the BEAC to the central government, excluding IMF credit is calculated as the gross 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-March 2017.

19. 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 Contracting or Guaranteeing External Debt by the Central Government

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

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

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

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

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

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

21. Definition: For the purposes of the ceiling on contracting or guaranteeing external debt by the central government, external debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF). The PC concerning external debt contracted by the central government applies to all external debt (whether or not concessional) contracted or guaranteed by the CG, including commitments or guaranteed for which no value has been received. 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;

For program monitoring purposes, external debt is deemed to be contracted or guaranteed once all conditions for its entrance into effect have been met, including approval of the relevant agreement by the Republic of Gabon. In the case of the issuance of euro bond, the amount deemed contracted is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final documentation. For program purposes, the value in U.S. dollars of new external debt is calculated using the program accounting exchange rate.

22. Adjusters:

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

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

23. Reporting: The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.

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

24. 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.

25. 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.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

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

26. Definition: The stock of domestic payment arrears of the CG is defined as the sum of all contractual obligations that remained unpaid 90 days after the payment order date. This stock includes, but is not limited to, payment obligations from procurement contracts for goods and services and other contracts providing for payment in domestic currency, as well as statutory obligations for payment (e.g., civil service wages, VAT reimbursements, and other entitlements). The cumulative floor on the net reduction of the stock of domestic arrears of the CG is measured as the stock of outstanding domestic arrears on the test date minus the stock of outstanding domestic arrears as of January 1, 2017.

27. Reporting: Data on repayment and new accumulation of domestic payment arrears and the remaining previous-year stock of domestic payment arrears will be 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

28. Definition: The program will have a floor on CG non-oil revenue. Non-oil revenue refers to revenue from tax and non-tax collection and exclude all revenue from asset sales, grants, and oil revenue.

29. 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

30. Definition: The program will have a floor on non-wage social spending as defined in the CG budget for a particular fiscal year. These programs are funded by government resources. The floor includes: (i) spending on primary, secondary, and vocational education, including basic goods and services, and school infrastructure and rehabilitation; (ii) spending on health programs, including basic goods and services, and transfers for primary health care facilities; and (iii) spending on social protection including health insurance and targeted safety nets.

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

III. PROGRAM MONITORING

A. Reporting Requirements

32. 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 details for domestic and external debt-service obligations, on a contractual and actual payments basis, respectively, with a breakdown into interest and principal and by creditor, as well as any possible accumulation of domestic or external arrears (electronic file);
- the details on the stock of external and domestic debt at the end of each quarter prepared by the Generate Directorate of Debt. The external debt stock is to be evaluated at end-of-quarter exchange rates (electronic file);

- the details for the outstanding stock of the treasury float (month to month) and the cumulative flows from January 1, 2017; the net accumulation of new float during 2017, defined in paragraph 6 as the difference between payment orders (*ordonnancements*) and payments made (cash basis), as well as the repayment of pre-2017 float, with both items to be broken down by wages and salaries, goods and services, transfers and subsidies, interest, capital expenditure, and net lending; any stock-flow adjustment not consistent with flows should be explained (electronic file);

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

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

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

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

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

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

- a status report on the implementation of the structural reforms specified in Table 2 attached to the letter of December 3, 2017.

33. 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.

INTERNATIONAL MONETARY FUND

GABON

December 20, 2017

FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND MODIFICATIONS OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY LETTER OF INTENT

Approved By
Anne-Marie Gulde-Wolf (AFR) and Yan Sun (SPR)

Prepared by The African Department in consultation with the Legal Department and the Strategy and Policy Review Department.

1. **This supplement provides an update on economic and policy developments since the issuance of the staff report on December 4, 2017**. The additional information does not change the thrust of the staff appraisal.

2. **Following the issuance of the staff report, staff obtained preliminary data concerning the end-September 2017 indicative targets (ITs)** (Update to Attachment 1, Table 1)[1]. The end-September ITs appear to have been met for the ceiling on net claims of the banking system, the ceiling on central bank net claims on central government (excluding the use of IMF credit), and the ceiling on contracting or guaranteeing of external debt (program and project). The IT on the non-oil primary balance appears to have been missed, in line with an anticipated shortfall in non-oil revenues and higher-than-expected transfers and subsidy spending during Q3 2017, as discussed in the staff report for the first review. The same factors also likely contributed to apparent breaches of the ITs concerning the floor on non-oil revenues and the ceiling on the stock of domestic arrears. However, the overall fiscal balance (on a cash basis) was approximately 1.1 percent of GDP, suggesting that the year-end target of 3.6 percent of GDP is well within reach.

[1] The partial nature of the data precludes a definitive assessment, particularly to reconcile financing data needed to compute program adjustors and to update with precision the stock of domestic arrears and non-oil revenues. For example, VAT revenues are computed on a net basis (after accounting for VAT refunds), while data on domestic arrears requires an assessment of whether the budgetary float has been late for payment by over 90 days. The adjustments require a process of data reconciliation that will take some additional time. Preliminary data to compute the IT on social spending is not yet available.

Update to Attachment 1, Table 1. Gabon: Quantitative Program Targets, 2017[1,2]

(Billions of CFA francs, unless otherwise indicated)

	2016 December		2017										
			March		June				September			December	
			Prog.[3]	Act.	Prog.[3]	Adj.	Act.		Prog.[3]	Act		Prog.[3]	Rev. Prog.
	Prel. Prog.	Act.[4]	IT[5]		PC			Status	IT		Status	PC	
I Quantitative Performance Criteria													
Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)[6]	-646.1	-646.1	-167.1	-146.7	-331.2	-251.2	-221.9	**Met**	-358.6	-389.7		-532.5	-559.3
Unadjusted target (floor)						-331.2							
Adjustment for lower (higher) than expected external program disbursements						80.0							
Ceiling on stock of net claims of the banking system on the central government[7]	574.2	653.7	521.4	662.1	724.2	804.2	646.9	**Met**	742.7	640.5		752.8	819.1
Unadjusted target (ceiling)						724.2							
Adjustment for lower (higher) than expected external program disbursements						80.0							
Adjustment for oil revenue shortfall due to international price movements						0.0							
Adjustment for commercial bank purchases of nonbank government domestic debt						0.0							
Ceiling on central bank net claims on central government, excluding use of IMF credit	240.7	220.6	240.7	252.9	240.7	...	210.5	**Met**	240.7	217.9		189.7	220.6
Ceiling on contracting or guaranteeing of external debt (program and project)[8]	...	...	191.9	138.9	329.4	329.4	225.8	**Met**	511.1	353.9		1022.8	916.2
Unadjusted target (ceiling)						329.4							
Adjustment for early (late) external program disbursements						0.0							
Adjustment for variation in financing conditions						0.0							
II Continuous Performance Criterion													
Ceiling on accumulation of new external arrears by the central government			0	66	0	...	110	**Not Met**	0	144	**Not Met**	0	0
III Indicative Targets													
Ceiling on the stock of domestic arrears	638.6	638.6	638.5	589.0	638.5	638.5	637.2	**Met**	577.6	610.3		411.7	453.5
Floor on government tax revenue, excluding oil revenue	899.4	899.4	196.9	212.5	379.2	379.2	463.0	**Met**	693.9	676.5		989.6	860.9
Floor on social protection spending[9]	...	...	30.3	...	68.2	68.2	49.4	**Not Met**	106.1	...		151.6	151.6

Sources: Gabonese authorities and IMF staff estimates.

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

2/ Cumulative amount from January 1, 2017 for 2017 targets, and cumulative amount from January 1, 2018 for 2018 targets. Targets are set for the end of the respective month, unless otherwise stated.

3/ Staff report on the Request for an Extended Arrangement Under the Extended Fund Facility (June 6, 2017; EBS/17/52).

4/ Reflects revised end-December 2016 monetary data, which revises data on net central bank and banking system claims.

5/ The authorities' own target.

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

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

8/ The performance criterion will be adjusted upward (downward) in case where early (late) disbursements of specifically agreed and identified financing flows take place.

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

3. Staff has also obtained an update on the evolution of external arrears through end-November 2017 (Update to Text Table 2). The data indicate a reduction in the stock of external arrears (since end-September), reflecting the clearance of arrears of approximately US$98 million (CFA 55 billion), in the month of November to official creditors. However, further arrears have been accumulated, worth roughly US$30 million (CFA 17 billion), from end-September to end-November 2017, constituting a nonobservance of the continuous performance criterion (PC) on non-accumulation of new external arrears. As a corrective measure, a prior action for this review, the authorities have cleared all official arrears (to bilateral and multilateral creditors) ahead of the Executive Board meeting. The authorities remain committed to clearing all remaining external arrears by end-December 2017.

Update to Text Table 2. Gabon: Total External Arrears

	End 2016 (Act.)		End Sept. 2017 (Est.)		End Nov. 2017 (Est.)		End 2017 (Est.)	
	CFA Billions	Percent of GDP	CFA Billions	Percent of GDP	CFA Billions	Percent of GDP	CFA Billions	Percent of GDP
External Arrears	164.6	2.0	273.3	3.1	234.8	2.7	0.0	0.0
Multilateral	9.9	0.1	25.1	0.3	20.5	0.2	0.0	0.0
Bilateral	23.0	0.3	51.8	0.6	55.0	0.6	0.0	0.0
of which: Paris Club	6.1	0.1	13.6	0.2	16.4	0.2	0.0	0.0
Commercial	131.7	1.6	196.4	2.3	159.3	1.8	0.0	0.0

Source: Gabon authorities and IMF staff calculations.

Supplementary Letter of Intent

Libreville, December 19, 2017

Ms. Christine Lagarde
Managing Director
International Monetary Fund

Dear Ms. Lagarde,

Further to my Letter of Intent of December 5th, 2017, I am writing to confirm that external arrears to official creditors have been cleared as part of the government's commitment to comply with the prior action for the first review under the extended arrangement.

We have also communicated to staff preliminary information for most end-September indicative targets. This information can be used to update Table 1 ("Quantitative Program Targets, 2017" under the Memorandum of Economic and Financial Policies").

Yours sincerely,

/s/
Regis Immongault
Minister of Economy

Statement by Mr. Sembene Executive Director and Mr. Nguema-Affane Senior Advisor to the Executive Director on Gabon
December 18, 2017

We would like to thank staff for their productive engagement with the Gabonese authorities and for the informative report. The authorities are appreciative of Fund's support to Gabon as they implement their Economic Recovery Program (PRE) to restore macroeconomic and external stability in the face of a challenging environment.

The Gabonese authorities followed through on their commitment to adjust policies in response to the recent oil price shock. As a result, end-June 2017 performance under the Extended Fund Facility (EFF) arrangement has been satisfactory. Going forward they remain committed to achieving the objectives of their program. In this light, we would appreciate Directors' favorable consideration of the authorities' request for the completion of the first review under the EFF.

Recent Developments and Performance Under the EFF

Economic developments were in line with expectations under the Fund-supported program. The projected decline in oil output was larger than expected during the first six months of the year, owing to the aging of mature fields, the impact of the production cut decided at the OPEC level and social unrest. However, although economic activity in a few sectors has remained moderate, production has picked up in many export-oriented sectors, thanks to an improvement in the terms of trade and the coming on stream of some long-term projects. Inflation increased from 2.1 percent in December 2016 to 3.6 percent in August 2017, reflecting the impact of the removal of some petroleum subsidies. The current account deficit narrowed in the first half of 2017, as imports contracted with lower domestic demand, and exports grew strongly on the back of higher commodity export volumes and prices. Gabon's reserves represented one and a half months in June 2017 but stabilized in recent months.

Fiscal performance at end-June 2017 has been better than expected. The fiscal deficit amounted to 0.5 percent of GDP well below the program objective of 2.6 percent, due to higher oil revenue, a tighter control of non-wage spending and slower rate of execution of capital spending. Liquidity shortages occurred as external budget support occurred late in

2017, and led to the accumulation of arrears during the period under review. Nevertheless, repayment of domestic arrears has started, consistent with the arrears clearance strategy. Borrowing remained under control despite the tight cashflow position, and public debt at the end of 2017 is projected to amount to 59 percent of GDP, compared to a forecast of 64.7 percent.

Domestic revenue mobilization efforts and public finance management reforms continued in line with program commitments. These include the reduction in the number of tax-exempt products and the implementation of CEMAC tariffs which put an end to reduced rates and exemptions. With the support of the World Bank, tax expenditures have been identified and their impact on VAT, corporate taxes and registration fees has been assessed. To improve tax compliance and promote electronic payments, the authorities introduced electronic tax filing, which is increasingly used by small and medium-sized businesses. The Public Procurement Code has also been amended to transform the Public Procurement Regulatory Agency into a Public Acquisition Regulatory Agency, with additional responsibilities over the control and regulation of offers under public-private partnerships (PPP).

The banking sector remains generally sound. The solvency of banks improved from 13.1 percent in 2016 to 15.2 percent at end-August 2017 (excluding the three state-owned banks), thanks to a rebound in profits. However, the health of the banking system is affected by the general slowdown in economic activity and delays in the settlement of domestic arrears. During the first months of 2017, deposits and loans decreased, reflecting a further deterioration of the banks' portfolios.

There was progress made in implementing business environment reforms and policies to promote economic diversification progressed. Several large projects have been recently completed and are now operational, which bodes well for the country’s competitiveness.

Performance under the EFF has been broadly satisfactory. All performance criteria have been met, except for the criterion on the non-accumulation of new external arrears. Likewise, all indicative targets (ITs) were met, except the one related to social spending at end-June 2017. Four out of five structural benchmarks initially planned for the June-October period were also met. As staff indicate in the report, the IT on social spending was missed due to delays in foreign-financed investment projects in education but spending accelerated in the second half of 2017. To strengthen the monitoring and transparency of social spending, the quarterly reports on budget execution to be issued by the authorities will include information on expenditure in social sectors.

Outlook and policies for 2017 and beyond

Despite positive developments in the non-oil sector, growth projections for 2017 has been revised slightly downward from 1.0 percent to 0.8 percent as oil production is now expected to be lower than initially projected. Growth is expected to rebound in 2018 to reach 2.7 percent, supported by higher oil production, and increased dynamism in mining, agricultural and transportation sectors. Growth should continue to strengthen over the medium term, notably benefitting from sustained FDI.

Against this backdrop, the Gabonese authorities remain strongly committed to the implementation of their PRE in the context of the extended arrangement under the EFF, as laid out in their MEFP. The staff report underscores potential risks to the successful implementation of the program, including the delays in external financing disbursement and the implementation of structural reforms. The authorities will remain vigilant to ensure these would not undermine the success of their fiscal consolidation plans which are the cornerstone of the program. Similarly continued and timely external assistance will be critical to the success of the program.

The authorities are committed to achieving a fiscal surplus by the end of the program in 2020 and firmly put public debt on a downward path. The fiscal deficit is projected to decline from 6.6 percent of GDP in 2016 to 3.6 percent in 2017, as a result of continued tighter control of non-wage current spending and lower public investment amid declining non-oil revenue. External financing will also be critical, including from the country’s partners, and the Fund in particular. In 2018, the authorities will pursue fiscal consolidation efforts through an intensification of the mobilization of non-oil revenues and expenditure control. The 2018 budget submitted to the Parliament is consistent with the program and targets a fiscal deficit of 2.3 percent of GDP. The authorities will pursue a timely clearance of domestic arrears while avoiding accumulation of new arrears.

The 2018 budget encompasses numerous measures aimed at containing current spending, and strengthening cashflow management. In particular, the reduction and control of the wage bill will continue, with a freeze on recruitment in all but priority social sectors. The implementation of the new procedure for the execution of expenditures that was adopted in May 2019 will be extended to limit the use of exceptional procedures and prevent the occurrence of new arrears. The authorities will press ahead with public finance management reforms. The performance of public procurement will thus be enhanced through greater transparency of the procedures used to ensure efficiency of public investment.

To further increase mobilization of non-oil revenues, the exemptions not provided for under the law will be abolished. The prevention, detection and treatment of fraudulent VAT cases will be strengthened. Work for the establishment of the Gabon Revenue Authority (*Office Gabonais des Recettes*, OGR) will continue, with the goal of launching its activities in January 2019. The financial supervision of state-owned enterprises (SOEs) and government agencies will continue.

As regard cashflow management, a number of measures are planned, including the reactivation of the Treasury Committee, the expansion of coverage of the Treasury single account, and the setup of an escrow account at BEAC for VAT credit refunds. The authorities will publish quarterly reports on budget execution, as requested by the organic budget law.

The authorities are determined to preserve financial sector stability. In this respect, recent efforts to strengthen legal and supervisory frameworks will be pursued. The authorities are committed to improving communication about their plans to gradually clear domestic arrears, and reduce NPLs. They will continue to work on the resolution of distressed public banks for which a strategy was prepared in July 2017. In this endeavor, the authorities will aim to minimize fiscal costs and considering potential impact on financial inclusion objectives.

The authorities will pursue structural reforms aimed at bolstering competitiveness and setting the basis for a strong and durable recovery. They are committed to lifting obstacles to increased FDI and private sector development, including by advancing reform measures that facilitate access to land titles and the establishment of public private partnerships (PPPs), streamlining procedures for building permits, and strengthening the quality of statistics. They will ensure the full operationalization of the High-Level Council for Investment (HCI) tasked with supporting a more active dialogue between the national authorities and the private sector on strategic reforms related to the business climate.

Conclusion

The Gabonese authorities continue to implement prudent policies to adjust to the challenging domestic and external environment. Coupled with efforts being pursued at the regional level, they are optimistic about the prospects for restoring macroeconomic and external stability. The performance of the Fund supported program has been satisfactory so far and the authorities remain committed to achieving the objectives of the program. Fund's continued support in this regard is greatly appreciated.