INTERNATIONAL MONETARY FUND

IMF Country Report No. 21/189

GABON

August 2021

REQUEST FOR A THREE-YEAR EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—PRESS RELEASE; STAFF REPORT; SUPPLEMENTARY INFORMATION, AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GABON

In the context of the Request for a Three-Year Extended Arrangement under the Extended Fund Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 28, 2021 following discussions that ended on June 7, 2021, 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 July 16, 2021.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Gabon.

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR21/233

IMF Executive Board Approves US$553.2 Million Extended Arrangement Under the Extended Fund Facility for Gabon

FOR IMMEDIATE RELEASE

- The COVID-19 pandemic and the fall in oil prices have severely hit the Gabonese economy, deteriorating fiscal and external balances, and increasing unemployment and poverty.
- The IMF Executive Board approved today a 36-month arrangement under the Extended Fund Facility (EFF) for Gabon, with access equivalent to US$553.2 million. The Board's approval allows for an immediate disbursement equivalent to US$115.25 million for budget support.
- The program aims to support the short-term response to the COVID-19 crisis and lay the foundations for green and inclusive private sector-led growth and a strong and sustainable recovery that benefits all Gabonese. Reforms will focus on creating fiscal space for priority social spending, reducing debt vulnerabilities, strengthening governance and transparency, and enhancing financial inclusion.

Washington, DC – July 28, 2021: On July 28, 2021, the International Monetary Fund (IMF) approved a three-year extended arrangement under the Extended Fund Facility (EFF) for Gabon for SDR 388.8 million (about US$553.2 million), or 180 percent of Gabon's quota, to navigate the COVID-19 pandemic crisis and support the implementation of the authorities' 2021–23 Economic Recovery Strategy. The Board's approval allows for an immediate disbursement equivalent to US$115.25 million for budget support.

The government's proactive response helped contain the spread of COVID-19 and save lives. However, the pandemic and the fall in oil prices have severely hit the economy, increasing macroeconomic imbalances, and weighing on economic activity, unemployment, and poverty. While the economy is showing incipient signs of recovery, the outlook remains challenging and contingent on the pandemic path, effective rollout of the vaccines, and the implementation of structural reforms.

The authorities' program aims at bolstering the country's response to the pandemic, reducing fiscal and public debt vulnerabilities, and fostering sustainable, green, and inclusive private sector-led growth. To this end, efforts, including in improving governance and transparency to enhance domestic revenue, including from the oil and mining sectors, and spending efficiency, are essential to create fiscal space for much-needed investment and social spending. The Extended Arrangement will also support the broader CEMAC regional strategy reform agenda.

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

"Gabon's economy is gradually recovering after the COVID-19 pandemic-induced economic downturn in 2020. However, the pandemic and the sharp fall in oil prices have aggravated pre-existing economic and financial vulnerabilities, and the near-term outlook remains subject to considerable uncertainty and downside risks. A slow rollout of vaccines or further infection waves could delay the recovery to 2022 or beyond.

"The new arrangement under the Extended Fund Facility will support the country's post-pandemic recovery and anchor reform implementation. The overriding priority remains saving lives and livelihoods. As the crisis abates, the focus will shift to tackle longstanding structural issues to put public debt on a firm downward trajectory and foster a high, sustainable, green, and inclusive private sector-led growth.

"The pace of fiscal consolidation should be aligned with the recovery needs. Fiscal policy should continue supporting the recovery in the near term. Once the recovery is on a solid footing, a more ambitious fiscal consolidation will be needed to reduce public debt levels and vulnerabilities while securing a high and inclusive growth. To this end, efforts, including in improving governance and transparency to enhance domestic revenue and spending efficiency, are essential to create fiscal space for much-needed investment and social spending.

"Advancing the structural reform agenda will also be important to sustain a durable and inclusive recovery. Enhancing the banking sector and financial inclusion, improving the business environment, and strengthening the anti-corruption framework would address some longstanding bottlenecks in the economy and promote private investment and inclusive growth.

"Gabon's program is supported by the implementation of policies and reforms by the CEMAC regional institutions in the areas of foreign exchange regulations and monetary policy framework, and to support an increase in regional net foreign assets, which are critical to program's success."

Gabon: Selected Economic Indicators

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

Macroeconomic Indicators	2019	2020 Est.	2021 Proj.	2022 Proj.	2023 Proj.
Output (percent)					
Real GDP	3.9	-1.8	1.5	3.9	3.2
Non-oil GDP	3.3	-1.7	2.7	3.0	3.9
Prices (percent)					
Inflation (End of period)	1.0	1.6	2.0	2.0	2.0
Inflation (Average)	2.0	1.3	2.0	2.0	2.0
Central Government Finances (percent of GDP)					
Revenue	19.5	17.6	17.1	18.4	19.2
Expenditure and net lending	18.2	19.8	20.4	18.7	18.8
Fiscal Balance (cash basis)	0.8	-2.5	-3.5	-0.3	0.4
Total Public Debt	59.8	77.4	74.7	72.2	70.1
Central Government Finances (percent of Non-oil GDP)					
Revenue and grants	29.0	23.4	23.3	24.9	25.5
Oil	11.2	9.0	6.8	7.9	8.0
Non-oil	17.8	14.4	15.7	17.0	17.6
Expenditure and net lending	27.0	26.3	27.7	25.4	25.0
o/w Current	19.8	21.6	20.6	18.4	18.3
o/w Capital	4.2	3.6	4.8	4.9	4.6
Non-oil primary balance	-5.8	-7.4	-7.1	-4.9	-3.4
Basic non-oil primary balance 1/	-4.2	-6.1	-3.0	-0.2	0.8
Money and Credit					
Broad Money (percent change)	1.2	7.1	11.7	12.4	...
Credit to the private sector (percent change)	2.2	5.4	6.2	7.0	...
Balance of Payments					
Current account (percent of GDP)	-0.9	-6.0	-4.8	-2.9	-2.9
FDI (percent of non-oil GDP)	7.3	7.8	7.9	8.0	7.9
CEMAC Foreign Reserves (months of extrazone imp.)	3.6	3.3	3.9	...	...
External Debt (percent of GDP)	39.2	46.0	44.4	44.4	45.3

Sources: Gabonese authorities; World Development Indicators; and IMF staff estimates and projections.

GABON

July 16, 2021

REQUEST FOR A THREE-YEAR EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

EXECUTIVE SUMMARY

Context. The Gabonese economy was gradually recovering from the 2014 oil price shock when it was hit by the Covid-19 pandemic. Decisive confinement measures have helped save lives, but the pandemic and the fall in oil prices have severely hit the economy, increasing unemployment and poverty. With a weak economy and increased COVID-19 related spending, the fiscal deficit has widened, with a sharp increase in public debt. Emergency financing from the IMF through the Rapid Financing Instrument (US$299.61 million) helped meet urgent balance of payment needs in 2020. Growth is expected to resume in 2021 but the pandemic has made the economic outlook very challenging and generated sizable financing needs over the medium term.

Program. The authorities have requested a new three-year EFF-arrangement of 180 percent of quota or SDR 388.8 million. In addition to bolstering the country's response to the pandemic, the new IMF-supported home-grown program aims at reducing fiscal and debt vulnerabilities and fostering a high, sustainable, green, and inclusive private sector-led growth. The program envisages frontloading critical governance measures that lock in higher domestic revenue collection and better public resource management. Additional revenue, and improved expenditure composition and public finance management will expand room for large and urgent development needs while preserving debt sustainability. Furthermore, the program will strengthen financial sector soundness, promote financial inclusion, and enhance the business environment. The new Extended Arrangement will help the country address protracted external and fiscal needs and support the reform agenda and the broader CEMAC regional strategy.

Staff views. Staff supports the authorities' request for an EFF arrangement. The Letter of Intent and Memorandum of Economic and Financial Policies provide for appropriate policies to reach the goals of the authorities' program. Nevertheless, the uncertainty surrounding the Covid-19 pandemic and oil prices, institutional capacity weaknesses and a fragmented political landscape ahead of the presidential elections in 2023 could slow program implementation. These risks are mitigated by the authorities' strong ownership of the reform agenda and a tailored CD strategy to support the implementation of structural reforms.

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

Prepared by the Gabon staff team, comprising Boileau Loko (head), Jemma Dridi, Mahamoud Islam and Désiré Kanga (All AFR), Yuanchen Yang (SPR), Bruno Imbert (FAD), Jean Portier (MCM), and Marcos Poplawski-Ribeiro (Resident Representative). Mr. Nguema Affane (OED) joined the mission. The team met with General Coordinator of Presidential Affairs, Noureddine Bongo Valentin; Prime Minister, Rose Christiane Ossouka Raponda; Minister of Economy and Recovery, Nicole Janine Roboty Mbou; Minister of Budget and Public Accounts, Sosthène Ossoungou Ndibangoye; Minister of Employment, Public Service, Labor and Vocational Training Madeleine, Berre; Minister of Investments Promotion, Carmen Ndaot; Minister for the Promotion of Good Governance and the Fight against Corruption, Francis Nkea Ndzigue; Minister of Water, Forests, Sea, and Environment, Lee White; Minister of Health, Guy Patrick Obiang Ndong; Minister of Oil, Gas, and Mining, Vincent de Paul Massassa; BEAC National Director, Patrick Romuald Alili, and other senior officials. Ms. Félicité Adjahouinou and Linnet Mbogo also contributed to the preparation of this report. Discussions took place during May 3–June 7, 2021, through video and teleconference.

CONTENTS

FIGURE

TABLES

ANNEXES

APPENDIX

ATTACHMENTS

CONTEXT

1. **Prior to the pandemic, the 2017–19 Extended Arrangement and higher oil prices helped the economy recover from the 2014 oil shock (Annex I).** Growth picked up gradually, the fiscal and external positions improved, public debt started to decline, and the country contributed to the rebuilding of regional international reserves (Figure 1). However, due partially to weak implementation capacity and persistent governance issues, several reforms have yet to be completed to increase revenue, improve public finance management, reduce debt vulnerabilities, and improve the business environment.

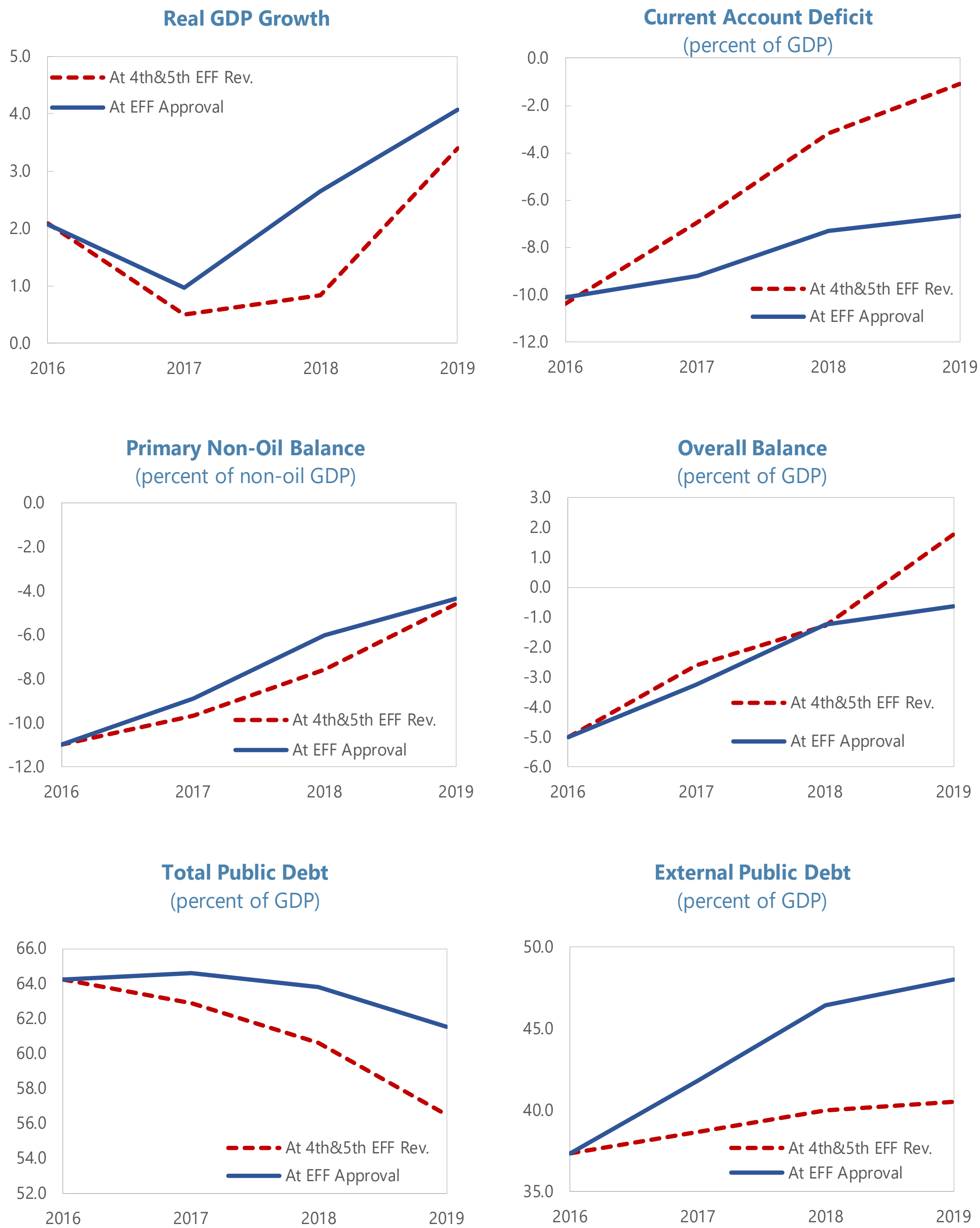
2. **The Covid-19 pandemic and the sharp fall in oil prices have hit the economy hard and amplified Gabon's development challenges.** The authorities' swift policy response, including confinement measures, have helped save lives and avoid a deeper crisis (Box 1). International support, including financial support through the Fund's Rapid Financing instrument (US$299.61 million) have also been critical in mitigating the impact of the pandemic. However, economic activity contracted, the external and fiscal positions deteriorated sharply, and public debt soared. The contraction in economic activity combined with the limited infrastructure to extend social support to households, and to firms, particularly in the informal sector, have pushed thousands of families into poverty (Annex II).[1] The authorities estimate that, as of February 2021, the crisis led to the loss of 12,000 private sector jobs. While the economy is showing incipient signs of recovery, the outlook remains very challenging and gross financing needs remain sizeable over the medium term.

3. **Against this backdrop, the authorities are requesting a new three-year Extended Arrangement to support the implementation of their 2021–23 Economic Recovery Strategy.**[2] The authorities' program aims at bolstering the country's response to the pandemic, reducing fiscal and public debt vulnerabilities, and fostering sustainable, green, and inclusive private sector-led growth. It features bold actions, including in the governance area, to reap the benefits from the mining and oil activities and increase non-oil revenue. These reforms supplemented by steps to improve expenditure composition and PFM will help reduce fiscal and debt risks and vulnerabilities while making room for additional development needs. Furthermore, the program will strengthen financial sector soundness, promote financial inclusion, and enhance the business environment. The new Extended Arrangement will help the country address protracted external and fiscal needs and support the broader CEMAC regional strategy reform agenda. The program would also catalyze donor support.

[1] A UNDP report estimated in June 2020 an increase in poverty of around 3.6 percentage points from the 33.4 percent of the population estimated by the household survey published by the World Bank in 2017.

[2] The authorities ERS can be accessed at https://directinfosgabon.com/wp-content/uploads/2021/03/PAT-2021-23_-vf2.pdf

Figure 1. Gabon: Developments from Last EFF Scenario, 2016–19



Sources: Gabonese authorities; and IMF staff estimates.

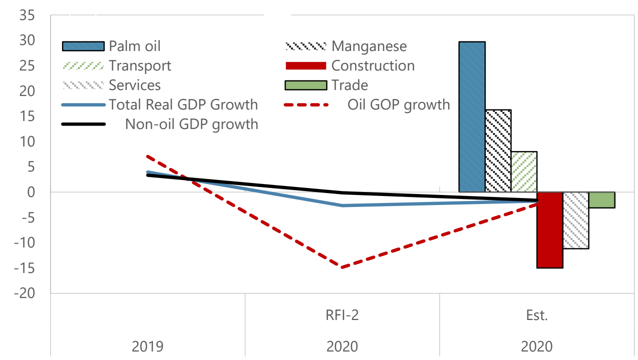
RECENT ECONOMIC DEVELOPMENTS

Confinement measures have helped save lives, but the pandemic and the fall in oil prices have severely hit the economy, increasing unemployment and poverty.

4. The COVID-19 pandemic and the fall in oil prices have weighed on the economy, but there are incipient signs of recovery in Q1 2021.

- *Growth.* Real GDP declined by 1.8 percent in 2020. Oil production declined by 1.2 percent due to partial compliance with OPEC quotas.[3] Despite a significant increase in manganese output (+24 percent), real non-oil GDP declined by 1.7 percent due to strong adverse impact of the lockdown on the service sector (-11 percent), notably on retail trade, and the restaurant industry (Text Figure 1). Available data suggest that the economy recovered in Q1 2021, buttressed by a booming mining and wood sectors. Relative to Q1 2020, the production of manganese and logging increased by 4 and 19 percent, respectively. During the same period, wood industries and manganese processing grew by 13 percent and 28 percent, respectively. Average inflation stood at 1.6 percent in May (y-o-y) reflecting higher food prices.

Text Figure 1. Gabon: Main Drivers of GDP Growth, 2019–20



Sources: Gabonese authorities; and IMF staff estimates.

- *Fiscal.* Total revenue declined by 20 percent due to lower oil prices, the recession and increased tax arrears related to cash flows constraints. Total expenditure increased slightly as additional Covid-related spending (0.9 percent of GDP) was almost offset by a weak execution in public investment and lower lending to other public entities (Text Table 1). Consequently, the overall balance turned from a surplus of 1.4 percent of GDP in 2019 to an estimated deficit of 2.1 percent in 2020.

Text Table 1. Gabon: Fiscal Impact of Covid-19

(Percent of Non-oil GDP, unless otherwise indicated)

	2019	2020 Prel.	Diffence Prel.
Non-oil revenue	17.8	14.4	-3.4
Grants	0.0	0.1	0.1
Current expenditure	21.4	22.5	1.1
Of which Covid-19 expenditure	0.0	0.7	0.7
Capital expenditure	4.4	3.8	-0.6
Of which Covid-19 expenditure	0.0	0.4	0.4
Net lending	1.1	-0.1	-1.2
Non-oil primary balance	-5.8	-7.4	-1.6
Oil revenue (percent of GDP)	7.6	6.8	-0.8
Overall balance (percent of GDP)	1.4	-2.1	-3.5

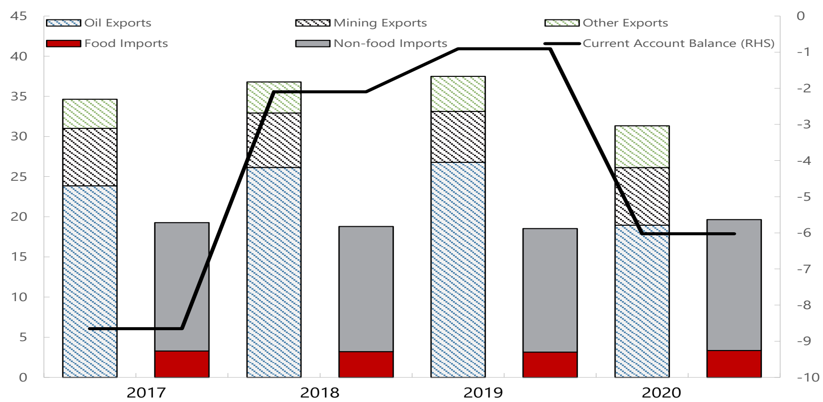
Sources: Gabonese authorities; and IMF staff estimates.

[3] A full compliance would have led to 21 percent decline in oil production (see IMF Country Report No. 20/267).

- *External*. The current account deficit widened significantly to an estimated 6 ppts. of GDP in 2020 mainly owing to a drop in oil and non-mining exports (Text Figure 2). Central bank's NFA declined by CFAF 154 billion, limiting Gabon's contribution to regional international reserves, which declined by $0.2 billion to $7,445 billion by end-2020. The external position of Gabon in 2020 was broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex III).

Text Figure 2. Gabon: Current Accounts Developments, 2017–20

(Percent of GDP)

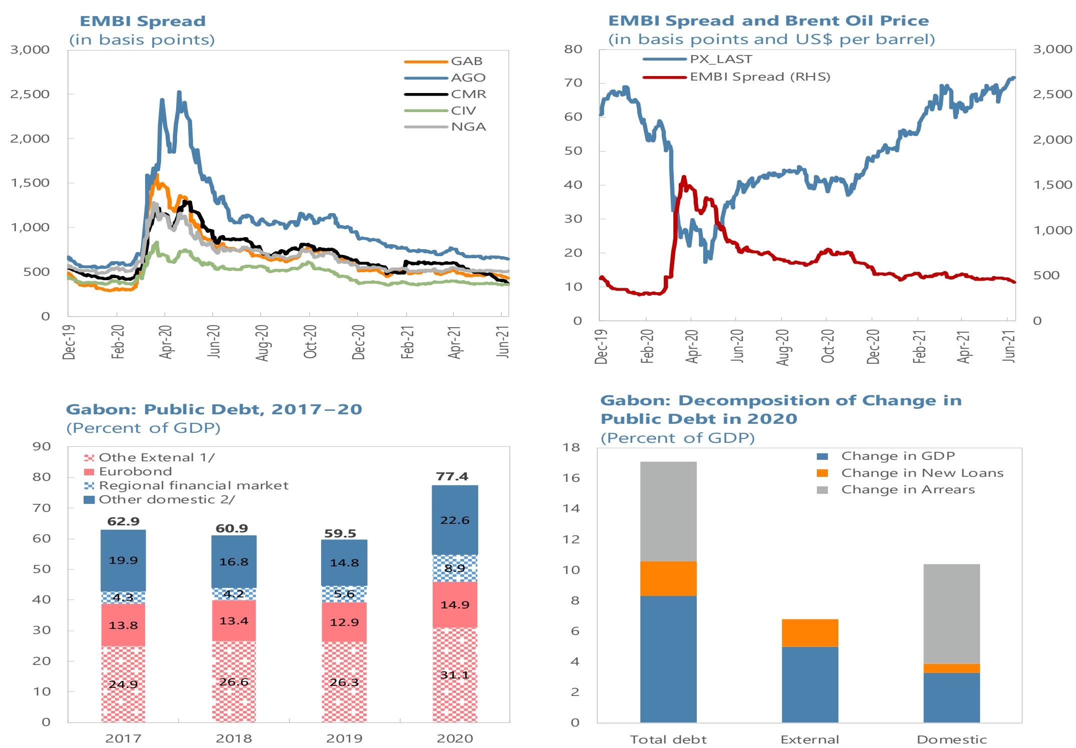


Sources: Gabonese authorities; and IMF staff estimates.

- *Public debt*. Public debt reached an estimated 77.4 percent of GDP in 2020 (Text Figure 3), reflecting predominantly lower GDP (almost half of the change in the debt-to-GDP ratio) and the inclusion of significant validated past domestic arrears (FCFA 575 billion, 6.5 percent of GDP). The pervious Extended Arrangement, in place through June 2020, helped sustain market sentiment and Gabon's market access, resulting in the issuance of $1 billion Eurobond in January 2020. Sovereign bond spreads for Gabon spiked from 350 basis points (bps) in January 2020 to 1500 bps in early April, before retreating to around 431 bps as of June 10, 2021, still above its pre-COVID level (Text Figure 3). Gabon has outstanding external arrears of CFAF 98 billion (US$182 million) as of end-May 2021 due mostly to sharp decline in oil revenues, shortfalls in budget support, and somewhat weak coordination between government agencies.

- *Banking sector*. All Gabonese banks were reportedly solvent and liquid at end-2020, with a solvency ratio close to 18 percent (minimum at 9.5 percent) and a short-term liquidity ratio above 160 percent (minimum at 100 percent). The recovery of the overall bank activity initiated in Q4 2020 continued through Q1 2021. Asset quality was reportedly stable with overdue loans and NPL ratio at 10 and 8 percent respectively, at the same level as at end-2019, reflecting temporary measures by COBAC (the regional supervisor) expected to end at end-2021, which allow banks to defer the reclassification of loans impacted by the pandemic into the NPL category. With the exit from these measures approaching, a deterioration in asset quality is expected to become visible in 2021 and 2022. However, with bank credit having contracted until Q3 2020 and restructured Covid-19-impacted loans being reportedly so-far duly serviced in their majority, a large wave of corporate defaults is deemed unlikely. Another notable development was the increase in banks' sovereign exposure, reaching almost a fifth of bank assets at end-2020, which is of concern as the country's debt level continues increasing. Good progress was made in strengthening the judicial capacity with the setup of the new commercial court dealing with credit disputes, now operating in Libreville with 15 judges and 8 bailiffs.

Text Figure 3. Gabon: Public Debt Developments, 2017–20



Sources: Bloomberg LP; Gabonese authorities; and IMF staff calculations.
1/ Includes bilateral, multilateral, and commercial loans (of which AFREXIM loan flows of CFAF 158.1 billion and CFAF 79 billion in 2018 and 2019, respectively).
2/ Includes banks, BEAC statutory advances, Budgetary float and VAT arrears, and T-bills.

OUTLOOK AND RISKS

The economy is expected to gradually recover although the outlook remains challenging and contingent on the pandemic path, effective rollout of the vaccines, and the implementation of structural reforms.

5. The baseline outlook envisages a gradual economic recovery.

- In 2021, activity in the service sector will remain subdued owing to containment measures to address the second wave of infections in Q1 2021. Nevertheless, non-oil real GDP is projected to recover by 2.7 percent on the back of continued expansion of production in manganese and wood (Text table 2). Thereafter, growth will pick up reflecting good prospects in the mining sector and strong momentum in the construction and services as supply chains return to normal and private consumption and public investment rebound. Growth over the medium term critically depends on the authorities' implementing policy commitments under the program, particularly high-quality fiscal consolidation, and structural reforms. Growth will also be supported by economic diversification efforts in the context of the 2021–23 Economic Recovery Strategy. Inflation would remain below 3 percent.

- The current account balance is projected to improve by 1.2 ppts of GDP in 2021 but will remain large at 5 percent of GDP, well above its pre-COVID-19 level. Exports will increase by 23.4 percent, reflecting higher oil and mining exports. At the same time, import would rebound by 5.6 percent. The authorities plan to issue new Eurobonds in 2021 to cover payments due during 2022–24 (and related issuance fees). In the medium term, the current account is expected to further strengthen due to planned fiscal consolidation and supported by the global economic recovery, booming mining sector and ongoing investments (including in the Special Economic Zone) to boost non-oil exports, particularly in the wood and agri-business sectors.

- The overall fiscal balance will improve gradually to turn to a surplus in 2023, reflecting envisaged reforms to strengthen domestic revenue collection and tighten control on low-priority spending. The projected fiscal consolidation and economic recovery would bring the debt-to-GDP ratio of the public sector gradually below 70 percent of GDP by 2024 and support the regional reserve position.

Text Table 2. Gabon: Key Economic Indicators, 2019–26

	2019	2020	2021	2022	2023	2024	2025	2026
		Est.			Proj.			
Real GDP growth	3.9	-1.8	1.5	3.9	3.2	3.4	3.4	3.5
Oil	7.0	-2.4	-4.3	8.8	-0.2	-0.2	-0.2	-0.2
Non-oil	3.3	-1.7	2.7	3.0	3.9	4.1	4.1	4.2
Inflation (eop, y-o-y)	1.0	1.6	2.0	2.0	2.0	2.0	2.0	2.0
Overall fical balance (cash-basis, in percent of GDP)	0.8	-2.5	-3.5	-0.3	0.4	1.1	1.7	2.2
Non-oil primary fiscal balance (in percent of non-oil GDP)	-5.8	-7.4	-7.1	-4.9	-3.4	-2.6	-2.1	-1.1
Current account balance (in percent of GDP)	-0.9	-6.0	-4.8	-2.9	-2.9	-2.5	-2.0	-1.8
Public debt (in percent of GDP)	59.8	77.4	74.7	72.2	70.1	66.8	62.3	56.7
External	39.2	46.0	44.4	44.4	45.3	45.1	43.0	39.5
Domestic	20.6	31.4	30.4	27.8	24.8	21.7	19.3	17.3

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

6. **Risks to the outlook remain high and tilted to the downside (RAM, Annex IV).** Further infection waves in Gabon or elsewhere could derail the recovery by requiring additional confinement

measures with adverse impact on external demand. Slower vaccine rollout and long-lasting effects of the pandemic on human capital and investment could slow the recovery. Other downside risks include weak reform implementation, and lower oil prices. Lower oil prices would deteriorate the fiscal and external positions, increase gross financing needs and public debt, requiring a greater fiscal effort. Upside risks include a faster global recovery from the pandemic and higher international oil prices. The authorities are committed to save at least 50 percent of revenue windfalls in support of BEAC reserves, use up to CFAF 15 billion (0.2 percent of nonoil GDP) for critical investment, including to strengthen the health infrastructure, and use the remainder to support the private sector, including through faster clearance of domestic arrears. The latter would also buttress financial stability and have confidence boosting effects.

NEW EFF-SUPPORTED PROGRAM: OBJECTIVE AND POLICIES

7. **The authorities' reform agenda—which is described in the authorities' Letter of Intent and Memorandum of Economic and Financial Policies (MEFP)** is anchored by five key pillars: (i) achieving a fiscal consolidation to enhance debt sustainability while protecting growth, the environment, and the most vulnerable segments of the population; (ii) improving the fiscal framework and management; (iii) strengthening public debt management; (iv) enhancing financial sector stability and inclusion; and (v) improving governance and advancing the fight against corruption while promoting a friendly business climate.

A. Fiscal Policy—Navigating the Pandemic and Securing a Healthy Recovery

Protecting lives and livelihoods is the top immediate priority, but when the pandemic abates, an ambitious growth-friendly fiscal consolidation should resume to support the recovery and enhance debt sustainability.

8. **Raising necessary social and infrastructure spending while preserving debt sustainability is at the heart of the authorities' program.** Meeting this challenge will require prudent fiscal policy and robust fiscal transparency and governance to enhance domestic resource collection, and improve public resource and debt management.

9. **Fiscal policy will be guided by the non-oil primary balance (NOPB) and anchored by a medium-term debt target.** The key objective is to reduce public debt to below 60 percent of GDP (pre-Covid19 level) in 2026. Consistent with this objective, the program targets an adjustment in the NOPB of 3.9 ppts of NOGDP over 2021–23, implying an improvement in the overall balance of about 2.5 ppts of GDP. The 2021 revised budget (Text Table 3) appropriately targets a mildly contractionary fiscal stance of 0.3 ppt of NOGDP to account for continued measures to protect lives and livelihood (1 percent of NOGDP), including the cost for vaccine (0.2 percent of NOGDP). Once the pandemic abates, the authorities should implement a more ambitious fiscal consolidation

to reduce the non-oil primary fiscal deficit below 3 percent of NOGDP by 2024 while increasing investment and social spending (Text Table 4).

Text Table 3. Gabon: Fiscal Projections in 2021

	2021		2021 1/	
	Budget	Rev. Budget	Budget	Rev. Budget
	(Billions of CFAF)		(Percent of nonoil GDP)	
Non-oil revenue	1,341.6	1,113.4	19.4	15.7
Tax revenue	1,268.8	1,038.9	18.4	14.7
Of which earmarked revenue	160.8	167.9	2.3	2.4
Non-tax revenue	72.8	74.5	1.1	1.1
Grants	38.9	55.0	0.6	0.8
Total expenditure and net lending	2,013.9	1,961.2	29.2	27.7
Primary current expenditure	1,096.8	1,162.1	15.9	16.4
Of which Covid-19 spending	3.5	59.8	0.1	0.8
Interest payments	273	294.0	4.0	4.2
Capital expenditure	483.4	337.3	7.0	4.8
Expenditure corresponding to earmarked revenue	160.8	167.9	2.3	2.4
Special accounts and Road Fund	0.0	0.0	0.0	0.0
Non-oil primary balance	-360.5	-498.8	-5.2	-7.1
Oil revenue	475.8	482.6	5.0	5.0
Overall balance (cash basis)	-158.7	-335.7	-1.7	-3.5

Sources: Gabonese authorities; and IMF staff estimates and projections.
1/ Oil revenue and overall balance are in percent of GDP.

Text Table 4. Gabon: Key Fiscal Assumptions, 2021–23
(Change from previous year, in ppts of non-oil GDP)

	2021	2022	2023	Cumulative 2021–2023
	Projections			
Non-oil revenue	1.4	1.2	0.6	3.2
Tax revenue	1.5	1.2	0.8	3.5
Non-Tax revenue	-0.1	0.0	-0.2	-0.4
Total expenditure and net lending	1.4	-2.3	-0.4	-1.3
Current expenditure	-2.1	-2.2	-0.1	-4.4
Capital expenditure and net lending	1.2	0.1	-0.3	1.0
Non-oil primary balance	0.3	2.1	1.5	3.9
Overall balance (commitment basis, pecent of GDP)	-1.1	2.8	0.8	2.5

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

10. **Bolstering non-oil revenue.** A list of measures to rationalize tax expenditure — estimated at 7 percent of NOGDP in 2017, will be implemented over the program period, starting in the revised 2021 budget (Box 2). The cumulative fiscal impact is expected to reach 3.1% of NOGDP in 2023 (Text Table 5). In addition, the scope of exemptions will be limited in the future through the operationalization of a revamped "Tax exemption committee" and the prohibition of exemption provisions outside the budget law (MEFP ¶23). The implied customs tariff rate gradual increases are to bring Gabon's tariffs into line with the CEMAC common external tariff (CET) as implementation of the CET by Gabon has been mixed. The authorities will also implement the single property tax along with a property titles reform (MEFP ¶30). Increased efforts will be dedicated to collect tax arrears (MEFP ¶25) and strengthen revenue administration, including (i) the roll-out of new IT systems; (ii) the promotion of digitalization; (iii) the full registration of all tax-

Text Table 5. Gabon: Tax Revenue Measures and Estimated Yield, 2021–23
(Percent of non-oil GDP; Cumulative)

Measures	2021	2021-22	2021–23
Streamline exemptions	0.0	1.0	1.8
VAT exemptions 1/	0.0	0.4	0.6
Customs exemptions 2/	0.0	0.3	0.8
CIT revenues exemptions 3/	0.0	0.3	0.4
Enhancing tax administration	0.1	0.6	1.0
Taxes on international trade and transactions	0.0	0.1	0.1
VAT collection	0.1	0.3	0.5
Personal income tax	0.0	0.1	0.3
Corporate income tax	0.0	0.1	0.1
New taxes on foreigners (2021 budget law)	0.4	0.4	0.4
Total	0.5	2.0	3.1

Sources: Gabonese authorities; and IMF staff estimates and projections.
1/ Estimated by IMFTA experts at 2.9 percent of non-oil GDP in 2017.
2/ Estimated by IMF TA experts at 2.8 percent of non-oil GDP in 2017.
3/ Estimated by IMF TA experts at 1.4 percent of non-oil GDP in 2017.

payers; (iv) the increase of joint controls customs-tax offices; and (v) a more systematic follow-up on tax-payer obligations compliance, especially those benefiting from exemptions (MEFP ¶25, 26 & 27).

11. Addressing governance in the extractive sector for higher oil revenue. The authorities will submit a membership application to the Extractive Industries Transparency Initiative (EITI) by September 2021 (MEFP ¶19) and implement all the obligations that membership entails in terms of disclosure of information (Box 3). They will strengthen transparency, governance and the management in the two public entities involved in the oil sector (Gabon Oil Company and the refinery SOGARA), including by addressing inefficiencies identified by the recently-completed independent audits of the two companies (MEFP ¶20 & 49). Lastly, the authorities committed to channel all oil revenue through the Treasury Single Account (TSA) (MEFP ¶18) and publish estimates for natural resources reserves (MEFP ¶20), following the recommendations of the fiscal risk evaluation report.[4]

12. Rationalizing nonpriority expenditure. The results of the recently completed biometric census of all civil servants will help streamline the payroll. Equally important will be the planned strengthening of the recruitment process (MEFP ¶31). Streamlining public entities will also concur to stronger service delivery and reduce transfers in the medium-term. After analyzing their financial situation, a task force is expected to deliver by end-September 2021 a first list of public entities to close and recommend measures to improve governance and financial management (cost reduction and revenue enhancement measures) for those to retain under state ownership (MEFP ¶32). These actions will help the authorities achieve their objective of keeping the wage bill broadly constant in nominal terms.[5]

13. Ensuring efficiency in public investment. In line with the 2019 Public Investment Management Assessment (PIMA) recommendations, the authorities are committed to carry on the modernization and strengthening of public investment management (MEFP ¶36). This will help strengthen project design and preparation, execution, reporting and control, and improving procurement practices.

14. Strengthening Public Finance Management. This entails actions for stronger cash management including through (i) the finalization of a full-fledged Treasury Single Account (TSA),[6] (ii) the reform of the VAT escrow account ; and (iii) the implementation of treasury and cash management plans fully articulated with the IT system (MEFP ¶38). An enhanced coverage and an automated interfacing of the budget, Treasury, and revenue administrations IT systems is also pivotal (MEFP ¶38). Finally, the authorities committed to continue the implementation of the expenditure regulation mechanism set up under the previous program.

[4] Technical assistance report, *Improving fiscal risks management*, IMF, 2021.

[5] In their 2021-23 ERS, the authorities plan to keep the wage bill below FCFA 700 billion over the medium term (the wage bill stood at CFAF 683.5 billion in 2020).

[6] This reform was initiated under the previous program has experienced some delays, notably due to the role of the Central bank (BEAC).

15. Enhancing fiscal transparency. The authorities will continue to display the flows on earmarked revenues and strongly monitor special accounts (Box 4) (MEFP ¶35). Commendable actions to strengthen transparency will also be implemented, including: (i) the continuation and completion of quarterly budget execution reports; (ii) the extension of information and documents available to the public; (iii) the diminution of direct tenders; and (iv) the disclosure of all expenditure and measures carried out in the context of the fight against COVID-19 as agreed in the letter of intent under the two RFIs (MEFP ¶39). In addition, a full transition to the GFSM 2001/2014 will be achieved by the end of the program (MEFP ¶40).

16. Monitoring fiscal risks. Based on the findings and recommendations of the 2021 IMF fiscal risk assessment mission, the authorities will include a full-fledged fiscal risks statement in the FY2022 budget law documentation (MEFP ¶50). They will also complete the coverage of budgetary and financial reports to encompass the impact of all potential risks (e.g., assets and liabilities, guarantees, PPPs, SOEs) (MEFP ¶51).

17. Enhancing SOEs and public agencies governance. The authorities will (i) update the legal framework governing State/SOEs relationships (MEFP ¶50); and (ii) request SOEs to publish annual reports in line with best corporate practices. Other cross-cutting actions to strengthen control and governance over the public entities aim at (i) including a full-fledged annex on public sector in the FY22 budget law documentation (MEFP ¶51); and (ii) expanding the coverage of fiscal reports to include all public entities in line with CEMAC directives provisions.

18. Improving social safety nets. The crisis has reinforced the need for stronger social protection. Consequently, the authorities are working with the World Bank to update the database of the poor "Economically Weak Gabonese" and enhance social safety nets (MEFP ¶59). Meanwhile, the authorities will continue to adequately fund family and social protection spending (MEFP ¶58).

19. The Fund-supported program will also support transition to green economy, with a focus on tax measures and choice of public investment. The authorities, with IMF TA, will (i) analyze the impact of environment-friendly taxation and identify revenues and legal aspects to be modified, including through using the IMF carbon pricing assessment tool to explore the policy options for achieving Gabon's mitigation pledges; and (ii) evaluate public investments following the PIMA-CC framework to identify climate and environment related risks and issues. This analysis will provide inputs for the following program review (MEFP ¶66).

Preserving Debt Sustainability and Strengthening Public Debt Management

Public debt remains sustainable, but risks are high and have risen lately as evidenced by the recent accumulation of arrears. Gross financing needs are expected to remain elevated in the medium term, involving significant risks to fiscal and debt sustainability.

20. The debt sustainability analysis (DSA) shows that Gabon's public debt remains sustainable, but risks are high and have risen lately as evidenced by the recent accumulation of arrears (Annex V). Absent adverse shocks or slippages, the envisaged fiscal consolidation will be sufficient to put debt on a firm downward path. However, financing needs and debt service will remain high in the medium term, limiting fiscal space and highlighting rollover risks.

- *External debt*. The issuance of new Eurobonds in 2021 will help alleviate gross financing needs and liquidity pressures in the medium term and reduce refinancing risks related to large Eurobond repayments over 2022–25. The authorities are also committed to clear the bulk of recently accumulated external arrears either before program approval or before the first review (¶31 and MEFP ¶45) and to further enhancing coordination between the debt unit and other stakeholders (e.g., Treasury) for efficient debt management procedures, including to avoid the accumulation of external arrears (MEFP ¶44). Prospects of maintaining market access would weaken if Gabon maintained a substantial stock of external arrears. In addition, the country can lose access to project finance as a significant part of foreign-financed capital expenditures are financed by commercial banks.

- *Domestic debt*. The authorities have updated the level of debt stock and prepared a tentative clearance plan for implementation starting in 2021 (MEFP ¶46 & 47). The tentative clearance plan is reflected in the macroeconomic framework. The authorities also agreed on the necessity to identify and audit some remaining domestic arrears (e.g., social sectors, public enterprises, public wages) and to design a related clearance strategy. To avoid future arrears accumulation over the program period a budgetary float ceiling will be set and a mechanism to closely monitor incurred expenditure and pending payments will be put in place (MEFP ¶48). The above-mentioned cash management reforms (¶14) will also strongly contribute to avoid new arrears accumulation.

B. Financial Sector Soundness and Financial Inclusion

Focus will be on addressing weaknesses in the banking sector and public financial institutions, and promoting the development of a financial sector that can support a more inclusive growth.

21. Strengthening the financial sector soundness. The COBAC took temporary prudential measures set to last until end-2021 to ease the impact of the crisis on reported asset quality and bank solvency. The COBAC is analyzing the conditions based on ad-hoc credit and liquidity reporting from banks and developing a strategy for a smooth exit from the temporary measures. The authorities are determined to monitor bank solvency and liquidity developments of the financial sector and support COBAC's efforts to strengthen the soundness and the regulatory compliance of the banking sector. They will update the strategy to reduce overdue loans in 2021, including by further strengthening judiciary capacity, and complete the liquidation of the three public banks by mid-2022.

22. Broadening the investor base for sovereign bonds. Gabonese banks have accumulated over one fifth of their assets in sovereign exposure. So far, banks buy 95 percent of government debt in CEMAC. Staff encourage the authorities to work closely with BEAC to develop and implement a strategy to broaden the investor base for sovereign bonds and actively reduce the sovereign banks nexus, including by enforcing existing regulations on government bond holdings by primary dealers.

23. Strengthening the governance and transparency of public financial institutions. Weaknesses identified in the governance, investment management, and financial integrity of Caisse des Dépôts et Consignations (CDC), the Gabonese sovereign wealth Fund (FSRG) and its asset manager (FGIS) will be addressed. Prudent strategies will be developed for both institutions that will be consistent with the country's accelerated growth strategy. Further reforms will be implemented including *inter alia* to strengthen financial transparency, adopt an autonomous financing of FGIS that does not undermine the profitability of FSRG, as well as audit participations with the objective of selling the non-strategic ones.

24. Promoting national financial inclusion. While improving, financial inclusion remains weak with only 34 percent of the population having an account at a financial institution, far below Gabon's income comparators. Staff encourages the authorities to adopt a national financial inclusion strategy, in line with the regional strategy, to facilitate and improve access to finance and payment services.

C. Structural Reforms

The business and investment climate remains poor, including due to endemic corruption and weak property rights. Focus will be on completing the cadaster and property register and strengthening the anti-corruption framework.

25. Improving governance and strengthening the anticorruption framework. The authorities will join the EITI to foster transparency in the oil and mining sectors. They have also completed the audits of four major SOEs and are improving fiscal governance and transparency. Other key reforms are related to the COVID-19 expenditure, public procurement, and the anti-corruption framework.

- *COVID-19 expenditure*. In line with the commitments in the Letters of Intent (LOIs) appended to Gabon's 2020 RFI Purchase requests, measures include the (i) publication on-line of the full text of all COVID-19-related procurement contracts concluded as of April 2021 along with the names and nationalities of the beneficial owners of the awarded legal persons; (ii) publication on the government website of the results of the audit for all COVID-19 related expenditures. Some COVID-19 procurement contracts have been published on the government website. However, beneficiary ownership information is not available. The authorities have set up a team to accelerate the publication of all relevant Covid-19 related contracts and expect to publish all contracts prior to the Board approval of the proposed Extended Arrangement. They will also develop, with IMF TA, a framework for the collection and publication of beneficial ownership information in procurement processes.
  The authorities have launched the audit for all COVID-19 related expenditures. The results of the audit are expected to be published in September 2021.

- *Public procurement.* Make publicly available comprehensive information on public tenders in line with the 2018 Public Procurement Code.
- *Asset declaration.* Strengthening the asset declaration regime for public officials by (i) increasing the capacity of the Commission to Combat Illicit Enrichment; and (ii) amending the legal framework to bring it into alignment with the applicable international good practices, including by ensuring the on-line publication of completed declarations.

26. Completing the cadaster and property register and delivering property titles. This measure will enhance investor confidence, promote private investment including in construction and housing, and facilitate the implementation of a fair and effective property tax system.

PROGRAM DESIGN, FINANCING, AND RISKS

27. Access. Access under the Extended Arrangement is proposed to be at 180 percent of quota, or SDR 388.8 million. Given pressing balance of payments needs due to the pandemic and assumed access to capital markets, it is proposed that financing from the EFF be used for budget support, while fiscal consolidation efforts advance to support debt sustainability and reduce external financing needs (Text Table 6). As normally the case for currency union members, the EFF purchase will be on-lent to the government via the Central Bank to help mitigate the impact of the pandemic and support the reform agenda. A three-year Extended Arrangement would be appropriate given (i) the acute impact of the pandemic on the fiscal and external accounts- with a significant decline in oil and non-mining exports and revenues; and (ii) the protracted need for a broad adjustment and reform agenda to reduce structural domestic and external imbalances, rekindle non-oil growth and increase living standards on a sustainable footing. Significant frontloading is proposed, with the first two purchases totaling 75 percent of quota, ensuring the sufficient financing of the external financing needs in 2021, which will also make it possible to finance the budget under the program baseline amid limited margin for additional domestic financing. Incentives for policy measures in later years will remain high, with strong ownership by the authorities who have emphasized the importance of program engagement with the IMF and its catalytic role for external project and budget support.

Text Table 6. Gabon: External Financing Requirements, 2021–24
(Billions of CFAF)

	2021	2022	2023	2024	Total prog. period
Financing Needs	**860**	**382**	**309**	**185**	**1736**
Current account balance (excl. official transfers)	461	294	298	271	1324
Private capital and financial flows	-236	-127	-206	-326	-896
Amortization of public loans (excl. IMF) 1/	635	215	218	240	1307
Financing Sources	**734**	**328**	**255**	**117**	**1434**
Official loans	212	281	251	191	935
Project loans	172	191	165	191	719
Budgetary loans	40	90	86	0	216
AFDB	40	65	66	0	171
France	0	25	20	0	45
Portfolio investment public	495	0	0	0	495
NFA central bank (excl. IMF)	32	65	72	59	228
IMF transactions	-5	-18	-68	-133	-224
Residual Gap	**126**	**54**	**54**	**67**	**302**
Proposed Extended Arrangement	126	54	54	67	302

Sources: Gabonese authorities; and IMF staff estimates and projections.
1/ Amortization in 2021 includes repayment of Eurobond.

28. Financing assurances and donor support. The projected financing gaps for the period 2021–24 amounts to 5.1 percent of GDP and the IMF is expected to provide financing of 3 percent of GDP, contributing about 58 percent of exceptional financing.[7] The rest of the financing gap will be covered by budgetary support from the African Development Bank and France. There are indications that other partners such as BADEA could also provide budget support to Gabon. The World Bank may also provide budget support if a strong reform program can be agreed upon with the government. Should additional financing become available this year, the authorities would not use it to raise the deficit but rather build deposits or change the composition of financing. The program is fully financed, with firm commitments for financing for the next 12 months, and good prospects for the remainder of the program.

29. Program conditionality. The program will be monitored in semiannual reviews (Table 8) through quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) (MEFP, Tables 1–2). The PCs are set on the primary fiscal balance (excluding oil revenue; payment order basis), net domestic financing of the central government, central bank net claims on central government (excluding use of IMF credit), on contracting or guaranteeing of external debt, and non-accumulation of new external arrears. The ITs are set on the net reduction in the stock of domestic arrears, tax revenues (excluding oil revenue), and critical social spending programs. The PCs and ITs are defined in the TMU. The program also includes adjustors to PCs to deal with fluctuations in oil revenues and budget support, and save oil revenue windfalls.

30. Contingency measures, should revenues and/or growth disappoint. In case an adverse scenario materializes (with lower oil prices, economic growth and government revenue, and financing), the macro framework and fiscal program would be revised by ensuring full adherence to the existing automatic spending adjustment mechanism, reprioritizing low-priority expenditure, slowing down the pace of domestic arrears clearance, accelerating the phasing-out of tax expenditure, and monetizing some government assets guided by ongoing audits of major public companies. Other option could include reducing lower-priority investments,[8] which would likely affect the pace of recovery, while preserving social spending, and considering potential higher access to regional and international markets. Gabon is expected to receive a new SDR allocation of about SDR 216 million (CFAF 168.1 billion or 1.75 percent of GDP) in 2021 which has not been included in the macroeconomic framework. Staff and the authorities agreed to discuss the use of the proposed new SDR allocation at the time of the first review (MEFP ¶45). The program includes adjustors to deal with oil price volatility and the new SDR's allocation in 2021.

[7] The IMF contributed 28 percent of the financing gap (15.3 percent of GDP) projected for the period 2017–20 at the agreement of the last EFF.

[8] Given existing efficiency gaps, the authorities could consider keeping investments with high return and reprofiling others.

31. External arrears. The authorities are committed to clear arrears towards the AfDB, BDEAC, IsDB and also intend to clear insured commercial arrears prior to the Board approval of the proposed Extended Arrangement (MEFP ¶46). They have also indicated their intention to resolve about CFAF 34.01 billion (Text Table 7) owed to China, which has been contacted and provided consent to this approach. Any remaining bilateral arrears should be cleared as soon as possible and prior to the first review of the Extended Arrangement (MEFP ¶45). Gabon also has external arrears to commercial creditors (CFAF 40.26 billion). 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.

Text Table 7. Gabon: External Arrears in 2021

Creditor	Stock at end-May 2021 Billion CFAF	Million US$
All	98.03	182.10
Afican Development Bank (AfDB)	0.16	0.29
Central African States Development Bank (BDEAC)	11.36	21.11
Islamic Development Bank (IsDB)	12.25	22.76
Bilateral	34.01	63.17
China	34.01	63.17
Commercial	40.26	74.78
Austria	15.54	28.87
Spain	0.09	0.17
France	12.57	23.34
Israel	2.23	4.13
China	1.30	2.42
Morocco	1.01	1.87
AFREXIMBANK	7.52	13.97

Source: Gabonese authorities.

32. Capacity to repay. Gabon's capacity to repay the Fund is expected to be adequate but subject to high risks. The total amount of outstanding credit from the Fund, including the disbursement related to the envisaged Extended Arrangement will amount to 345.9 percent of quota in 2021 and peak at 367.4 percent of quota in 2022. Outstanding obligations to the Fund based on existing and prospective drawings would peak at 6.0 percent of GDP and 15.5 percent of exports of goods and services in 2021. Obligations relative to imputed international reserves to Gabon will peak at 408.4 percent in 2021. However, Gabon relies on the regional pool of the CEMAC region, which is larger although the decline in oil prices presents a common shock to the oil exporting CEMAC region. Increased risks to debt sustainability, including elevated gross financing needs, debt profile risks, and susceptibilities to commodity price shocks represent vulnerabilities to the capacity to repay.

33. Safeguards assessment. The BEAC has implemented the priority recommendations from the 2017 safeguards assessment. In particular, the alignment of the BEAC's secondary legal instruments with its Charter was concluded, and BEAC has issued its FY 2019 audited financial statements in full compliance with IFRS. Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, an update safeguards assessment of the BEAC is expected to be conducted.

34. Policy assurances. BEAC has provided updated policy assurances on end-June 2021 and end-December 2021 NFAs. In its follow-up letter of policy support, BEAC reiterated its commitment to an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to underpin an external reserves build-up, including through an increase in its policy rate if reserves were to fall markedly again. As part of corrective actions to support the reserve position, BEAC will (i) adapt liquidity management and re-introduce liquidity absorptions to reduce excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (ii) discontinue its public securities purchase program in September 2021. BEAC will also continue to work towards effective implementation of the foreign exchange regulation by finalizing adaptations for the extractive sector by end-2021. The regional assurances on regional NFAs are critical for the success of Gabon's program and will help bolster the region's external sustainability.

35. Capacity development and technical assistance. Staff and the authorities agreed on a capacity development strategy for the next three years. The strategy defines a set of milestones and outcomes related to the CD strategy, including actions by the authorities to achieve the agreed goals (Annex VI). To support the authorities' policy priorities, Fund TA will continue to focus on tax administration and policy; PFM, notably cash management, budget execution, budget credibility and reporting, and financial information system; debt management; financial sector; and macroeconomic statistics. TA will also support the authorities' engagement in the transition to green economy, which will have an impact on tax policy and public investment.

36. Risks to program success. There are notable risks to the new program. The outlook is subject to high uncertainty, and program implementation could be slowed down given the unfolding impact of the pandemic, and capacity challenges. Weaknesses in institutional capacity, including a tendency for overcommitment evidenced during the 2017 Extended Arrangement, and a fragmented political landscape ahead of the presidential elections in 2023 could be another challenging environment for reforms. These risks are mitigated by the authorities' commitment to decisive policy response in case of a more severe crisis, close engagement with the authorities and donors, a tailored CD strategy to support the implementation of structural reforms, and contingency planning.

STAFF APPRAISAL

37. The COVID-19 pandemic has taken a toll on the economy and amplified pre-crisis macro-structural and social challenges. The authorities' swift and comprehensive response helped contain the spread of the virus and the number of related deaths. However, the contraction in economic activity jointly with the limited infrastructure to support households and firms have increased unemployment and poverty.

38. The economy is showing incipient signs of recovery, but the economic outlook remains challenging. Growth is expected to resume in 2021 but the economic outlook is contingent on the pandemic path, the effective rollout of the vaccines, and the implementation of structural reforms. Staff welcomes the authorities' actions to accelerate the vaccination program and inoculate 27.1 percent of the population by the end-2021.

39. The Fund-supported program aims at bolstering the country's response to the pandemic and fostering sustainable, green, and inclusive private sector-led growth. The overriding priority remains saving lives and livelihoods. As the crisis abates, it will be particularly important to accelerate reforms to reduce fiscal and debt vulnerabilities, enhance governance and anti-corruption efforts and promote private investment.

40. The authorities' commitment to a growth-friendly fiscal consolidation will be crucial for rebuilding fiscal and external buffers. The authorities' 2021 revised budget rightly maintains support to fight the COVID-19 pandemic, implying a modestly contractionary fiscal stance of 0.3 ppt of NOGDP. Once the recovery is on a solid footing, a more ambitious fiscal consolidation will be needed to reduce public debt levels and vulnerabilities while rebuilding space for much needed investment and social spending.

41. Governance and fiscal reforms are essential for a sustained fiscal consolidation effort. Staff welcomes the authorities' efforts to improve transparency in the extractive sectors and enhance non-oil revenue mobilization and spending efficiency. They should continue to rationalize current spending, including the wage bill, redirect resources towards much needed social and public investment outlays, and improve public investment management. The authorities should also continue to monitor fiscal risks by expanding the Fiscal Risk Statement and accelerating SOE governance reform.

42. Adequate social spending and a stronger social safety net are key priorities for the Fund-supported program. Staff encourages the authorities to continue working with the World Bank to rapidly update the database of the poor "Economically Weak Gabonese" and design better targeted social safety nets to enhance resilience to shocks. Reducing SOEs transfers and generalized transfers (provided through tax exemptions) will help create space for expanding social safety nets.

43. Advancing the structural reform agenda will also be essential to sustain a durable and inclusive recovery. Enhancing the banking sector and financial inclusion, completing the cadaster and property register and strengthening the anti-corruption framework would address some longstanding bottlenecks in the economy and promote private investment and inclusive growth.

44. Based on the strength of the program, corrective action taken by BEAC and policy assurances contained in the 2021 union-wide background paper, staff supports the authorities' request for a 36-month Extended Arrangement under the EFF in the amount of 180 percent of quota. Staff proposes that completion of the first review under the Extended Arrangement be conditional on the implementation of critical policy assurances at the union level, as established in the June 2021 union-wide background paper. Program implementation will be challenging given the uncertainty surrounding the Covid-19 pandemic and oil prices, institutional capacity weaknesses and a fragmented political landscape ahead of the presidential elections in 2023. Gabon's capacity to repay the Fund is expected to be adequate but subject to high risks.

These risks are mitigated by the authorities' strong ownership of the reform agenda demonstrated by important policy measures already undertaken in the 2021 revised budget, and a tailored CD strategy to support the implementation of structural reforms. Better coordination within the public administration and across public agencies both at the policy and technical level is also critical to ensure an effective and timely implementation of the reform agenda.

Table 1. Gabon: Selected Economic Indicators, 2018–26

	2018	2019	2020			2021	2022	2023	2024	2025	2026
	Est..	Prel.	Fourth & Fifth Rev. 1/	RFI-2 2/	Proj.	Proj.					
				(Annual percent change, unless otherwise indicated)							
Real sector											
GDP at constant prices	0.8	3.9	3.8	-2.7	-1.8	1.5	3.9	3.2	3.4	3.4	3.5
Oil	-2.4	7.0	2.5	-14.9	-2.4	-4.3	8.8	-0.2	-0.2	-0.2	-0.2
o/w primary oil	-8.2	13.0	-2.7	-20.6	-1.2	-5.5	13.1	-1.0	-1.0	-1.0	-1.0
Non-oil	1.5	3.3	4.0	-0.1	-1.7	2.7	3.0	3.9	4.1	4.1	4.2
GDP deflator	7.2	1.6	0.2	-7.9	-9.2	7.6	0.4	-0.4	0.2	1.3	2.5
Oil	18.1	-1.1	-4.3	-21.4	-30.5	22.1	-5.2	-2.6	-1.0	-0.1	0.4
Primary oil	26.1	-5.4	-6.1	-35.7	-37.8	34.7	-7.4	-4.2	-2.3	-1.1	-0.3
Consumer prices											
Yearly average	4.8	2.0	3.0	3.0	1.3	2.0	2.0	2.0	2.0	2.0	2.0
End of period	6.3	1.0	3.0	3.0	1.6	2.0	2.0	2.0	2.0	2.0	2.0
External sector											
Exports, f.o.b.	14.8	7.5	0.6	-31.7	-25.5	23.4	5.8	1.0	1.2	2.2	2.2
Imports, f.o.b.	5.5	4.0	6.0	-4.9	-5.4	5.6	2.1	2.3	3.0	3.2	4.1
Terms of trade (deterioration= –)	16.3	-0.7	-7.2	-34.5	-31.4	20.6	-5.7	-3.7	-3.1	-2.0	-1.2
				(Percent of GDP, unless otherwise indicated)							
Overall fiscal balance (commitment basis)	-1.3	1.4	1.4	-5.4	-2.1	-3.2	-0.4	0.4	1.1	1.6	2.2
Primary fiscal balance (commitment basis)	1.1	3.6	3.7	-2.3	1.2	-0.2	2.2	3.4	4.1	4.6	5.1
Overall fiscal balance (cash basis)	-1.6	0.8	1.5	-5.4	-2.5	-3.5	-0.3	0.4	1.1	1.7	2.2
Non-oil primary balance (in percent of non-oil GDP)	-7.6	-5.8	-4.2	-8.9	-7.4	-7.1	-4.9	-3.4	-2.6	-2.1	-1.1
Non-oil primary basic balance (in percent of non-oil GDP) 3/	-5.0	-4.2	-0.4	-5.7	-6.1	-3.0	-0.2	0.8	1.7	2.1	3.1
Gross government deposits in BEAC	3.4	2.3	7.1	2.6	2.4	2.4	2.5	2.9	3.0	3.1	3.2
Total public debt 4/	60.6	59.8	55.6	74.7	77.4	74.7	72.2	70.1	66.8	62.3	56.7
External public debt (including to the IMF)	40.0	39.2	42.3	50.6	46.0	44.4	44.4	45.3	45.1	43.0	39.5
Domestic public debt	20.6	20.6	13.3	24.1	31.4	30.4	27.8	24.8	21.7	19.3	17.3
o/w statutory advances from BEAC	4.8	4.6	4.4	5.1	5.1	4.7	4.0	3.4	2.8	2.3	1.7
				(Percent change, unless otherwise indicated)							
Money and credit											
Credit to the economy	6.2	2.2	11.2	-6.5	5.4	6.2	7.0	...	...	...	...
Broad money	15.7	1.2	16.0	5.0	7.1	11.7	12.4	...	...	...	...
Velocity ratio of Non-oil GDP over broad money	2.8	2.8	2.6	2.8	2.6	2.7	2.5	...	...	...	...
				(Percent of GDP, unless otherwise indicated)							
Gross national savings	27.0	31.1	31.4	21.6	25.6	25.5	28.5	27.2	26.5	27.2	27.6
Gross fixed investment	29.1	32.0	33.4	31.0	31.6	30.3	31.4	30.1	29.0	29.2	29.4
o/w private	26.5	29.2	28.4	26.7	28.9	26.8	27.8	26.6	25.2	25.2	25.3
public	2.6	2.8	5.0	4.3	2.7	3.5	3.6	3.5	3.8	4.0	4.1
Current account balance	-2.1	-0.9	-2.0	-9.5	-6.0	-4.8	-2.9	-2.9	-2.5	-2.0	-1.8
excl. large agri-industry projects 5/	0.7	1.8	0.7	-6.4	-3.3	-2.8	-1.5	-1.5	-1.4	-0.8	-0.6
CEMAC Foreign Reserves											
(US$ billions, end-of-period)	6.6	7.4	10.5	7.2	8.5						
(in months of extrazone imports)	2.7	3.6	4.1	3.4	3.3						
				(CFA francs billion, unless otherwise indicated)							
Memorandum items											
Nominal GDP	9,369	9,887	10332.2	8,860	8,816	9,632	10,043	10,327	10,700	11,213	11,901
Nominal non-oil GDP	6,319	6,657	7180.5	6,698	6,625	7,072	7,405	7,762	8,164	8,683	9,365
National currency per U.S. Dollar (average)	555	586	..	..	575	..	..	..	..	..	..
Oil prices (Brent, U.S. Dollar/BBL)	71	64	60	41	42	60	56	54	53	52	52

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement Under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).
2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).
3/ Excludes foreign financed capital expenditures.
4/ Starting in 2016, data series include the stock of domestic arrears.
5/ Current account excluding net trade changes related to large direct investment in the agri-industry sector.

Table 2. Gabon: Balance of Payments, 2018–26

	2018	2019	2020			2021	2022	2023	2024	2025	2026
	Est.	Prel.	Fourth & Fifth Rev. 1/	RFI-2 2/	Proj.			Proj.			
						(Billions of CFAF)					
Current account	-196	-89	-209	-839	-531	-461	-294	-298	-271	-221	-217
Goods (net)	1,686	1,874	2,111	1,075	1,030	1,580	1,738	1,732	1,718	1,736	1,736
Export of goods (fob)	3,446	3,706	3,986	2,777	2,762	3,409	3,605	3,642	3,685	3,766	3,849
Hydrocarbons	2,449	2,648	2,389	1,370	1,670	2,117	2,216	2,104	2,035	1,994	1,968
Timber	315	380	419	272	377	411	429	471	516	567	596
Manganese	636	628	846	861	634	774	827	914	964	1,017	1,073
Other	46	51	332	275	82	106	133	154	170	188	212
Import of goods (fob)	-1,761	-1,832	-1,875	-1,702	-1,732	-1,829	-1,867	-1,910	-1,967	-2,030	-2,114
Petroleum sector	-284	-306	-303	-157	-192	-241	-252	-240	-232	-227	-224
Other	-1,477	-1,526	-1,572	-1,545	-1,540	-1,588	-1,614	-1,670	-1,735	-1,803	-1,890
Services (net)	-964	-1,085	-1,107	-842	-874	-944	-1,011	-923	-917	-903	-886
Exports	277	293	319	297	288	326	375	412	464	522	587
Imports	-1,242	-1,378	-1,426	-1,139	-1,163	-1,270	-1,386	-1,335	-1,381	-1,425	-1,473
Income (net)	-861	-820	-1,043	-922	-652	-1,084	-953	-1,042	-1,009	-992	-1,008
Current transfers (net)	-57	-59	-170	-149	-35	-13	-67	-65	-63	-61	-59
Capital account	0	0	0	0	0	0	0	0	0	0	0
Financial account	-17	-247	535	380	138	332	233	298	396	373	339
Direct investment (net)	477	735	988	847	742	751	563	575	553	572	592
Portfolio investments (net)	166	176	146	156	152	91	0	0	0	0	0
Other investment assets and liabilities (net)	-660	-1,159	-599	-623	-755	-510	-330	-278	-157	-199	-253
Medium- and long-term transactions 3/	-323	-400	-52	117	-257	-96	-42	-63	-157	-148	-177
o/w Net Arrears Accumulation	7	-67									
Short term transactions	-337	-759	-547	-740	-498	-413	-288	-215	1	-51	-76
Errors and Omissions	-4	0	0	0	0	0	0	0	0	0	0
Overall balance	-217	-336	326	-459	-393	-129	-61	0	125	152	122
Financing	217	336	-326	459	393	129	61	0	-125	-152	-122
Bank of Central African States	5	106	-441	177	327	-37	-83	-140	-192	-152	-122
Change in net reserve assets (- is an increase)	-111	34	-508	0	154	-32	-65	-72	-59	-45	-50
Use of IMF Credit (net) 4/	116	72	67	177	173	-5	-18	-68	-133	-107	-72
Financing gap	212	230	115	282	66	166	144	140	67	0	0
IMF Financing						126	54	55	67	0	0
Prop. IMF-EFF						126	54	55	67	0	0
Program Support (excl. IMF)	212	230	115	282	66	40	90	86	0	0	0
Bilateral	49	49	0	0	0	0	25	20	0	0	0
Multilateral/other	163	181	115	215	66	40	65	66	0	0	0
Memorandum items:						(Percent of GDP)					
Current account	-2.1	-0.9	-2.0	-9.5	-6.0	-4.8	-2.9	-2.9	-2.5	-2.0	-1.8
excl. large agri-industry projects 5/	0.7	1.8	0.7	-6.4	-3.3	-2.8	-1.5	-1.5	-1.4	-0.8	-0.6
Oil	14.2	14.2	6.0	1.6	9.4	6.0	6.8	5.9	5.4	5.0	4.4
Non-oil	-16.3	-15.1	-8.0	-11.1	-15.5	-10.7	-9.8	-8.8	-7.9	-7.0	-6.3
Exports of goods and services	39.7	40.5	41.7	34.7	34.6	38.8	39.6	39.3	38.8	38.2	37.3
Imports of goods and services	-32.0	-32.5	-32.0	-32.1	-32.8	-32.2	-32.4	-31.4	-31.3	-30.8	-30.1
Capital and financial accounts	2.1	-0.2	6.3	7.5	2.3	3.9	3.2	3.7	3.7	3.3	2.8
Foreign Direct Investment	5.1	7.4	9.6	9.6	8.4	7.8	5.6	5.6	5.2	5.1	5.0
Overall balance 6/	-0.1	-1.1	4.3	-2.0	-3.7	-0.9	0.3	0.8	1.2	1.4	1.0

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement Under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).
2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).
3/ Excluding program support (excl. IMF).
4/ Excluding proposed IMF-financing.
5/ Current account excluding net trade changes due to large direct investment in the agri-industry sector.
6/ Overall balance line here reflects incorporation of budget support financing from Bilateral and Multilateral in their respective above the line items.

Table 3a. Gabon: Central Government Accounts, 2018–26

(Billions of CFA francs)

	2018	2019	2020 Fourth & Fifth Rev. 1/	2020 RFI-2 2/	2020 Prel.	2021	2022	2023	2024	2025	2026
						Proj.					
				(Billion of CFA francs)							
Total revenue and grants	1,581	1,931	1,946	1,369	1,553	1,651	1,844	1,982	2,147	2,329	2,503
Revenue	1,581	1,931	1,929	1,344	1,549	1,596	1,844	1,982	2,147	2,329	2,503
Oil revenue	583	747	684	395	596	483	587	619	655	700	705
Non-oil revenue	997	1,184	1,245	949	953	1,113	1,257	1,363	1,492	1,628	1,798
Tax revenue	870	1,070	1,206	913	874	1,039	1,179	1,298	1,431	1,575	1,755
Of which: earmarked revenue						168	158	161	164	168	171
Taxes on income, profits, and capital gains	298	412	475	363	303	408	450	470	505	537	579
Domestic taxes on goods and services	148	187	306	217	134	233	285	332	381	440	512
Value-added tax	95	132	221	158	63	167	215	259	305	359	425
Other	52	54	85	59	71	66	69	73	77	81	88
Taxes on international trade and transactions	255	286	336	263	310	304	346	386	428	474	530
Import tariffs	255	261	314	232	281	266	305	345	387	431	486
Export taxes	0	24	22	32	29	38	40	41	41	42	43
Other non-oil taxes	170	187	90	70	127	94	99	111	117	124	134
Non-tax revenue	127	114	39	36	79	75	78	65	61	53	43
Grants	0	0	17	25	4	55	0	0	0	0	0
Total expenditure and net lending	1,702	1,796	1,806	1,848	1,742	1,961	1,883	1,940	2,027	2,144	2,242
Current expenditure	1,270	1,320	1,278	1,368	1,431	1,456	1,362	1,420	1,459	1,525	1,584
Wages and salaries	701	689	661	675	683	685	695	707	741	788	831
Goods and services	140	156	161	193	202	227	179	182	186	190	193
Interest payments	225	225	241	278	297	294	262	311	320	330	345
Domestic	93	84	81	90	125	108	80	87	91	93	102
Foreign	132	141	159	187	171	186	182	224	230	237	243
Transfers and subsidies	204	250	216	222	249	250	226	219	212	217	215
o/w: oil subsidies	28	19	0	0	0	0	0	0	0	0	0
Capital expenditure	248	281	513	380	241	337	363	359	403	451	487
Domestically financed	82	175	220	143	152	165	172	194	212	252	272
Of which: Public-private partnership	0	0	0	30	30	0	0	0	0	0	0
Foreign financed	166	106	293	236	89	172	191	165	191	199	216
Net lending	101	75	0	0	-4	0	0	0	0	0	0
Road Fund (FER) and special funds	3	12	14	11	19	0	0	0	0	0	0
Expenditure corresponding to earmarked revenue						168	158	161	164	168	171
Special accounts 3/	80	107	0	90	55	0	0	0	0	0	0
Overall balance (commitment basis)	-121	136	140	-478	-189	-310	-39	42	120	185	261
Adjustment to cash basis 4/	-26	-52	12	-3	-28	-26	9	3	2	7	3
Overall balance (cash basis)	-147	84	152	-481	-217	-336	-30	44	122	192	264
Total financing	147	-84	-152	481	217	336	30	-44	-122	-192	-264
Foreign borrowing (net)	-5	-154	183	145	51	32	-24	-79	-90	-93	-128
Drawings	166	106	293	236	89	172	191	165	191	199	216
Amortization	-150	-200	-695	-686	-663	-606	-215	-245	-280	-677	-343
Arrears (reduction = -)	-21	-59	0	0	30	-30	0	0	0	0	0
Rollover (Eurobonds)	0	0	585	595	595	495	0	0	0	385	0
Domestic borrowing	-170	-233	-523	-123	-73	138	-91	-106	-100	-99	-137
Banking system (net)	67	34	-218	189	150	439	250	131	67	7	-31
Nonbank financing (net) 5/	-238	-267	-305	-312	-223	-301	-341	-237	-167	-106	-106
Financing gap (+=deficit / - surplus)	321	303	187	460	239	166	144	140	67	0	0
Exceptional financing (excluding IMF)	207	230	115	215	66	40	90	86	0	0	0
Residual gap	114	73	72	245	173	126	54	55	67	0	0
IMF-EFF	114	73	72	0	0						
IMF-RFI-1				88	88						
IMF-RFI-2				89	85						
Prop. IMF-EFF						126	54	55	67	0	0
Memorandum items:											
Revenue earmarked for other public entities					116	168	158	161	164	168	171
Gross government deposits in BEAC	315.0	232.2	732.9	232.2	212.4	231.7	251.7	294.4	323.1	350.5	382.9
Statutory advances from BEAC	452.5	452.8	452.5	452.8	452.5	452.5	402.5	352.5	302.5	252.5	202.5
Stock of arrears 6/	452.5	239.5	28.2	81.9	156.8	74.2	7.5	-2.0	-2.0	-2.0	-1.0
External	61.8	0.0	0.0	0.0	38.6	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	390.7	239.5	28.2	81.9	118.2	74.2	7.5	-2.0	-2.0	-2.0	-1.0
VAT Reimbursement	293.0	153.9	28.2	81.9	120.2	76.2	9.5	0.0	0.0	0.0	0.0
Exceptional float 7/	86.7	87.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Debt service	10.9	-2.0	0.0	0.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
Non-oil primary balance excluding capital transfers (NOPB)	-479	-387	-303	-596	-489	-499	-364	-267	-214	-185	-99
as percent of non-oil GDP	-7.6	-5.8	-4.2	-8.9	-7.4	-7.1	-4.9	-3.4	-2.6	-2.1	-1.1
Non-oil GDP at market prices	6,319	6,657	7,181	6,698	6,625	7,072	7,405	7,762	8,164	8,683	9,365

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement Under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

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

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

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

6/ 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 clearances of arrears are recorded below the line.

7/ 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, 2018–26

(Percent of GDP; Billions of CFA francs)

Sources: Gabonese authorities and IMF staff estimates and projections.

	2018	2019	2020			2021	2022	2023	2024	2025	2026
			Fourth & Fifth Rev. 1/	RFI-2 2/	Prel.	Proj.					
	(Percent of GDP)										
Total revenue and grants	16.9	19.5	18.8	15.5	17.6	17.1	18.4	19.2	20.1	20.8	21.0
Revenue	16.9	19.5	18.7	15.2	17.6	16.6	18.4	19.2	20.1	20.8	21.0
Oil revenue	6.2	7.6	6.6	4.5	6.8	5.0	5.8	6.0	6.1	6.2	5.9
Non-oil revenue	10.6	12.0	12.0	10.7	10.8	11.6	12.5	13.2	13.9	14.5	15.1
Tax revenue	9.3	10.8	11.7	10.3	9.9	10.8	11.7	12.6	13.4	14.0	14.7
Of which: earmarked revenue						1.7	1.6	1.6	1.5	1.5	1.4
Taxes on income, profits, and capital gains	3.2	4.2	4.6	4.1	3.4	4.2	4.5	4.6	4.7	4.8	4.9
Domestic taxes on goods and services	1.6	1.9	3.0	2.5	1.5	2.4	2.8	3.2	3.6	3.9	4.3
Taxes on international trade and transactions	2.7	2.9	3.2	3.0	3.5	3.2	3.4	3.7	4.0	4.2	4.5
Other non-oil taxes	1.8	1.9	0.9	0.8	1.4	1.0	1.0	1.1	1.1	1.1	1.1
Non-tax revenue	1.4	1.2	0.4	0.4	0.9	0.8	0.8	0.6	0.6	0.5	0.4
Grants	0.0	0.0	0	0.3	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	18.2	18.2	17.5	20.9	19.8	20.4	18.7	18.8	18.9	19.1	18.8
Current expenditure	13.6	13.4	12.4	15.4	16.2	15.1	13.6	13.7	13.6	13.6	13.3
Wages and salaries	7.5	7.0	6.4	7.6	7.7	7.1	6.9	6.8	6.9	7.0	7.0
Goods and services	1.5	1.6	1.6	2.2	2.3	2.4	1.8	1.8	1.7	1.7	1.6
Interest payments	2.4	2.3	2.3	3.1	3.4	3.1	2.6	3.0	3.0	2.9	2.9
Transfers and subsidies	2.2	2.5	2.1	2.5	2.8	2.6	2.3	2.1	2.0	1.9	1.8
o/w: oil subsidies	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	2.6	2.8	5.0	4.3	2.7	3.5	3.6	3.5	3.8	4.0	4.1
Domestically financed	0.9	1.8	2.1	1.6	1.7	1.7	1.7	1.9	2.0	2.2	2.3
Of which: Public-private partnership	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financed	1.8	1.1	2.8	2.7	1.0	1.8	1.9	1.6	1.8	1.8	1.8
Net lending	1.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.0	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure corresponding to earmarked revenue					0.0	1.7	1.6	1.6	1.5	1.5	1.4
Special accounts 3/	0.9	1.1	0.0	1.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-1.3	1.4	1.4	-5.4	-2.1	-3.2	-0.4	0.4	1.1	1.6	2.2
Adjustment to cash basis 4/	-0.3	-0.5	0.1	0.0	-0.3	-0.3	0.1	0.0	0.0	0.1	0.0
Overall balance (cash basis)	-1.6	0.8	1.5	-5.4	-2.5	-3.5	-0.3	0.4	1.1	1.7	2.2
Total financing	1.6	-0.8	-1.5	5.4	2.5	3.5	0.3	-0.4	-1.1	-1.7	-2.2
Foreign borrowing (net)	0.0	-1.6	1.8	1.6	0.6	0.3	-0.2	-0.8	-0.8	-0.8	-1.1
Drawings	1.8	1.1	2.8	2.7	1.0	1.8	1.9	1.6	1.8	1.8	1.8
Amortization	-1.6	-2.0	-6.7	-7.7	-7.5	-6.3	-2.1	-2.4	-2.6	-6.0	-2.9
Arrears (reduction = -)	-0.2	-0.6	0.0	0.0	0.3	-0.3	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	0.0	5.7	6.7	6.8	5.1	0.0	0.0	0.0	3.4	0.0
Domestic borrowing (net)	-1.8	-2.4	-5.1	-1.4	-0.8	1.4	-0.9	-1.0	-0.9	-0.9	-1.2
Banking system	0.7	0.3	-2.1	2.1	1.7	4.6	2.5	1.3	0.6	0.1	-0.3
Non-bank sector 5/	-2.5	-2.7	-2.9	-3.5	-2.5	-3.1	-3.4	-2.3	-1.6	-0.9	-0.9
Financing gap (+=deficit / - surplus)	3.4	3.1	1.8	5.2	2.7	1.7	1.4	1.4	0.6	0.0	0.0
Exceptional financing (excluding IMF)	2.2	2.3	1.1	2.4	0.7	0.4	0.9	0.8	0.0	0.0	0.0
Residual gap	1.2	0.7	0.7	2.8	2.0	1.3	0.5	0.5	0.6	0.0	0.0
IMF-EFF	1.2	0.7	0.7	0.0	0.0						
IMF-RFI-1				1.0	1.0						
IMF-RFI-2				1.0	1.0						
Prop. IMF-EFF						1.3	0.5	0.5	0.6	0.0	0.0
	(Billion of CFA francs, unless otherwise indicated)										
Total revenue and grants	1,581	1,931	1,929	1,344	1,549	1,596	1,844	1,982	2,147	2,329	2,503
Total expenditure and net lending	1,702	1,796	1,806	1,848	1,742	1,961	1,883	1,940	2,027	2,144	2,242
Overall balance	-121	136	140	-478	-189	-310	-39	42	120	185	261
Memorandum items:											
Revenues earmarked for other public entities					1.3	1.7	1.6	1.6	1.5	1.5	1.4
Gross government deposits in BEAC (percent of GDP)	3.4	2.3	7.1	2.6	2.4	2.4	2.5	2.9	3.0	3.1	3.2
o/w Fund for Future Generations or Stabilization Fund	0.1	0.1	3.8	0.1	0.1	0.3	0.5	0.9	1.1	0.0	0.0
of which: readily available deposits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Overall balance (percent of GDP)	-1.3	1.4	1.4	-5.4	-2.1	-3.2	-0.4	0.4	1.1	1.6	2.2
Non-oil primary balance excluding capital transfers	-479	-387	-303	-596	-489	-499	-364	-267	-214	-185	-99
As percent of non-oil GDP	-7.6	-5.8	-4.2	-8.9	-7.4	-7.1	-4.9	-3.4	-2.6	-2.1	-1.1
Public debt (percent of GDP)	60.6	59.8	55.7	74.7	77.4	74.7	72.2	70.1	66.8	62.3	56.7
External debt (percent of GDP)	40.0	39.2	42.4	50.6	46.0	44.4	44.4	45.3	45.1	43.0	39.5
Domestic debt (percent of GDP)	20.6	20.6	13.3	24.1	31.4	30.4	27.8	24.8	21.7	19.3	17.3
o/w Statutory advances from BEAC	4.8	4.6	4.4	5.1	5.1	4.7	4.0	3.4	2.8	2.3	1.7
Stock of arrears 6/	4.8	2.4	0.3	0.9	1.8	0.8	0.1	0.0	0.0	0.0	0.0
External	0.7	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	4.2	2.4	0.3	0.9	1.3	0.8	0.1	0.0	0.0	0.0	0.0
VAT Reimbursement	3.1	1.6	0.3	0.9	1.4	0.8	0.1	0.0	0.0	0.0	0.0
Exceptional float 7/	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices	9,369	9,887	10,332	8,860	8,816	9,632	10,043	10,327	10,700	11,213	11,901

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement Under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

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

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

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

6/ 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 clearances of arrears are recorded below

7/ 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

Table 3c. Gabon: Central Government Accounts, 2018–26
(Percent of non-oil GDP; Billions of CFA francs)

	2018	2019	2020			2021	2022	2023	2024	2025	2026
			Fourth & Fifth Rev. 1/	RFI-2 2/	Prel.	Proj.					
			(Percent of non-oil GDP)								
Total revenue and grants	25.0	29.0	27.1	20.4	23.4	23.3	24.9	25.5	26.3	26.8	26.7
Revenue	25.0	29.0	26.9	20.1	23.4	22.6	24.9	25.5	26.3	26.8	26.7
Oil revenue	9.2	11.2	9.5	5.9	9.0	6.8	7.9	8.0	8.0	8.1	7.5
Non-oil revenue	15.8	17.8	17.3	14.2	14.4	15.7	17.0	17.6	18.3	18.8	19.2
Tax revenue	13.8	16.1	16.8	13.6	13.2	14.7	15.9	16.7	17.5	18.1	18.7
Of which: earmarked revenue						2.4	2.1	2.1	2.0	1.9	1.8
Taxes on income, profits, and capital gains	4.7	6.2	6.6	5.4	4.6	5.8	6.1	6.1	6.2	6.2	6.2
Domestic taxes on goods and services	2.3	2.8	4.3	3.2	2.0	3.3	3.8	4.3	4.7	5.1	5.5
Taxes on international trade and transactions	4.0	4.3	4.7	3.9	4.7	4.3	4.7	5.0	5.2	5.5	5.7
Other non-oil taxes	2.7	2.8	1.2	1.0	1.9	1.3	1.3	1.4	1.4	1.4	1.4
Non-tax revenue	2.0	1.7	0.5	0.5	1.2	1.1	1.1	0.8	0.7	0.6	0.5
Grants	0	0.0	0	0.4	0.1	0.8	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	26.9	27.0	25.1	27.6	26.3	27.7	25.4	25.0	24.8	24.7	23.9
Current expenditure	20.1	19.8	17.8	20.4	21.6	20.6	18.4	18.3	17.9	17.6	16.9
Wages and salaries	11.1	10.3	9.2	10.1	10.3	9.7	9.4	9.1	9.1	9.1	8.9
Goods and services	2.2	2.3	2.2	2.9	3.1	3.2	2.4	2.3	2.3	2.2	2.1
Interest payments	3.6	3.4	3.4	4.1	4.5	4.2	3.5	4.0	3.9	3.8	3.7
Transfers and subsidies	3.2	3.8	3.0	3.3	3.8	3.5	3.1	2.8	2.6	2.5	2.3
o/w: oil subsidies	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	3.9	4.2	7.1	5.7	3.6	4.8	4.9	4.6	4.9	5.2	5.2
Domestically financed	1.3	2.6	3.1	2.1	2.3	2.3	2.3	2.5	2.6	2.9	2.9
Of which: Public-private partnership	0.0	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financed	2.6	1.6	4.1	3.5	1.3	2.4	2.6	2.1	2.3	2.3	2.3
Net lending	1.6	1.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Road Fund (FER) and special funds	0.0	0.2	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure corresponding to earmarked revenue						2.4	2.1	2.1	2.0	1.9	1.8
Special accounts 3/	1.3	1.6	0.0	1.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-1.9	2.0	2.0	-7.1	-2.9	-4.4	-0.5	0.5	1.5	2.1	2.8
Adjustment to cash basis 4/	-0.4	-0.8	0.2	0.0	-0.4	-0.4	0.1	0.0	0.0	0.1	0.0
Overall balance (cash basis)	-2.3	1.3	2.1	-7.2	-3.3	-4.7	-0.4	0.6	1.5	2.2	2.8
Total financing	2.3	-1.3	-2.1	7.2	3.3	4.7	0.4	-0.6	-1.5	-2.2	-2.8
Foreign borrowing (net)	-0.1	-2.3	2.6	2.2	0.8	0.5	-0.3	-1.0	-1.1	-1.1	-1.4
Drawings	2.6	1.6	4.1	3.5	1.3	2.4	2.6	2.1	2.3	2.3	2.3
Amortization	-2.4	-3.0	-9.7	-10.2	-10.0	-8.6	-2.9	-3.2	-3.4	-7.8	-3.7
Arrears (reduction = -)	-0.3	-0.9	0.0	0.0	0.4	-0.4	0.0	0.0	0.0	0.0	0.0
Rollover (Eurobonds)	0.0	0.0	8.2	8.9	9.0	7.0	0.0	0.0	0.0	4.4	0.0
Domestic borrowing	-2.7	-3.5	-7.3	-1.8	-1.1	2.0	-1.2	-1.4	-1.2	-1.1	-1.5
Bank financing (net)	1.1	0.5	-3.0	2.8	2.3	6.2	3.4	1.7	0.8	0.1	-0.3
Nonbank financing (net) 5/	-3.8	-4.0	-4.2	-4.7	-3.4	-4.3	-4.6	-3.0	-2.1	-1.2	-1.1
Financing gap (+=deficit / - surplus)	5.1	4.6	2.6	6.9	3.6	2.3	1.9	1.8	0.8	0.0	0.0
Exceptional financing (excluding IMF)	3.3	3.5	1.6	3.2	1.0	0.6	1.2	1.1	0.0	0.0	0.0
Residual gap	1.8	1.1	1.0	3.7	2.6	1.8	0.7	0.7	0.8	0.0	0.0
IMF-EFF	1.8	1.1	1.0	0.0	0.0						
IMF-RFI-1				1.3	1.3						
IMF-RFI-2				1.3	1.3						
Prop. IMF-EFF						1.8	0.7	0.7	0.8	0.0	0.0
			(Billion of CFA francs, unless otherwise indicated)								
Total revenue and grants	1,581	1,931	1,929	1,344	1,549	1,596	1,844	1,982	2,147	2,329	2,503
Total expenditure and net lending	1,702	1,796	1,806	1,848	1,742	1,961	1,883	1,940	2,027	2,144	2,242
Overall balance	-121	136	140	-478	-189	-310	-39	42	120	185	261
Memorandum items:											
Revenues earmarked for other public entities					1.7	2.4	2.1	2.1	2.0	1.9	1.8
Gross government deposits in BEAC (percent of GDP)	5.0	3.5	10.2	3.5	3.2	2.4	2.5	2.9	3.0	3.1	3.2
o/w Fund for Future Generations or Stabilization Fund	0.1	0.1	4.1	0.1	0.1	0.3	0.5	0.9	1.1	0.0	0.0
of which: readily available deposits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Overall balance (percent of non-oil GDP)	-1.9	2.0	2.0	-7.1	-2.9	-3.2	-0.4	0.4	1.1	1.6	2.2
Non-oil primary balance excluding capital transfers	-479	-387	-303	-596	-489	-499	-364	-267	-214	-185	-99
As percent of non-oil GDP	-7.6	-5.8	-4.2	-8.9	-7.4	-7.1	-4.9	-3.4	-2.6	-2.1	-1.1
Oil revenues (percent of oil GDP)	19.1	23.1	21.7	18.3	27.2	18.9	22.2	24.1	25.8	27.7	27.8
Public debt (percent of non-oil GDP)	89.8	88.8	80.1	98.9	103.0	97.2	93.4	88.7	82.3	74.6	67.5
External debt (percent of non-oil GDP)	59.2	58.2	61.0	67.0	61.2	57.7	57.4	57.3	55.5	51.5	47.0
Domestic debt (percent of non-oil GDP)	30.6	30.6	19.1	31.9	41.8	39.5	36.0	31.3	26.7	23.1	20.5
o/w Statutory advances from BEAC	7.2	6.8	6.3	6.8	6.8	4.4	4.0	3.4	2.8	2.3	1.7
Stock of arrears 6/	7.2	3.6	0.4	1.2	2.4	1.0	0.1	0.0	0.0	0.0	0.0
External	1.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	6.2	3.6	0.4	1.2	1.8	1.0	0.1	0.0	0.0	0.0	0.0
VAT Reimbursement	4.6	2.3	0.4	1.2	1.8	1.1	0.1	0.0	0.0	0.0	0.0
Exceptional float 7/	1.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil GDP at market prices	6,319	6,657	7,181	6,698	6,625	7,072	7,405	7,762	8,164	8,683	9,365

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement Under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

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

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

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

6/ 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 clearances of arrears are recorded below the line.

7/ 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, 2018–24
(Billions of CFA francs)

		2018	2019	2020			2021	2022	2023	2024
				Fourth & Fifth Rev.1/	RFI-2 2/	Prel.	Proj.			
				(In billions of CFA Francs)						
	Overall balance (commitment basis)	120.8	-135.6	-140.4	257.2	189.4	310.2	38.9	-41.6	-120.2
	Adjustment to cash basis	25.7	52.0	-12.1	-12.0	28.0	25.5	-9.4	-2.9	-2.2
A.	Overall fiscal deficit (cash basis)	146.5	-83.6	-152.4	245.2	217.4	335.7	29.5	-44.4	-122.4
B.	Other financing needs	550.2	632.9	1423.1	1286.1	973.5	1008.3	716.2	730.2	820.3
	Amortization (including arrears)	478.9	544.8	1000.1	983.4	938.7	924.5	579.6	629.7	741.6
	External	170.4	259.8	695.4	686.4	632.9	635.3	214.8	244.5	280.2
	Amortization due	149.8	200.5	695.4	686.4	662.6	605.5	214.8	244.5	280.2
	Arrears on amortization	20.7	59.3	0.0	0.0	-29.7	29.7	0.0	0.0	0.0
	Domestic	308.5	285.0	304.7	297.0	305.8	289.3	364.7	385.2	461.3
	T-bills redemption	229.5	209.6	229.8	208.5	252.3	209.3	283.9	304.4	380.5
	Moratorium debt	76.3	45.5	75.0	88.6	50.0	61.0	80.8	80.8	80.8
	Other	2.7	30.0	0.0	0.0	3.5	19.0	0.0	0.0	0.0
	BEAC	0.1	-83.0	294.5	151.3	-19.8	19.3	70.0	92.7	78.7
	Repayment of statutory advances	0.0	-0.3	0.0	0.0	0.0	0.0	50.0	50.0	50.0
	Net deposit accumulation	0.1	-82.8	294.5	151.3	-19.8	19.3	20.0	42.7	28.7
	Repayment of VAT Arrears	33.9	139.1	77.7	100.6	33.7	44.0	66.7	9.5	0.0
	Other (includes restructuring costs)	32.8	18.6	50.8	50.8	20.9	20.4	0.0	0.0	0.0
	Arrears on domestic amortization (reduction)	4.5	13.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B	Total financing needs	696.7	549.3	1270.7	1531.3	1190.9	1344.0	745.8	685.7	697.9
D.	Identified sources of financing	375.5	243.8	1083.7	1025.5	952.2	1178.3	601.4	545.3	630.7
	External	165.8	106.2	878.7	820.5	684.1	667.3	191.0	165.4	190.6
	Project financing (ext.)	165.8	106.2	293.2	225.3	89.0	172.3	191.0	165.4	190.6
	Eurobond rollover (ext.)	0.0	0.0	585.4	595.2	595.2	495.0	0.0	0.0	0.0
	Domestic	209.7	137.5	205.0	205.0	268.1	511.0	410.4	380.0	440.1
	T-bill issuance	85.1	186.2	150.0	52.4	138.3	511.0	410.4	380.0	440.1
	Commercial banks deposit drawdown	53.9	22.2	0.0	0.0	-15.6	0.0	0.0	0.0	0.0
	Commercial banks credit	67.5	-70.8		97.6	130.3	0.0	0.0	0.0	0.0
	Privatization receipts and PPPs	0.0	0.0	50.0	50.0	15.0	0.0	0.0	0.0	0.0
	Recovery of domestic tax arrears	3.2	0.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0
E=C-D	Financing gap	321.2	305.5	187.0	505.8	238.7	165.7	144.4	140.4	67.2
F.	Exceptional external financing	202.2	230.2	115.0	180.6	65.8	39.6	90.0	85.9	0.0
	Multilateral	158.1	181.0	115.0	180.6	65.8	39.6	65.0	65.9	0.0
	African Development Bank	0.0	65.6	0.0	65.6	65.8	39.6	65.0	65.9	0.0
	World Bank	0.0	115.4	115.0	115.0	0.0	0.0	0.0	0.0	0.0
	Other (Africa EXIM Bank)	158.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bilateral	44.1	49.2	0.0	0.0	0.0	0.0	25.0	20.0	0.0
	France	44.1	49.2	0.0	0.0	0.0	0.0	25.0	20.0	0.0
E-F	Residual financing needs	119.0	75.3	72.0	325.2	172.9	126.1	54.4	54.5	67.2
	IMF-EFF	113.9	72.8	72.0	72.4	0.0				
	IMF-RFI-1				88.0	88.0				
	IMF-RFI-2					84.9				
	Prop. IMF-EFF						126.1	54.4	54.5	67.2
	Remaining gap	5.1	2.6	0.0	164.8	0.0	0.0	0.0	0.0	0.0
Memorandum item:										
	Stock of government deposits at the BEAC	315.0	232.2	732.9	388.7	212.4	231.7	251.7	294.4	323.1

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

Table 4b. Gabon: Financing of the Fiscal Deficit, 2018–24

(Percent of GDP)

	2018	2019	2020			2021	2022	2023	2024
			Fourth & Fifth Rev. 1/	RFI-2 2/	Proj.	Proj.			
				(Percent of GDP)					
Overall fiscal deficit (cash basis)	1.6	-0.8	-1.5	2.7	2.5	3.5	0.3	-0.4	-1.1
Other financing needs	5.9	6.4	13.8	14.3	11.0	10.5	7.1	7.1	7.7
Amortization (including arrears)	5.1	5.5	9.7	11.0	10.6	9.6	5.8	6.1	6.9
External	1.8	2.6	6.7	7.6	7.2	6.6	2.1	2.4	2.6
Amortization due	1.6	2.0	6.7	7.6	7.5	6.3	2.1	2.4	2.6
Arrears on amortization	0.2	0.6	0.0	0.0	-0.3	0.3	0.0	0.0	0.0
Domestic	3.3	2.9	2.9	3.3	3.5	3.0	3.6	3.7	4.3
T-bills redemption	2.4	2.1	2.2	2.3	2.9	2.2	2.8	2.9	3.6
Moratorium debt	0.8	0.5	0.7	1.0	0.6	0.6	0.8	0.8	0.8
Other	0.0	0.3	0.0	0.0	0.0	0.2	0.0	0.0	0.0
BEAC	0.0	-0.8	2.9	1.7	-0.2	0.2	0.7	0.9	0.7
Repayment of statutory advances	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
Net deposit accumulation	0.0	-0.8	2.9	1.7	-0.2	0.2	0.2	0.4	0.3
Repayment of VAT Arrears	0.4	1.4	0.8	1.1	0.4	0.5	0.7	0.1	0.0
Other (includes restructuring costs)	0.4	0.2	0.5	0.6	0.2	0.2	0.0	0.0	0.0
Arrears on domestic amortization (reduction)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total financing needs	7.4	5.6	12.3	17.1	13.5	14.0	7.4	6.6	6.5
Identified sources of financing	4.0	2.5	10.5	11.4	10.8	12.2	6.0	5.3	5.9
External	1.8	1.1	8.5	9.1	7.8	6.9	1.9	1.6	1.8
Project financing (ext.)	1.8	1.1	2.8	2.5	1.0	1.8	1.9	1.6	1.8
Eurobond rollover (ext.)	0.0	0.0	5.7	6.6	6.8	5.1	0.0	0.0	0.0
Domestic	2.2	1.4	2.0	2.3	3.0	5.3	4.1	3.7	4.1
T-bill issuance	0.9	1.9	1.5	0.6	1.6	5.3	4.1	3.7	4.1
Privatization receipts	0.0	0.0	0.5	0.6	0.2	0.0	0.0	0.0	0.0
Recovery of domestic tax arrears	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financing gap	3.4	3.1	1.8	5.6	2.7	1.7	1.4	1.4	0.6
Exceptional external financing	2.2	2.3	1.1	2.0	0.7	0.4	0.9	0.8	0.0
Multilateral	1.7	1.8	1.1	2.0	0.7	0.4	0.6	0.6	0.0
African Development Bank	0.0	0.7	0.0	0.7	0.7	0.4	0.6	0.6	0.0
World Bank	0.0	1.2	1.1	1.3	0.0	0.0	0.0	0.0	0.0
Other (Africa EXIM Bank)	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	0.5	0.5	0.0	0.0	0.0	0.0	0.2	0.2	0.0
France	0.5	0.5	0.0	0.0	0.0	0.0	0.2	0.2	0.0
Residual financing needs	1.3	0.8	0.7	3.6	2.0	1.3	0.5	0.5	0.6
IMF-EFF	1.2	0.7	0.7	0.8	0.0				
IMF-RFI-1				1.0	1.0				
IMF-RFI-2					1.0				
Prop. IMF-EFF						1.3	0.5	0.5	0.6
Remaining gap	0.1	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

Table 5. Gabon: Monetary Survey, 2018–22

	2018				2019					2020						2021	2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4				
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Fourth & Fifth Rev. 1/	Act.	Pel.	Pel.	Pel.	Pel.	RFI-2 2/	Prel.	Proj.	
	(Billion of CFA francs, unless otherwise indicated)																
Net foreign assets	369	487	449	600	543	519	469	875	480	709	605	385	293	303	293	203	232
Bank of Central African States (BEAC)	232	216	223	419	463	450	341	693	385	612	508	322	231	208	231	141	170
Foreign assets	461	455	512	766	818	804	699	1113	813	1044	1022	908	808	813	808	840	905
Foreign liabilities	-229	-239	-289	-348	-355	-354	-358	-420	-428	-432	-514	-586	-577	-605	-577	-699	-734
o/w: IMF credit	111	113	169	228	232	232	235	300	304	-306	-389	-466	-459	481	459	580	616
Deposit money banks (DMBs)	137	271	226	182	80	69	129	182	95	97	97	63	62	95	62	62	62
Foreign assets	272	359	313	312	226	226	287	312	214	196	213	181	266	214	266	266	266
Foreign liabilities	-135	-88	-87	-131	-146	-157	-158	-131	-119	-99	-116	-119	-205	-119	-205	-205	-205
Net domestic assets	1600	1714	1781	1672	1728	1693	1761	1727	1825	1631	1800	1957	2175	2117	2175	2554	2930
Domestic credit	1768	1863	1960	1931	1952	1927	1937	1986	2062	1984	2065	2157	2440	2354	2440	2897	3272
Claims on general government (net)	756	792	883	812	849	824	782	760	916	875	1020	1122	1235	1281	1235	1616	1903
Claims on central government (net)	796	827	880	848	889	859	813	796	959	916	1059	1147	1264	1325	1264	1645	1932
BEAC, Claims on central government (net)	452	451	485	366	502	476	463	314	525	531	650	714	699	702	699	851	817
BEAC, Claims on central government	564	566	622	681	685	684	687	753	757	760	842	919	912	934	912	1083	1069
Claims on central government	564	566	622	681	685	684	687	753	757	760	842	919	912	934	912	1083	1069
Statutory advances	453	453	453	453	453	453	453	453	453	453	453	453	453	453	453	453	403
Use of IMF credit	111	111	169	228	232	232	235	300	304	306	389	466	459	481	459	580	616
Other	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.5	0.0	0	0	0	0	0.0	0.0	50.0	50.0
Liabilities to central government	-111	-115	-138	-315	-183	-209	-225	-438	-232	-229	-192	-205	-212	-232	-212	-232	-252
Fund for Future Generations/Sovereign Wealth Fund	-40	-10	-11	-9	-11	-12	-13	-133	-13	-13	-10	-10	-11	-13	-11	-30	-50
Other CG deposits and vault cash	-71	-104	-127	-306	-172	-196	-212	-306	-219	-216	-182	-195	-202	-219	-202	-202	-202
Deposit money banks (net)	413	425	435	483	426	419	382	482	434	385	409	434	564	623	564	794	1115
Claims on central government	515	538	549	542	481	473	463	542	471	445	456	502	617	660	617	846	1167
Liabilities to central government	-102	-113	-114	-59	-55	-54	-81	-59	-37	-60	-46	-68	-53	-37	-53	-53	-53
Claims on public agencies (net)	-40	-36	3	-36	-39	-36	-31	-36	-43	-41	-39	-25	-29	-43	-29	-29	-29
Claims on nongovernment (net)	973	1036	1080	1119	1063	1068	1124	1225	1146	1110	1045	1035	1205	1072	1205	1280	1369
Other items (net)	-169	-149	-179	-258	-224	-234	-176	-258	-237	-353	-265	-200	-265	-237	-265	-342	-342
Broad money (M2)	1968	2201	2229	2278	2271	2213	2230	2602	2305	2340	2405	2342	2468	2420	2468	2758	3099
Currency	385	390	421	385	369	323	327	397	366	374	378	376	419	369	419	421	473
Deposits	1664	1868	1865	1893	1903	1889	1903	2205	1939	1966	2027	1966	2048	2051	2048	2337	2627
	(Annual change as percent of Broad Money)																
Net foreign assets				2.6				12.1	-5.3					-7.7	-8.1	-3.6	1.1
Net domestic assets				11.1				2.1	6.6					12.1	14.2	13.8	12.1
Domestic credit				11.6				2.1	5.7					12.1	15.3	16.5	12.1
Claims on general government (net)				10.9				-2.0	4.8					15.1	12.4	13.8	9.3
Claims on nongovernment (net)				2.2				4.1	1.2					-3.1	2.4	2.7	2.9
Other items (net)				1.3				0.0	-0.3					0.0	0.6	0.0	0.0
Memorandum items:	(Annual percentage change, unless otherwise indicated)																
Broad money (M2)	-2.9	17.5	23.0	15.7	1.2	7.1	11.7	14.2	1.2	3.0	8.7	5.0	7.1	5.0	7.1	11.7	12.4
Reserve money	28.4	7.3	6.3	27.8	11.6	8.8	-1.4	27.9	11.6	5.7	19.4	31.6	8.8	0.1	8.8	-1.4	-6.3
Credit to the private sector	-11.4	-4.0	4.7	6.2	9.3	3.1	4.0	9.5	2.2	5.4	…	…	…	-6.5	5.4	6.2	7.0
Credit to the private sector (in percent of non-oil GDP)	…	…	…	17.5	17.0	18.0	17.9	18.0	17.0	…	…	…	…	15.8	18.0	17.9	18.3
Broad money (in percent of overall GDP)	…	…	…	24.3	23.3	28.0	28.6	26.2	23.3	…	…	…	…	27.3	28.0	28.6	30.9
Velocity (Non-oil GDP/M2)	3.3	3.1	3.0	2.8	2.8	2.8	2.8	2.8	2.8	2.9	…	…	…	2.8	2.6	2.7	2.5

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for the Fourth and Fifth Reviews of the Extended Arrangement under the Extended Fund Facility (December 23, 2019, Country Report No. 19/389).

2/ Staff report for the Request for Purchase Under the Rapid Financing Instrument (August 13, 2020, Country Report No. 2020/267).

Table 6. Gabon: Financial Soundness Indicators for the Banking System, 2015–20

(Percent)

	2015	2016	2017	2018	2019	2020 [1]
Capital adequacy						
Total bank regulatory capital to risk-weighted assets	8.3	9.1	9.7	10.8	16.4	17.5
Total capital (net worth) to assets	9.3	7.5	7.8	8.7	9.8	9.9
Asset quality						
Non-performing loans to total loans	5.3	10.7	10.8	12.4	7.7	8.3
Non-performing loans net of provision to capital	6.5	12.1	6.0	7.6	7.0	…
Earnings and profitability						
Net income to average capital (ROE)	13.5	20.6	27.9	22.4	23.6	…
Net income to average assets (ROA)	1.3	1.6	2.2	1.9	0.0	…
Non interest expense to gross income	76.6	89.6	88.2	87.3	63.1	…
Liquidity						
Liquid assets to total assets	24.4	23.2	24.2	26.4	25.9	27.2
Liquid assets to short-term liabilities	148.3	148.7	149.3	162.4	140.1	166.9

Source : COBAC.

1/ Provisional data.

Table 7. Gabon: Indicators of Capacity to Repay the Fund, 2021–31

	Projection										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fund obligations based on existing credit											
(in millions of SDRs)											
Principal	6.0	23.8	88.1	170.5	130.0	62.5	56.6	38.7	14.9	0.0	0.0
Charges and interest	7.5	9.7	8.8	5.1	2.7	1.7	1.1	0.5	0.2	0.0	0.0
Fund obligations based on existing and prospective credit											
(in millions of SDRs)											
Principal	6.0	23.8	88.1	170.5	136.8	92.4	98.2	96.3	79.7	64.8	58.1
Charges and interest	9.1	15.2	16.9	17.3	13.8	9.7	5.9	3.7	2.7	1.9	1.2
Total obligations based on existing and prospective credit											
In millions of SDRs	15.1	39.0	105.0	187.8	150.6	102.1	104.1	100.0	82.4	66.7	59.2
In millions of US$	21.7	56.0	150.7	269.5	216.1	146.5	149.3	143.5	118.2	95.7	85.0
In percent of exports of goods and services	0.3	0.7	2.0	3.4	2.7	1.7	1.7	1.6	1.2	0.9	0.8
In percent of debt service 1/	4.4	8.2	17.5	26.6	19.3	12.9	12.2	13.1	8.9	7.1	0.0
In percent of GDP	0.1	0.3	0.8	1.3	1.0	0.7	0.6	0.6	0.4	0.3	0.3
In percent of Gross International Reserves	8.2	17.4	31.2	37.4	21.5	11.8	8.7	6.5	4.4	3.1	2.5
In percent of quota	7.0	18.1	48.6	86.9	69.7	47.3	48.2	46.3	38.1	30.9	27.4
Outstanding Fund credit											
In millions of SDRs	747.1	793.5	775.6	691.5	554.7	462.3	364.1	267.8	188.1	123.3	65.3
In millions of US$	1072.1	1138.6	1112.9	992.2	796.0	663.3	522.4	384.3	269.9	176.9	93.6
In percent of exports of goods and services	15.5	15.2	14.6	12.7	9.8	7.9	6.0	4.2	2.8	1.7	0.9
In percent of debt service	218.2	167.4	129.2	98.1	71.0	58.3	42.6	35.0	20.3	13.0	0.0
In percent of GDP	6.0	6.0	5.7	4.9	3.8	3.0	2.2	1.5	1.0	0.6	0.3
In percent of Gross International Reserves	408.4	355.0	230.4	137.9	79.1	53.6	30.3	17.4	10.1	5.7	2.8
In percent of quota	345.9	367.4	359.1	320.1	256.8	214.0	168.6	124.0	87.1	57.1	30.2
Net use of Fund credit (in millions of SDRs)	-6.0	-23.8	-88.1	-170.5	-136.8	-92.4	-98.2	-96.3	-79.7	-64.8	-58.1
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	6.0	23.8	88.1	170.5	136.8	92.4	98.2	96.3	79.7	64.8	58.1
Memorandum items:											
Exports of goods and services (in millions of US$)	6,937	7,490	7,647	7,836	8,100	8,378	8,730	9,158	9,642	10,192	10,817
Debt service (in millions of US$)	491	680	861	1,012	1,122	1,139	1,227	1,097	1,332	1,356	2,980
Nominal GDP (in millions of US$)	17,892	18,902	19,480	20,212	21,181	22,473	23,697	25,123	26,495	27,969	29,273
Gross Official Reserves Imputed to Gabon (in millions of US$)	263	321	483	720	1,006	1,237	1,722	2,205	2,663	3,098	3,353
Quota (millions of SDRs)	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: Proposed Schedule of Disbursement and Timing of Reviews under the Extended Arrangement, 2021–24

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

Source: IMF staff projections.
1/ Gabon’s quota is SDR 216 million.

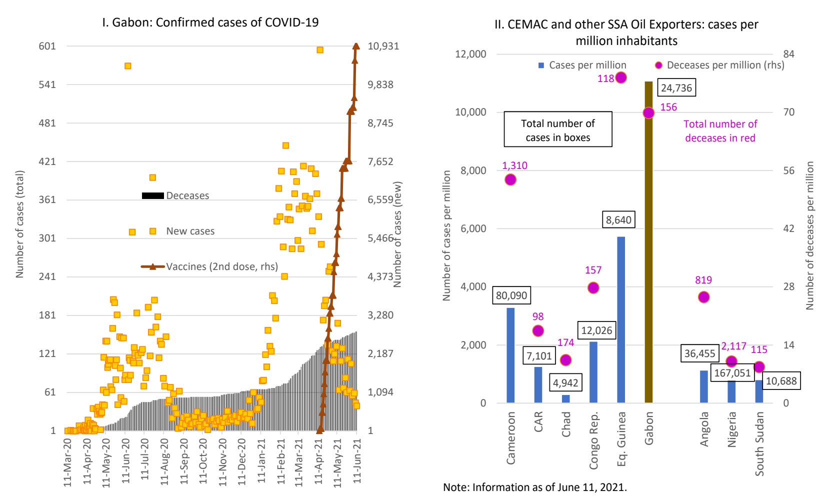
Boxes

Box 1. Covid-19 Development and Vaccination

As of June 11, 2021, there were 24,736 confirmed cases of Covid-19 in Gabon, above 11,000 cases per million people, one of the highest in sub-Saharan Africa (SSA). With 156 deaths, mortality is topping 70 deceases per million inhabitants, again one of the highest in the region. Gabon is the largest per capita tester of Covid-19 in SSA with more than 839,236 tests performed (or the equivalent to almost 40 percent of its population).

The authorities started vaccination on March 24 using the Chinese Synopharm vaccine and have already inoculated 23,260 people with the first dose (about one percent of its population) and 10,931 people with the second dose (around 0.5 percent of its population). They plan to vaccinate at least 27.5 percent of the population by end-2021. This covers immunization of people who are: (i) at high risk of infection (health workers); (ii) at high risk due to comorbidity or precarious health situation and those aged 60 and above; and (iii) those at high risks of infection and transmission (non-health essential workers, e.g., security forces, teachers, prisoners).

Evolution of Covid-19 Disease in Gabon and SSA Comparators



Source: Gabon's Prime Minister Office — Prevention Committee against Covid-19; and World Health Organization (WHO).

Gabon has enrolled in the UN COVAX arrangement with the aim to acquire, with World bank financing, AstraZeneca vaccines to cover up to 20 percent of its population (preliminary cost estimated at around $20 million or 0.1 percent of GDP). But, so far, no vaccine has been received under the COVAX agreement. Instead, the authorities have already received 400,000 doses as grants of the Synopharm vaccine and purchased 10,000 doses of the Russian Sputnik V, which gives them a capacity to cover 205,000 people (or around 9.5 percent of their population).

Box 2. Reforming Tax Exemptions

Tax exemptions are high in Gabon and a major issue for non-oil revenues mobilization, governance, and transparency. A 2019 IMF TA mission estimated those exemptions at 436 billion FCFA in 2017, representing more than 7 percent of non-oil GDP. In the context of the new EFF a gradual phasing out of existing exemptions has been agreed with authorities along with reform actions to better control and monitor the remaining ones.

To reduce the impact of tax exemption, the authorities with staff support have identified a list of benefits and exemptions to be removed or modified (see table below) during the period of the program (2021–23). For each exemption, this list (see Annex II of the MEFP) specifies the year and the legislative vehicle (LFR or LFI) as these efforts will materialize through adequate provisions in the budget law. The measures are expected to yield about 1.8 percent of NOGDP (see Text Table 5). In addition, the authorities agreed on a strict compliance with regional and national legal frameworks, and not to renew expired exemption regimes. This also applies to companies located in an economic zone with a special regime, a subject on which the government will conduct a dedicated study aiming at better supervising, harmonizing, and limiting the fiscal impacts of these regimes.

Taxes	**Selected Key Reform Actions**
CIT	• Gradual alignment of the corporate tax rate for all sectors (30 percent) (except oil sector) • Streamlining of tax advantages in special economic zones and strengthening of controls • Modification of the taxation regimes for several taxpayers (e.g., oil contractors)
VAT	• End of VAT exemptions for the construction sector • Gradual increase in the VAT rate on certain sectors (e.g. cement) • Gradual alignment of the domestic rate and cancellation of VAT exemptions outside the legal framework and implementation of the rates provided for by CEMAC
Customs	• Revision of the lists of tax-free imported products (e.g. agriculture, wood industry, cement) • Gradual application of a reduced rate instead of a total exemption on the "*vie chère*" products • Cancellation of tax-free regime for State procurement contracts • Gradual increase in the single reduced customs rate (18 percent in 2023)

General actions to enhance supervision of remaining exemptions and to strengthen the process for granting new ones will also be implemented. Prior to its entry into action, all new tax expenditure will be examined by a special Commission, coordinated at the Ministry of the Economy level and whose opinions will be made public. Authorities will also strictly apply the principle of fiscal monopoly of the budget provided for by the CEMAC regional directives which proscribes fiscal provisions outside the annual budget law. Lastly, tax and customs administrations controls will focus on taxpayers benefiting from exemptions.

Source: IMF staff and IMF TA reports.

Box 3. Closing Leakages and Collecting Higher Oil Revenue through the Budget

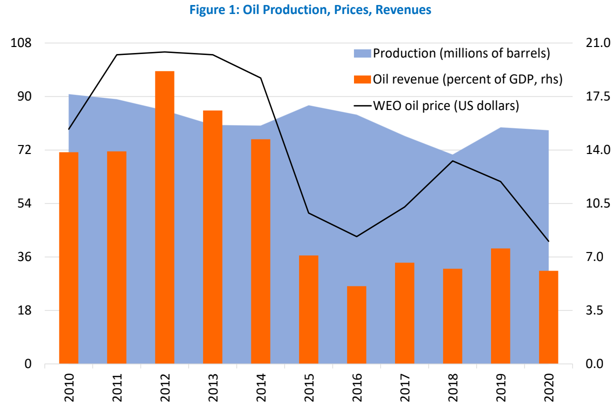
There is a strong perception of weak governance and revenue leakages, including through:

- *Production-Sharing Agreements (PSAs)*. There is a lack of transparency about PSAs terms and implementation, and a lack of audit of costs claimed by companies.
- *Lack of transparency in the reporting of oil revenues.* There are usually inconsistencies between the estimates of oil production and oil revenues produced by oil companies at the end of the year and the data collected by the Ministry of Finance.
- *Mismanagement in the state-owned oil companies (SOEs), Gabon Oil Company (GOC) and the national refinery SOGARA, with financial transfers between the government and those SOEs lacking transparency.* According to reports by the Natural Resources Governance Institute, the GOC scores only 11 of 100 points in its Resource Governance Index (RGI), among the weakest companies SOEs in the oil and gas sector in SSA. Similarly, SOGARA is a loss-making company, even though it has benefited from generous public subsidies

The dearth of detailed information on oil activities inhibits data reconciliation and consistency checks. Data by company and their commercialization flows (exploration, development, production and trading/shipment) are not published and the government requires multinational oil corporations operating in Gabon to sign strictly confidential Product Sharing Agreements, which do not allow them to publicly disclose their financial transactions with the government.

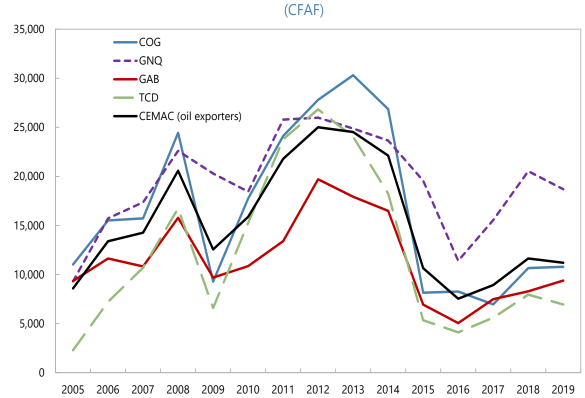
Fostering transparency in the oil sector is essential. Key actions include the publication of more granular and regular oil data including all production-sharing agreements, improved management, and governance in GOC and SOGARA, and the application to the Extractive Industries Transparency Initiative (EITI).

Figure 1: Oil Production, Prices, Revenues



Sources: Gabonese authorities; and IMF staff estimates.

Figure 2. CEMAC: Government Revenue per barrel of crude (CFAF)



Sources: National authorities; and IMF staff estimates.

Box 4. Reforming Special Accounts in Gabon

Special accounts have been a long-standing issue under the previous Fund-supported program. It has benefited from extensive IMF technical assistance to build more transparent processes, as well as a reliable and comprehensive related information in the budget.

Special accounts refer to several exceptional budget management procedures. First, it can refer to the financial operations between the Government and some public entities. Second, it can refer to the earmarked revenues collected by the government on behalf of some public entities. Lastly, it can refer to the banking services the Treasury provides to public or private entities. All these operations were identified in "special" accounts within the Treasury books but not reflected in the budget. Thus, it was not possible to track in and out flows on a gross basis, creating discrepancies between above and below the line operations and providing opportunities for mismanagement of public resources.
For instance, in the case of earmarked revenue collection, some repayments to public entities were not matching the collected amounts.

Improving transparency through the budget. Under the previous Extended Arrangement, the authorities committed to provide clarity on both special accounts and earmarked revenues (as some of them were intended to finance central government budget operations). AFRITAC Central provided technical assistance to update the legal framework and organize the recording and disclosing of these operations in the budget. Several tables now provide information on the dispatching between central government and public agencies while others track the in and out flows (some agencies benefiting from different types of earmarked revenues) in line with PFM organic law provisions. The total amount of earmarked revenues is now displayed and approved in the budget as the rest of the collected revenues.

Reflecting "special accounts" and earmarked revenue operations in the files. Building on the progresses made by authorities, a reclassification has been implemented in the TOFE in order to (i) separate the share of earmarked revenues kept in the budget and the one intended for public entities; and (ii) link the latter with the related transfers in the expenditure section. This classification will help the team better monitor these operations and encourage the authorities to ensure they that the accounts are balanced so there is no impact on the fiscal deficit.

Source: IMF mission team and FAD/AFC TA reports.

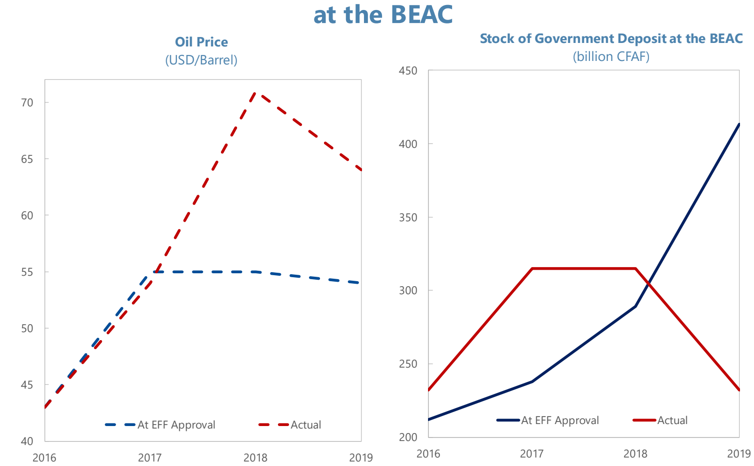
Annex I. Stock-Taking of the Last EFF-Supported Program (2017–19)

The EFF-supported program has helped the economy gradually recover from the 2014 oil shock but could not fully achieve its core objectives because of weak implementation. Most reviews were challenging against the backdrop of weak performance in meeting quantitative performance criteria (PCs), and slow implementation of structural reforms. Unfinished reforms include measures to boost non-oil revenues, increase the efficiency of public spending, and improve governance[1]

1. On June 19, 2017, the IMF Executive Board approved a three-year Extended Arrangement under the Extended Fund Facility (EFF). The economy was nearly in recession following the 2014 oil price shock. Economic activity slowed, the fiscal and current account deficits widened, and public debt almost doubled between 2014 and 2017. Thus, the key objectives of the EFF program, based on the authorities' home-grown economic strategy were threefold: (i) undertake well-balanced fiscal consolidation that minimizes the impact on growth and protects vulnerable groups; (ii) implement structural fiscal reforms to improve the efficiency and transparency of public spending and cash management; and (iii) conduct policies to enhance financial sector stability, the business climate, and economic diversification.

2. The EFF-supported program and higher-than-expected oil prices have helped the economy gradually recover from the 2014 oil shock (Panel 1). Inflation was contained below objective. The current account improved more than expected, driven by both higher oil and non-oil exports (particularly manganese) and lower imports. Higher oil prices helped keep debt slightly below objectives and increase government deposits at the BEAC in the first two years of the program, allowing Gabon to support regional reserves (Panel 1). The authorities cleared all external official arrears by the first review (prior action). However, almost immediately, they resumed accumulating new external arrears up to March 2019 when they cleared all arrears and practically stop the accumulation of new ones. The program also helped catalyze multilateral donor support,

Figure 1. Oil Prices and Stock of Government Deposits at the BEAC



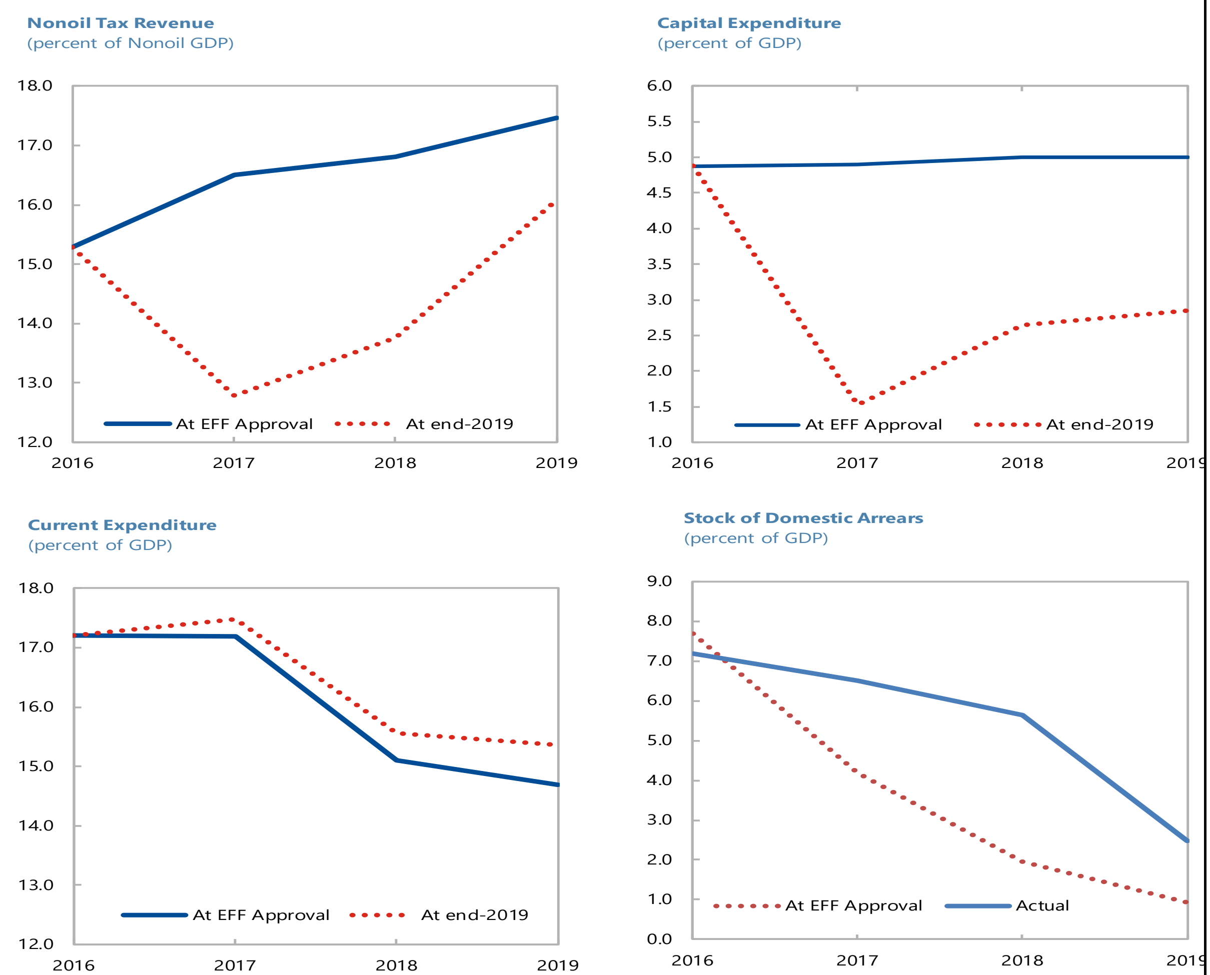
Sources: Gabonese authorities; and staff estimates.

[1] The sixth and final review could not be completed before the program expired in June 2020 owing to the spread of Covid-19 and its heightened economic spillovers and uncertainty.

and related improvements in macroeconomic indicators, which facilitated the country's access to international capital markets.[2]

3. Nonetheless, some program objectives were not achieved due predominantly to weak program implementation. Non-oil growth picked up, but at a slower pace than expected. Despite lower capital spending, the primary non-oil fiscal balance is worse than anticipated reflecting poor revenue performance and higher current spending (Figure 2). Efforts to contain the wage bill and current spending were undermined by overruns, especially in special accounts and transfers to state-owned companies (SOEs). The clearance of domestic arrears was also significantly lower than the initial payment schedule envisaged during the program agreement.

Figure 2. Development of Fiscal Revenue and Spending, 2016–19



Sources: Gabonese authorities; and IMF staff estimates.

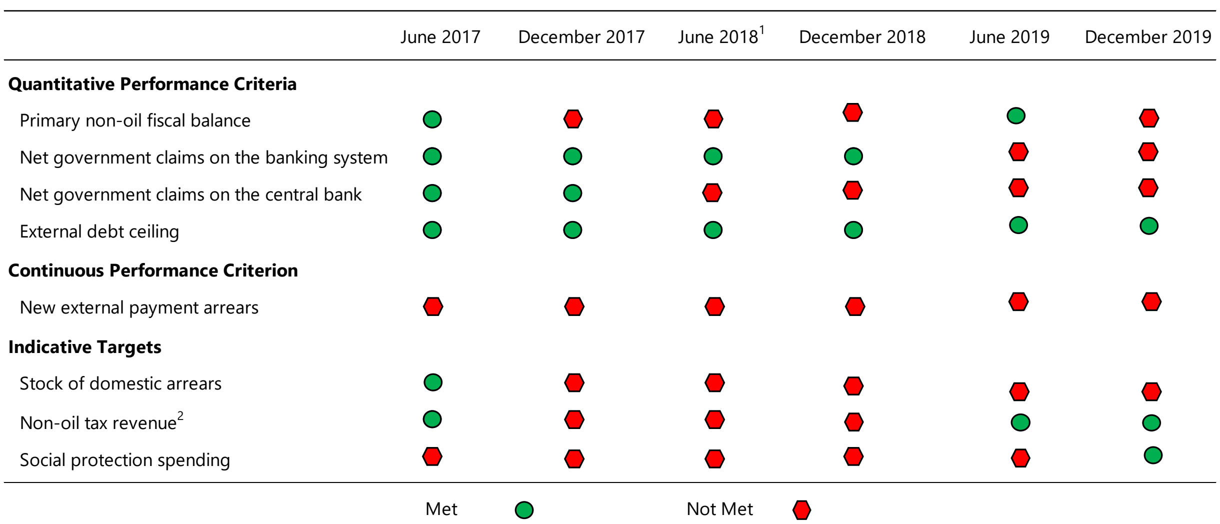
[2] In January 2020, Gabon successful issued a $1 billion Eurobond.

4. Program implementation was very challenging reflecting several factors, including weak institutional capacity, lack of coordination and ownership, and a complicated political context.

- ***Quantitative targets.*** Only about half of the quantitative criteria were met per review (Figure 3 and Table 1). Despite efforts to improve debt management and budget execution, domestic arrears continued to accumulate, though at a slower pace. The PC on external arrears was missed throughout the duration of the program, owing to shortfalls in domestic and external financing, fiscal slippages, and coordination issues. Social spending consistently underperformed the program floor during the fiscal consolidation, reflecting weaknesses in the social protection system, which remains fragmented and inefficient and often fails to reach its intended beneficiaries.

- ***Structural benchmarks.*** The implementation of key structural measures was also slow (Table 1).

Figure 3. Summary of EFF-Supported Program Performance, 2017–19



Source: IMF staff assessment based on data provided by the Gabonese authorities.

1/ The PCs for the primary non-oil fiscal deficit and net claims on the central bank were estimated not met at the time of the second EFF review (July 25. 2018; Country Report No. 18/269).

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

Table 1. Summary of EFF-Supported Program Implementation by Review, 2017–19

				Combined		Not completed
	First Review	**Second Review**	**Third Review** [1/]	**Fourth Review**	**Fifth Review**	**Sixth Review**
Total Number of QPCs	**5**	**5**	**5**	**6**	**6**	**6**
Met	4	3	2	2	3	2
Asked for a waiver	1	2	3	4	3	4
Total Number of SBs for the Review	**5**	**16**	**11**	**8**	**4**	**4**
Met	4	10 [2/]	7 [3/]	4	2	2
Not Met	1	6	4	4	2	2
Arrears Accumulation [4/]	Yes	Yes	Yes	Yes	Yes	Yes

Sources IMF staff assessment on the basis of information provided by the Gabonese authorities.
1/ Two waivers were requested at the time of the second review which took place in August 2018.
2/ Nine were met as prior actions.
3/ Four were met as prior actions.
4/ The authorities have taken measures to avoid accumulation and no new external arrears were accumulated in the last nine months of 2019.

5. **Many reforms are needed to complete the unfinished agenda of the previous program.** Vulnerabilities in the institutional framework constrained effective revenue collection, reduced the efficiency of public spending and limited the transparency of the general government balance sheet, thus significantly hindering the business climate and limiting fiscal space for priority pro-growth spending. The following reforms should be completed under a new program:

- Some efforts were made to modernize (SYDONIA, eT@x) and strengthen revenue administrations. However, the tax base remains narrow with tax expenditures still representing more than 7 percent of non-oil GDP.

- The authorities started producing bi-annual reports containing some oil sector data and information (e.g., production, exports, government revenue), and oil contracts and licenses were transmitted to the BEAC. They have also issued new oil and mining codes to boost investments these sectors. But the country has not fulfilled its commitment to submit a membership application to the Extractive Industry Transparency Initiative (EITI). There are no audit or reconciliation reports to confirm oil revenue and financial management of public enterprises, including in the oil sector, making the balance sheet of those SOEs opaque.

- Poor financial management of an inordinate number of public agencies continue to weigh on the budget. Monitoring of public agencies and SOEs remains weak.

- Improving the quality and efficiency of public investment projects was slow, as public investment management processes are still inefficient and hampered by a number of structural weaknesses as stated in the 2019 PIMA.[3] Strengthening PIM is critical to ensure efficiency and value for money infrastructures, in line with the 2019 PIMA recommendations.

- PFM has improved with notable progress such as those related to the optimization of cash management (e.g., establishment of a Treasury Single Account (TSA), revamping of the Treasury Committee). However, many of these reforms remain uncompleted (e.g., the TSA is not yet fully operational) and recurring weaknesses still undermine budget credibility (e.g., weak control procedures, off-budget spending, uncomplete budget documentation or absence of comprehensive reporting and follow-up on government's liabilities) and create room for accumulation of new domestic arrears.

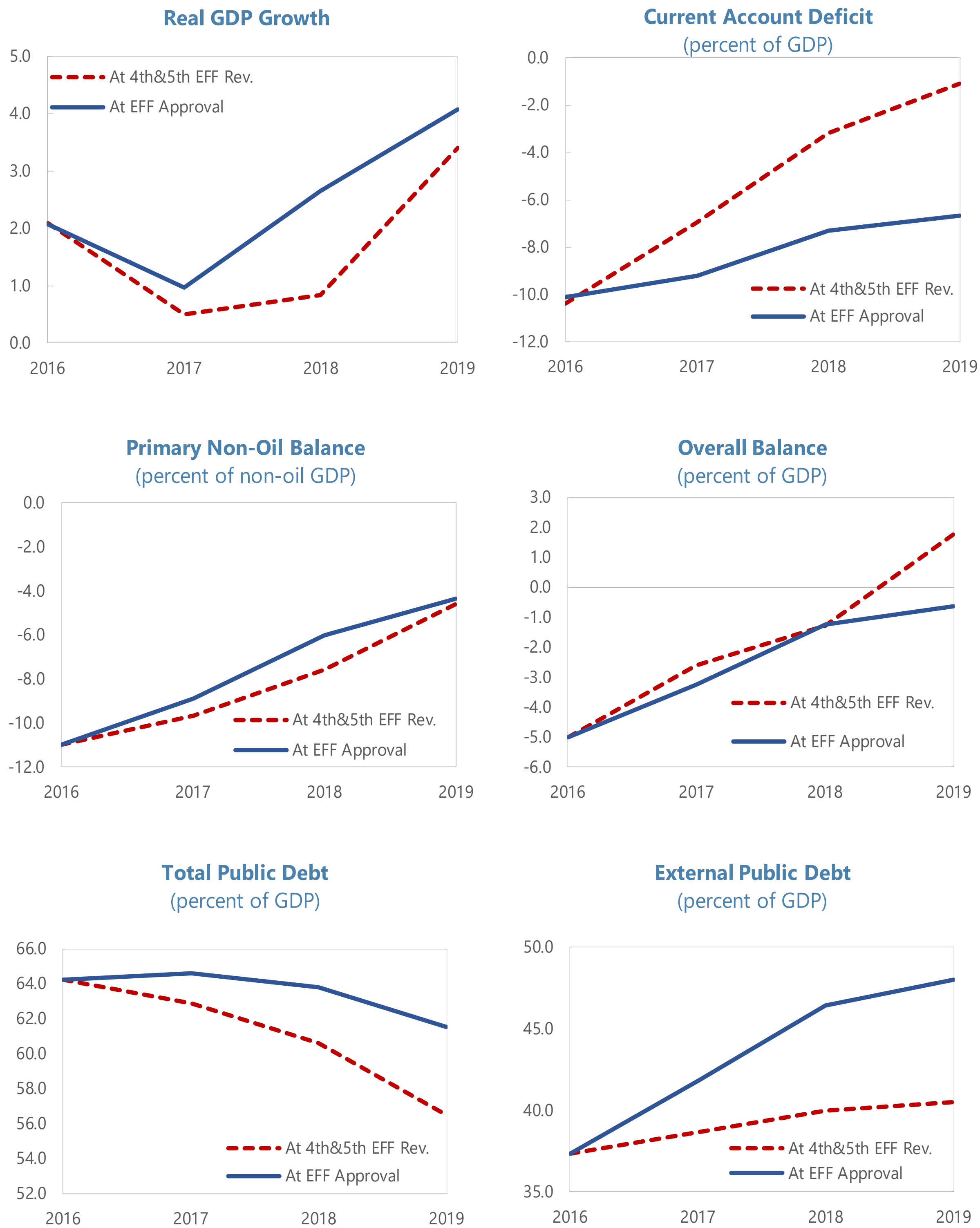
- The regularization and repayment of the stock of domestic arrears was very slow. An independent audit of arrears for 2015–17 was completed by PWC in 2019. The clearance of small arrears has been given priority but has barely started. A clearance strategy is yet to be approved by the government for the larger amount of arrears.

- Good progress was made in enhancing the soundness of the banking sector, which is now entirely private, and the most liquid and solvent in the region. But the liquidation process of the three failing public banks has started with delay and has not yet been finalized as anticipated because of various administrative difficulties. Repayments to insured depositors have also been slow.

- Positive steps were taken to encourage the creation of business and simplify procedures, but progress in implementing a comprehensive business facilitation reform has been slow. There are high costs and complex and multiple procedures for licenses and permits, tax statements, and customs, and manual provision of administrative services to businesses. A weak coordination of actors across multiple jurisdictions also leads to excessive and overlapping demands on businesses and high legal uncertainties.

[3] These include the (i) lack of coordination of multiple stakeholders, projects, and funding sources; (ii) absence of or ineffective planning tools with no consolidated and shared list of projects; (iii) lack of consolidated oversight of the different types of funding, including PPPs.

Panel 1. Gabon: Developments from EFF Scenario, 2016–19



Sources: Gabonese authorities; and IMF staff estimates.

Annex II. Estimating the Impact of Covid-19 Using Input–Output Tables

Due to myriad uncertainties, estimating the economic impact of the pandemic represents an enormous challenge. Recognizing that any attempt is necessarily rough, we favor a simple and transparent approach in our estimates. The key assumption is that the COVID-19 shock largely leaves the underlying input–output structure of the world's economies unchanged in the short run as firms would not have been able to significantly alter their production patterns apart from scaling them down.

1. **The COVID-19 pandemic has not only caused a devastating loss of life but also inflicted severe damage on the global economy.** As the world prepares for a recovery, it is crucial to understand which industries have been more vulnerable to the pandemic's economic consequences than others.

2. **According to the IMF's estimates (IMF, 2020), lockdown measures and travel ban have hit the hotels and restaurants industry most severely, leading to a 75% disruption in activity.** This initial shock would propagate through the supply chain and result in losses of larger magnitude due to cross-sectoral interdependencies, which can be quantified using the IO table.

3. **Given the recent changes in viral transmission and the current rate of vaccination, three pandemic planning scenarios are explored in calibrating the size of the economic impact.**

- ***Scenario 1 ("trending")*** assumes that current lockdown measures and travel ban will continue through the first half of 2021, and become 50% better in the latter half of 2021.
- ***Scenario 2 ("optimistic")*** assumes that current lockdown measures and travel ban will continue through the first half of 2021, and return to normal in the latter half of 2021.
- ***Scenario 3 ("pessimistic")*** assumes that current lockdown measures and travel ban will continue throughout 2021.

4. **Following Acemoglu et al. (2016), we use the network approach to calculate the impact of COVID-19 on Gabon's total output, with a particular focus on the service sector.** The idea is that if demand declines significantly in sectors that have strong sectoral linkages with other economic sectors, the negative effect of the initial shock may propagate to these sectors and have an amplified aggregate effect on the entire economy.

5. **In order implement the network approach, we rely on the Multi-Regional Input-Output (MRIO) database compiled by Eora.** The Eora MRIO database, which Leontief (1986) described as the "information system for the world economy", has been widely used in economic

studies, such as the flow of resources through the global supply chain, or the carbon footprint embodied in the international trade, etc.

6. **Due to data availability, we obtain Gabon's total requirement coefficients from its 2014 Input-Output (IO) table, which is also the latest version available, and assume that there had been no material technological changes during 2014–20.** In an IO table, given one unit of increase in demand, industry i will require raw materials, etc. to generate one unit of production. It will thus generate intermediate demands to upstream and downstream industries, respectively, in accordance with the direct requirement coefficients, which is the primary production repercussion. Receiving the demands, upstream and downstream will further generate higher-order production repercussions, in accordance with their respective requirement coefficients. This series of production repercussions continues until the process has fully worked itself out, i.e., has reached equilibrium.

7. **A final demand change could be used to predict how an economy would react as measured by a change in total output.** Suppose an IO table is organized into n sectors, and firms in the same sector are assumed to use the same production process. Each sector i produces gross output X_i. This output is sold to sectors j as intermediate outputs z_{ij}, or to final users Y_i

$$X_i = z_{i1} + z_{i2} + z_{i3} + \cdots + z_{in} + Y_i$$

A set of relationships called direct requirement coefficients are thus defined as

$$a_{ij} = z_{ij}/X_j$$

Each direct requirement coefficient indicates how much of sector i's output is needed to produce a unit of output in sector j. Substituting the second set of equations into the first equation gives the following result in linear algebra form:

$$X = AX + Y$$

which can be rearranged as

$$X = (I - A)^{-1}Y$$

where $(I - A)^{-1}$ stands for the Leontief inverse and I refers to a diagonal matrix. X and Y represent direct requirement matrix and total requirement matrix, respectively. This transforms a direct requirement matrix into a total requirement matrix.

The predictive form of the last equation is expressed as

$$\Delta X = (I - A)^{-1}\Delta Y$$

which shows how a final demand change can be multiplied by the coefficients in the total requirement matrix to predict total changes in output.

8. **The sum of total requirement coefficients is therefore crucial to measuring how much production is required at each sector in the economy when there is one unit of final demand change in a given industrial sector.** In the case of Gabon, the IO table consists of 26 sectors, including agriculture, mining and quarrying, manufacture, construction, wholesale and retail,

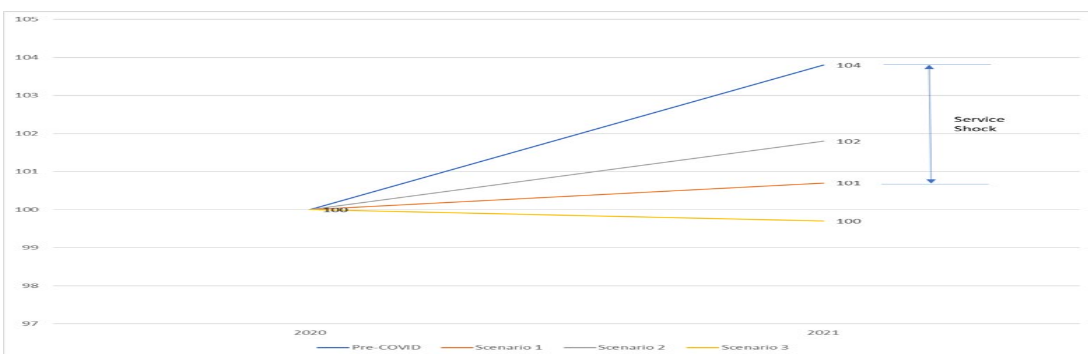
transport, financial intermediation, and hotel and restaurant etc. After transforming the direct requirement coefficient into the total requirement coefficient, we obtain the sum of total requirement coefficients of the hotel and restaurant industry, which is equal to 1.07. This means that one-unit increase/decrease in the final demand of the hotel and restaurant industry will lead to a sum of 1.07 units of change in economy-wide output, through its linkages to upstream and downstream industries.

Table 1. Estimation of Economic Impact Using Input-Output Table

Scenario	Hotels & Restaurants Share of GDP	Size of Initial Sectoral Shock	Total Requirement Coefficients	Amplification Effect	Sum Effect on GDP
1	2.6%	56%	1.07	60%	3.1%
2	2.6%	38%	1.07	40%	2.0%
3	2.6%	75%	1.07	80%	4.1%

9. Here, the size of initial sectoral shock is generated by comparing the current demand to the counterfactual value without the pandemic. Therefore, the sum effect is expressed as the difference between projected growth and the pre-COVID trend growth. Figure 1 below provides a graphic illustration.

Figure 1. Growth Estimates Compared with Pre-Covid Trend Growth[1]



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

[1] The pre-COVID trend growth is based on staff projections in 2019 AIV consultation. The growth projection for 2021 is higher than in the main text, as this estimate does not take into account the initial shock to sectors other than the service sector.

[1] See IMF Country Report No. 2021/021, Central African Economic and Monetary Community—Staff Report on the Common Policies of Member Countries, and Common Policies in Support of Member Countries Reform Programs.

10. Depending on different scenarios and the resulting different speeds of recovery, COVID-19 is projected to trim 2-4 percent from Gabon's level of GDP in 2021 through shocks to its service sector and subsequent repercussions on the economy through the supply chain. The formal service sector, even if it represents only a small share of GDP, is labor intensive (low-skills workers, women) and a shock could increase unemployment and poverty and long-term scars (Chen, 2020; Shibata, 2020). As next steps, we will use a survey to analyze the link on unemployment and poverty through the impact on the service sector.

Note: This study is part of a larger project that examines the spillover effect of COVID-19 involving 43 advanced and developing economies.

References

Acemoglu, D., Akcigit, U. and Kerr, W. 2016. Networks and the Macroeconomy: An Empirical Exploration. *NBER Macroeconomics Annual*, 30 (1), 273–335.Chen, Wenjie. 2020. Disparities in Real Time. *Finance & Development*, December 2020.

Dridi, J., Gursoy, T., Perez-Saiz, H. and Bari, M. 2019. The Impact of Remittances on Economic Activity: The Importance of Sectoral Linkages. *IMF Working Paper 19/175*.

IMF, 2020. *A Simple Guide to Estimating the Impact of COVID-19 on Travel and Hospitality Activity*.

Shibata, Ippei. 2020. The Distributional Impact of Recessions: The Global Financial Crisis and the Pandemic Recession. *IMF Working Paper 20/96*.

Leontief, W. 1974. Structure of the World Economy: Outline of a Simple Input-Output Formulation. The *American Economic Review*, 64 (6), 823–834.

Annex III. External Sector Assessment

Gabon's external position in 2020 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The current account deficit widened in 2020, driven mainly by a decline in oil exports. Going forward, the strengthening of the external position is predicated on effective measures to facilitate recovery from COVID-19, continued fiscal reforms and improvements to structural competitiveness.

1. In 2020, the terms of trade deteriorated while the real effective exchange rate (REER) appreciated. The terms of trade dropped by about 31 percent, driven mainly by declining oil prices, which fell 35 percent (Figure A1). Due to the appreciation of the Euro (to which the CFA franc is pegged) vis-à-vis the U.S. dollar, the REER appreciated by 2 percent.

2. The current account (CA) deficit widened in 2020 driven mostly by the decline in oil exports. The CA was estimated at -6 percent of GDP, compared with -1 percent of GDP in 2019. Exports decreased by 25.5 percent (y-o-y) in 2020, reflecting a 36.9 percent decline in oil exports. Meanwhile, non-oil imports increased by 1.4 percent (y-o-y), notwithstanding a decline in total imports by 5.4 percent. From the savings and investment perspective, public sector saving-investment gap moved into deficit, contributing to the widening of the CA deficit. In 2021, the current account deficit is expected to improve to -4.8 percent of GDP and strengthen in the medium term, as both oil and non-oil exports increase, particularly in the mining (manganese) and agri-business sectors.

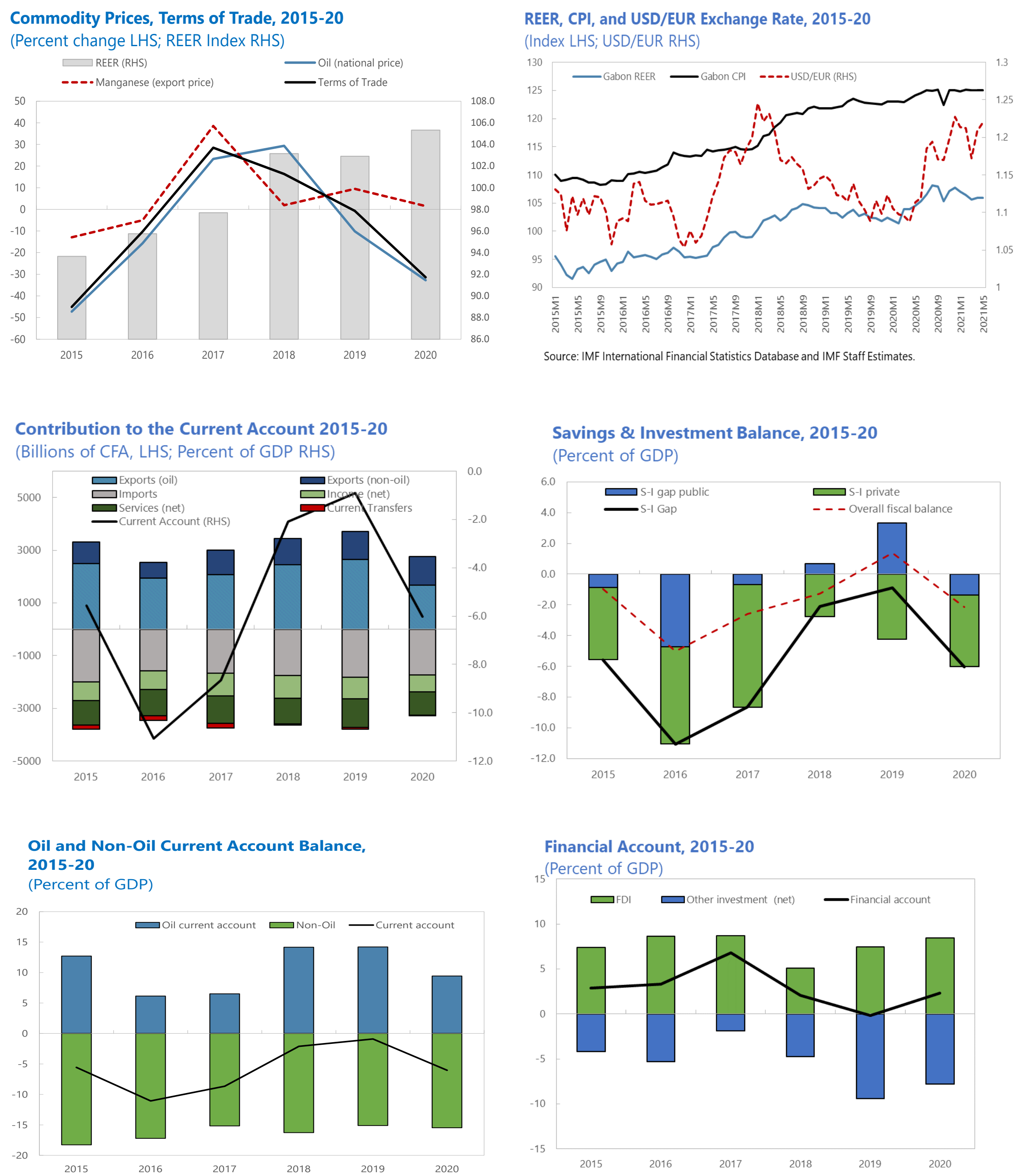
3. Foreign direct investment continued to drive external financing inflows in 2020. FDI was estimated at 8.4 percent of GDP in 2020, the majority of which was related to the non-oil sector. Disbursements of external debt for project and external financing (excluding the IMF disbursement) decreased to 2 percent of GDP in 2020, compared with 3 percent in 2019 owing to lower external budget support. Gabon's imputed net foreign assets at the BEAC declined by CFAF 154 billion compared with 2019, suggesting vulnerabilities in the stock position. COVID-19 has also impacted Gabon's external debt path and increased its foreign debt liabilities, which are projected to reach 49.4 percent of GDP in 2021, and gradually decline to below 40 percent over the medium-term. Gabon's foreign exchange reserve adequacy is in line with that of oil exporting economies in the CEMAC region according to reserve adequacy metrics.[1]

4. This analysis relies heavily on staff estimations given actual data limitations. Provision of official balance of payments statistics is subject to delays, with the latest official, though still preliminary, data from 2018. The analysis also suffers from gaps in these data, including the exclusion of activities in the Special Economic Zone. The lack of data for the net international investment position and related series also precludes the use of the External Sustainability approach

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

in the exchange rate assessment. The authorities are working to address these issues with the support of IMF technical assistance.

Figure 1. Gabon: External Sector Developments, 2015–20



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

5. Estimates using the revised EBA-Lite[2] methodology's regression-based approaches suggest a CA gap of -0.3 percent and -0.7 percent, based on the EBA-lite CA and REER models respectively, and 0.9 percent and 2.5 percent REER gap in 2020 (Table A2). The approach estimates CA and REER norms using cross-country regressions and desirable policy settings. The "gaps" or deviations of cyclically-adjusted actual values from these norms are used to inform the exchange rate assessment. The CA approach estimates a cyclically-adjusted CA norm of -2.3 percent of GDP, compared with the actual cyclically-adjusted CA at -2.6 percent of GDP. This produces a CA-gap of 0.3 percent of GDP, including a 1.8 percent policy gap between actual 2020 levels and desirable policy settings, particularly fiscal policy and the public health expenditure.[3] The REER approach estimates a norm REER of 4.63 based fundamentals and desirable policy settings, compared with its actual level of 4.66 (expressed in logs). In comparison to the EBA-Lite estimates for the 2019 Article IV Consultation, CA-Actual and CA-Norm did not change significantly. The reason for the significant downward revision in exchange rate overvaluation was mainly driven by adjustors to account for COVID-19 impact on oil trade, that amounts to 0.7 percent of GDP. [4]

6. Gabon's reliance on oil exports warrants consideration of more tailored external sector assessments. The regression-based approaches do not consider factors specific to oil exporters, particularly the exhaustibility of natural resources which may require building extra-reserves for intergenerational consumption smoothing. This analysis considers an additional model-based approaches to account for these characteristics: the consumption-based model,[5] which estimates a current account norm based on the net present value (NPV) of future oil wealth and the related consumption and savings consistent with intergenerational equity.

---

[2] These are calibrated to include: (i) a cyclically-adjusted fiscal balance (-4.0 percent of GDP) and an annual change in reserves (0.0 percent of GDP) consistent the medium-term projections and meeting CEMAC convergence criteria; (ii) private credit growth set in line with the benchmark level based on regressions on the same country group (0.6 percent); (iii) a desired public health expenditure of 2.2 percent of GDP based a benchmark level given Gabon's capacity to spend; (iv) the capital control benchmark is based on the latest cross-country average level of the control index (0.47); and (v) the real interest rate set to the actual rate for 2020, which implies monetary policy is consistent with output and inflation objectives.

[3] The COVID-19 crisis is significantly affecting external positions. Current account (CA) balances have in many cases changed substantially more in 2020 than in 2019, although the movements are generally expected to fade as the COVID-19 crisis subsides. Following the latest EBA-Lite guidelines (version April 2021), we made special adjustments to the oil trade balance beyond the standard cyclical adjustments to strip out transitory factors, which include a temporary portion of the oil trade shock of -0.86% and an EBA-lite coefficient of 0.8. We assume there were no temporary and major changes to tourism and remittances, thus related adjustors are set to be zero.

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

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

Table 2. Gabon: 2020 Revised EBA-Lite CA and REER Regression Results

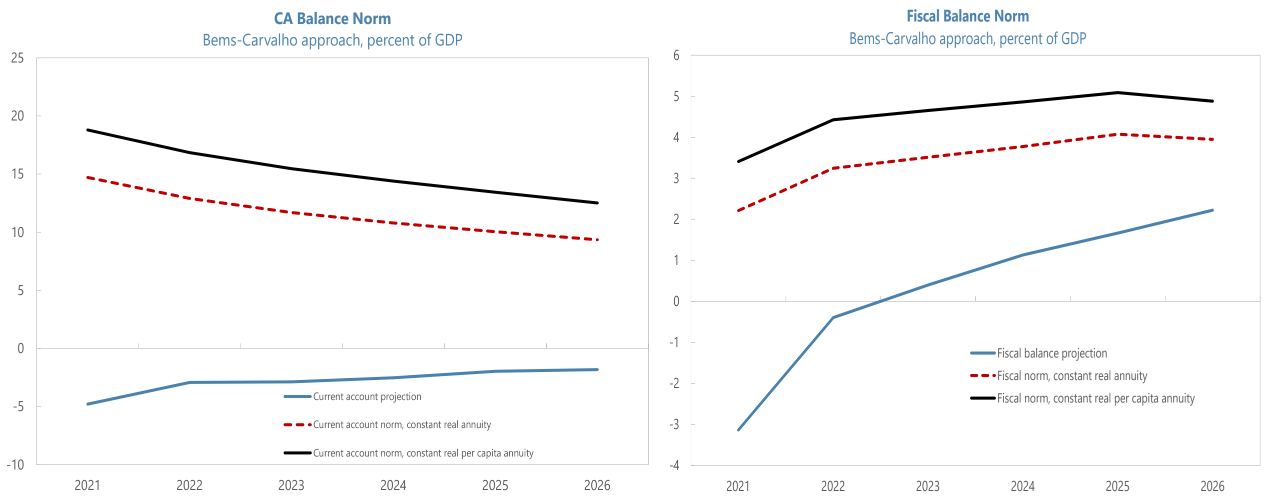
	CA model	REER model
CA-Actual	**-6.0**	
Cyclical contributions (from model) (-)	-2.7	
COVID-19 adjustor (+) 1/	0.7	
Additional temporary/statistical factors (+)	0.0	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-2.6**	
CA Norm (from model) 2/	**-2.3**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-2.3**	
CA Gap	**-0.3**	**-0.7**
o/w Relative policy gap	1.8	
Elasticity	-0.28	
REER Gap (in percent)	**0.9**	**2.5**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic balances (0.7 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

7. **The consumption-based model suggests a significantly higher CA norm.** Based on a constant real per capita annuity of oil and financial wealth, which corresponds to inter-generational equity, the medium-term CA norm would be 12.5 percent, compared with an underlying CA projection of -1.8 percent, implying an exchange rate overvaluation of 51 percent (Figure A3), while previous exercise for the 2019 Article IV Consultation gave an estimate of about 35 percent overvaluation. The model suggests a medium-term fiscal norm of 4.9 percent of GDP consistent with a constant real per capita equity, compared with a projected value of 2.0 percent. However, these estimates are subject to uncertainties given the reliance on long-run assumptions, including the potential for new oil discoveries or demographic changes that might slow population growth, which would reduce the CA norm and the degree of overvaluation.[6]

[6] See Araujo et al., 2016 "Current account norms in natural resource rich and capital scarce economies," *Journal of Development Economics*, Vol. 120, pp. 144–156.

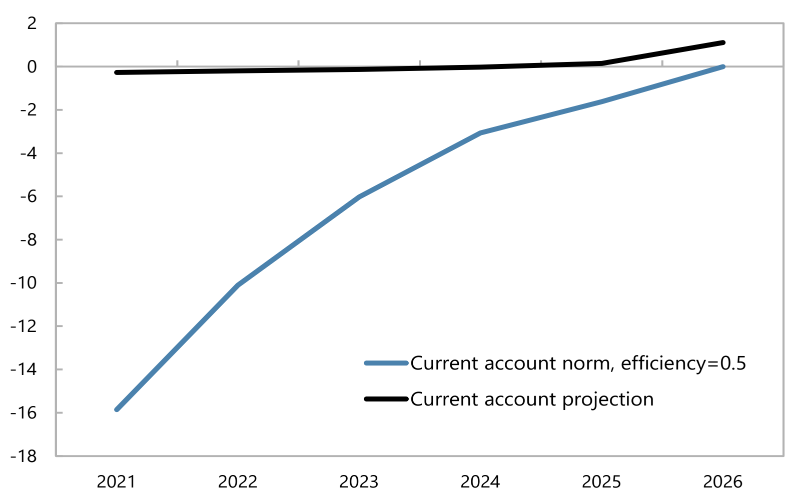
Figure 3. Consumption-Based Model Projected and Estimated CA and Fiscal Norms



Sources: Gabonese authorities; and IMF staff estimates.

8. **The investment-based model indicates a lower CA norm.** An important parameter for this model is the efficiency public and private investment, with larger inefficiencies reducing the optimal level of investment, leading to higher current account norms. Based on recent PIMA (2019) findings, the analysis considers an efficiency value of 0.5 (i.e. only half the amount of investment turns into productive capital), which projects a medium-term CA norm of 1.1 percent of GDP, below baseline projections (Figure A4).

Figure 4. Investment Based-Model Estimated CA and Projected CA
(Percent of GDP)



Source: IMF staff calculations.

9. The bottom-line assessment is that the external position is broadly in line with the level implied by fundamentals and desirable policies. This is drawn from consideration of the range of regression-based CA and REER approaches, which exhibit relatively low residuals and account for desirable policies not only to support external stability but also meet regional commitments that support the CFA currency peg. The consumption-based approach provides a useful illustration of how Gabon's declining resource base calls for continued efforts to strengthen the external position, which may be offset by productive investment in the non-oil sector to diversify the export base.[7] The overall assessment estimates a REER gap of 0.9 to 2.5 percent based on the range of CA and REER results, respectively, compared with an overall assessment of a 9 to 16 percent overvaluation in 2018.[8] This assessment is based on the CA gap estimate being 1.4 percent of GDP. Preliminary data suggest that this assessment could further improve in 2021 given the anticipated strengthening of the current account. Further, stronger returns from recent FDI, including through higher than anticipated oil production, represent an important medium-term upside risk which could also improve the external position.

10. Continued policy adjustment and measures to strengthen structural competitiveness would sustain the strengthening of the external position. This includes measures under the new IMF-supported program including fiscal consolidation and efforts to improve the efficiency of public investment, as well as measures to improve governance and the business environment. In addition to ranking low on the World Bank's Doing Business Ranking (169 out of 190 countries in 2020), Gabon continues to rank low across several trade-related structural indicators, including the World Economic Forum's Enabling Trade Index and the World Bank's Logistics Performance Index (Figure A5).

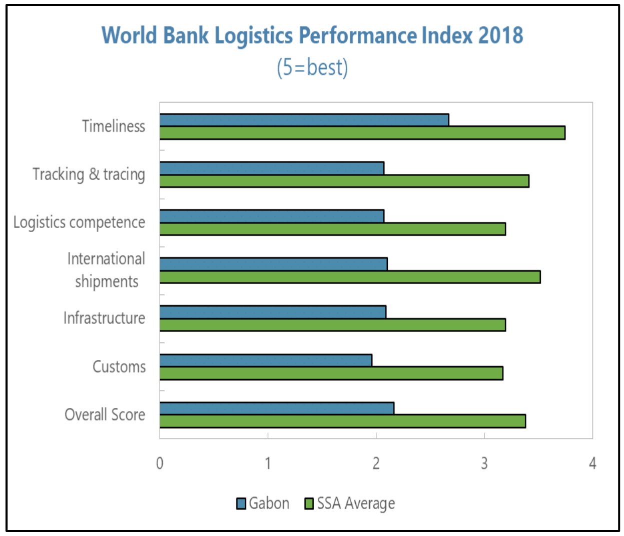
[7] Country Report Country Report No. 19/389.

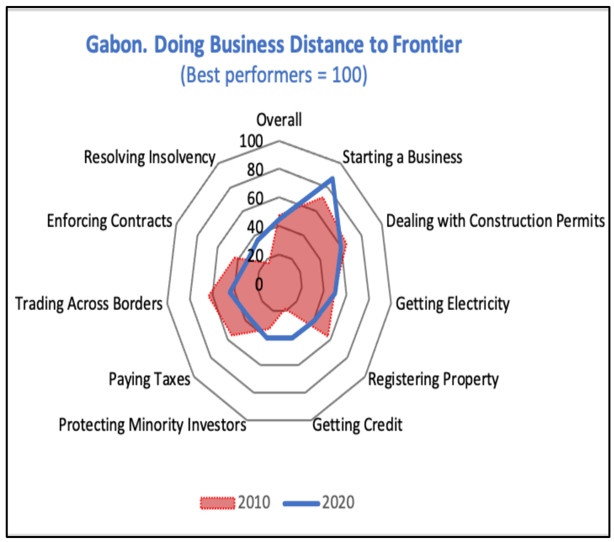
[8] These are small representing 1 percent of the total stock and represent legacy claims from a commercial and multilateral creditor.

Figure 5. Gabon: Structural Competitiveness Indicators

Gabon: WEF Enabling Trade Index and Subcomponents (2016)[1]	
Overall rank (out of 136)	**129**
Domestic market access	**125**
Tariff rate (%)	13.4
Complexity of tariffs	31
Share of duty free imports (%)	22.1
Foreign market access	**128**
Tariff rate faced (%)	4.7
Margin of preference in destination markets	132
Border administration ranking	**119**
Customs service index	105
Efficiency of clearance process	120
Time to import (documentary, hours)	120
Time to import (border compliance, hours)	84
Cost to import (documentary) US$	170
Cost to import (border compliance) US$	1320
Time to export (documentary, hours)	60
Time to export (border compliance, hours)	96
Cost to export (documentary) US$	200
Cost to export (border compliance) US$	163
Irregular payments and bribes	90
Time predictability of import procedures	103
Customs transperency index	86
Infrastructure rankings:	
Transport infrastructure	119
Transport services	130
Availibility and use of ICTs	107
Operational environment ranking	**110**
Protection of property	93
Efficiency and accountability of govt	118
Access to finance	124
Openess to foreign participation	109
Physical security	82

1. Ranking unless otherwise inidcated. Red indicates ranking in bottom quartile, green indicates ranking in top quartile.





Source: World Bank, World Economic Forum.

Annex IV. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
		Domestic Risks	
Disruption in domestic oil production caused by aging fields and lower than expected production from new projects.	**Medium**	**Medium** Fiscal revenues and exports are susceptible to oil production declines, with potential spillovers to the non-O&G sector.	Reprioritize fiscal spending and enhance the efficiency of spending, while supporting non-oil activity during shutdowns. Enhance facility maintenance and plan adequate investment for refurbishment, and encourage exploration and discovery of new oil.
Deterioration of domestic political conditions.	**Medium**	**Medium** Given perceptions of poor governance and corruption it may be difficult to maintain a sustainable consensus to govern. This could compromise the macroeconomic stabilization gains made over the last three years and derail key reforms.	Communicate the benefits of the government's macroeconomic program and enhance the inclusiveness of the approach to economic management. Step up efforts to improve governance.
Widespread social discontent due to intensified domestic transmission of the COVID-19 pandemic, delays in vaccination or unequal access to the vaccine.	**Medium**	**Medium** A significant spread of the pandemic, delays in the vaccine rollover and unequal access to it could undermine economic activity, disrupt domestic supply and transportation, and could fuel unrest.	Continue to enforce social distancing regulations. Ramp up crisis preparedness in the health system to cope with a potential surge. Expand emergency assistance. Intensify efforts to secure sufficient resources to address Covid-19 impact, including from development partners. Ensure the efficient use of Covid-19-related emergency resources, including by closely monitoring their expenditure and ensuring full transparency and accountability, as per the commitments in the LOIs appended to Gabon's 2020 RFI Purchase requests.
		External Risks	
Unexpected (prolonged pandemic) shift in the Covid-19 pandemic.	**High**	**High** Adverse impact on growth through less foreign direct investment inflows and external support. Demand for export products and their prices would fall, hurting the domestic economy. Weak growth dynamics cause a deterioration in debt sustainability and imply a larger fiscal adjustment, which could feedback in weaker growth.	Reprioritize fiscal spending and enhance the efficiency of spending. Accelerate reforms to address structural weaknesses aimed at supporting private sector growth. Energize external support through better compliance to donors' conditionality and emphasizing the merits and needs of Gabon's development strategy.
Sharp rise in global risk premia exposes financial and fiscal vulnerabilities	**Medium**	**Medium** Given significant gross financing needs, refinancing risk and shifts in market sentiment could trigger further ratings downgrades for the sovereign and financing difficulties for the sovereign.	Pursue a credible medium-term fiscal consolidation path to rebuild fiscal and external buffers and sustain confidence. Strengthen debt management

Based on the January 11, 2021 update of the Global Risk Assessment Matrix.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Oversupply or volatility in the oil market	**High**	**High** Increase volatility and complicates macroeconomic management. Fiscal revenues and exports are susceptible to oil price volatility, with potential spillovers to the non-hydrocarbon sector. A prolonged price decline would necessitate a larger fiscal adjustment.	Increase non-oil revenue to help build fiscal buffers. Reprioritize fiscal spending and enhance the efficiency of spending. Accelerate reforms to address structural weaknesses aimed at supporting private sector growth.
Accelerating de-globalization	**Medium**	**Medium** Demand for export products and their prices would fall, hurting the domestic economy.	Continue improving the business environment to attract further investments and diversify the economy. Reprioritize fiscal spending and enhance the efficiency of spending, while supporting non-oil activity. Diversify the structure of the economy and export products and markets.
Intensified geopolitical tensions and security risks	**Medium**	**Medium** Intensification of the flow of refugees/displaced people into Gabon, as a result of instability in neighboring countries.	Enhance an already well-established policy framework for dealing with emigration.

Annex V. Debt Sustainability Analysis

Gabon's public debt-to-GDP remains sustainable in the medium term, but risks are high and have risen lately as evidenced by the recent accumulation of arrears. Under the baseline scenario, public debt is forecast to decline to about 56.7 percent of GDP by 2026, supported by ongoing fiscal adjustment and a prudent borrowing strategy. Stress tests indicate that public debt levels also remain sustainable against standard shock scenarios. Nevertheless, liquidity pressures are considerable with debt-service representing a significant share of revenues. External arrears remain. Looking ahead, there are also significant debt-profile risks, including the large share of debt held by non-residents and foreign currency debt. Building a track record of remaining current on debt service payments, proactive measures to mitigate Eurobond refinancing risks, and a credible medium-term debt management strategy will be essential to addressing challenges related to elevated financing needs.

1. Public Debt Level and Composition:

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

- **Debt structure. At FCFA 6,824 billion (about US$11.9 billion) as at end-2020, public debt stood at 77.4 percent of GDP (from 59.8 percent in 2019).** The 2020 stock included FCFA 38.6 billion in external arrears to commercial creditors. Gabon's public debt is mostly medium to long term and external (60 percent of the overall stock). Financial market debt related to Gabon's Eurobonds represented the largest share of overall debt at 19 percent of the total stock. Exposure to interest rate risk has increased in recent years, with 32 percent of external debt carrying variable interest rates, mostly related to the Eurobond.

Table 1. Gabon: Public Debt Stock by Components, 2018–20
(Billions of CFAF)

	2018	2019	2020
External debt	3743.7	3875.9	4052.4
Bilateral	804.6	872.8	841.4
Multilateral	1056.8	1399.9	1627.8
Commercial	629.5	324.8	269.1
Financial markets	1252.8	1278.4	1314.1
Domestic debt	1932.4	2034.3	2771.6
Banking sector	772.3	677.0	887.6
Non-banking sector	1160.1	1357.3	1884.0
Total public debt	5676.1	5910.2	6823.9

Source: Gabonese authorities.

2. Baseline and Realism of Projections:

- **Economic growth projections are conservative, anticipating a modest recovery in 2021.** Macroeconomic conditions are projected to recover gradually from the COVID-19 pandemic with growth reaching 1.5 percent in 2021 and averaging 3.2 percent over 2021–26 driven by a steady increase in non-oil growth as key FDI projects reach maturity and investment in the oil sector helps production stabilize. Historical projections show a relatively large median-error in growth forecast, owing to volatility in oil production and external financing disbursements (Figure 2). As a result, these projections have taken a conservative approach, incorporating part of expected FDI inflows and economic activity related to existing projects.

- **Fiscal adjustment is expected to continue.** In the baseline projection, the non-oil primary balance improves throughout the projection period (2021–26) thanks to continued fiscal consolidation. On the revenue side, the consolidation effort is driven by higher non-oil revenues that follow from the effects of the ongoing tax policy and administration reforms. Spending is anticipated to stabilize at about 16 percent of GDP over 2021-26. While the MAC-DSA realism module characterizes the cumulative fiscal adjustment as somewhat optimistic on a cumulative basis, it partly reflects the impact of reforms that have already been put in place.

- **The authorities are expected to continue to pursue a prudent borrowing strategy.** They remain committed to reducing debt below the regional target of 45 percent of GDP. The baseline also assumes that the authorities will issue a Eurobond in 2021 and use at least 82 percent of this issuance to rollover Eurobonds, reducing payments in 2022–24.

3. Gabon's public debt is declining under baseline projections. As a result of the planned fiscal consolidation and a prudent borrowing strategy, gross debt levels are projected to decline from a peak of 77.4 percent of GDP in 2020 to about 56.7 percent of GDP by 2026.

4. Total debt service remains high. Gabon recently refinanced the commercial bridge loan due in 2020 easing its debt service burden.[1] Nevertheless, debt service is projected at 77 percent of total fiscal revenues in 2021 and projected to average 56 percent of revenues over 2021–26. This is further reflected in gross financing needs, which are projected at 13 percent of GDP in 2021 and will average 11 percent of GDP over the projection period (2021–26).

5. Gabon has made some progress toward addressing the longstanding issue of arrears. As of May 2021, Gabon's external arrears remain at 0.4 percent of GDP. The authorities have taken several steps to prevent arrears accumulation, including addressing coordination between Treasury and Debt Units issues that led to arrears in the past, improvements in cash management and systems monitor debt payments, and the implementation of the Treasury Single Account. Regarding domestic arrears, the authorities have begun to clear VAT refund arrears at a faster rate.
The authorities have designed a growth-friendly clearance plan of the recently validated arrears by a task force.

6. Maturing Eurobonds represent an important refinancing risk Gabon currently has US$1.3 billion in Eurobonds (approximately 15 percent of GDP) coming due during 2021–24.

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

The authorities understand the importance of swiftly implementing a refinancing strategy, and have budgeted for a US$0.9 billion Eurobond issuance in 2021 to lock in current market conditions on terms in line with the most recent rollover in 2017 (assumed in the DSA baseline).[2] Key risks to this baseline include new accumulation of external arrears and failure to maintain fiscal performance, which could adversely affect market sentiment, as well as a rise in risk premia. The baseline assumes partial pre-payment with using 82 percent 2021 Eurobond for repayment debt service due in 2021–24.[3] However, the remaining amount Eurobond-related debt interest service due would still be significant averaging 1 percent of GDP per year or 4.2 percent of fiscal revenues (Table 2). Using all of any potential proceeds for a Eurobond rollover would help address large refinancing need. Further, it will be important to ensure that the use of such proceeds remains consistent with planned fiscal adjustment.

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

- *Primary balance shock.* A deterioration of 1.6 percentage points of GDP in the primary balance in 2022 increases public debt to 60 percent of GDP by the end of the projection period 2026. The gross financing needs also increase slightly.

- *Growth shock.* Real output growth rates are lowered by one standard deviation for 2 consecutive years starting in 2022. The decline in growth leads to a deterioration of the nominal primary balance, compared with the baseline, reaching 1.7 percent of GDP by 2022. Accordingly, the debt-to-GDP ratio increases to about 75 percent during the growth shock, and to 64 percent by 2026. Gross financing needs increase to 9 percent of GDP by 2026.

- *Interest rate shock.* Real interest rates are assumed to increase by 1,252 basis points starting in 2022. The government's interest bill increases gradually, reaching an implicit average interest rate of almost 10 percent by 2026, almost 5 percentage points higher than in the baseline. Similarly, the debt-to-GDP ratio and gross financing needs increase, reaching 65 and 12 percent of GDP, respectively, by 2026.

- *Real exchange rate shock.* Based on the upper bound of the overvaluation estimate in the External Sector Assessment (see Annex II), a permanent real exchange rate depreciation of 17 percent increases debt by about 6 percentage points of GDP by 2026. Gross financing needs increase by about 1 percentage points of GDP over 2022-26, compared with the baseline.

- *Combined shock.* A combined shock incorporates the largest effect of individual shocks on all relevant variables (real GDP growth, inflation, primary balance, exchange rate and interest

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

[3] The remaining 18 percent will be used for investment.

rate). In this case, debt would increase to around 90 percent of GDP. Gross financing needs increase to about 18 percent of GDP in 2026.

- *Additional liabilities.* To capture potential additional liabilities from the audit of domestic arrears and SOE debt not currently captured in debt coverage, a 7 percent shock is added to the second year of projections. In addition to raising the debt stock from 75 percent to 84 percent in 2021, gross financing needs would reach 11 percent of GDP in 2026.

8. **There are significant vulnerabilities related to Gabon's debt profile as indicated in the heat map (Figure 1).** It shows that the external financing requirement and levels of debt held by non-residents breach upper risk-assessment benchmarks, and the market perception, short-term debt, and public debt in foreign currency fall between the upper and lower risk assessment benchmarks. Debt levels are elevated, breaching the benchmark in the baseline.

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

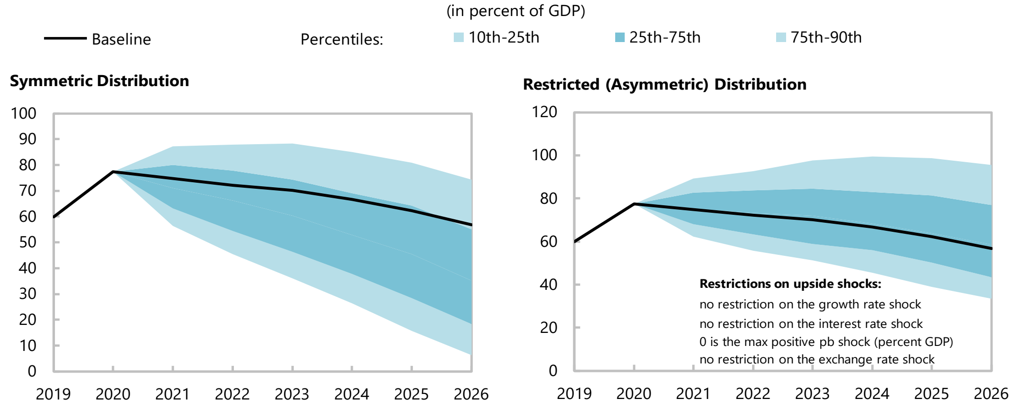
Figure 1. Gabon: Public DSA Risk Assessment

Heat Map

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

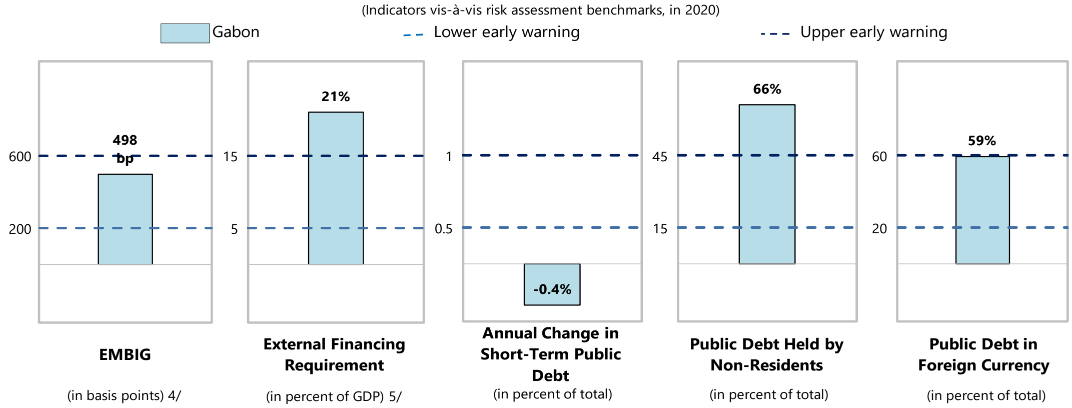
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2020)



Source: IMF staff.

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

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

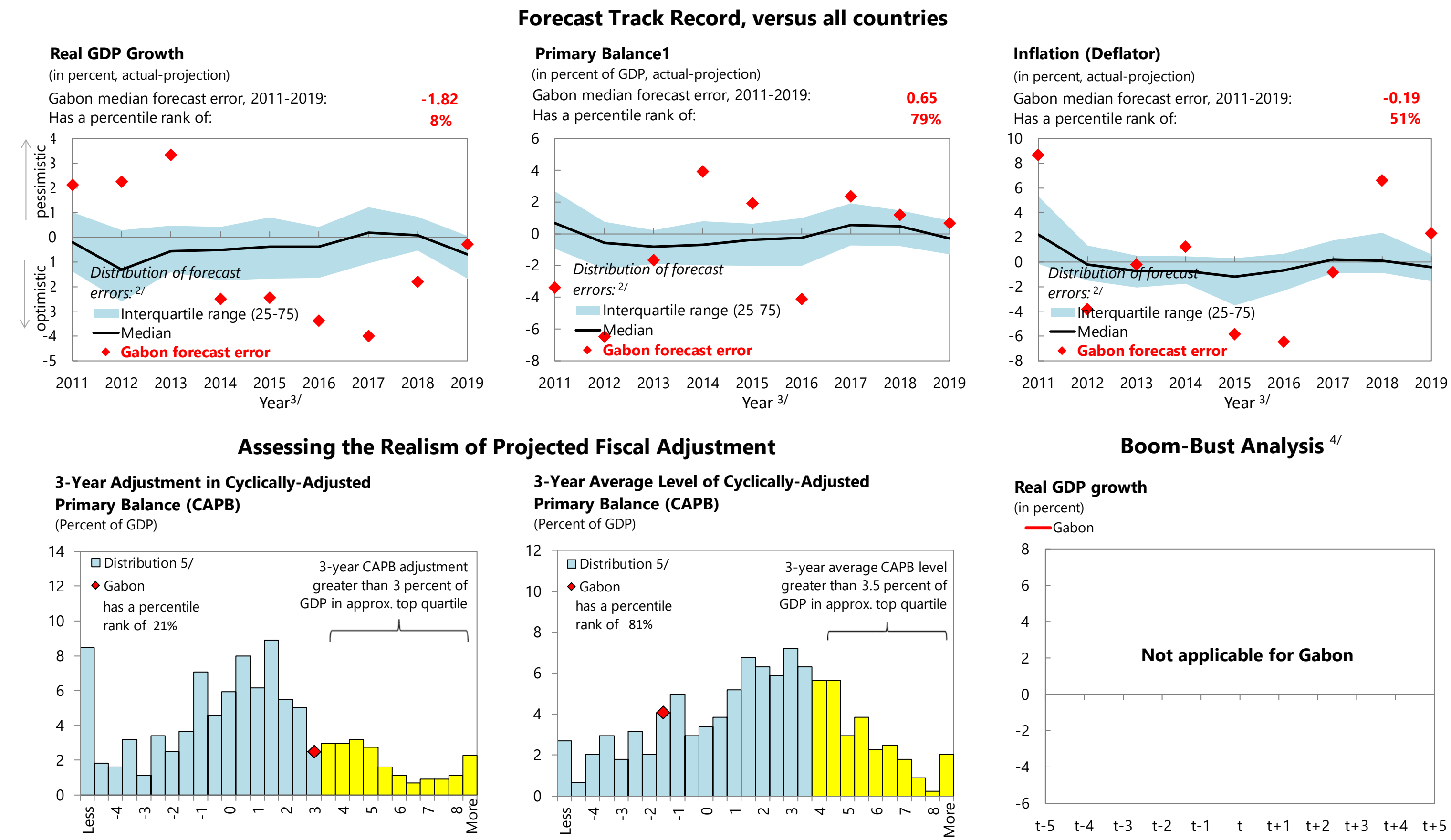
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant,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

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

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

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

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



Source : IMF Staff.

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

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

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

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

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

Figure 3. Gabon: Public Sector DSA — Baseline Scenario

(Percent of GDP, unless otherwise indicated)

Debt, Economic and Market Indicators [1]

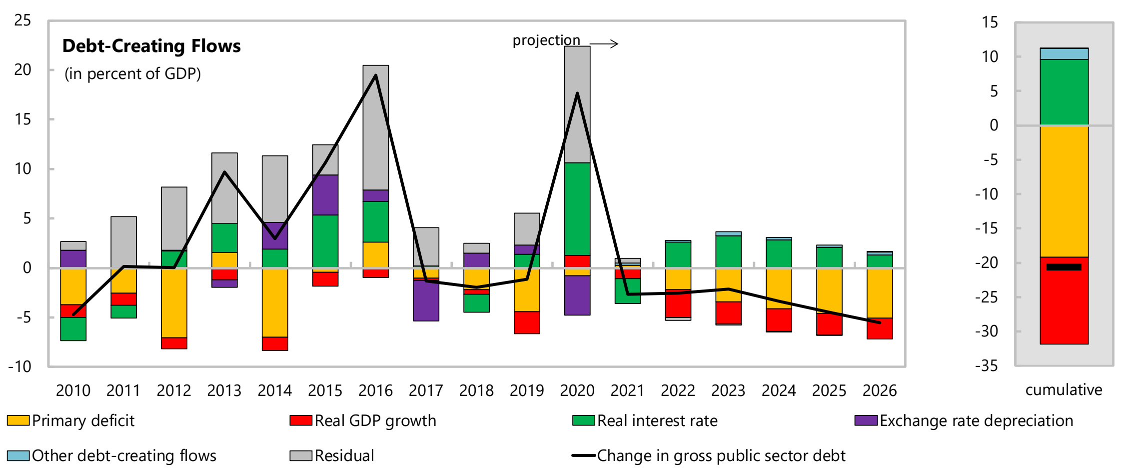
	Actual			Projections						
	2010-2018 [2]	2019	2020	2021	2022	2023	2024	2025	2026	
Nominal gross public debt	40.2	59.8	77.4	74.7	72.2	70.1	66.8	62.3	56.7	
Of which: guarantees	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	
Public gross financing needs	3.2	2.8	13.2	13.0	8.2	8.0	8.0	11.0	7.2	
Real GDP growth (in percent)	4.0	3.9	-1.8	1.5	3.9	3.2	3.4	3.4	3.5	
Inflation (GDP deflator, in percent)	1.9	1.6	-9.2	7.6	0.4	-0.4	0.2	1.3	2.5	
Nominal GDP growth (in percent)	6.0	5.5	-10.8	9.3	4.3	2.8	3.6	4.8	6.1	
Effective interest rate (in percent) [4]	4.6	4.0	4.5	4.2	4.0	4.2	4.4	4.6	4.9	

As of June 10, 2021

Sovereign Spreads		
EMBIG (bp) 3/	431	
5Y CDS (bp)	n.a.	
Ratings	Foreign	Local
Moody's	Caa1	Caa1
S&Ps	B	B
Fitch	CCC	CCC

Contribution to Changes in Public Debt

	Actual			Projections							
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	cumulative	debt-stabilizing primary balance [9]
Change in gross public sector debt	3.9	-1.1	17.6	-2.7	-2.5	-2.1	-3.3	-4.5	-5.6	-20.7	-0.5
Identified debt-creating flows	-1.3	-4.3	5.9	-3.1	-2.2	-2.0	-3.3	-4.5	-5.6	-20.7	
Primary deficit	-2.2	-4.4	-0.8	0.3	-2.2	-3.4	-4.1	-4.6	-5.1	-19.2	
Primary (noninterest) revenue and grants	23.6	19.5	17.6	17.1	18.4	19.2	20.1	20.8	21.0	116.6	
Primary (noninterest) expenditure	21.4	15.1	16.8	17.4	16.1	15.8	15.9	16.2	15.9	97.4	
Automatic debt dynamics [5]	0.9	0.1	6.7	-3.6	-0.2	1.0	0.5	-0.1	-0.7	-3.1	
Interest rate/growth differential [6]	0.2	-0.9	10.6	-3.6	-0.2	1.0	0.5	-0.1	-0.7	-3.1	
Of which: real interest rate	1.2	1.4	9.4	-2.5	2.6	3.2	2.8	2.1	1.3	9.6	
Of which: real GDP growth	-1.0	-2.3	1.2	-1.1	-2.8	-2.3	-2.3	-2.2	-2.1	-12.7	
Exchange rate depreciation [7]	0.7	1.0	-4.0	...	...	...	...	...	...	...	
Other identified debt-creating flows	0.0	0.0	0.0	0.2	0.2	0.4	0.3	0.2	0.3	1.6	
Privatization receipts and overdue tax collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accumulation of deposits at banking system	0.0	0.0	0.0	0.2	0.2	0.4	0.3	0.2	0.3	1.6	
Residual, including asset changes [8]	5.2	3.2	11.7	0.5	-0.3	-0.1	0.0	0.0	0.0	0.0	



Source: IMF staff.

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

2/ Based on available data.

3/ EMBIG.

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

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

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

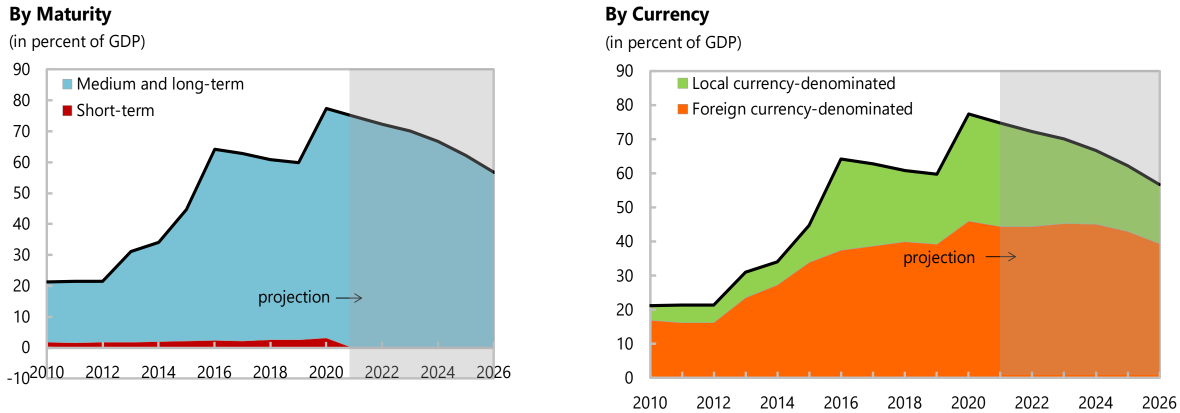
7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

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

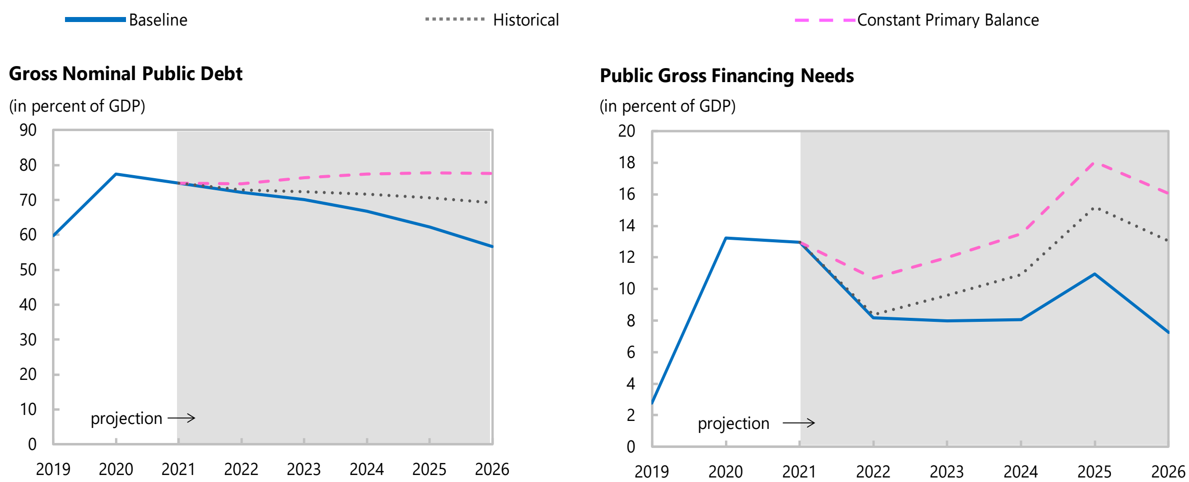
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

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

Composition of Public Debt



Alternative Scenarios



Underlying Assumptions

(in percent)

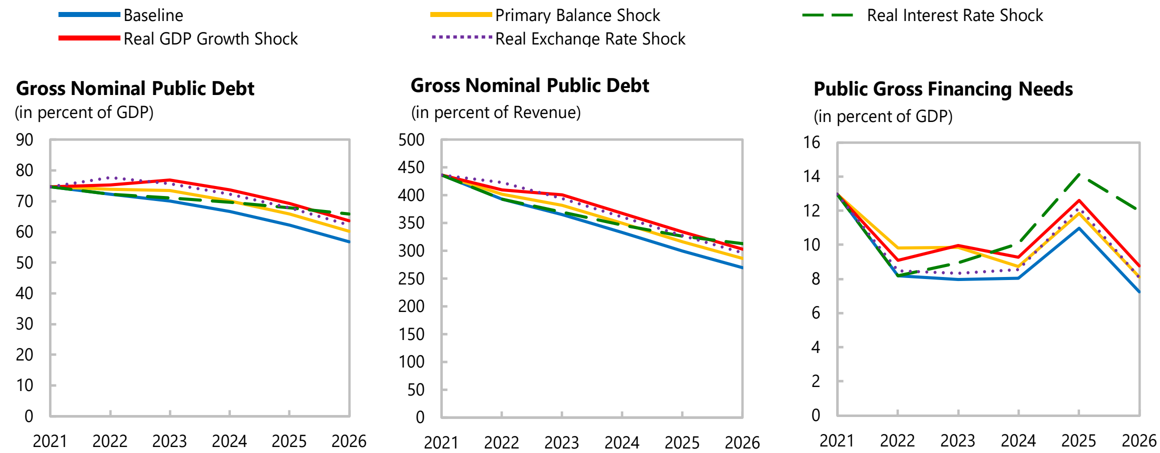
Baseline Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	1.5	3.9	3.2	3.4	3.4	3.5
Inflation	7.6	0.4	-0.4	0.2	1.3	2.5
Primary Balance	-0.3	2.2	3.4	4.1	4.6	5.1
Effective interest rate	4.2	4.0	4.2	4.4	4.6	4.9
Constant Primary Balance Scenario						
Real GDP growth	1.5	3.9	3.2	3.4	3.4	3.5
Inflation	7.6	0.4	-0.4	0.2	1.3	2.5
Primary Balance	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Effective interest rate	4.2	4.0	4.2	4.4	4.7	5.0

Historical Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	1.5	3.2	3.2	3.2	3.2	3.2
Inflation	7.6	0.4	-0.4	0.2	1.3	2.5
Primary Balance	-0.3	2.1	2.1	2.1	2.1	2.1
Effective interest rate	4.2	4.0	4.6	5.2	5.7	6.4

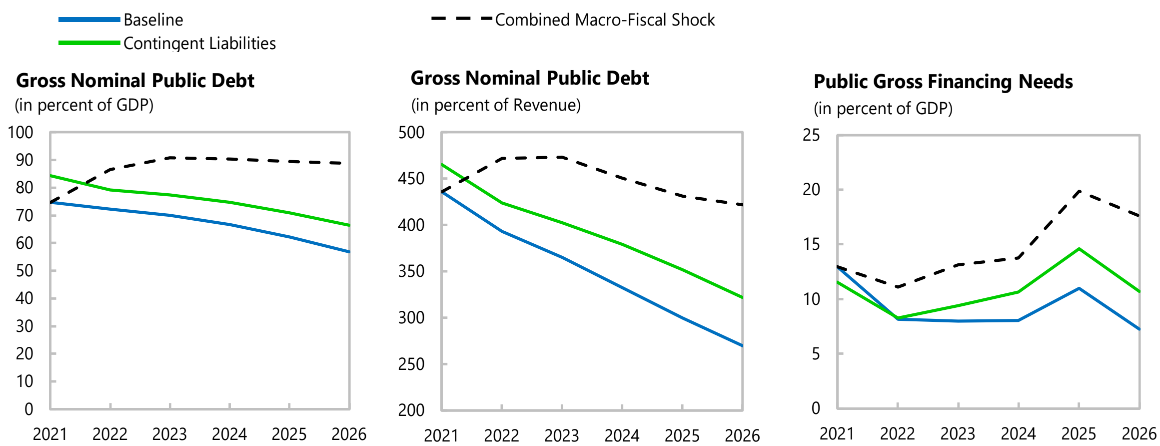
Source: IMF staff.

Figure 5. Gabon: Public DSA — Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(Percent)

Primary Balance Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	1.5	3.9	3.2	3.4	3.4	3.5
Inflation	7.6	0.4	-0.4	0.2	1.3	2.5
Primary balance	-0.3	0.6	1.8	4.1	4.6	5.1
Effective interest rate	4.2	4.0	4.3	4.5	4.7	4.9
Real Interest Rate Shock						
Real GDP growth	1.5	3.9	3.2	3.4	3.4	3.5
Inflation	7.6	0.4	-0.4	0.2	1.3	2.5
Primary balance	-0.3	2.2	3.4	4.1	4.6	5.1
Effective interest rate	4.2	4.0	5.6	7.2	8.6	10.5
Combined Shock						
Real GDP growth	1.5	1.2	0.5	3.4	3.4	3.5
Inflation	7.6	-0.3	-1.1	0.2	1.3	2.5
Primary balance	-0.3	0.6	1.8	4.1	4.6	5.1
Effective interest rate	4.2	4.6	5.8	7.5	9.0	10.9

Real GDP Growth Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	1.5	1.2	0.5	3.4	3.4	3.5
Inflation	7.6	-0.3	-1.1	0.2	1.3	2.5
Primary balance	-0.3	1.7	2.3	4.1	4.6	5.1
Effective interest rate	4.2	4.0	4.2	4.5	4.7	4.9
Real Exchange Rate Shock						
Real GDP growth	1.5	3.9	3.2	3.4	3.4	3.5
Inflation	7.6	6.0	-0.4	0.2	1.3	2.5
Primary balance	-0.3	2.2	3.4	4.1	4.6	5.1
Effective interest rate	4.2	4.6	4.2	4.4	4.6	4.9

Source: IMF staff.

Annex VI. Capacity Building and Technical Assistance Framework

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

A. Policy Priorities

Despite some progress, there are still weaknesses in administrative and institutional capacity. Within this context, the overarching policy priorities for Gabon remain: (i) increasing domestic revenue mobilization; (ii) reducing transfers to SOEs and curbing fiscal risks; and (iii) enhancing budget credibility and transparency, and limit domestic arrears accumulation. In addition, authorities have engaged in the transition to green economy which will have an impact on tax policy and public investment. Substantial TA will be provided to support the authorities' efforts regarding the above-mentioned challenges.

B. Past Technical Assistance and Capacity Building

Gabon has been a high recipient of technical assistance from the Fund under the previous program. In most cases, TA tackled structural weaknesses and recommendations are being implemented with mixed results thus far. Over the past two years Gabon has received support either from the fund (HQ or AFRITAC) or other donors (e.g., World Bank) on a wide range of critical topics: (i) Tax administration and policy; (ii) public financial management, including cash management and public investment and procurement; (iii) fiscal accounting and reporting; (iv) management of natural resources; (v) macroeconomic statistics; (vi) debt management; (vii) financial markets; and (viii) public procurement. However, many of these progresses remain uncompleted and budget credibility and transparency remain weak. Public finances also suffer from delays in the implementation of the necessary reforms derived from the CEMAC directives.[1]

C. TA Priorities Going Forward

In support of the authorities' policy priorities, TA will continue to focus on developing capacities in the above-mentioned areas to ensure continuity and support authorities efforts in macroeconomic management, especially in revenue (tax and customs) administration and PFM. The fund will liaise with other donors to coordinate TA activities and complement them if needed.

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

Revenue Administration and Tax Policy (2021–24)

- Objective: Increasing domestic revenue mobilization through modernized tools and processes, broader tax base and green-friendly tax policy. This includes (i) implementing tax policy reforms to improve efficiency, equity, and revenue productivity, and help protect the environment; (ii) broadening the tax base including by streamlining tax expenditures exemption regimes and putting in place tools and processes to enhance analysis and decision making process regarding revenue policy; (iii) strengthening tax and customs departments capacities and achieve the full deployment of revenue administration IT tools and digitalization.
- Outcomes: (i) The monitoring of tax exemption is strengthened and their scope is progressively reduced in light with their economic, social and environmental impacts ; (ii) tax-to-GDP ratio increases in line with CEMAC convergence criteria's objectives ; (iii) transition to green economy is encouraged through appropriate tax measures ; (iv) revenue collection is timely and more transparent, and the coverage, frequency and effectiveness of controls is improved ; (v) all revenues can be declared and payed electronically and cash payment for both customs and tax revenues are no longer accepted above a certain threshold.
- Milestones: (i) Review of existing tax exemptions and strategy to reduce their scope (2021) ; (ii) progressive reduction of tax exemptions at an average rate of 0,4% GDP per year over the program duration (2021–24) ; (iii) establishment of a tax policy unit (2022) ; (iv) progressive deployment of e-T@x for both declarations and payments (2022-2024) ; (v) compliance of all tax and customs rates with both national and regional provisions in the IT systems (2022) ; (vi) reform of property titles and introduction of a single property tax (SPT) ; (vii) revamping of the VAT escrow account (2022) ; and (viii) reduction of the tax rate paid in cash (2023).
- Input: HQ-led missions (e.g., tax exemptions, compliance of tax and customs rates, green taxation, tax policy unit) completed by AFRITAC Centre TA missions (e.g., implementation of previous TA recommendation; strengthening of the capacities of tax and customs administrations; deployment of IT systems).
- Assumptions: (i)Improved customer services to facilitate taxpayer procedures; (ii) elimination of inefficient and unjustified exemptions and gradual improvement of the efficiency of other special exemptions and regimes; (iii) willingness to implement tax and customs recommendations from previous TA (e.g., reform of property taxation); and (iv) acceleration and extension of computerization and digitization of revenue administration operations.

Public Finance Management (2021–24)

- Objective: Reducing fiscal risks and strengthening the monitoring of contingent liabilities, strengthening budget credibility and transparency, and supporting the transition to green economy. This will comprise (i) monitoring and disclosure of fiscal risks and effective oversight of public entities; (ii) enhanced transparency to guarantee regular and comprehensive disclosure of fiscal information in line with the objectives of CEMAC directives; (iii) strengthening budget credibility, execution, and cash management to avoid the creation of domestic arrears ; (iv) enhancing public investment efficiency and transparence in line with Gabon's development goals, including on environment ; and (v) strengthening coordination between the Budget and the Treasury departments, notably through better articulated IT systems.
- Outcomes: (i) Main fiscal risks, especially those related to SOEs, guarantees and PPPs, are periodically disclosed and efficiently monitored; (ii) the implementation of a fully functional Treasury Single Account (TSA) is completed; (iii) budget credibility and execution are strengthened to guarantee the absence of domestic arrears accumulation; (iv) public investment management is strengthened and in line with the government's climate's objectives ; (v) fiscal and financial data, especially regarding COVID19, is periodically and comprehensively disclosed ; and (vi) the full transition to GFSM 2001/2014 is completed (2024).
- Milestones: (i) Elaboration of a fully-fledged fiscal risk statement attached to the budget law (2021) ; (ii) reform of the VAT escrow account (2022) ; (iii) conduction of a follow-up PIMA and a PIMA-CC evaluations (2021–22) ; (iv) strengthen articulation between budget classification and Chart of Accounts (CoA) (2022) ; (v) elaboration of a public sector entities annex to the budget law (2022) ; (vi) production of a public sector balance sheet (2023) ; (vii) elaboration of the special annex for off-balance sheet transactions ; (viii) full implementation of the TSA (2023) ; and (ix) production of a TOFE and national accounts compliant with GFSM 2001/2014 standards 2001/2014.
- Input: HQ-led missions (e.g., PIMA and PIMA-CC, PSBS) completed by AFRITAC Centre TA missions (e.g., fiscal risk statement, VAT escrow account, budget classification, annex for off-balance sheet transactions, TSA).
- Assumptions: (i) Continued political support to PFM reforms; (ii) willingness to implement TA recommendations; (iii) timely provision of adequate resources to enhance the efficiency of PFM departments; and (iv) further enhancement of governance practices.

Financial Sector (2021–24)

- Objective: (i) Improving financial sector soundness, by completing the liquidation of public banks and an updated strategy to reduce NPLs including by further strengthening judiciary capacity; (ii) rationalizing and make more effective and transparent the public instruments to finance the economy by implementing a time-bound plan, once the audits of FGIS and CDC are completed; (iii) adopting a national financial inclusion strategy, in line with the regional strategy, to facilitate and improve access to finance and payment services; (iv) developing and implementing a plan to broaden the investor base for sovereign bonds and actively reduce the sovereign banks nexus, including by enforcing existing regulations on government bond holdings by primary dealers, in cooperation with regional authorities.

- Outcomes: The NPLs for the overall banking system are gradually reduced to single digits by end-2024, while judicial capacity (trained judges, functioning commercial courts, collateral registries) has been upgraded to the needs; public financing entities are well governed, operating transparently and have a new strategy exclusively focused on indirect financing (end-2022); the liquidation of the three failed banks is completed (2021: BHG, Postbank, 2022: BGD) at no significant cost to the state; a national financial inclusion strategy is developed and its implementation started (2022); institutional investors and private individuals hold a third of domestic sovereign bonds by end-2024.
- Milestones: Adopt (i) a strategy to broaden the investor base for government bonds by end-2021, (ii) an updated NPL reduction strategy including domestic arrears clearance plan and upgraded judicial capacity by end-April 2022, (iii) a time-bound plan by end-June 2022 to reform CDC and FGIS.
- Input: HQ-led TA missions if necessary, for example to (i) review and comment on the plan to broaden the investor base for government bonds (December 2021); (ii) review and comment on the updated NPL reduction strategy (March 2022); (iii) review and comment on the reform plan of CDC and FGIS (June 2022).
- Assumption Strong commitment to (i) strengthen existing banks and fostering financial stability including by reducing the banks sovereign nexus; (ii) avoid long-lasting and costly liquidations, minimize fiscal cost and treat all borrowers and depositors fairly; (iii) strengthen institutional capacity and impose the rule of law; and (iv) develop access to finance for all.

Macroeconomic and Fiscal Statistics, (2021–24)

- Objective: Coverage of all public sector operations.
- Outcomes: Fiscal statistics and reports are consistent with the GFSM 2001/2014 standards as well as regional directives and deadlines. They cover all public sector operations, stocks, and flows.
- Milestones: (i) Present the TOFE according to GFSM 2001/2014 for central government (2021); (ii) full transition to the GFSM 2001/2014 standards (2023).
- Input: AFRITAC Centre will continue to provide TA on the transition to GFSM standards.
- Assumptions: (i) Human and financial resources are available; (ii) there is a good collaboration between stakeholders; (iii) fiscal data are available, comprehensive and comply with the require standards.

D. Risks and Mitigation Measures

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

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

E. Authorities' Commitments

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

Appendix I. Letter of Intent

July 15, 2021

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

Subject: Letter of Intent

Dear Madam Managing Director,

Gabon continues to face balance of payments (BOP) financing difficulties resulting from the intertwined shock of COVID-19 pandemic and the collapse in international oil prices. As of June 18, 2021, Gabon has recorded 24,864 cases and 158 deceases out of a population of around 2.2 million people. Although our capacity to fight Covid-19 has been strengthened, the second wave continues to pose great challenges for us. We continue to make every effort to control the health and social impact of the pandemic. We are also implementing measures to put the economy back on a path to robust, sustainable, and inclusive growth.

Our objective is to stabilize the economy and lay the foundations for sustained and inclusive growth. In this context, our short-term priority is to pursue the implementation of our response strategy to the Covid-19. Such strategy, which includes a sanitary dimension as well as social and economic components, has allowed us to save lives and to attenuate the negative effects of the pandemic on our economy by strengthening the health infrastructure and providing well-targeted support to the people and to the sectors most affected by its economic shock. As framework for the post-COVID economic recovery, the Government has developed a Transformation Acceleration Plan 2021–23 (PAT 2021-23) based on three pillars: preserving the viability and sustainability of debt and public finances, improving governance and transparency in the public sector, and supporting strategic sectors. It also envisages to strengthen instruments for financing the economy, improve the business environment, and realize structural productive and infrastructure investments aimed at developing the productive capacity of the country and increasing productivity to promote a more diversified economy

Our plan aims at ensuring the financing of our development needs while preserving debt sustainability and macroeconomic stability. In this context, we will implement an ambitious growth-friendly fiscal consolidation by increasing domestic revenues, improving expenditure composition and efficiency, strengthening governance and transparency, and enhancing the business environment. We are strongly committed to the reform agenda and have already undertaken some important steps to reduce tax expenditure and increase the tax base. We have also completed the audit of four key major SOEs, published contracts related to COVID-19 spending, and implemented major steps toward the country's application to the EITI. The objectives and policies for economic recovery are presented in the attached Memorandum of Economic and Financial Policies (MEFP).

To support these goals, we are requesting a three-year extended arrangement under the extended fund facility (EFF) in the amount equivalent to SDR 388.8 million, which represents 180 percent of the Gabon's quota at the IMF—to be disbursed as budgetary support. We will continue the dialogue with other development partners, including the world Bank and the African development Bank, for their support to meet our external financing needs as we embark on a multi-year fiscal consolidation effort.

The proposed program includes a set of quantitative performance criteria and indicative targets set out in the Technical Memorandum of Understanding (TMU), Attachment II. It also includes a series of structural benchmarks covering reform actions that will strengthen the performance of our economy.

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

The government authorizes the Fund to publish this Letter of Intent, the Memorandum of Economic and Financial Policies for 2021–23, the Technical Memorandum of Understanding, and the forthcoming IMF Staff Report for the request for a three-year extended arrangement under the EFF.

Sincerely yours,

/s/

Mme. Nicole ROBOTY spouse MBOU
Minister of Economy and of Economic Recovery

Attachments (2)

1. Memorandum of Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

July 15, 2021

The objectives of our government are to meet the economic and social needs caused by the intertwined shock of COVID-19 and the fall in oil prices, to strengthen our social safety nets, to anchor fiscal viability and the sustainability of public debt and to continue to strengthen our institutions for a dynamic and more resilient Gabon. This memorandum describes the Government's policy priorities in the context of its new program supported by a three-year agreement under the IMF's Extended Financing Facility (EFF) and specifies the economic and structural policy objectives.

I. INTRODUCTION

1. **This memorandum was prepared against the backdrop of the unprecedented double shock associated with the COVID-19 pandemic and a sharp drop in the prices of major commodities.** While the mortality rate of the pandemic in Gabon has been limited, with about 11.14 confirmed cases but just 0.07 deceases per 1,000 inhabitants as of June 18, 2021, the pandemic continues to strain our government's ability to address its social and economic impact. It also slowed down progress in our development goals and challenges our efforts to set the stage for a sustained and inclusive growth.

2. **The health crisis linked to COVID-19 has weighed down the Gabonese economic recovery that started as part of the implementation of the economic recovery program supported by the three-year extended arrangement under the Extended Fund Facility (EFF) (2017–20).** Indeed, after the crisis linked to the fall in commodity prices in 2015–16, Gabon recorded significant progress in stabilizing its economy, in the context of a program supported by a three-year agreement under the EFF, which expired in June 2020. The pandemic crisis interrupted this consolidation process. In addition to the fall in the prices of Gabon's main export products, in particular crude oil (-34.0 percent) and manganese (-18.7 percent), activity declined in most other sectors, following the confinement measures to contain the spread of the pandemic. The national economy ended in recession with a contraction in GDP by 1.8 percent in 2020 (against a positive growth of 3.9 percent in 2019), reflecting a drop in both oil and non-oil sector sectors real GDP.

3. **The Gabonese government has acted swiftly to contain the spread of COVID-19 and increase the capacity of its health system.** As soon as the first cases of infection were recorded in March 2020, swift restrictive measures were taken to limit spread risks, in particular the closing of borders, the establishment of a curfew, travel restrictions within the country and the lockdown of certain non-essential activities. Significant efforts have been made to upgrade the health response capacity, through investment in equipment (strengthening of technical platforms), in the supply of drugs and the training of agents.

4. The economy was hit hard at the start of the pandemic, but there are signs of recovery. High-frequency indicators of economic activity point to a most pronounced impact of the pandemic in the second quarter of 2020, before a gradual resumption of activities, thanks to the easing of some restrictive measures. Since the last quarter of 2020, some economic sectors have recorded significant improvements in their performance, in particular the timber industry, manganese, oil refining and transport. Available data for the first quarter of 2021 have continued to show signs of improved economic activity, with increasing production in the manganese and forestry sectors, agriculture, the fuel industry, wood, oil refining, production of carbonated and alcoholic drinks, processing of manganese, telecommunications, and rail and maritime transport. However, some industries are still struggling to recover, including construction, air transport, general trade, trade in petroleum products and air transport.

5. The pandemic has largely spared our banking sector so far. Despite a decline in transactions and a more rigorous application of foreign exchange regulations in 2020, the Gabonese banking sector has been resilient. Banks' return on capital remained above 20 percent, while the capital adequacy and short-term liquidity ratios improved to 18 and 167 percent from 16 and 148 percent at end 2019 respectively. Lending, including to the private sector, started growing again in the last quarter of 2020. However, an asset quality deterioration should become visible in the coming months as the regional supervisor COBAC is expected to withdraw temporary prudential measures by end-2021, which have helped banks deferring the classification and provisioning of Covid-19 impacted loans.

6. Despite the imbalances caused by the health crisis, inflation has remained under control. In fact, the year 2020 was marked by a slowdown of inflation at the national level, notwithstanding a slight pick-up that began in the second half of the year. The average inflation rate stood at 1.3 percent against 2.0 percent in 2019. This easing of inflationary pressures is due to measures aimed at maintaining the cost-of-living measures, including through monitoring price developments to protect the population against reckless price hikes, and increased market surveillance and measures taken to support the most vulnerable segments of the population.

7. Monetary developments at the end of December 2020 were marked by a deterioration in net foreign assets of the banking system (-39.0 percent), an increase in the money supply (5.7 percent) and an increase of net domestic credit (17.1 percent). The latter was driven by net claims on the central government (+ 39.1 percent) and a more modest increase in credit to the economy (+ 0.8 percent).

8. The balance of payments ended in 2020 with a deficit of around CFAF 531 billion (i.e. 6 percent of GDP) following the increase in the current deficit, notwithstanding an increase in capital and financial accounts' surplus. The current account deficit widened from 1 percent of GDP in 2019 to 6.0 percent of GDP, attributable to the deterioration of the trade balance (a decline of50 percent in value terms). This change in the trade balance results from the decline in exports (-26 percent), in connection with the drop in sales in terms of crude oil in particular (-37 percent), mainly due to the fall in prices.

9. The public finance situation deteriorated in 2020. The budget execution resulted in a surplus in the primary balance (1.2 percent of GDP against 3.6 percent of GDP in 2019) and non-oil primary balance deficits (7.4 percent of nonoil GDP against 5.8 percent of non-oil GDP in 2019) and an overall budget deficit of 2.1 percent of GDP against a surplus of 1.4 percent of GDP in 2019. These underperformances are attributable to a more pronounced fall in fiscal revenue (-17 percent). Government revenues fell following the simultaneous decline in oil revenues (-20.2 percent) due to lower oil prices , and non-oil revenues (-19.5 percent) in connection with the measures taken to combat the spread of the pandemic (tax relief, lockdowns, curfew, and stopping activities in some sectors). The contraction in public expenditure (3 percent) reflects lower investment expenditure (by14.1 percent) and control of payroll (lower by 0.8 percent), allowing for strong increase in social expenditure in connection with the COVID-19 response (72.5 billion CFAF).

10. The intertwined shocks of the pandemic and fall in oil prices have also weighed on our development and reform progress. In fact, given the drop in revenue compared to the initial budget law, and the need to account for the new expenditure related to the pandemic, the investment budget execution rate was about 63.5 percent in 2020. This adjustment resulted in postponing the execution of some infrastructure projects necessary for the structural transformation of our economy, particularly in the road and energy sectors. Likewise, the implementation of important structural reforms such as the new membership of the Extractive Industries Transparency Initiative (EITI) has been delayed.

11. IMF support has greatly helped our response to COVID-19. The Rapid Financing Instruments of April and July 2020 (100 percent of quota, USD 299.1 million) helped us address the impact of the shook in 2020. In line with the commitments in our letter of intent of July 7, the use of RFI resources and other COVID-19 related spending has been carefully and transparently accounted for as at end-December 2020. The funds were used to refurbish hospitals, in particular intensive care units, purchase new machinery (e.g., respirators), and personal protective equipment for health sector and security workers, and build the Covid-19 testing infrastructure and facilities (e.g., testing labs) that allowed Gabon to be the highest tester per capita of Sub-Saharan Africa. A comprehensive audit by an external independent group of all COVID-19 related spending is underway, and the results will be published by end-September 2021 (**structural benchmark**).

12. The pandemic is still ongoing, and the economy remains under significant pressure. In this context, the new three-year extended arrangement under the EFF will support our efforts to respond to COVID-19 and the necessary reforms to tackle the structural weaknesses of the economy in accordance with our Transformation Acceleration Plan 2021-23 (PAT 2021–23)[1].

[1] See Annex I for more details.

II. ECONOMIC OUTLOOK

13. Our baseline outlook projects a gradual economic recovery starting this year. These prospects are predicated on a trajectory for the world economy in line with the projections of the April 2021 World Economic Outlook. The outlook is subject to great uncertainty and depends on the evolution of the pandemic and of the prices of raw materials of which Gabon is a major exporter.

- Economic growth should gradually pick up after the sharp contraction of 2020. Real GDP is expected to grow by 1.5 percent in 2021, driven by non-oil activity (2.7 percent), despite a further decline in oil production (5.5 percent) amidst compliance with OPEC quotas. The recovery of non-oil activities would be mostly driven by manganese production, forestry, agriculture, the timber industry, other industries, construction, transport and communications.

- Over the medium term, economic activity is expected to consolidate with an average GDP growth rate of 2.9 percent over the period 2021–23. This improvement would result from an increase of 3 percent on average for non-oil activity and 2.2 percent for crude oil production on average per annum.

- Inflation is projected to rise to 2.0 percent, mainly driven by increases in food, energy, and transport prices, and would remain below 3 percent over the medium term, in the context of the monetary union and absent major supply shocks.

- The overall fiscal balance (on a cash basis) is expected to strengthen from a deficit of 3.5 percent of GDP in 2021 to broad balance in the medium term.

- The current account balance is expected to improve from a deficit of 6 percent of GDP in 2020 to 4.8 percent of GDP in 2021, before stabilizing around 2.5 percent of GDP over the medium-term, reflecting the recovery in oil prices and fiscal consolidation. This improvement will allow us to contribute positively to the strategy of regional reserves accumulation at the BEAC.

14. There are significant risks to this outlook. Another outbreak of COVID-19, in Gabon or among its trading partners, could lead to a further disruption to trade and require reinstatement of containment measures. A decline in world commodity prices below the baseline would weigh on fiscal and external positions and depress economic activity. A deterioration in global sentiment towards emerging markets could disrupt international capital flows and complicate Gabon's access to international financial markets. Delays in fiscal consolidation and structural reforms could increase financial pressures and reduce growth in the medium term. Upside risks include a sharper rise in commodity prices, a faster than expected rebound in economic activity and government non-oil revenues, and acceleration of the pace of structural reforms.

III. MAIN PROGRAM OBJECTIVES

15. **Our economic program articulates an immediate response to COVID-19, and policies to protect the population and SMEs and lay the foundations for a sustainable recovery from the pandemic, and reform priorities to promote sustainable and inclusive growth.** Our plans are outlined in our Gabon Transformation Acceleration Plan 2021–23 (PAT, Annex I). The economic component of our PAT, which will be supported by the proposed three-year extended arrangement under the EFF, is based on prudent macroeconomic management and structural reforms aimed at anchoring macroeconomic stability and stimulating investment. Fiscal consolidation will be achieved by increasing revenues and enhancing the efficiency of public spending while protecting social and development spending. Building on the progress made in recent years, our main polity priorities are:

- *COVID-19 response.* Respond adequately to the urgent needs of vulnerable segments of the population and support economic activity, especially of SMEs.
- *Fiscal policy.* Undertake growth-friendly fiscal consolidation to preserve debt sustainability via the strengthening of revenues primarily by broadening the tax base and reducing tax expenditure; and via spending streamlining, while prioritizing high-impact social and efficient investment spending.
- *Public finance management.* Increase the efficiency, effectiveness, and transparency of public spending to control expenditures and optimize resources.
- *Structural reforms.* Deepen structural reforms to improve the business environment, and stimulate investment, job creation, and growth.
- *Governance and fight against corruption.* Improve institutional control mechanisms, strengthen the prevention framework, and support anti-corruption institutions.
- *Development capacity and technical assistance.* Build capacity to improve the quality of data and information needed for better policy making.

IV. POLICIES SUPPORTED BY THE PROGRAM

A. Fiscal Policy

Policy for 2021

16. **In our 2021 revised budget (submitted to Parliament at end June 2021), we are targeting a mild consolidation, with a non-oil primary deficit at 7.2 percent of non-oil GDP (from 7.4 percent in 2020).** Total revenue and grants are projected at CFAF 1,651 billion and total expenditure and net lending at CFAF 1,961 billion. The overall budget deficit would widen by CFAF 310 billion (2.1 percent of GDP), relative to the initial 2021 budget.

- Our tax policy and revenue administration efforts in 2021 are based on: (i) broadening the tax base by reducing the informal sector (PIT withholding tax on foreigners' residence permits, PIT withholding at the customs cordon, and opening of tax centers in proximity to taxpayers); (ii) securing tax revenue and combating tax fraud through better VAT administration (targeted controls), risk-based programming and strengthening recovery action, and consolidation of the project and e-T@x (electronic declarations and electronic payments); and (iii) rationalization of existing tax exemption arrangements (see also Table 1 of this memorandum). For customs services, resources will be mobilized in particular through (i) support for action to recover unpaid debts; (ii) regularization of export duties and taxes related to manganese sales as well as (iii) deployment of the hydrocarbon warehouse.

- With a view to ensuring the control and efficiency of public expenditure, the Government will continue and intensify actions aimed at optimizing the management of the wage bill, improving the management of special accounts and Autonomous Public agencies (SPPs), and strengthening public investment management in order to achieve Gabon's economic and social development objectives.

- With regard to the management of the wage bill, we intend to pursue the implementation of measures contributing to the control of the wage bill. To this end, the emphasis will be on: (i) improving recruitment controls in order to manage the payroll more effectively; (ii) implementing three-year recruitment plans for civil servants; (iii) strengthening the management of civil servants in budgetary functions; (iv) establishing forward-looking management of staff, jobs and skills with a view to optimizing the supply / demand balance for the employees; and (v) preparing job descriptions for administrative officers.

- In terms of the management of special accounts, we will (i) continue the process of integrating earmarked revenue into the budget process, so as to ensure completeness of the information published in the quarterly reports on budget execution; and (ii) put in place instruments aimed at guaranteeing transparency in the implementation of earmarked revenue with a view to rationalizing their management method.

- Regarding the management of Autonomous Public Agencies (SPPs), we will pursue the measures announced in the 2021 finance law, including by (i) improving the method of presentation of the financial statements of public entities (public agencies, local authorities) to better manage the allocation of subsidies to these entities; and (ii) controlling the expenditure of the SPPs, in particular the payroll of the Personalized Public Services. The Government also intends to update the legal framework relating to public entities (public establishments and public enterprises) to strengthen the management of the public sector and to establish financial supervision on the SPPs.

- We will continue the process of modernizing the management of public investments (PIM) in accordance with the recommendations of the 2019 PIMA report. To this end, the emphasis will be placed on the establishment of a Public Investment Program (PIP) containing the projects that have been the subject of studies. The objective is to improve the quality of investment programming and project governance. Also, the Government will ensure coordination between the priority projects of the PIP and the PAT 2021–23.

- The financing needs of the budget in 2021 will be covered by budget support expected from the African Development Bank, bond issuance on the regional financial market, and the new IMF program support.

17. The uncertainty associated with the COVID-19 crisis poses significant risks to our budget program. This uncertainty could translate into budget revenues below the program target or external support below expectations. To ensure that the program performance criterion for the primary fiscal balance is met, any shortfall in revenue or funding against program targets will be compensated by curtailing non-critical spending, in consultation with IMF staff. We will continue the reserve mechanism started in 2019 during the last program. The reserve is estimated in 2021 at CFAF 65.7 billion (3.7% of total expenditures).

Policy for the Rest of the Program

18. For the following years of the program period, we will continue our efforts to mobilize domestic revenue and contain public expenditure, with a view to reduce the non-oil primary deficit to 3.4 percent of non-oil GDP by 2024 and achieve a broadly balanced budget, bringing down public debt below 70 percent of GDP. This will be predicated on increasing domestic revenue above the pre-crisis level, including by a gradual phasing out of tax expenditure and strengthening tax and customs administration. Current spending will also be reduced by containing the wage bill and spending on goods and services and transfers while making room for social spending. Meanwhile capital spending will gradually increase to about 4 percent of GDP by 2024.

B. Structural Fiscal Reforms

Increased Oil Revenues and Reduced leakage

19. We are committed to conducting an audit of the 2020 financial accounts of the Gabon Oil Company (GOC) and the SOGARA refinery. In accordance with our commitments (prior action for the program), we have already shared with the IMF staff, the existing audits (available until 2019) of four large SOEs: Gabon Oil Company (GOC), the refinery SOGARA, Caisse des Depots et Consignations (CDC), and Fonds Gabonais d'Investissment Strategique (FGIS). Action plans to address weaknesses identified by the audits will be completed by end-October 2021 (**structural benchmark**). From 2021 onwards, the annual financial reports of the four aforementioned public companies will be certified by internationally renowned auditors and will be published each year on their respective websites, as well as on a government site. In addition, based on the audit of SOGARA's production facilities, an investment plan to strengthen the financial autonomy of the national refinery will be adopted. A call for expressions of public interest will be launched to attract private investors aiming to recapitalize SOGARA, reduce the State's shareholding in the company, and eliminate any form of public subsidy for its operations.

20. In order to strengthen transparency in the management of petroleum resources, we are also committed to: (i) continue the centralization of oil revenues in the treasury single account (TSA) and specific identification of these revenues in the TSA to facilitate monitoring; (ii) publish on a government website all documents, information and reports as required by the EITI; and (iii) develop mechanisms for estimating natural resource reserves, and periodic publication of this information on a government website.

Policies to mobilize non-oil revenues

21. The government commits to work towards greater rationalization of tax and customs exemptions, which constitute both a significant pool of additional revenue and a major axis for strengthening governance and budget transparency. As such, several actions will be undertaken. First, the focus will be to reduce the scope and/or the duration of the tax advantages, but also to control the realization of the commitments in exchange of which these advantages are granted. We have prepared a table listing the benefits and exemptions to be removed or modified (see Annex II). The table also specifies the implementation schedule of the reforms and the necessary legislative vehicle (supplementary budget law or budget law). Changes will materialize through adequate provisions in the supplementary 2021 budget as well as in future budget laws (**structural benchmark**). When the expected changes are at the regulatory level, we are committed to carrying them out in accordance with the agreed timetable and to share the relevant documents (e.g. decrees, orders, circulars, instructions, etc.) with the IMF staff. The strict application of CEMAC regional provisions (e.g. VAT, customs duties, excise duties, IRPP, etc.), the removal of non-compliant exemptions, as well as the correct application of legal rates in information systems is also part of this work. Accordingly, we commit to assess the compliance of existing tax and customs rates to the national and regional legal provisions in the IT systems and conduct the necessary modifications by January 2022 (**structural benchmark**). We also commit to not renew exemption arrangements that have expired (e.g., cement). This also applies to companies located in an economic zone with a special regime (ZERP) for which, we will additionally initiate a study (see paragraph 29) to better supervise, harmonize and limit the impacts of their exemptions.

22. In addition, we are committed to better supervising the introduction of new exemptions. Thus, prior to its entry into force, any new discretionary or general tax exemption will be examined by a dedicated special Commission, competent for any type of revenue (e.g. taxes or customs) and sector (e.g., oil and mining sectors, ZERP) , coordinated by the Ministry of Economy. An order from the Minister of Economy will specify the operating methods of the Commission, in particular, the implementation and control methods of the realization of the commitments in exchange of which the exemptions are granted. Finally, to promote better control of tax expenditures as well as the homogeneity of tax law, we commit to strictly apply the principle of fiscal monopoly of the budget law provided for by the CEMAC regional directive on the transparency code. Provisions of a fiscal nature will thus be proscribed in specific texts outside the budget law.

23. Strengthening analysis and forecasting capacities in terms of revenue is also an important path on which we will devote efforts. We will set up a Tax Policy Unit (UPF) within the Ministry of Economy , which will help consolidate at the Ministry of Economy’s management level, the work carried out by the study units at the Taxes General Directorate (DGI) and Customs and Indirect Rights General Directorate (DGDDI) as well as by some line ministries (e.g. Hydrocarbons and Mines, and Agriculture). The UPF will conduct, among other things, the analyses mentioned below (see para. 29) as well as monitor the implementation of the commitments of this memorandum, especially those related to the reduction of tax expenditures. A decree from the Ministry of Economy will be issued to this effect before the end of the 2021 fiscal year.

24. We also intend to continue to devote efforts to recover tax arrears and to expand the registration of taxpayers. As far as the DGI is concerned, we intend to mobilize 100 percent of recoverable overdue tax debts over the next three years, at a rate of 33 percent per fiscal year. The DGI auditing teams that conduct targeted actions towards taxpayers' owing taxes and duties will be deployed in 2021. In parallel, the DGI has developed a system aiming at increasing the number of notices of tax debt collection (*avis de mise en recouvrement*—AMR) in order to reduce the number of unpaid taxes. In turn, the DGDDI will continue to negotiate with the main debtors in order to consolidate the amounts dues by the debtors and conclude their moratoriums. A consolidated plan from the DGI/DGDDI will specify the stock of tax and customs arrears, the main debtors, the recoverable portion of those arrears, whose path will be communicated to IMF staff by December 2021 (**structural benchmark**). This plan will place particular emphasis on recovering taxes from public companies and agencies. Regarding the registration and location of taxpayers, the control of the taxpayer file is essential for the mobilization of fiscal revenues and to ensure equity between taxpayers. The DGI has implemented actions aimed at identifying taxpayers who are not registered, or who are registered but have relocated their operations. To do this, the resources of the *Location and Investigation Services* Unit within the DGI will be reinforced so that field trips are more frequent. Over the program period, we, through the DGI, are committed to continue the efforts in registering new taxpayers semiannually at a rate comparable to the one observed during the average of the last three years (**structural benchmark** - semiannual).

25. The continuation of the modernization and deployment of tax and customs information systems (IS) is essential for more efficient collection and a strengthening of tax transparency and will constitute a major axis of our strategy. The efforts made in Customs, with the deployment of SYDONIA World, resulted in improved performance in terms of customs collection in 2020. The new system has contributed to strengthen the monitoring of customs activity as a whole. It provided support to operators through the dematerialization of the customs clearance procedure, the exchange of information between State systems (Customs, Taxes, Public Treasury), the optimization of customs controls and the centralization of information on operations. All these measures allowed better management of customs revenue, despite a difficult context due to the COVID-19 pandemic. We, therefore, noted additional liquidations in the first quarter of 2021. The migration process of SYDONIA WORLD will therefore continue in 2021 to cover all customs regions before the end of 2021. The objective is to interconnect all offices during 2022. Similarly, for the optimal use of the system, the warehouses and customs clearance areas as well as the customs depot must also be computerized. Regarding taxes, the DGI has started to modernize its tax information system and to expand access to its e-T@x platform. On the modernization of the tax information system, a new system will replace the current system (LIIR) of the DGI over the next

3 years. Ultimately, this new system will manage all administrative and technical tasks, but also relations with taxpayers (including declarations and payments of taxes and duties). We are committed to fully deploy the e-T@x access to taxpayers for both declarations and payments for all taxes by January 2024 (**structural benchmark**). As for the expansion of access to e-T@x , the campaign currently being carried out by the DGI to encourage taxpayers from large and medium-sized enterprises to join the e-T@ax platform for all their declarations, payment of taxes and duties will continue. The DGI and the DGDDI will communicate an action plan for the continued deployment of their information systems over the program period in order to achieve complete coverage of the types of taxpayers and to allow paperless declaration and payment transactions by November 2021 (**structural benchmark**).

26. We further commit to increase the resources of tax and customs administrations in order to facilitate and systematize controls, in particular on exemptions. The DGI will devote its efforts to the redeployment and training of staff to strengthen and systematize controls in order to have the capacity to implement its actions both for tax fraud on exempt products and for other mandatory contributions. The DGDDI will develop and implement a program for monitoring and controlling the destination and use of goods that benefit from total or partial exemption from duties and taxes. Joint DGI/DGDDI controls will also be carried out more frequently, particularly in the context of reporting obligations or the realization of commitments for taxpayers benefiting from tax exemptions or advantages. The existing cooperation framework will be strengthened.

27. As part of 2022 budget law, we will introduce a limit for the cash payment of taxes and customs duties. This limit, beyond which taxpayers will have to pay their taxes by bank transfers, checks, or electronic transfers, will help accelerate and make the recording of fiscal revenues more reliable. It will also contribute to the fight against tax and customs fraud.

28. To pave the way for structural reforms of the tax and customs system in the medium term, we will conduct studies with the assistance of technical and financial partners. The themes identified at this stage include: (i) the increase in the VAT rate and customs duties for certain products (but also the harmonization / alignment of product lists) (2022 budget proposal); (ii) the increase in rates and the reform of exemptions granted under the program to fight against high cost of living ("vie chere") (2022 budget proposal); (iii) the introduction of a special environmental protection tax to replace the rehabilitation funds (RES); (iv) the introduction of a specific tax for the banking sector; (v) the reform of the rate and scope of the social solidarity contribution (CSS) to finance social programs; (vi) the reform of the taxation system applied to the tourism sector; and (vii) the reform of tax and customs arrangements applied to an economic zone with a special regime (ZERP).

29. Finally, we will reform the system for granting and managing land titles and will include a Unified Property Tax in the draft of the 2023 Budget Law by September 2022 (structural benchmark). Work on the reform of property taxation through the establishment of a synthetic property tax as recommended by the conclusions of various missions (DGI, IMF) was launched in November 2020. The Report related to this work is being finalized and will be officially presented to the government during the summer of 2021. The unified property tax (CFU) will be enshrined in the 2023 budget law proposal and will enter into force on 1 January 2023. The CFU will be implemented progressively.

Policies to improve expenditure efficiency

30. Actions to control the wage bill, especially through the cleaning of the file of State employees following the biometric census, will continue. The government commits to fully implement the results of the audit and to remove from the payroll employees who did not meet the criteria of the audit. We are further committed to strengthen the medium-term management of the wage bill: a medium-term strategy for the evolution of the wage bill specifying the reforms and changes required in terms of recruitment and wage policies (e.g. policies and standardization of bonuses) will be produced before the end of the 1st quarter of 2022. The government will also assess the existing salary arrears and a clearance plan, validating the amounts, and specifying the pace of repayment over the period of the program will be produced before the end of 2021. This plan will be implemented in the budget starting from 2022. The authorities also commit in strengthening the management of public wages payments (e.g. reduction of the time limit for taking into account administrative acts, in particular tenure and advancement; strengthening of controls; payment of salary benefits on the correct date, etc.) so as not to accumulate salary arrears over the period of the program.

31. We will maintain the efforts to control current expenditures, particularly those related to transfers and subsidies. This commitment will materialize through the implementation of the action plan of the Task Force dedicated to the rationalization of public agencies (SPPs) and independent administrative authorities (AAI), which aims at (i) carrying out a financial analysis of all SPPs and AAIs ; (ii) identifying entities to be restructured in order to generate savings ; (iii) assessing the cost of social plans for entities whose financial situation is irreparably compromised and speeding up the process for ongoing and unsuccessful restructuring ; (iv) having a legal framework to strengthen supervision, reform the governance of SPPs and AAIs and ensure the reporting of their financial, asset and human resources; and (v) reforming the governance and rationalizing the budget of social protection systems in order to guarantee their sustainability. On this basis, we commit (i) to propose a first list of SPPs and AAIs to be restructured or eliminated before the first review of the program and (ii) to start implementing the restructuring process from 2022. To facilitate the management of the social costs of the restructuring and elimination of the SPPs and AAIs, the government will seek the support of development partners. Periodic reports on these restructurings and eliminations will be made available to the financial partners. Similarly, the government commits to revamp the legal framework related to the strategic management, the governance, and the financial supervision of SPPs, and have it adopted as soon as possible in accordance with the Task Force's schedule, before end of 2021 at the latest. The objective of this new framework will be to (i) condition the creation of public entities on preliminary studies; (ii) strengthen the supervision powers and instruments; (iii) improve their governance; (iv) reinforce controls through periodic reporting; and (v) provide a more comprehensive budgetary and financial information to Parliament.

32. Moreover, we will strengthen the management of SPPs. Several actions will contribute to this objective: (i) development before the end of the program of a dedicated module in VECTIS that is able to consolidate all the information; (ii) stricter supervision of the SPPs payroll; and (iii) transmission of budgetary and financial data to the supervisor, as required by the current legal framework. On this last point, provisions aiming at forcing public entities to transmit their financial statements will be included in budget laws. We are also committed to carrying out actions and training to raise awareness among stakeholders in order to strengthen collaboration and ensure effective application of the new methods and relations between the State and the SPPs. In parallel, the government will improve the quality of the budget annex relating to operators in order to reach a comprehensive coverage by presenting all the financial information on these entities, including all their resources.

33. We are also engaged in taking all necessary measures to clear existing arrears with certain public entities and prevent them going forward. With regard to social security funds, the government intends to improve their financial situation from 2022 onwards through the implementation of the following actions: (i) the assessment of the State's debt to these organizations; (ii) a debt clearance plan, depending on existing fiscal space (iii) the examination of the current difficulties in the systematic repayment of public employees and in the payment of the government's share of social security contributions related to the coverage of its civil servants; (iv) the proposal of a mechanism for the systematic repayment of collected contributions. We also commit, depending on the budgetary margins that will emerge, to gradually increase the amount of our employer contribution—paid to the CNAMGS (Caisse Nationale d'Assurance Maladie et de Garantie Sociale), so as to reach the amount required by law by 2025, at the latest. We are committed to ensuring prompt payment of services received by public companies (e.g. Société d'Energie et d'Eau du Gabon - SEEG) and to do everything possible to avoid the accumulation of new payment delays or arrears. The government will also assess the State's debt to these public enterprises and will propose a repayment strategy for this debt over the program period.

34. The government intends to continue working on an exhaustive inventory of earmarked revenues and control of special accounts. With the support of IMF technical assistance, actions have been taken to better track earmarked revenues. These include: the production of a specific codification for revenue allocations, such as the product attribution (*attribution de produits*—ADP) and the special earmarked account (*compte d'affectation spéciale*—CAS) in the VECTIS information system; the development of the CAS and ADP execution procedure manual; and the drafting of the specifications, which will help identifying the management rules that will be implemented in the budget information systems. The information on earmarked revenues and their distribution (State/public entities) are integrated in the budget and voted in the budget laws. There is also work in progress on the deployment of information systems (VECTIS and e-BOP) adapted to trace and control their execution. In addition, efforts to comprehensively track gross revenue and expenditure flows in the budget will continue. We are committed to ensuring that revenues match expenditures in execution so that the special accounts are no longer a cause of deterioration of the budget deficit. In addition, the government will continue its efforts to reflect comprehensively earmarked revenues flows in the budget while ensuring that State revenues are distinguished from those allocated to other components of the public sector (SPP, local communities). As for social security funds (pensions, family and social services, CNAMGS), the government will ensure its share is effectively paid according to its abovementioned commitment (see para. 34).

35. Efforts to modernize and strengthen public investment management (PIM) will continue, in line with the recommendations of the IMF's 2019 PIMA mission. This includes in particular: (i) the finalization of an exhaustive public investment program (PIP) that will be annexed to the annual budget law proposal; (ii) the updating of the legal framework for project selection and management, in order to oversee the entire cycle of public investment management, specifying responsibilities, giving binding legal force to ex-ante evaluation of major investment projects and systematizing ex-post evaluation; and (iii) the renovation of the Sectoral Study Committee. These various projects will be operationalized with the assistance of technical and financial partners. In addition, the government is committed to increasing transparency by publishing data related to investments made by other public entities (e.g., public enterprises, local communities) or through PPPs. On this last point, the monitoring of public-private partnerships (PPP) will be strengthened and full consideration in budget documents (e.g., PIP) as well as in documents relating to public debt (contingent liabilities) will be carried out.

36. We will also pursue actions aimed at strengthening budget execution and management of the State's treasury by:

- Completing the implementation of the treasury single account by January 2023 (**structural benchmark**), especially through the finalization of the repatriation of funds and the closing of accounts in commercial banks and at the CDC. We will continue working with the Central Bank within the framework of acquisition of an IT solution called AMS/X, which will allow the automated management of funds and will make it possible to have the consolidated cash position of the State in real time.

- Reforming the VAT escrow account by June 2022 (**structural benchmark**), in order to avoid the accumulation of arrears. The implementation of the AMS/X application mentioned above will help avoiding the accumulation of arrears. Pending the implementation of this solution, the Treasury commits to systematically transfer the VAT receipts into the escrow account. We may request technical assistance from the IMF to implement this reform.

- Pursuing the implementation of the commitment plans articulated with the monthly cash flow plan attached to the budget law, and the integration of these commitment plans into VECTIS envisaged to no later than the first half of 2022, in accordance with the recommendations of the AFRITAC Centre.

37. Financial information systems are one of our priorities to strengthen budget execution and transparency. In order to facilitate the automated communication between the different systems, make the execution more reliable and facilitate reporting, we will carry out the following actions: (i) reform of the budgetary and accounting nomenclature (particularly in the economic segment); (ii) automatic interfacing between VECTIS and SIGFIP-ASTER by June 2023 (**structural benchmark**); (iii) extension of VECTIS to all public agencies. In addition, we will develop a ministry-wide IT master plan and we will launch discussions for the medium-term implementation of an integrated public finance management system (IFMIS).

38. Strengthening transparency in public management is also a strategic axis for restoring the confidence of citizens and investors to which we intend to devote efforts. Several actions will be carried out in this context:

- The preparation and publication of the quarterly budget execution report (RTEB) was an important step forward in terms of transparency but also in terms of steering budget execution. Nevertheless, since the end of the previous program, the publication of this document is experiencing delays. We commit to resume the regular publication of the RTEB (no later than 55 days following the end of each quarter) and to complete the document with useful elements (e.g., COVID-19 expenditure, social expenditure, environmental expenditure, presentation of expenditure according to the functional classification).

- The increase in budgetary and financial information made available to the public (e.g. online) and a greater and easier access to documents and data through a more user-friendly experience and website.

- The significant reduction in the proportion of public contracts awarded without a call for tenders (over-the-counter, direct agreement, etc.) and the systematization of the publication of offers and awards in the public procurement journal (online), including in indicating the beneficiaries, are also part of our priorities. On this point, we commit to publish any contract award, regardless of the procedure, in an electronic version of the public procurement journal no later than one month after validation of the results by July 2022 (**structural benchmark**). We will also develop, with IMF TA, a framework for the collection and publication of beneficial ownership information in procurement processes (**structural benchmark**)

- All the expenditures and measures with a financial impact carried out in the context of the fight against COVID-19 will be published on-line. On this particular point, the government commits to publish on-line the entire text of all public contracts related to COVID-19 (prior action) and to publish on a government website the results of the audit carried out for all expenditure related to COVID-19 by September 2021 (**structural benchmark**).

39. In order to give a more complete picture of the financial operations (stocks, flows, assets, liabilities) of the public sector, we commit to strengthen public finance statistics and to complete and expand the coverage of budgetary and financial reports. The government will take steps to gradually include all public entities in addition to the central government in order to establish (and periodically update) a public sector balance sheet covering all assets and liabilities by June 2023 (**structural benchmark**). We will, therefore, implement the provisions of the public finance statistics manual (GFSM 2014) and those of the CEMAC directives over the program period, so as to have a consolidated vision of the operations of the public sector as a whole. Our approach will be gradual as follows. First, a presentation based on the current scope of the Government Financial Operations Table and the financial statement using the new classification will be prepared by December 2021 (**structural benchmark**). Second a Government Financial Operations Table for the entire public sector using the new classification is envisaged by January 2024 (**structural benchmark**). Third, a consolidated balance sheet of public sector financial assets and liabilities. Finally, a complete assessment of the entire public sector will be performed. We will seek the technical assistance of the IMF to conduct these actions.

40. At the legislative and regulatory level, the authorities are committed to consolidating the fiscal and accounting reform and implementing the necessary actions to comply with the regional deadlines of 2024. First, actions will be carried out for the development and adoption of the regulations derived from the organic law on budget (*loi organique relative aux lois des finances et l'execution du budget (*LOLFEB). These are mainly: (i) the draft decree relating to in-year appropriation modifications; (ii) the draft decree to improve reporting of public expenditure; (iii) modification of the decree setting up the budgetary calendar and the process for preparing budget laws; and (iv) modification of the decree organizing the functions of *Responsable de programme* (RPROG), *Responable de budget opérationnel de programme* (RBO P), and *Responsable d'unite opérationnelle* (RUO). We will also proceed with the transposition into national law of the directive on stock accounting. In addition, as part of the operational implementation of the directives, in accordance with regional deadlines, we will undertake the following actions, with the support of development partners: (i) establish the monitoring committee for the reform of public finance management (PFM); (ii) develop a comprehensive PFM reform plan; (iii) establish the internal control system with the preparation of draft decrees setting the general principles of internal fiscal and management controls; (iv) implement a functional classification; (v) establish a performance monitoring framework; (vi) implement a cost analysis accounting (CAC); and (vi) strengthen the steering of the reform and the establishment of an appropriate communication strategy with the various stakeholders (sectoral ministries and institutions in charge of control).

41. As for the State accounting reform, two bodies have been set up: (i) the budgetary and accounting risk monitoring committee as part of the implementation of an internal budgetary and accounting control; and (ii) the State Accounting Reform Monitoring Committee. In addition, a plan for the reform of government accounts has been designed with the technical assistance of the IMF. The authorities will do their utmost to implement this action plan in accordance with the deadlines set by the CEMAC regional directives (January 1, 2024).

C. Public Debt Management

42. We are engaged in strengthening coordination and capacities in public debt management, so as to provide an updated and exhaustive picture of the State's commitments and avoid the accumulation of external and domestic arrears.

External debt management

43. We will strengthen the institutional framework for debt management, including sovereign guarantees. The objective is to reinforce the coordination between the General Debt Directorate and the other stakeholders. This will be beneficial to the management of the overall public debt (both external and domestic). The institutional framework will include (i) the establishment of a national coordination mechanism determining the general conditions of access to debt financing and capable of deciding on the national debt strategy; (ii) the establishment of a framework for the operational and strategic issuance of Bonds between the Treasury and DG Debt; (iii) the implementation of cash management methods, allowing rapid clearance of arrears (orders, debt maturities, reimbursement of VAT, etc.) recorded at the end of the year; and (iv) the adoption of a modern and comprehensive framework for management of State's explicit guarantees.

44. Gabon may receive a new SDR allocation of around SDR 216 million (1.75 percent of GDP) in 2021, which, according to the last tripartite meeting of May 21, 2021, should help consolidate international reserves of CEMAC, cover the needs of the expenses related to the COVID pandemic or partially finance investment expenses. We will discuss the use of this new allocation of SDRs with the IMF staff at the time of the first review of the new program.

45. Finally, we commit to clear any existing arrears on external debt and avoid the accumulation of new ones. At end-May 2021, the stock of Gabon's external arrears stood at CFAF 98.03 billion (US$182.1 million), including CFAF 23.8 billion (US$44.2 million) vis-à-vis multilaterals and CFAF 21.05 billion (US$39.1 million) vis-à-vis government agencies and private creditors insured with companies from Paris Club member countries and from China CFAF 1.3 billion (US$2.42 million). The Government's strategy for the clearance of existing external arrears consists of focusing primarily on multilateral debt, bilateral debt, insured commercial commitments and seeking agreements with other creditors prior to the IMF Board meeting. Accordingly, we will clear the arrears vis-à-vis the multilaterals. We will also clear bilateral and commercial-insured arrears as follows: (i) Austria CFAF 6.83 billion (US$12.69 million); (ii) France CFAF 11.9 billion (US$22.11 million); (iii) Israel CFAF 2.23 billion (US$4.13 million); and Spain CFAF 0.09 billion (US$0.17 million). Regarding the other commercial arrears vis-à-cis AFREXIMBANK (CFAF 7.52 billion or US$13.97 million, and commercial non-insured vis-à-vis France CFAF 0.7 billion (US$1.24 million), Austria CFAF 8.71 billion (US$16.18 million), and Morocco CFAF 1.01 billion (US$1.87 million), we contacted these creditors individually to obtain from them the non-objection agreement. The same communication was made with China to which our bilateral payment arrears are about CFAF 34.01 billion (US$63.17 million). We also commit to clearing existing external arrears towards the African Development Bank (AfDB), Central African States Development Bank (BDEAC) and the Islamic Development Bank (IsDB), commercial-insured arrears and resolve bilateral arrears before the Board approval of the proposed Extended Arrangement. We will clear all bilateral arrears prior to the first program review.

Domestic debt management

46. The total stock of domestic debt represents 25 percent of GDP at end-March 2021. This stock includes: (i) moratorium debt (5.6 percent of GDP), bank debt (4.4 percent of GDP), debt vis-à-vis BEAC (4.6 percent of GDP), debt issued on regional markets (8.8 percent of GDP), and debt from annual budget management such as VAT arrears and budgetary float (1.6 percent of GDP). The government announced that certain elements of this debt will be repaid as follows:

- VAT arrears will be reimbursed over 4 years, from 2021 to 2025 (CFAF 24 billion per year).
- The moratorium debt will be repaid over seven years, from 2021 to 2027, subject to the macroeconomic framework agreed with the IMF. For 2021, the repayment is projected at CFAF 61 billion. Over 2022–2026 it will amount to CFAF 80 billion per year and, and CFAF 110 billion for 2027.
- The stock of budgetary float will be reimbursed over 4 years - 2021 and 2024 (CFAF 10 billion per year).

47. A comprehensive debt repayment strategy will be developed based on the conclusions of the PWC report and the work of the Task Force on domestic debt. This clearance strategy will be communicated to IMF staff by September 2021 (**structural benchmark**) and will begin to be implemented starting from 2021. The plan will specify the clearance schedule over the period of the program with details on the type of debt and the various instruments we will use, and the budgetary implications of these instruments (e.g. interest). In addition, we are committed to carrying out the additional assessment of certain existing arrears, in particular those related to social security funds (e.g. CNAMS, CNSS), certain public enterprises (e.g. SEEG) or even State employees. On this basis, we will establish a complementary stock of domestic debt and will propose terms and a schedule for its clearance for, at the latest, the second review of the program.

48. Furthermore, in order to prevent the accumulation of new domestic arrears, we commit to take the following measures:

- The annual level of budgetary float will be limited and must not exceed 15 percent;
- A meticulous management of the stock of expenditure arrears and the monitoring of expenditure at the various stages of the execution chain will be put in place. To this end, a summary table of the stock of expenditure incurred at the different stages will be prepared jointly by the DGBFIP and DGCPT and communicated quarterly to the IMF staff (see TMU);
- The implementation of the accrual basis for the calculation of domestic arrears in the information and monitoring systems in accordance with the provisions of regional directives;
- The continuation and the strengthening of the fiscal regulation mechanism set up under the previous program with the IMF.

D. Fiscal Risk Monitoring and Governance of Public Enterprises

49. The government intends to strengthen the governance of public enterprises and enhance transparency (see Paragraph 20). We will also strive to strengthen the control and strategic management of public enterprises, which will now have to regularly communicate their financial and strategic information to the Minister of Economy and the Minister of Budget as part of a more effective supervision. This enhanced supervision will ensure, among other things, the systematization of the transmission of financial statements and asset situations as well as the regular publication of activity reports. The operational modalities will be specified in a regulatory text, adopted before the end of the 2021 financial year, organizing all relations between the State and public enterprises as well as private companies in which the State has holdings. To this will be added a reform of the legal and institutional framework, which should make it possible to establish sustainable practices and effective risk management especially on issues relating to guarantees, environmental risks and local communities.

50. We are also committed to strengthening our capacities for strategic management and monitoring of the portfolio of State holdings. We will first strengthen the legal framework governing the monitoring of public equity investments by establishing: (i) clear provisions on the responsibility and the nature of the monitoring as well as the obligations of companies in terms of reporting; and, (ii) measures to enhance transparency, in particular through regular publications as well as regular transmission of information to institutions in charge of control (Parliament, Court of Auditors). In this context, we will establish a clear operational framework to monitor the holdings that Gabon possesses through various entities such as the Société de Patrimoine des Infrastructures Numériques (SPIN), the Gabon Oil Company (GOC), the Société Equatoriale des Mines (SEM) and the Gabonese Strategic Investment Fund (FGIS). In this respect, these entities will send to the Ministry of Economy periodic reporting, summarizing the financial and strategic information relating to the State’s shareholdings that they manage on the State’s behalf. The methods for transmitting the information to the ministries in charge of supervision will be specified in a regulatory text setting up the organization framework for the whole public shareholding process. In addition, as part of the Task Forces on public agencies (SPP) and public enterprises, we will study the possibility of rationalizing these different vehicles and possibly merging them into a single structure managing all public participations. Finally, we are committed to strengthen the monitoring and management of public holdings by: (i) preparing a public portfolio management strategy by the end of the first quarter of 2022; and (ii) speeding up the establishment of the public enterprise control unit within the Ministry of the Budget, providing it with tools—including the one developed by the IMF's technical services—to manage the risks weighing on public sector portfolio.

51. We concur with the conclusions of the IMF's technical assistance mission of January 2021 and commit to implement its recommendations to ensure better control of fiscal risks and more effective surveillance of the public sector at large. A technical assistance mission from the IMF's Public Finance Affairs Department (FAD) on improving fiscal risk management took place in January 2021. This mission made several recommendations with the objective of strengthening our fiscal risks management system. Among other things, the report encouraged us to expand the annex on fiscal risks by including data and analyzes of budgetary implications, especially on public enterprises, PPPs and guarantees. On this basis, a finalized version of the annex relative to the fiscal risks will be produced and attached to the budget law for 2022 by October 2021 (**structural benchmark**). In addition, the Government will complete and expand the coverage of budgetary and financial reports to include all information available for each category of risk, by presenting all the public entities in addition to the central government, and by establishing the balance sheet of the public sector covering all assets and liabilities in accordance with the provisions of the CEMAC directives, as indicated above (see Paragraph 42). Finally, the government will continue its efforts to strengthen the monitoring and supervision capacities of the public sector at the level of the Ministries of Economy and of Budget, in particular by strengthening the resources of the units in charge of monitoring the public sector and the SPP.

E. Transition to a Green Economy

52. The program will support the authorities' transition plan towards a green economy, focusing on fiscal measures and the choice of public investments. We will, with technical assistance from the IMF and in the context of the *Integrated National Financial Framework* (INFF) of the United Nations (UN), (i) analyze the impact of an environmentally friendly tax system and identify the revenues as well as the legal aspects that require change; and (ii) assess public investments according to the PIMA-CC framework to identify risks and problems related to climate and the environment.

53. The government also intends to accelerate the implementation of its commitments in terms of environmental and climate change policies with a view to reaching sustainable development which would ensure a better contribution of the forest sector to the national economy. The fight against the illicit exploitation of natural resources is an important economic issue, but it has also an impact on security.

54. As for the environment and climate change, the government is developing a carbon credit trading mechanism at the national level in line with the Paris agreement on climate change. This mechanism is intended to help finance policies and actions in favor of forest conservation. It will contribute, with international support, to the development of a national carbon registry which will make it possible to list, verify, and control all the credits and quotas that have been traded; and to improve national technical knowledge, in order to have access to the best possible levels of certification. The government thus intends to enhance its efforts to conserve forest cover by setting up a system for the exchange of carbon credits and ecosystem credits resulting from the reduction, absorption but, above all, the sequestration of greenhouse gases and preservation of biodiversity.

55. It is in this context that the Gabonese government and the Kingdom of Norway signed an agreement on September 23, 2019, which aims in particular to reward the government's efforts on sustainable forest management. The development by Gabon—second country in the world in terms of percentage of forest cover (with a low level of deforestation)—of a robust methodology will, thanks to the sequestration capacity of its forests, represent a real opportunity for a sustainable development, which combines economic development and environmental protection. It is also in this perspective that the government will submit to the parliament, very soon, a law on climate change that will promote the development of a carbon market, equipped with a quota trading system in order to encourage operators and public actors to reduce their emissions.

56. Moreover, the government also intends to continue its action for the conservation and preservation of national parks. Concurrently, it will take action to support the resolution of the conflict human-elephant, through a national strategy to ensure the protection of crops and populations, with the installation of electric fences, on one hand, and the establishment of a support mechanism for populations affected by this conflict, on the other hand. It is also within this framework that the implementation of the national land use plan is taking place, which will in particular make it possible to better delimit village land and optimize land use.

57. As for the forest-wood sector, improving productivity and diversifying the sector are a priority for the government. The objective is to step up the efforts made to support the sustainable increase in production and ensure a more significant contribution of the forest-wood sector to the GDP, in particular through, on one hand: (i) the fight against illegal exploitation of natural resources and the improvement of transparency; (ii) the creation of forest plantations; (iii) the strengthening of the certification of all forest concessions; (iv) the national forest inventory. On the other hand, the increase in production and jobs aims at augmenting the value chain by more than 30 percent, with the acceleration of the second and the third wood transformation. Finally, to align the sector's ambitions with the legislative and regulatory framework, a new forestry law will be designed in order to respond to Gabon's economic, social, environmental and climatic challenges.

F. Social Sector Policies

58. As part of the program supported by the IMF, we are committed to protect spending in the social sector, and to redirect part of our fiscal resources, if necessary, to achieve this objective. First, the government will make efforts to support the most vulnerable Gabonese. To this end, a list of expenses was retained, comprising: (i) social services relating to social safety nets to free deliveries, the emergency unit (*Service d'aide médicale urgente* (SAMU) Social), and seniors; (ii) legal assistance; (iii) the costs of the electrification program and hydraulic installations intended for rural areas without access to public water and electricity network; and (iv) the special solidarity contribution (CSS) allocated to economically weak Gabonese (GEF). We commit to maintain our fiscal effort on the basis of the credits allocated to these various expenditure items in 2021 and to guarantee this minimum level of expenditure even in the event of a budgetary adjustment for the program period. The monitoring modalities are specified in the technical memorandum of understanding (TMU) attached to this program. The government also commits, depending on the available budgetary margins, to gradually increase the amount of its employer contribution (included in the budget and paid to the CNAMGS) so as to reach the amount provided for by the legal texts by 2025 at the latest.

59. In addition, the government will improve the targeting of poor and vulnerable populations and the monitoring of social spending. In order to better target the poor and vulnerable populations (Economically Weak Gabonese, GEF), we are committed to completing the overhaul of the poverty profile to improve the effectiveness of social protection programs. Based of the work currently being carried out with the support of the World Bank, the eligibility criteria will be reviewed and the GEF file will be adjusted accordingly by December 2021 (**structural benchmark**). In the event that the results of this work would result in additional costs (e.g. increase in the number of beneficiaries), we commit to take the necessary measures to ensure the balance, the sustainability and, therefore, the effectiveness of the social protection programs. Finally, in order to improve the monitoring of social spending in the future, we will implement the functional classification according to the Classification of the Functions of Government (COFOG) model.

G. Strengthening the Financial Sector and Access to Finance

60. The quality of the bank portfolio is expected to deteriorate when the temporary measures will be lifted. The apparent strength of the financial sector is explained by the temporary measures taken by the regional supervisor COBAC and a sharp increase in portfolios of government securities. There is almost no visible impact of the crisis on the financial sector mainly because of measures taken by COBAC in mid-2020 to last until end-2021, allowing: (i) banks to delay the recognition and the provisioning of nonperforming loans impacted by the COVID-19 crisis, and to immediately reclassify as performing these loans that would have been restructured; (ii) limiting the distribution of dividends; and (iii) the zero-rate weighting of certain recent issuances of government securities for which the repayment is ensured by an escrow account at the BEAC. At end-March 2021, banks' exposure to the sovereign increased by 6 percentage points to nearly 22 percent of banking assets, compared with about 16 percent at end-2019.

61. The liquidation of the three public banks has been delayed. Because of the pandemic and the failure to hold monitoring committee meetings, liquidations have made little progress. The liquidation of BHG and Postebank is expected to be completed by end-2021 instead of end-2020 and that of BGD by mid-2022 instead of early 2022. However, the estimated fiscal cost of liquidations has remained broadly comparable to previous estimates, at around 1.5 percent of GDP.

62. The development of a financial inclusion strategy is one of the objectives set by the government under the new 2021–23 program. Actions such as the banking of public employees, the expansion of microfinance and the development of mobile banking have made progress, but a coordinated approach is lacking.

63. Regarding the development of microfinance, promotional and supervisory measures have helped double the number of institutions, from 10 in 2010 to 20 in 2020. Over the same period, the volume of deposits increased from CFA 8 billion to CFA 67 billion and outstanding gross loans rose from CFA 4 billion to CFA 66 billion. A weakness of the strategy is the absence of a control brigade to guarantee the administrative police work aimed at repressing the illegal practice of microfinance profession.

64. To overcome the obstacle of the lack of physical bank branches in certain localities, the authorities have allowed the development of mobile money. As a result, the volume of mobile money deposits reached CFAF 871 billion in 2020, or 40 percent of total deposits. Following the COVID-19 pandemic, the volume of mobile money payments has increased sixfold in one year, from CFAF 55 billion in 2019 to CFAF 353 billion in 2020.

65. The Fonds Gabonais d'Investissements Stratégiques (FGIS) and the Caisse des Dépôts et Consignations (CDC) have begun strengthening their governance. Both institutions have renewed their boards of directors and conducted extensive audits in 2020 (see also Paragraphs 20 and 51). The FGIS audit highlighted weaknesses in governance, investment organization and management, and a lack of transparency and financial strategy at the Gabonese sovereign wealth Fund (FSRG). The FGIS has commissioned an audit of FSRG holdings, the results of which are pending, and developed a proposal for a new funding model for FGIS and FSRG. The audit of CDC found significant weaknesses in its governance, internal control, and investment management. CDC indicates that it is in the process of redefining its strategic direction.

66. We are committed to: (i) ensure close monitoring of the solvency and liquidity of the banking sector while supporting efforts to strengthen the regulatory compliance of the sector in cooperation with COBAC; (ii) update the non-performing loans reduction strategy, including domestic arrears inventory and repayment plan, and upgrade judicial capacity, by end-September 2021; (iii) establish a strategy for developing non-bank investment in public securities in cooperation with the BEAC by end-2021, which, among other things, will strengthen the government's capacity to finance itself and will stimulate the development of a culture of savings and social security; (iv) complete the liquidations of BHG and Postebank by end-2021 and that of BGD by mid-2022, at no significant cost to the State (**structural benchmark** at end-June 2022); hold quarterly meetings of the Liquidation Support Committee in order to ensure its effectiveness; actively support the liquidators in the recovery of unpaid debtors; and design a plan for the management of post-liquidation procedures; (v) adopt a national financial inclusion strategy by mid-2022, in line with the regional strategy; and (vi) address the weaknesses identified at FGIS and CDC and confirm progress through a mid-2022 follow-up audit; by mid-2022, develop and adopt a prudent strategy for FSRG and CDC in line with the government's growth acceleration plan; enhance financial transparency for public financial institutions, including the publication of annual reports starting in 2021; adopt an autonomous financing method for the FGIS that covers its operating costs but does not undermine the profitability of the FSRG; and finally, audit the State's direct and indirect shareholdings and transfer the non-strategic assets (see also Paragraphs 20 and 51).

H. Business Environment and Governance

67. First, we intend to reduce regulatory constraints. Currently, our Ministry of Promotion of Investments is working on a bill aimed at harmonizing the laws on Special Investment Zones (Z.I.S), specifically the law n°010/2011 of July 18, 2011 regulating the Economic Zones with Privileged Regime (Z.E.R.P) and the law n°036/2018 of February 08, 2018 related to the Special Investment Zones. This bill aims to:

- Bring more flexibility and clarity in the process of creation, organization, and operation of the Z.I.S, by improving governance in order to make them more competitive and optimize their operation.

- Reduce the benefits and remove certain tax and customs exemptions granted to Z.I.S., whose nature and duration will now be determined by the Finance Law.

- In addition, our Ministry of Promotion of Investments is working on the draft Investment Code, which is an orientation law of the National Investment Policy. It aims to strengthen the regulatory framework for investment by promoting harmonious development of the territory through the creation of an investor license and the setting up of a committee in charge of investment monitoring.

68. To improve coordination among private sector stakeholders, the government created by Decree No. 072/PR/MPIIHAT of February 25, 2014, the High Council for Investment (HCI). This Decree was amended by Decree 281/PR/MPIPCTI of December 28, 2018, reorganizing the High Council for Investment. In addition to improving the coordination among private sector stakeholders, it is a platform for public-private dialogue aiming at (i) strengthening the public-private dialogue (public/public and private/private); (ii) promoting and improving the business environment; (iii) deciding and steering the investment policy; and (iv) monitoring the implementation of reforms. Created in 2014 this platform became fully operational in 2017 with the organization of several meetings among private sector stakeholders, and between the private sector and the public administrations. Since April 2021, meetings of this platform have resumed with the private sector stakeholders, with a particular focus on: (i) validation of the Doing Business reform roadmap for the period 2021–23; (ii) drafting of an orientation Law of the National Investment Policy, aiming at establishing the investment-related framework in addition to the existing legal framework; (iii) improving the investment framework; (iv) improving support for investors; (v) rationalization of the parafiscal system; (vi) improving the framework for employment and vocational training; and (vii) improving the competitiveness of the PAT's priority sectors.

69. Included in the PAT, the ministerial program “Modernizations of Land Administration and direct access to land” is based on two major projects: (i) the modernization of Land Administration through the centralization of cadastral information, the optimization of procedures and mass regularization. On this last point, the objective will be to allow any applicant whose status is already known to the Administration to benefit from a simplified procedure making it possible to benefit from the issuance of a title deed. It should be noted that this dynamic will facilitate the gradual implementation of property taxation in general and of the Single Land Contribution. The process of transmitting land information to the Directorate General of Taxes will continue during the program period.

70. The government has made significant efforts in the areas of governance and the fight against corruption. These include the institutionalization of the oath for all members of the government, credit authorizing officers and other administrators, the creation of a Court of Justice of the Republic to judge members of the Government, the adoption of a Penal Code that punishes more firmly financial and transnational offenses and which creates new criminal jurisdictions, and the creation of the National Audit and Verification Authority (ANAVEA). The Government will pursue this momentum with a focus strengthening the of asset declaration regime for public officials as a high priority. This will require (i) increasing the capacity of the Commission to combat Illicit Enrichment; and (ii) amending the legal framework to align it with the applicable international good practices, including by ensuring the online publication of completed declarations. We are also committed to publish an annual report by the CNLCEI, including monitoring (25 percent) of asset declarations by category of public official (**structural benchmark** — December 2022).

I. Improving Macroeconomic Statistics

71. The government intends to continue strengthening the national statistical system. Since 2017, with the World Bank's and IMF's technical and financial support, Gabon has been making efforts to improve its statistical system. In this context, several activities have been carried out over the 2017–21 period, including the survey on poverty, the launch of the agricultural census, the completion of the demographic and health survey, the transmission of all public finance data from the Gabonese central government to the IMF public finance database (GFS), and the membership in the General Data Dissemination System (with a National Data Summary Page: Gabon Data Portal (opendataforafrica.org). However, several challenges remain to be addressed, notably (i) reforming the institutional set-up, (ii) producing and publishing real sector statistics, and (iii) improving forecasting and impact simulation tools.

- With regard to institutional reform, the government should adopt and promulgate the law on the national statistical system and the implementing decrees, and statutes of the bodies of the national statistical system (National Statistical Commission, Institute of Statistics, Statistical Development Fund, etc.) no later than the first half of 2022.

- Regarding the production of statistics on the productive sector, the government will (i) carry out the General Business Census (RGE), the results of which will be published in the fourth quarter of 2021. The objective of this census is to get a unique reference file of companies to be used by the administrations (DGS, DGI, CNSS, CNAMGS, Customs, etc.) and to facilitate monitoring of the economic conditions. A multisectoral databases managing platform on current statistics will be developed at the DGS and made accessible to all users. As for the national accounts, the last publications date back to 2010. The government commits to rebase the accounts, to switch to the 2008 SNA and to produce the 2011–20 accounts no later than the 4th quarter of 2022.

- As part of the capacity building of the General Directorate of the Economy and Fiscal Policy, the reform aims (i) to improve economic monitoring (data collection and processing) and the quality of the business conditions note by integrating the trend approach and by using leading business indicators; and (ii) at the ongoing development of new forecasting and modelling tools that will be available from the first quarter of 2022. This involves developing a new forecasting model to better predict macroeconomic aggregates such as GDP while ensuring better overall consistency (linkage with the national accounts, the budget, the monetary sector, and the external sector). The second tool is an impact evaluation model that will help to assess the effects of fiscal policies on different sectors of activity.

- Finally, with regard to data dissemination, Gabon benefited in the fourth quarter of 2019 from a joint mission from the International Monetary Fund (IMF) and the African Development Bank (AfDB) which aimed at implementing the improved General Data

Dissemination System (GDDS-a). Thus, a team for managing the GDDS was set up. It is made up of the SGDD-a Coordinator, the Focal Point, the Site Manager/Administrator, and the various contributors per administration. In terms of publication, the data provided made it possible to update the National Data Summary Page (PNRD) created by the SGDD team with the support of technical partners. Aware of the delay in updating the PNRD, the Government commits to regularly publish all the information available and to regularly organize statistical harmonization workshops in line with the framework of the GDDS. Gabon's PNRD would be fully informed with updated data, particularly of GDP, at the end of 2022.

V. TECHNICAL ASSISTANCE AND CAPACITY BUILDING

72. Technical assistance (TA) and national capacity building remain essential to further strengthen our technical and institutional capacities. In this regard, we would ensure a better alignment of TA with our priorities in our economic reforms. Gabon has received substantial technical assistance from the IMF in recent years, and the overall assessment of the implementation of this TA is positive. It has made a significant contribution to capacity building in the country and has facilitated the implementation of our economic programs. In addition, TA will be needed in the coming years to support our economic policy priorities. At this point, we will want IMF TA to help us over the 2021-23 period to: (i) pursue prudent macroeconomic policies and maintain fiscal discipline to preserve debt sustainability and avoid the accumulation of arrears; (ii) increase domestic revenue by broadening the tax base to meet the growing demand for public goods and services, and to meet rising social needs; (iii) improve the efficiency of public spending; and (iv) address banking sector weaknesses and enhance financial inclusion. Gabon also needs to strengthen its statistics to better inform policy decisions and the private sector. Donors do not provide TA in the specific areas that would be covered by IMF TA to avoid duplication. We have agreed on a memorandum of understanding with IMF staff. We remain committed to continuing to improve our technical and institutional capacities and to make the best use of TA that will be provided by the IMF and other development partners. We are also committed to ensuring the availability of sufficient human and financial resources, and to ensuring good collaboration among the national institutions involved in the different areas of technical assistance.

VI. PROGRAM MONITORING

73. Program implementation will be monitored through prior actions, semi-annual reviews, quantitative performance criteria and indicative targets, continuous performance criteria, and structural benchmarks. The first review is scheduled for December 2021 based on end-July 2021 quantitative targets, the continuous performance criteria, and relevant structural benchmarks; and the second review is scheduled for June 2022, based on end-December 2021 quantitative performance criteria, the continuous performance criteria, and relevant structural benchmarks. For all reviews, the quantitative performance criteria will include: a floor on the primary fiscal balance, excluding oil revenues (on a payment order basis); a ceiling on net domestic financing of the central government (excluding the use of IMF financing); a ceiling on the net claims of the central bank on the central government, excluding the use of IMF credit; a ceiling on external debt borrowing or guarantee (including program and project); and a ceiling on the accumulation of new external arrears by the central government. The prior actions and structural benchmarks are presented in Table 2. Quantitative targets for target dates through June 2022, as well as the continuous quantitative performance criterion, are presented in Table 1.

Table 1. Gabon: Proposed Quantitative Program Targets, 2021–2022 [1,2]

(Billions of CFA francs, unless otherwise indicated)

		2020	2021				2022	
			March	July	September	December	March	June
		Prel.	Prel.	PC	IT	PC	IT	IT
I	**Quantitative Performance Criteria**							
	Floor on primary fiscal balance, excluding oil revenue (on a payment order basis)	-488.7	-24.8	-201.6	-310.6	-498.9	-18.1	-91.9
	Ceiling on the net domestic financing of the central government (excluding IMF financing) 3/	-72.7	36.1	150.0	135.8	138.0	-23.6	-122.4
	Ceiling on central bank net claims on central government, excluding use of IMF credit 4/	240.1	312.1	297.3	278.1	270.8	171.7	133.4
	Ceiling on disbursing and guaranteeing of external debt (program and project) 5/	922.8	12.3	92.7	195.9	853.8	4.9	28.8
II	**Continuos Performance Criterion**							
	Ceiling on accumulation of new external arrears by the central government 6/	0	0	0	0	0	0	0
III	**Indicative Targets**							
	Floor on government tax revenue, excluding oil revenue	874.1	233.5	597.2	772.3	1038.9	264.9	602.0
	Ceiling on the stock of domestic arrears 7/	220.1	165.1	161.4	159.8	159.5	139.5	99.5
	Floor on family and social protection 8/	45.2	10.9	34.3	40.2	57.7	11.4	33.3

Sources: Gabonese authorities; and IMF staff estimates.

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

Table 2. Gabon: Proposed Prior Actions and Structural Benchmarks for 2021–24

Proposed prior actions and SBs for 2021	Due date	Status	Indicator
Prior Actions			
• Adoption of a 2021 supplementary budget consistent with program targets.			Adopted budget and related documents sent to IMF staff.
• Sharing with the IMF of the 2019 audits and hiring by competitive procurement of internationally reputable companies to perform audits of the 2020 of the financial accounts of four major SOEs (GOC, SOGARA, CDC, FGIS).			2019 Audit reports shared with IMF staff and reputation companies to certify the 2020 financial accounts hired.
• Publication on-line of the full text of all COVID-19-related procurement contracts concluded as of April 2021.			Procurement contracts with required details accessible on the website of the Ministry of Economy.
Structural Benchmarks			
• Register new taxpayers at a rate comparable to the one observed during the average of the last three years.	Semiannual		Summary table from tax department of new registered taxpayers.
• Review of existing tax exemptions and identification of those to remove and review of existing tax rates (e.g., excise, VAT, custom) and implement the appropriate measures in the 2022 budget law.	End-September 2021		Report from the Ministry of Economy reviewing the exemptions (including the matrix annexed to the current MEFP) and 2022 budget law.
• Publication on the government's website of a quarterly note on the oil sector, including reconciliation of oil output and revenues.	Quarterly, starting end-September 2021		A copy of the note published on the website of the Ministry of Economy shared with IMF staff.
• Submission of a membership application to the Extractive Industries Transparency Initiative (EITI).	End-September 2021		A copy of the letter of transmission to the EITI shared with IMF staff.

Table 2. Gabon: Proposed Prior Actions and Structural Benchmarks for 2021–24 (continued)

•	Publication on the government website of the results of the audit for all COVID-19 related expenditures.	End-September 2021	Audit report accessible on the website of the Ministry of Economy.
•	Development of a plan for the clearance of domestic arrears audited and validated in early 2021.	End-September 2021	Report shared with IMF staff.
•	Adoption by the government of restructuring-plans to address issues identified by the audit of the four major companies (GOC, SOGARA, CDC, FGIS).	End-October 2021	Adopted plan shared with IMF staff.
•	Completion of the fiscal risks statement and include it in the FY22 budget law budget documentation.	End-October 2021	Fiscal risks statement shared with IMF staff.
•	Require that legal persons bidding on public procurement contracts declare the names and nationalities of their beneficial owners – and that those names and nationalities be published on-line for all legal persons awarded such contracts.	End-November 2021	Procurement contracts with required information published on the website of the Ministry of Economy.
•	Communication of an action plan for the continued deployment of their information systems over the program period in order to achieve complete coverage of the types of taxpayers and to allow paperless declaration and payment transactions.	End-November 2021	Action plan shared with IMF staff.
•	Prepare a comprehensive list of all tax arrears, including those of public companies, and identify the recoverable part.	End-December 2021	Final list shared with IMF staff.
•	Present the TOFE according to *GFSM 2001/2014* for central government.	End-December 2021	TOFE according to *GFSM 2001/2014* for central government sent to IMF staff.
•	Complete the revamping of poverty profile to better target poor and vulnerable population (*Gabonais Economiquement Faibles — GEF*) through social protection programs.	End-December 2021	Legal/regulatory document implementing the revised eligibility criteria for GEF.

Table 2. Gabon: Proposed Prior Actions and Structural Benchmarks for 2021–24 (continued)

Proposed SBs for 2022	Due date	Status	Indicator
• Assess the compliance of existing tax and customs rates to the national and regional legal provisions in the IT systems and conduct the necessary modifications.	End-January 2022		Report extracted from the IT systems showing the applied rates.
• Reform the VAT escrow account	End-June 2022		Legal/regulatory document revamping the escrow account.
• Complete the liquidations of BHG and Postebank by end-2021 and that of BGD by mid-2022, at no significant cost to the State.	End-June 2022		Letter from the Minister of Finance announcing the completion of the liquidation.
• In line with the 2018 Code of Public Procurement, publish any contract award, regardless of the procedure, in an electronic version of the public procurement journal in the website of the Ministry of Budget and Public Accounts, at most one month after validation of the results by the central administration in charge of public procurement, and a summary notice of all contracts awarded monthly in the same journal. Publish the full text of all awarded contracts on a linked page of the website of the Ministry of Budget and Public Accounts.	End-July 2022		Procurement contracts with required information accessible on the website of the Ministry of Economy.
• Reform the system for granting and managing property/land titles and introduce a single property tax (SPT) in the budget law for FY2023.	End-September 2022		Draft budget and annexes sent to IMF staff.
• Annual publication of a report by the CNLEI, including the percentage of declaration of assets by category of public officials, which is requested by the Law No. 003/2003.	End-December 2022		Report shared with IMF staff.

Table 2. Gabon: Proposed Prior Actions and Structural Benchmarks for 2021–24 (concluded)

Proposed SBs for 2023	**Due date**	**Status**	**Indicator**
• Completion of the full implementation of the TSA.	End-January 2023		Letters from Minister of Finance and the Central Bank National Director certifying the TSA is fully operational.
• Introduce automated interfaces between (i) VECTIS and SIGFIP and (ii) revenue IT systems and VECTIS-SIGFIP.	End-June 2023		Copies of the specifications and reports at end-May 2023.
• Produce and publish a public sector balance sheet (PSBS).	End-June 2023		PSBS accessible on the website of the Ministry of Economy.
Proposed SBs for 2024	**Due date**	**Status**	**Indicator**
• Completion of the full transition the GFSM 2001/2014.	End-January 2024		TOFE compliant with *GFSM 2001/2014* standards.
• Deployment of e-T@x access to taxpayers for both declarations and payments for all taxes.	End-January 2024		Copies of e-T@x webpages and specifications.

Annex I. Gabon's Transformation Acceleration Plan 2021–23 (PAT 2021–23)

I. MAIN OBJECTIVES

In February 2021, the Gabonese government adopted a Transformation Acceleration Plan (PAT), a programming framework for its priority public policies for the period 2021–2023. The PAT aims to accelerate the transition of the Gabonese economy to the "post-oil era" by boosting the development of new growth engines and rethinking the social model. The main objectives of the PAT are:

- Reduce the contribution of the oil sector to less than 25% of GDP;
- Revitalize economic growth, including in the difficult context of COVID-19, around 3% of GDP over the period 2021-2023;
- Increase to more than 50% of national consumption the share of locally produced agricultural products in Gabon;
- Stimulate job creation in the formal private sector; the share of the formal private sector in total formal employment is expected to rise above 55%, compared to less than 50% currently;
- Increase private investment to more than CFAF 2,000 billion per year, compared to about CFAF 1,600 billion per year currently;
- Reduce the proportion of the population living below the poverty line to below 25%, compared to 33% currently.

II. STRATEGY

The PAT is organized around three transformation pillars, to which are attached the following twelve key goals:

Economic pillar: Preparing the productive sectors of the future

1. To slow down the fall in oil production and diversify the oil sector. The aim is to maintain production above 100,000 barrels/day through investment and better regulation, and to stimulate upstream and downstream investment in gas conditioning and processing.
2. Accelerating the expansion of manganese and paving the way for iron and gold mining. Manganese production is expected to grow from 9 to 12 million tons annually in three years covered by the PAT, largely due to efforts to upgrade the railway. In addition, increased

support to investors who have submitted operating permits for the Eteke gold mine and the Baniaka, Milingui and Belinga iron mines should facilitate the coming on stream of these various mining sites within a timeframe of 2 to 5 years, with a major impact on Gabon's GDP.

3. Improve productivity and diversify the logging sector. In the upstream forestry sector, a rationalization of forestry permits, aiming at allocating larger areas to increase productivity and reduce illegal logging, as well as the start of plantation forests, should enable the annual production to increase from 2 to 6 million m3 of lumber by 2025. At the same time, significant investments in logistics support for industrial platforms (new industrial timber zones in Lambaréné and Moanda) should enable the share of local secondary and tertiary wood processing to be increased, with higher added value.

4. Strengthen Gabon's food independence and develop export sectors. Through better management of the financing granted by the AfDB (CFAF 76 billion), it is planned to develop high agricultural productivity areas, particularly for the banana and cassava sectors, to substitute national production for imports.

5. Pave the way for the development of other sectors. Special incentives (free access to land, easy access to bank financing or private capital) will be granted to promote national and foreign investment in the production of building materials and in real estate, both for job creation and easy access to decent housing for all segments of the population.

Social pillar: Creating the conditions for a new social pact

6. Boost employment in the private sector through a better matching between educational curricula and labor market requirements. A significant investment program in the infrastructure of vocational training centers is coming to its end, which must be complemented by the revision of training curricula and the training of trainers, in order to properly supervise the 12,000 additional students who might be admitted to vocational training programs. The new labor code also favors professional integration through dual apprenticeship and internship contracts.

7. Improve the health situation of the population by refocusing efforts on prevention and primary health care. The objective is to shift the focus of investment from hospitals at the top of the pyramid to community health facilities, both in terms of upgrading infrastructure and equipment, providing qualified and motivated health care personnel, and ensuring the conditions for some financial autonomy for these community health facilities. The objective is to concentrate more resources on disease prevention than on heavy curative care.

8. Ensure the sustainability of a targeted and equitable social protection system. This program includes governance and management reforms and the strengthening of the financial resources of social protection institutions, to universalize health and old age coverage and to enhance the financial sustainability and quality of services provided to the most vulnerable social categories.

Cross-pillar: Upgrading the drivers of development

9. Improve the business environment to attract investors and ensure the conditions for growth in non-productive sectors. These reforms include measures related to improving the Doing Business ranking, but also measures to make land available to national and international investors, as well as to facilitate and reduce the cost of administrative procedures for businesses.

10. Strengthen infrastructure (e.g. electricity, water, transportation) to improve quality of life and competitiveness. These investments are mainly structured in the form of Public-Private Partnerships in the production of energy (3 hydroelectric dams and a gas-fired thermal power plant), water (a water treatment plant that will increase the supply of water to Libreville by 130,000 m3/day), and roads (the flagship Transgabonaise project, the resumption of certain road projects that have been stopped, and the Libreville North and South bypass roads). It is also planned that new investments in digital infrastructure, particularly terrestrial optical fiber, will be made within the framework of public-private partnerships, instead of loans contracted by the State with international donors.

11. Accelerate the digitalization of businesses and public services. Several administrative processes in collecting revenues or issuing administrative acts are planned to be digitized, with simplification in use and better control of the financial resources collected through these digitalized services

12. Improve public finances to create buffers. This program encompasses actions to contain expenditures, to bolster domestic revenue mobilization, and to restructure and optimize debt management that are outlined in this Economic and Fiscal Policy Memorandum.

III. INSTRUMENTS

13. The Government has set up 20 *Task Forces*, responsible for the implementation of the various action programs linked to the twelve goals described above. These Task Forces, each of which headed by a task force leader, are composed of senior executives from the public administration and the private sector, who are directly involved in the implementation of the action programs. They provide a platform for collaboration and regular reporting to facilitate dialogue and consistency in action.

14. Above these Task Forces, the Government has created a National Council for the Transformation Acceleration Plan, whose Steering Committee is chaired by the Prime Minister, Head of Government, and the General Coordinator for Presidential Affairs. This Steering Committee is responsible for deciding on the issues submitted by the task forces.

15. An Executive Secretariat of CNPAT provides technical support in solving operational problems encountered by the *task forces*, as well as monitoring the progress of their respective roadmaps and reporting regularly to the CNPAT Strategic Orientation Committee.

IV. MAIN REFORMS BEING CONSIDERED

The main reforms under consideration include:

- The increase in SOGARA's capital to support investment in its production facilities and the improvement of its operational and financial results, which should result in a lowering of the State's share in the company's capital and the removal of direct and indirect subsidies granted to it.

- Consolidation of the upstream forestry sector by withdrawing forestry permits from operators who do not comply with regulatory and fiscal obligations and reallocating them to better capitalized operators with sustainable logging certification in order to support the supply of wood to industrial timber zones (the existing Nkok zone, as well as the Ikolo zone in Lambaréné and an industrial zone in Moanda, both scheduled to open in 2021).

- The launch of forest plantations, to improve the yields per hectare, and thus boost the availability of wood in the future while reducing the pressure on natural forests. The forest plantations will be carried out in sparsely wooded savannah areas.

- A reform of the labor code, the bill of which has been submitted to Parliament, aiming to make the contractual labor framework more flexible, lower certain barriers to entry into employment and guarantee better gender equality.

- The acceleration of the process of universal health coverage, with the registration of nearly one million newly insured persons (half of the population) and the establishment of a health insurance scheme for workers in the informal sector.

- A major investment plan structured through Public Private Partnerships for the building of three hydroelectric dams, a gas-fired power plant and a water treatment plant producing 130,000 m3 of additional water per day to guarantee Libreville's water supply. This investment program also includes the upgrading of the Transgabonais railway, and the renovation and widening of 780 km of national roads 1 and 3 connecting Libreville to Franceville.

Annex II. List and Timetable for Reform on Tax and Customs Exemptions

Taxes	Measures	Implementation agenda		
		Revised 2021 Budget	2022 Budget	2023 Budget
1. Corporate income tax (CIT)	Alignment of the CIT rate for all sectors (excluding the oil sector) on the common law regime (30%) (including tourism sector, public establishments, real estate development companies, etc.)	X		
	Rate increase for real estate development companies (from 20% to 30%)	X		
	Reduction of the allowance from 50% on the second profit year to 25% (in compliance with the CEMAC regulation on new businesses)	X		
	End of permanent exemptions and alignment of exemption measures over a single period (e.g., 3 years)		X	
	Reform of exemptions in the tourism sector			X
	Reduction from 5 to 3 years of the exemption from profits for small and medium-sized businesses that do not hold an authorization	X		
	Suspension of exemptions for companies or holders of operating or research permits that have not fulfilled their reporting obligations (including in special economic zones)	X		
	Limitation of tax advantages granted to new companies setting up in the Nkok area: exemption from CIT (ex. 5 years instead of 10 years), reduced corporate tax rate (common rate of 30% instead of the reduced rate 10% for 5 years), end of the exemption from withholding taxes Non-renewal of the tax advantages granted to companies arriving at the end of their 10-year period	X	X	

Taxes	**Measures**	**Implementation agenda**		
		Revised 2021 Budget	**2022 Budget**	**2023 Budget**
	Limitation of the exemption period to 5 years for new businesses setting up in all special economic zones	X		
	Alignment of the CGI provisions with the specific legal provisions of laws / regulatory texts on special economic zones	X		
	Systematic evaluation of the counterparties and questioning of the advantages granted to investors in the event of non-realization of the counterparties	X		
	Use of the actual tax base of headquarters and application of the standard rate of 30%	X		
	Use of the actual tax base for oil subcontractors / elimination or limitation of the provision of the CGI	X		
2. Personal income tax (PIT)	Implementation of the provisions of the CEMAC directive relating to PIT (directive n° 01/04-UEAC-177 of July 30, 2004)			X
3. Value-added Tax (VAT)	Alignment of VAT exemptions with the CEMAC Directives (n ° 1/99 / CEMAC-0286-CM-03 of December 17, 1999 and n ° 07/11-UEAC of December 19, 2011 relating to VAT and excise duties)	X		
	Cancellation of VAT exemptions outside the legal framework and application of legal rates (list of products and services benefiting from an exemption not authorized by Community directives such as peanuts, cane sugar, capital goods for activities agricultural and livestock farming, mortgage loans, etc.)		X	

Taxes	Measures	Implementation agenda		
		Revised 2021 Budget	2022 Budget	2023 Budget
	Reform of the reduced rate of VAT on cement: increase to 5% to 10% (target 18% in 2023 = to be taken into account in PLF 2023)	X		
	Increase in the VAT rate according to the list of products: exemption = reduced rate of 5%; rate 5% = rate of 10%; 10% rate = 18% common law rate		X	
	Reform of exemptions in the tourism sector			X
	Gradual application of a reduced rate (10%) instead of the total VAT exemption applicable to certain products and services (outside the scope of the exemptions provided for by the CEMAC directive)		X	
	Gradual increase in the single reduced customs rate by product group 2021–23 to the standard rate (18%)		X	X
	Harmonization of the rates applied at the customs cordon and on the internal market (structural credits) (ensure that the import rate is not lower than the rate applied to local production)		X	
	Reform of the VAT in the banking sector (e.g., end of exemptions or creation of a specific tax)			X
4. Customs	Cancellation of the tax-free advantages for State contracts (subject to special provisions concerning contracts on external financing)		X	
	Application of a reduced rate of 5% for a maximum period of 3 years instead of a total exemption from the deductibles granted in the finance law (excluding wheat) according to the CEMAC TEC during the operating phase (then application of the normal rate)	X		

Taxes	Measures	Implementation agenda		
		Revised 2021 Budget	2022 Budget	2023 Budget
	End of the exemption from customs duties on cement inputs and application of a 5% rate	X		
	Revision of the lists of products giving the right to tax-free advantages in budget law (e.g. agricultural sector, wood industry, cement industry, large industrial complexes, tourism, social housing)	X	x	
	Gradual application of an overall reduced rate of (5%) instead of a total exemption for products on the "high cost of living" list according to the tariff lines provided for by CEMAC		X	
5. Miscellaneous	Abolition of exemptions from licenses and property contributions for tourism companies (excluding current regimes)		X	
	Elimination of property contributions exemptions for special economic zones		X	
	Reinstatement of exempt products in the list of products subject to social contribution (CSS)		X	
	Abolition of exemptions from licenses, registration fees and property contributions for companies in the mining sector and application of withholding tax		X	

Attachment II. Technical Memorandum of Understanding

July 15, 2021

74. 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 July 15, 2021, 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.

75. 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 July 31, 2021 and December 31, 2021; the same variables are indicative targets for September 30, 2021; March 31, 2022; and June 30, 2022.

76. 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 551.809 as of June 30, 2021. 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 1.1884 U.S. dollars, Pound Sterling valued at 1.3863 U.S. dollars, the Chinese Yuan valued at 6.4589 U.S. dollars, the Special Drawing Right (SDR) valued at 1.42642 U.S. dollars. Official gold holdings were valued at 1770.11 U.S. dollars per fine ounce.

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

77. 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.

78. 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

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

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

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

80. 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.

81. Definition: Total CG revenue (excluding oil revenue) is measured on a cash basis and includes offsetting revenue and expenditure operations, including private sector tax obligations offset against central government obligations to the private sector. Tax receipts are specified in the Table of central government financial operations (*Tableau des opérations financières de l'Etat–TOFE*), including all earmarked revenues (Road Fund and special funds). Oil revenue includes payments received in cash and in crude (Text Table 1). Revenue received by the treasury will be registered after encashment, which will be at most 7 days after the date of receipt; oil revenue received in kind will be recorded at transaction value on the day of sale.

Text Table 1. Gabon: Oil Revenue

Cumulative flows from the beginning of the fiscal year	CFAF billions
End March 2021	113.6
End July 2021	277.6
End September 2021	359.6
End December 2021	482.6

Sources: Gabonese authorities; and IMF staff projections.

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

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

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

Cumulative flows from the beginning of the year	(In US$ Millions)
External loans for budget support	
End March 2021	0.0
End June 2021	0.0
End July 2021	0.0
End September 2021	117.1
End December 2021	307.8
External loans for project financing	
End March 2021	22.9
End June 2021	128.8
End July 2021	164.2
End September 2021	234.8
End December 2021	340.8
External loans from commercial sources and international capital markets	
End March 2021	0.0
End June 2021	6.0
End July 2021	8.0
End September 2021	12.0
End December 2021	937.5

Sources: Gabonese authorities; and IMF staff estimates and projections

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

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

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

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

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

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

86. 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-July 2021.

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

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

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

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

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

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

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

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

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

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

ii. Rescheduling agreements;

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

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

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

92. 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.

93. 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

94. Definition: The stock of domestic payment arrears of the CG is defined as the sum of all contractual obligations that remained unpaid 90 days after these obligations has been accrued, consistently with the provisions provided for by the regional directives (see article 14 of directive on TOFE). This stock includes, but is not limited to, payment obligations from procurement contracts for goods and services and other contracts providing for payment in domestic currency, as well as statutory obligations for payment (e.g., civil service wages, VAT reimbursements, and other entitlements). The cumulative floor on the net reduction of the stock of domestic arrears of the CG is measured as the stock of outstanding domestic arrears on the test date minus the stock of outstanding domestic arrears as of January 1, 2021.

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

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

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

97. 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

98. Definition: The program will have a floor on non-wage social spending as defined in the CG budget for a particular fiscal year. These programs are funded by government resources. The floor includes: (i) social services relating to social safety nets, free childbirth coverage, SAMU Social and seniors; (ii) legal assistance; (iii) the costs of the electrification program and hydraulic installations intended for rural areas without access to public water and electricity network; and (iv) the special solidarity contribution (CSS) allocated to economically weak Gabonese (GEF).

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

III. ADJUSTORS TO PERFORMANCE CRITERIA AND INDICATIVE TARGETS

Net Domestic Financing of the Central Government:

Oil prices:

- If Brent oil price projections as reported by IMF-WEO decline by up to 25 percent relative to the program baseline (US$60 per barrel), the ceiling will be adjusted upward to accommodate the shortfall in oil revenue in a given quarter.

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

- If Brent oil price projections as reported by IMF-WEO rise relative to the baseline program projection for 2021, and one-half should be allocated to increase central government deposits at the BEAC, with a requisite downward adjustment of the cumulative ceiling on net claims of the banking sector on the CG. A share (up to FCFA 15 billion; representing 0.2 percent of non-oil GDP) could be used to increase central government expenditure on high-priority public investment projects, and the reminder of higher-than-programmed oil revenue should be used to reduce the stock of domestic payment arrears.

Budget support:

- The program will be adjusted downward (upward) by the amount by which budget support exceeds (falls short of) the projected amounts. Any upward adjustment will be capped to 10 percent of the amount set out in table 2.

New SDR allocation:

- The authorities have decided to save the new SDR allocation in 2021. In this context, the program ceiling is expected to adjust downward in 2021 by the same amount of the proposed SDR allocation.

Non-oil Fiscal Balance.

- The floor on the cumulative primary non-oil fiscal balance of the CG on a payment order basis will be adjusted downward (upward) to the extent that external financing is more (less) than external program disbursements given in Text Table 2. Any downward adjustment will be capped to a maximum of CFAF 15 billion.

Social Spending.

- Should primary expenditure compression be needed, social spending would nevertheless be maintained to the execution level estimated for 2021 regarding the various budget item included in the cumulative floor for CG social spending (0.8 percent of NOGDP).

Debt

- The program ceiling on disbursing or guaranteeing of external debt by the central government will be adjusted as follows:
    - upward up to a maximum of 5 percent of the ceiling on new external debt in cases in which differences vis-à-vis the PC on new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.
    - upward (downward) in cases where early (late) disbursements of specifically agreed and identified financing flows take place.

IV. PROGRAM MONITORING

A. Reporting Requirements

100. 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 General Directorate of Debt. The external debt stock is to be evaluated at end-of-quarter exchange rates (electronic file);

- the details for the outstanding stock of the treasury float (month to month) and the cumulative flows from January 1, 2021; the net accumulation of new float during 2021, defined in paragraph 6 as the difference between payment orders (*ordonnancements*) and payments made (cash basis), as well as the repayment of pre-2021 float, with both items to be broken down by wages and salaries, goods and services, transfers and subsidies, interest, capital expenditure, and net lending; any stock-flow adjustment not consistent with flows should be explained (electronic file);

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

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

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

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

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

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

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

- a status report on the implementation of the structural reforms specified in Table 2 attached to the letter of Intent of July 15, 2021.

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

REQUEST FOR A THREE-YEAR EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—SUPPLEMENTARY INFORMATION

July 27, 2021

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

Prepared by the African Department

1. This supplement provides an update on the authorities' efforts to clear external arrears and on the completion of one prior action, based on new information that has become available since the staff report was issued to the Board. It does not alter the thrust of the staff appraisal.

Update to Text Table 7. Gabon: External Arrears in 2021

Creditor	Stock at end-May 2021		Cleared		Stock on July 23, 2021	
	Billion CFAF	Million US$	Billion CFAF	Million US$	Billion CFAF	Million US$
All	98.03	182.10	61.24	113.76	36.79	68.34
Multilateral	23.77	44.15	23.77	44.15	0.00	0.00
AfDB	0.16	0.29	0.16	0.29	0.00	0.00
BDEAC	11.36	21.11	11.36	21.11	0.00	0.00
IsDB	12.25	22.76	12.25	22.76	0.00	0.00
Bilateral	56.36	104.69	37.47	69.61	18.89	35.08
China	35.31	65.59	16.42	30.51	18.89	35.08
Austria	6.83	12.69	6.83	12.69	0.00	0.00
Spain	0.09	0.17	0.09	0.17	0.00	0.00
France	11.90	22.11	11.90	22.11	0.00	0.00
Israel	2.23	4.13	2.23	4.13	0.00	0.00
Commercial non-guaranteed	17.91	33.26	0.00	0.00	17.91	33.26
France	0.67	1.24	0.00	0.00	0.67	1.24
Austria	8.71	16.18	0.00	0.00	8.71	16.18
Morocco	1.01	1.87	0.00	0.00	1.01	1.87
AFREXIMBANK	7.52	13.97	0.00	0.00	7.52	13.97

Source: Gabonese authorities.

2. Staff obtained an update on the authorities' efforts to clear external arrears through July 23, 2021. As committed in their MEFP, the authorities have cleared external arrears to multilateral creditors (African Development Bank, the Central African States Development Bank, and the Islamic Development Bank), and cleared official bilateral arrears arising from commercial claims where the sovereign guarantee was triggered. As noted in the Staff Report, in line with the Fund's Lending-into Arrears Policy, they have also reached out to remaining external commercial creditors to share relevant information regarding their financial difficulties and provided them with an opportunity to give inputs on their strategy to clear the arrears owed to them.

3. The authorities have confirmed that they have completed the prior action on the publication of COVID-19-related procurement contracts. In particular, they published 500 procurement contracts, invoices, or payment orders on the Ministry of Economy website,[1] amounting to CFAF 57 billion (Table 1). The contracts, invoices, and payment orders published thus far represent 86.9 percent of the total purchase of goods and services and capital expenditures related to the COVID-19 response in 2020 (CFAF 51.8 billion) and 80 percent of the same type of Covid-19-related expenditure (goods and services and capital expenditure) in 2021 up to end-April (CFAF 15 billion). The authorities have indicated that, in line with the expedited processes permitted under the opinion issued by the Court of Accounts (No. 0006/19-20/CC/CC/GC of June 3, 2020), many COVID-19-related procurements were completed via the issuance and payment of invoices rather than the conclusion of contracts.

Table 1. Gabon: COVID-19 Spending — RFI Commitments Summary as of July 26, 2021

COVID-19 spending (Billions of CFAF; unless stated otherwise)	**2020**	**end-April 2021**
Total	**70.4**	**15.0**
Goods and services and capital expenditures	51.8	15.0
Transfers and subsidies	18.6	0.0
Publication	**45.0**	**12.0**
COVID-19 Spending with contracts	45.0	12.0
Share of Covid-19-related spending published (in percent of goods and services and capital expenditure)	**86.9**	**80.0**

Source: Gabonese authorities.

[1] Ministère de l'Économie et de la Relance. - Tablaux récap des factures fonds riposte et solidarité covid-19 gabon - Ministère de l'Économie et de la Relance. (gouv.ga).

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

July 28, 2021

Mr. Andrianarivelo and Mr. Nguema-Affane submitted the following statement:

Our Gabonese authorities would like to thank the Board, Management and staff for the constructive policy discussions leading up to the consideration by the Executive Board of their request for a new extended arrangement under the Extended Fund Facility (EFF).

Gabon's request come when the country is still grappling with the effects of the pandemic. Gabon was hit hard by the COVID-19 pandemic when the country was recovering from the 2014–15 oil price shock with Fund support under the 2017–20 EFF arrangement. The authorities responded swiftly to the pandemic, with the timely and critical assistance from the Fund and other development partners. Strong containment and mitigation policy measures were taken to circumvent the spread of the virus and protect lives and livelihoods. However, the impact of the containment measures and the socio-economic fallout of pandemic was considerable in 2020, setting back some achievements made in strengthening macroeconomic stability and improving social conditions in previous years. Despite an improved outlook, the fallout of the pandemic is expected to be long lasting. In particular, the external and fiscal financing needs are projected to remain substantial over the medium-term amid uncertainties around the pandemic and commodity prices.

Against this background of fragile macroeconomic situation and prospects, the Gabonese authorities are committed to stabilize the economy and support the recovery post-COVID while accelerating the implementation of reform priorities to lay the foundations for a sustained green, and inclusive growth. To this end, the authorities have developed a Transformation Acceleration Plan (PAT 2021–23) in February 2021 including an economic component based on prudent macroeconomic management and structural reforms aimed at anchoring macroeconomic stability and stimulating investment. The authorities' economic program is consistent with the regional strategy to restore internal and external stability of CEMAC. They are requesting a three-year EFF arrangement of 180 percent of quota or SDR 388.8 million to support the implementation of that program and help mobilize additional external resources to close the large external and fiscal financing gap.

I. Impact of the Pandemic and Response

The epidemiologic situation has improved following a second wave of high infection rates in early 2021. As of July 21, 2021, the COVID-19 virus has infected 25,309 people with

163 deaths, which brings the mortality rate at around 75 deceases per million inhabitants. A vaccination campaign has been launched in the second quarter of 2021 following the acquisition of vaccines mainly from China and Russia. Despite these efforts, to date, only 23,300 persons have been vaccinated, representing a little more than 1.1 percent of the population.

The authorities followed through on their commitment to transparency in the use of COVID-19 spending. External support including the two RFI disbursements in 2020 was used to upgrade intensive care units in hospitals with appropriate equipment and build a large testing infrastructure and facilities. The use of the funds as of end-April 2021 has been accounted for and made public. A comprehensive audit of that spending is being undertaken by an external independent group and the results will be published by end-September 2021.

The macroeconomic impact of the pandemic has been substantial in 2020. The economy contracted by 1.8 percent in 2020 against a growth of 3.9 percent in 2019 due to the containment measures and global economic slowdown. Inflation has remained under control at 1.3 percent on average against 2.0 percent in 2019. The current account deficit widened from 1 percent of GDP in 2019 to 6 percent in 2020 due to the decline in crude oil and non-mining exports. With the improving epidemiologic situation, some containment measures have been progressively lifted or relaxed, but the path to economic normalization appears more challenging, as some sectors notably services remain critically affected by remaining movement restriction measures.

The overall budget balance turned negative and public debt vulnerabilities increased under intensive resource pressure. The fiscal deficit reached 2.1 percent of GDP against a surplus of 1.4 percent in 2019 mainly due to a sharp decline in both oil and nonoil revenues. Public expenditures increased modestly as spending priorities shifted towards COVID-related spending, mainly at the expense of public investment. It is worth noting that the wage bill declined in 2020 thanks to a better control of the headcount. Public debt remains sustainable despite a large increase in the public debt ratio notably due to a lower GDP. External debt arrears accumulated, and the implementation of domestic arrears clearance plan slowed down due to weak revenue performance and lower than expected external financing.

The Gabonese banking sector has been resilient although some financial vulnerabilities have increased. The regional central bank BEAC and the regional banking supervisor COBAC have adopted temporary monetary and regulatory relief measures to ensure sufficient liquidity in the system and facilitate bank loan restructuring during the pandemic. As a result, the banking system in Gabon has remained well-capitalized and profitable. However, asset quality is thought to have deteriorated, and banks’ exposure to sovereign bonds has increased. BEAC and COBAC will closely monitor the solvency and liquidity of the banking system, as the quality of bank portfolios may deteriorate with the persistence of the pandemic.

II. Outlook and Risks

While improving the outlook remains uncertain. The economic rebound in 2021 is expected to be modest with a GDP projected to grow by 1.5 percent and reach around 3.5 percent over the medium-term with progressive economic normalization. Inflation will remain contained at around 2.0 percent, below the regional convergence criterion of 3.0 percent. The current account deficit will also narrow and stabilize around 2.5 percent of GDP over the medium-term thanks to higher commodity prices. This medium-term outlook hinges on the progression of the pandemic, the evolution of terms of trade and global financial conditions, and the pace of the implementation of the economic program for which the authorities are requesting Fund support. Unfavorable developments on those fronts will add to already large BOP needs.

III. Fund-Supported Economic Program for the Medium Term

The medium-term economic program aimed to preserve the sustainability of public finances and debt, improve governance and transparency in the public sector, and support strategic sectors and further progress in economic diversification. The priority in the short term is to pursue the response strategy to the pandemic. Going forward, policies will aim to address macroeconomic vulnerabilities by reversing the temporary measures, as conditions permit, and accelerate reform momentum. A special focus will be placed on strengthening domestic revenue mobilization. The authorities intend to leverage digitalization to increase the efficiency and performance of the public sector. A well-tailored capacity building and TA agreed with the authorities will support program implementation.

The fiscal program is the centerpiece of the authorities' program and will be based on a growth-friendly fiscal consolidation. The fiscal reforms will aim at improving medium-term fiscal and debt sustainability while expanding fiscal space for social and development spending. Fiscal consolidation will be achieved by increasing domestic revenues and ameliorating expenditure composition and efficiency, while protecting social and development spending. A revised budget for 2021 outlining the shift in policy stance has been adopted last month and submitted to the Parliament. The overall fiscal balance will gradually improve to reach surplus over the medium term and public debt vulnerabilities will decline. In addition to Fund support, financing needs over the program period will be covered by budget support expected from other development partners and bond issuances. The authorities recognize the risks to the fiscal program posed by the uncertainty around of the pandemic and stand ready to deploy their contingency plans in case revenues or financing fall short of projections.

The authorities are strongly committed to the vast fiscal reform agenda. On the revenue side, they have started reducing tax expenditure and increasing the tax base to mobilize more domestic revenue and will further streamline tax exemptions following a comprehensive review of existing exemptions to be completed in the next few months. They will improve the administration of the VAT and pursue the modernization of the revenue administrations. On the expenditure front, they will continue their efforts to rationalize nonessential expenditures and reduce fiscal risks by further strengthening and modernizing public financial management, public investment management, and oversight of public entities. A particular emphasis will be placed on increasing the efficiency and transparency of public spending, including the wage bill, social protection programs, capital expenditures, and COVID-related spending. A list of public entities to close will be finalized by September 2021 and the governance and financial management for those to remain under state ownership will be improved.

Public debt management will be enhanced to avoid new accumulation of arrears. In this regard, the coordination between the Directorate General of Debt and other stakeholders will be reinforced. A plan for clearance of all external arrears before the first EFF review has been prepared. A comprehensive domestic debt repayment strategy will be developed following the conclusions of the task force work on domestic debt. Such strategy is particularly important for reducing macro-financial risks and preserving financial stability.

The authorities are committed to reinforce social policies. They will maintain the temporary COVID-related measures to support the most affected population and will preserve social spending in case of adverse shocks. They are in a process of improving the targeting and monitoring of social spending. With the assistance of the World Bank, a review of the eligibility criteria for social protection programs is underway and will be completed by end-2021.

Oil sector management will continue to be strengthened. The authorities have completed the audits of Gabon Oil Company and the SOGARA refinery and action plans to address weaknesses identified in the audits will be prepared by October 2021. The authorities have also implemented major steps toward the country's application to the EITI by September 2021. Transparency in the oil sector will be improved through the publication of various documents, information and reports as required by the EITI.

Weaknesses in the financial sector and public financial entities will be addressed. Actions in this regard include the strengthening of the operations, financial autonomy and transparency of the Gabonese Fund for Strategic Investment (FGIS) and the *Caisse de Dépôts et Consignations* (CDC) following extensive audits in 2020. An audit of the Gabonese sovereign wealth fund (FSRG) assets will help reassess the investment strategy and develop a new funding model for the FGIS and FSRG. The liquidation of the three public banks which has been delayed due to the pandemic will be accelerated. The authorities will also update the NPL reduction strategy in parallel with the domestic arrear clearance plan and take measures to expand the investor base for sovereign bonds to reduce the sovereign banks nexus. They will promote financial inclusion with the adoption of a national strategy, consistent with the regional strategy under preparation.

Efforts will continue to enhance the business climate to spur domestic and foreign investment. The legal framework governing the special investment zones is being reviewed to strengthen their governance and operations and rationalize the benefits and exemptions offered in those zones. In addition, a draft investment code to strengthen the regulatory framework for investment is under preparation. The resumption of the investment policy dialogue with various stakeholders is expected to lead to the adoption of a Doing Business roadmap for 2021–23 and an enhanced framework for employment and vocational training. The envisaged modernization of land administration is intended to accelerate access to land which has been a deterrent to investment in the past and to facilitate the gradual implementation of a property taxation.

A special attention will be given to governance and fight against corruption. The anticorruption framework has been reinforced in previous years with updated legislation, and the creation of a new criminal courts and institutions to improve governance and transparency and sanction corruption offenses. The authorities will pursue this momentum with a focus on strengthening the asset declaration regime for public officials to align it with international best practices. The activities of the anti-corruption commission will be published in an annual report.

Further progress is expected in the reinforcing of the national statistics system during the program period. In particular, the authorities will advance the institutional reform to upgrade the legal framework of the system. They will also continue improving production and dissemination of economic and social data including through the General Data Dissemination System (GDDS) with the support of international organizations including the Fund.

With virgin forest covering nearly 80% of the country, the Gabonese authorities remain committed to their climate change mitigation commitments. Gabon allocates significant resources to environmental conservation and forest management efforts. These efforts were notably rewarded last month by the Kingdom of Norway under the UN-supported Central African Forest Initiative. The development of a carbon trading mechanism to help finance policies and actions towards forest conservation is ongoing in line with the Paris agreement on climate change. The authorities will pursue a sustainable development of the forest-wood sector and palm oil industry as part of their economic diversification strategy to limit forest-related emissions.

IV. Conclusion

In the face of the lingering impact of the heath crisis, the Gabonese authorities are strongly determined to bolster their response to the pandemic, address macroeconomic imbalances and advance the implementation of their reform agenda, in line with the PAT 2021–23. They are requesting a new EFF arrangement to support the implementation of the economic program developed in that regard. Given the authorities' commitment to the program and actions already taken in recent weeks, we will appreciate Directors' favorable consideration of their request.