INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/144

GABON

May 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GABON

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Gabon, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 24, 2024 consideration of the staff report that concluded the Article IV consultation with Gabon.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 24, 2024 following discussions that ended on February 6, 2024 with the officials of Gabon on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 10, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Gabon.

The document listed below have been or will be separately released.

Selected Issues

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

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PRESS RELEASE

PR24/187

IMF Executive Board Concludes 2024 Article IV Consultation with Gabon

FOR IMMEDIATE RELEASE

Washington, DC – May 28, 2024: On May 24, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Gabon.

Gabon's post-pandemic recovery held up well in the face of recent shocks. The economy hit a soft patch in 2023, following a series of logistics disruptions, political uncertainty, and high fuel prices for businesses, but it is set to resume its potential growth of around 3 percent this year as shocks dissipate. Inflation has receded to below the 3 percent regional ceiling by the BEAC and should remain within target in the absence of further shocks. Tailwinds from robust oil prices in the last few years have also supported the external position.

At the same time, fiscal imbalances widened significantly: large nonoil deficits in 2022–23 led to a rapid accumulation of arrears, pushed public debt to an estimated 70½ percent of GDP, above the CEMAC ceiling, and weighed down on reserve accumulation.

Going forward, the outlook will face significant headwinds. The prospect of gradually declining oil wealth is weighing on the long-term outlook for growth and the external position given a still moderate diversification away from oil. Growth is thus projected to slow to around 2⅔ percent over the long term, which is insufficient to revive decades-long stagnation in income per capita, and current account surpluses are expected to gradually dwindle. If not addressed, fiscal imbalances will create near-term liquidity risks and long-term sustainability risks, which could destabilize the macroeconomic outlook. The economic outlook will thus hinge on authorities' ability to address these risks, correct the fiscal position and make progress on transparency and diversification reforms.

Executive Board Assessment [2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Gabon's rebound in growth and decline in inflation following multiple domestic shocks. However, they noted that the currently expansive fiscal policy stance and long-standing structural and governance weaknesses, magnified by external risks, pose significant challenges for the economy. Directors emphasized that Gabon's economic outlook will depend on the authorities' ability to pivot towards a more transparent and inclusive model of governance, while correcting the fiscal imbalances and diversifying the economy to boost growth and address the high levels of poverty.

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors emphasized the urgency of decisive fiscal consolidation to ensure fiscal sustainability, while safeguarding the ability to meet large social and development needs. They encouraged improving spending efficiency and increasing fiscal space through revenue measures. They noted that ensuring a sustainable medium-term fiscal position would require the adoption of a strong fiscal framework to guide policies towards sustainability. Directors noted that firm commitment to good public financial management practices will be critical to strengthen the fiscal position. They commended the consolidation of the Treasury Single Account and the digitalization of government services and encouraged the authorities to address remaining gaps in the frameworks for the governance of public enterprises, debt and investment management, and wage bill and civil service management. Directors emphasized that strengthening Gabon's fiscal position will be critical to ensuring CEMAC's external sustainability.

Directors underscored the importance of improving governance and transparency of fiscal accounts. They welcomed the commitment on this front signaled by the authorities and noted that transparent reporting of recent fiscal accounts is an important initial step. Directors called for further efforts, including to initiate comprehensive accounting and reporting of public sector fiscal accounts, assets and liabilities, to disclose mining contracts, and to better gauge the potential revenue contribution of the mining sector.

Directors agreed that economic diversification is essential to bringing about sustainable improvement in Gabon's living standards. They noted that cross-cutting initiatives to strengthen governance, improve the business environment and ensure reliability of energy and transport infrastructure would be a cost-effective approach to supporting private sector growth. Directors encouraged strengthening financial sector soundness, including by reducing risks from the bank-sovereign nexus, repaying government arrears, and addressing the remaining deficiencies in the AML/CFT framework. Initiatives to address climate-related vulnerabilities should also be prioritized.

Directors highlighted the need to improve the timeliness, coverage, and accuracy of economic statistics to promote transparency and to serve as a stronger basis for decision-making.

Directors encouraged the authorities to continue their engagement with the Fund, including through capacity development, to support their reform efforts.

Gabon: Selected Economic Indicators, 2022–25

	2022	2023	2024	2025
		Prel.	Proj. 1/	
National income and prices (annual percentage change)				
Real GDP	3.0	2.3	2.9	2.7
Oil	2.5	2.7	1.7	-0.8
Non-oil	3.1	2.2	3.1	3.3
Real GDP per capita	1.8	0.0	0.7	0.5
GDP deflator	13.6	-7.2	-0.2	-1.8
Consumer prices (average)	4.3	3.6	2.1	2.2
Consumer prices (end of period)	5.4	2.3	2.2	2.2
Terms of trade	12.3	-21.0	10.6	-1.7
Real effective exchange rate	-0.7	2.3	…	…
National accounts (percent of GDP)				
Gross national savings	40.6	38.6	35.9	35.7
Gross domestic investment, of which:	30.0	34.2	32.0	32.9
Public investment	1.8	3.1	3.8	3.9
Money and credit (annual percentage change)				
Broad money	15.2	9.7	2.7	0.9
Credit to the economy	15.1	16.4	8.2	4.7
Government operations (percent of GDP, unless otherwise indicated)				
Total public debt	63.7	70.5	73.1	78.9
Total public debt (percent of non-oil GDP)	113.2	113.0	115.5	120.0
Overall fiscal balance	-0.7	-1.8	-4.2	-6.4
Non-oil primary balance (percent of non-oil GDP)	-14.1	-14.3	-15.0	-14.9
Government revenues	18.4	19.9	18.5	17.5
Oil	9.8	9.9	8.2	6.9
Non-oil (percent of non-oil GDP)	15.4	16.0	16.2	16.2
Government expenditure	19.1	21.7	23.0	23.9
External sector (percent of GDP, unless otherwise indicated)				
Current account, of which:	10.7	4.4	3.9	2.8
Exports of goods and services	45.2	41.1	40.5	38.7
Imports of goods and services	27.1	30.4	30.5	30.3
External public debt	34.5	34.1	30.2	26.7
Gross international reserves (billions of US Dollars) 2/	1.4	1.4	1.4	1.0
Gross international reserves (in months of next year's imports) 2/	2.8	2.7	2.5	1.9
Memorandum items				
Nominal GDP (billions of CFA Francs)	13,118	12,447	12,782	12,893
Nominal GDP per capita (US Dollars)	9,752	9,290	9,308	9,148
Nominal non-oil GDP (billions of CFA Francs)	7,385	7,761	8,093	8,474
CFA Franc per US Dollars (average)	622.4	606.5	…	…
Crude oil price (Brent, US Dollars per barrel)	99.0	82.3	80.6	75.6

Sources: Gabonese authorities and IMF staff estimates and projections.
1/ Projections are based on unchanged policies.
2/ As indicatively imputed to Gabon from the regional CEMAC pool.

INTERNATIONAL MONETARY FUND

GABON

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

May 10, 2024

KEY ISSUES

Context. In August 2023, Gabon underwent a major political transition after a coup d'état had overthrown a decades-long regime. Despite multiple reform attempts, years of poorly managed oil wealth, weak inclusion, and stagnant incomes fragilized the political and socio-economic environment in the runup to the coup. The transition authorities now face a historic opportunity to pivot towards a more transparent and inclusive model of governance, but overcoming decades of entrenched institutional practice will require sustained reform efforts to achieve a point of no return. Meanwhile, the Fund-supported EFF program veered off-track soon after the completion of the first two reviews in 2022 and will expire soon.

Outlook. The economy is reaching potential growth after a series of recent shocks, and inflation has returned to the policy targets. The prospect of declining oil production is weighing on the growth outlook due to yet limited progress in diversifying the economy, with per capita income likely to remain stagnant.

Risks. The main risks to macroeconomic stability stem from a precarious fiscal position, which—in the absence of an adjustment—would become unsustainable and difficult to finance. The weak fiscal position is also weighing on the prospects for strengthening the regional CEMAC reserves.

Focus of the Article IV Consultation. Discussions focused on the main challenges facing the transition government: ensuring transparency in the management of public resources, putting the fiscal position on a sustainable footing, and raising potential growth, while making it more inclusive.

- Addressing transparency and governance gaps is critical for understanding the fiscal position, efficiently managing public resources, and supporting the business climate.
- Fiscal imbalances need to be urgently addressed to reduce liquidity risks and avoid unsustainable debt dynamics, as well as to support the external objectives of the currency union. Pressures to deliver strong outcomes should be addressed through focus on meeting basic infrastructure and social needs rather than large and high-risk projects, while creating additional fiscal space through growth-friendly adjustment.
- Importantly, strong public financial management (PFM) practices should be firmly pursued, with the management of all public funds carried out through responsible entities and consistently with PFM rules.
- Prospects for reviving stagnant per capita income rest on the ability to diversify away from oil, governance reforms to improve the business environment, and developing physical and human infrastructure.
- Finally, efforts to improve data quality need to be urgently stepped up.

Approved By
Vitaliy Kramarenko (AFR) and Bergljot Barkbu (SPR)

Discussions were held in Libreville from January 24–February 6, 2024. The team comprised Aliona Cebotari (head), Désiré Kanga, Mahamoud Islam and Chima Simpson-Bell (all AFR), Jean-Baptiste Gros (FAD), Ayah El Said (SPR), Gomez Agou (Resident Representative), and Herman Nzebi (local economist). Carmen Avila-Yiptong (research analyst) supported the mission. The team met with the Prime Minister, the Minister of the Economy and Participations, the Minister of Public Accounts, the Minister of Oil, the Minister of Civil Service, the Minister of Environment, the Parliament, the Senate, the Central Bank (BEAC), the banking commission (COBAC) and the private sector. Vitaliy Kramarenko (Deputy Director, AFR), the Executive Director for Gabon Mr. Facinet Sylla and the Senior Advisor to Executive Director Thierry Nguema Affane participated in the discussions. Félicité Adjahouinou (administrative coordinator) assisted with the preparation of the report.

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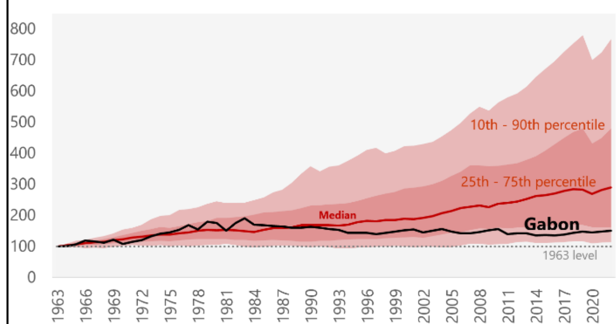
CONTEXT

1. **In August 2023, Gabon underwent a major political transition after a coup d'état had overthrown a decades-long regime.** Despite multiple reform attempts, years of poorly managed oil wealth, weak inclusion, and stagnant incomes fragilized the political and socio-economic environment and created conditions propitious for a coup.[1] Although the oil wealth that Gabon has enjoyed over the past 60 years has helped the country of 2.3 million people achieve upper middle-income status, it has not made a commensurate dent in development and poverty reduction. Infrastructure remains underdeveloped, a third of the population is poor, and income per capita is now barely above its level in the early 1960s (when oil production began in earnest) and about a quarter *below* its level in the 1970s, as oil resources are depleting (Figure 1). While health outcomes and educational attainment improved over time, they lag middle income peers, and Gabon's Human Capital Index is close to the average in sub-Saharan Africa (SSA) despite being among the richest countries in the region (Figure 2). Unemployment stands at 36 percent but is higher among younger workers, at around 40 percent. As a result, economic and social grievances have accumulated over many years.

GDP per Capita Relative to 1963

Index of real GDP per capita, PPP 2017 USD (1963 = 100)



Note: Percentiles are based on all countries for which data is available in a given year.
Source: WEO and IMF staff calculations.

2. **The transition government—set to be in place until August 2025—faces significant economic and social challenges.** While social expectations are high that the regime change would allow for a rapid catchup in missed developmental and social opportunities, the fiscal space is both very limited and narrowing, as oil revenues are dwindling. The authorities have focused on the pressing issues while initiating long-term policy groundwork. In the first few months of the transition, they started the repayment of external and domestic arrears, corrected the fiscal accounts for 2021–22, and adopted the 2024 budget reflecting previously unrecorded revenues and spending. In the meantime, they also adopted the National Development Plan of the Transition (2024–26) and initiated a political dialogue with all stakeholders for an upcoming reform of the political, economic, and social institutions. The Development Plan rests on five pillars: political and institutional reforms, development of strategic infrastructure, intensification of economic diversification, development of human capital and social inclusion, and environmental sustainability and climate change resilience.

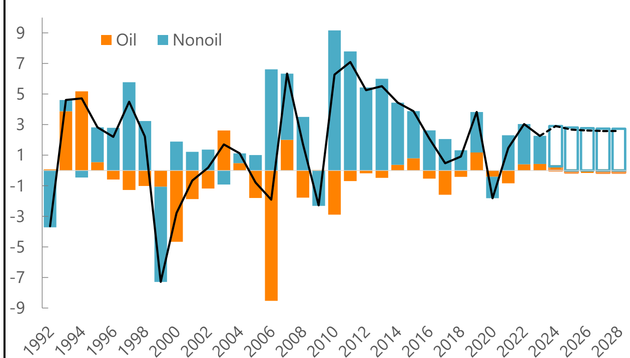
[1] Staff research on the drivers of political fragility and coups d'état suggests that Gabon faced among the highest coup probabilities by 2020-23, driven by recent coup history, young demographics, subpar growth, and weak social and political inclusion and governance (see IMF Working Paper "Political Fragility: Coups d'État and their Drivers", WP/24/34).

3. The Fund-supported program veered off-track soon after the completion of the first two reviews in 2022 and will expire soon. The collapse in oil prices with the 2020 pandemic forced the authorities to seek Fund support through a three-year Extended Fund Facility (EFF), approved in July 2021. Ultimately, only two reviews were completed by June 2022 as both the fiscal performance and structural reforms weakened in the runup to the August 2023 elections (Annex I). The program is set to expire in June 2024, and can no longer be brought on track through a short-term extension.

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

4. Gabon's post-pandemic recovery held up well in the face of recent shocks. The economy grew around its potential rate of 3 percent in 2022 and slowed to 2⅓ percent in 2023 as activity was affected by a number of domestic shocks. These included disruptions in railway activity due to multiple landslides and capacity constraints that affected manganese and wood exports, political uncertainty surrounding the election, energy supply interruptions, and elevated fuel charges for businesses that cross-subsidized household fuel consumption. On the upside, growth was powered by strong investment activity, including from higher preelectoral fiscal spending. Economic activity is expected to bounce back to its potential growth rate in 2024 as shocks recede and railway-dependent sectors gradually recover, although wood exports will see some drag from slowing demand prospects in Asia. Over the medium term, growth in services, construction activity and harvests from maturing palm oil and rubber plants should compensate for the secular decline in oil production. The expected medium-term growth rate of 2⅔ percent is broadly in line with projected population growth, leaving income per capita stagnant for the foreseeable future.

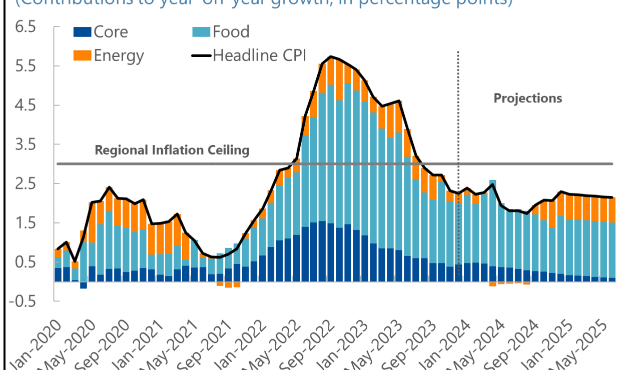
Contributions to GDP Growth
(percent)



Sources: IMF World Economic Outlook; and IMF staff calculations and projections.

5. Inflation has returned below the central bank ceiling of 3 percent. Having peaked at 6 percent year-on-year in 2022 due to elevated costs of food and housing, inflation fell to 2⅓ percent in December 2023, as receding global food prices, along with the real effective exchange rate appreciation, reduced domestic price pressures. Over the medium term, inflation should remain below the

CPI Contributions
(Contributions to year-on-year growth, in percentage points)

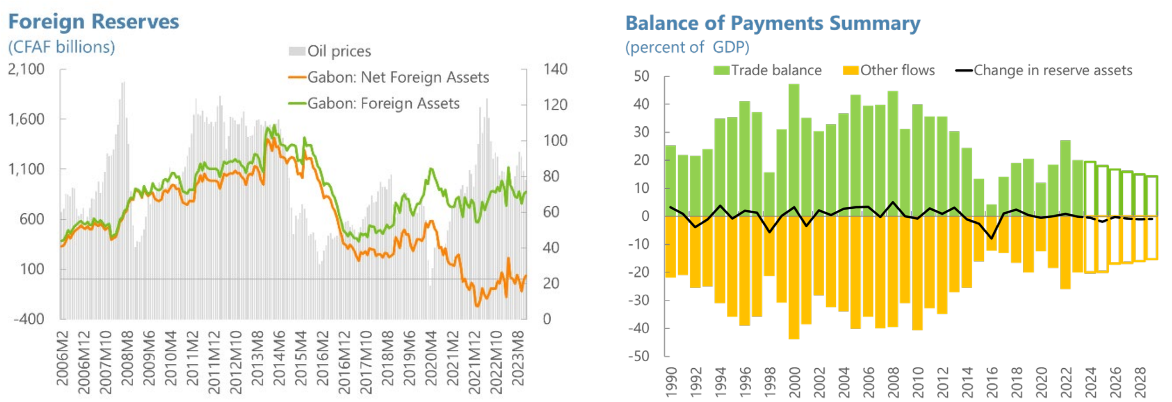


Sources: Gabonese authorities; and IMF staff estimates and projections.

regional ceiling of 3 percent, as falling oil prices, low imported inflation, and gradually closing output gaps keep inflation contained.

6. The external position benefitted moderately from the high oil prices in 2022–23, but pressures are expected to mount in the medium term. Foreign currency reserves—indicatively attributed to Gabon from the currency union pool— increased moderately over the past two years in response to higher oil inflows, reaching 2.7 months of imports (left chart).[2] The improvement reflected stronger oil exports but was held back by buoyant imports (likely associated with expansionary fiscal policies) and by capital outflows (potentially related to the accumulation of oil receipts abroad; right chart). The current account surplus is estimated by staff at 7.5 percent of GDP on average in 2022–23.[3] Going forward, staff estimates a weakening of the current account balance—to near balance by the end of the projection horizon—on the back of a decline in oil prices and lower oil production. Combined with a more tempered outlook for the financial account—due to large Eurobond amortizations during 2025–30, tighter global markets, and negligible budget support under unchanged fiscal policies—this could weaken the external position for Gabon and the currency union, both assessed to be moderately weaker than implied by fundamentals and desirable policies (Annex II).

Text Figure 1. Gabon: External Sector



Sources: BEAC, Gabonese authorities, Haver Analytics, IMF Direction of Trade Statistics Database, IMF International Financial Statistics, and IMF staff estimates.

7. The fiscal position weakened significantly ahead of the 2023 elections, causing liquidity and sustainability pressures. The nonoil primary deficit widened from a reported 7 percent of nonoil GDP in 2021 to some 14 percent in 2022–23, about 11pp wider than the end-program target for end-2023 (Text Figure 2). The higher deficits reflected spending overruns and lack of adjustment efforts ahead of the August 2023 elections, but also a drive by the transition government to increase transparency of the fiscal accounts by bringing onboard hitherto

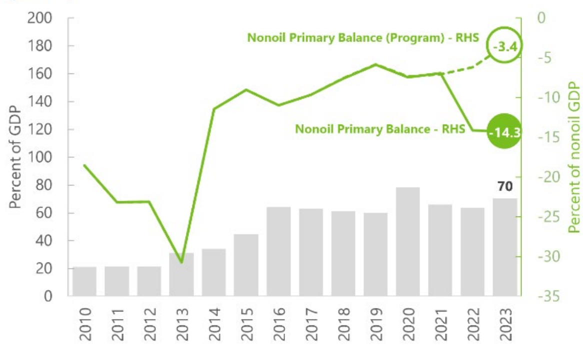
[2] Even though Gabon's foreign liabilities are about as large, reserves are in fact pooled at the currency union level, giving Gabon full access to the regional reserves that stood at about 4 months of CEMAC imports at end-2023.

[3] Staff estimates are used for the 2022–23 balance of payments throughout, given ongoing and significant revisions of data post-2021, the last year for which BOP data had been broadly finalized.

unrecorded extrabudgetary spending.[4] The deficits were increasingly financed by arrears, whose stock reached an estimated 12.6 percent of GDP by end-2023 on newly disclosed data. Overall public debt also breached the 70 percent of GDP CEMAC ceiling at end-2023 once all debts and overdue obligations are taken into account.[5]

Text Figure 2. Gabon: Fiscal Outcomes

Fiscal Position: Debt and Nonoil Primary Balance
(percent)

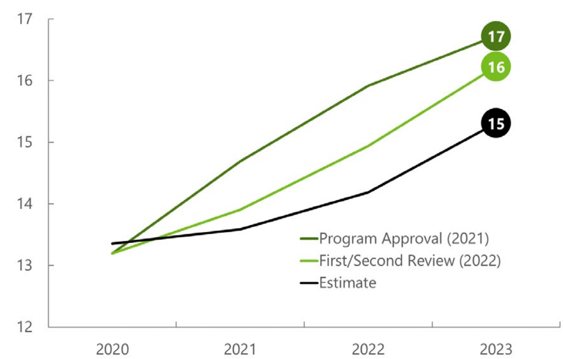


Arrears and Float
(Stock as of end-2023 unless otherwise indicated)

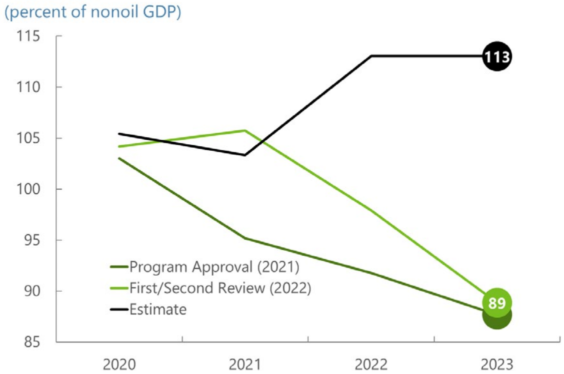
	Billion CFAF	Percent of GDP	Percent of NOGDP
External	**123**	**1.0**	**1.6**
Multilateral	23	0.2	0.3
Bilateral	42	0.3	0.5
Commercial	59	0.5	0.8
Domestic	**1,445**	**11.6**	**18.6**
VAT*	152	1.2	2.0
Supplier arrears/float*	1,000	8.0	12.9
Salary arrears	107	0.9	1.4
Pension arrears	56	0.4	0.7
Social security debt	34	0.3	0.4
Legal debt	96	0.8	1.2
Total	**1,568**	**12.6**	**20.2**

* As of June 2023.

Government Non-Oil Tax Revenues
(percent of nonoil GDP)



Public Debt
(percent of nonoil GDP)



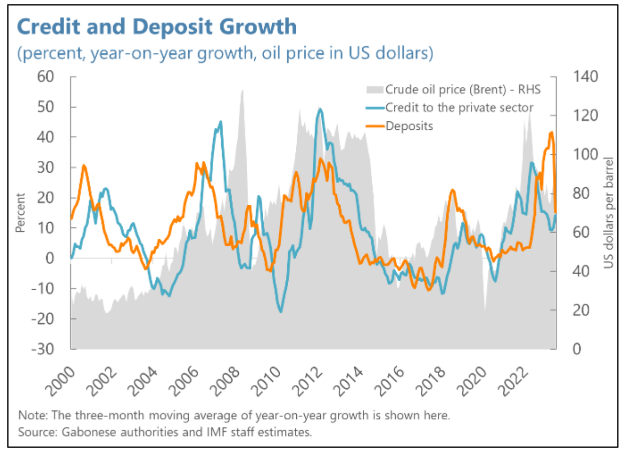
Sources: Gabonese authorities and IMF staff estimates.

8. **Financial conditions remain accommodative despite monetary tightening.** Higher oil-related inflows and stricter central bank control over export profit repatriation led to a surge in deposits and excess bank reserves (Figure 5). These—along with a more expansionary fiscal policy—supported private demand and stoked a rapid and broad-based growth of private sector credit throughout 2022–23. Monetary conditions have therefore remained accommodative during

[4] While the effects of the newly recorded data are hard to disentangle from the increase in spending, at least 4½ pp of nonoil GDP in extrabudgetary spending, including on wage bonuses, were included in the final data for 2022, leading to an equivalent deterioration in the nonoil balance. The fiscal accounts inclusive of the extrabudgetary spending were reported only for 2022 and the first half of 2023 so far.

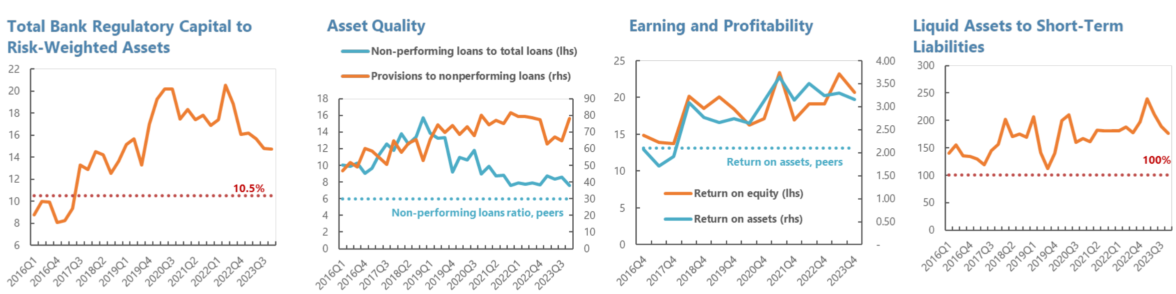
[5] This compares to 57.4 percent of GDP reported by the authorities for end-2023, which does not include outstanding treasury bills (3.3 percent of GDP), arrears (estimated at 9 percent of GDP net of float), and debt from litigations (0.8 percent of GDP).

these past two years despite the cumulative tightening of the monetary policy rate by 175 bps to 5 percent since November 2021. Credit to government also grew rapidly to finance the fiscal expansion, with bank exposure to the public sector increasing to 26 percent of total assets, above the 17 percent average for emerging economies. External conditions, on the other hand, provided some drag in 2023, as the real effective exchange rate appreciated and Gabon's spreads crossed over to distressed territory (900–950bps), although they have receded to 500–550bps by early April 2024 (Figure 4).



9. Bank prudential indicators remain largely above norms, but vulnerabilities remain. System-wide capital adequacy eased to 14.7 percent of risk-weighted assets, still above regulatory requirements. With the rapid expansion in credit, asset quality deteriorated during 2023 and remains below rated peers, and the provisioning rate decreased during the same period, the latter two recovering by end-2023 (Text Figure 3, Table 6). At the same time, large exposure to the sovereign (a third of assets) and a favorable oil cycle have contributed to strong liquidity and earnings in recent years. However, the same factors carry inbuilt risks: a potential downturn in oil prices risks reversing the strong credit cycle, bringing to bear additional pressures on credit quality and solvency, while higher sovereign credit risk in the region and large fiscal domestic arrears in Gabon could adversely affect bank profitability and asset quality. The wind-down of three defunct public banks is progressing, with two of them already under judicial liquidation. These and other challenges in the banking sector have been discussed in the context of the CEMAC consultations with the regional supervisory authorities.

Text Figure 3. Gabon: Bank Stability Indicators



Note: Red dashed lines indicate regulatory floors. Grey dashed lines are median indicators for equally rated peers based on FITCH September 2023 data.
Sources: IMF Financial Soundness Indicators and staff estimates.

10. The 2023 FATF assessment of Gabon's anti-money laundering and combating the financing of terrorism (AML/CFT) measures shows weak compliance with the FATF

standards and a low level of effectiveness in all areas. The identified deficiencies create significant vulnerabilities to money laundering, notably with relation to the proceeds of corruption and environmental crimes, including in the extractive sector. The assessment also rates the terrorism financing risks as high, due to Gabon's proximity to countries facing significant terrorist threats, the prevalence of cash and informal payment systems, the porous borders, and the risk of exploitation of non-profit organizations for terrorism financing purposes.

11. Downside risks to the outlook dominate (Annex III). On the upside, the prospects for higher nonoil growth could stem from faster than expected rollout of iron production and a stronger recovery of business confidence and activity, although infrastructure bottlenecks may place an effective limit on this upside. In the near term, growth could also get a stronger impetus from fiscal policies if these are looser than projected in the baseline, with the attendant downside risks materializing over the medium term. On the downside, failure to see through needed transparency and structural reforms and address fiscal imbalances (see below) could delay the resumption of investment inflows, lead to persistently tighter financial conditions, and further social and macroeconomic instability. Looser fiscal conditions also pose risks for a resurgence in inflation. Finally, high volatility of oil prices presents a double-sided risk: a potential downswing in oil prices carries risks for the external position, growth, the banking system's health, and the fiscal position, with the inverse for an increase in oil prices.

Text Table 1. Gabon: Key Economic Indicators, 2020–29

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Est.	Proj.						
Real GDP growth	-1.8	1.5	3.0	2.3	2.9	2.7	2.6	2.6	2.6	2.6
Oil	-2.4	-4.9	2.5	2.7	1.7	-0.8	-1.0	-1.0	-1.0	-1.0
Nonoil	-1.7	2.8	3.1	2.2	3.1	3.3	3.3	3.2	3.2	3.2
Inflation (eop, y-o-y)	1.6	1.7	5.4	2.3	2.2	2.2	2.3	2.3	2.4	2.5
Current account balance (in percent of GDP)	-0.5	3.3	10.7	4.4	3.9	2.8	1.8	1.1	0.5	0.0

Sources: Gabonese authorities; and IMF staff estimates and projections

Authorities' Views

12. The authorities broadly shared the baseline outlook on growth and inflation but are somewhat more optimistic on the outlook for the external sector. They highlighted upside risks from accelerated iron production once the necessary transport infrastructure is in place, and renewed investment in the oil sector should planned negotiations with some operators be successful, which could help stabilize production levels. The authorities' outlook for the external sector is more favorable, with a stronger outlook for the current account and FDI inflows based on diversification progress supporting a faster reserve accumulation over the medium term.

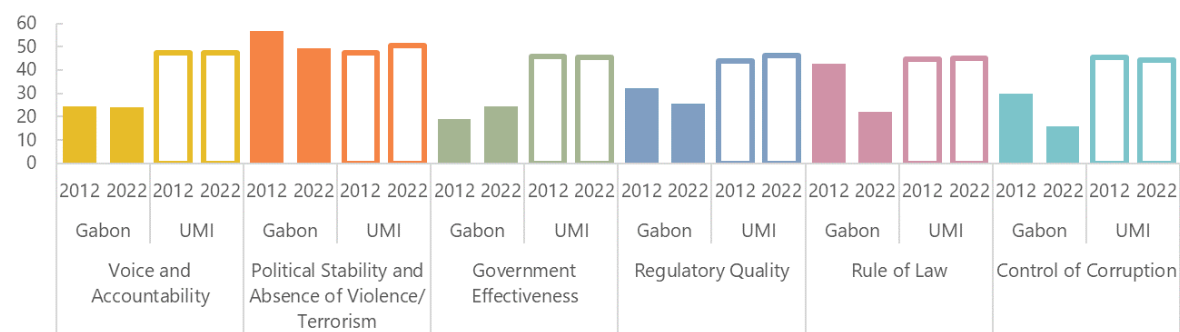
POLICY CHALLENGES AND PRIORITIES

Gabon faces three fundamental challenges: poor governance, a significant deterioration in fiscal sustainability, and low per capita growth. Policy discussions with the authorities focused on these challenges, as well as on the need to improve data quality.

A. Pressing Need for Transparency and Good Governance

13. Pursuing good governance and transparency is a prerequisite for the remaining priorities: fiscal sustainability and a stronger growth. Perceived systemic corruption under the previous ruling regime—corroborated by investigations and prosecutions abroad, as well as by consistently low scores in the World Governance Indicators—permeated political, economic, judicial, and social outcomes over the past decades. Challenges are most prominent in the management of oil resources, where lack of transparency about contracts, production, and revenue sharing obscures the full extent of funds available for public spending needs. Elsewhere, underreporting of spending items (e.g., the presidency, the wage bill), lack of data on SOEs, and undisclosed bank accounts outside of—and inaccessible to—the Treasury make it equally difficult to assess the true fiscal position, liquidity pressures, and to make informed policy decisions. Staff also found that poor governance is one of the main contributors to Gabon's high and volatile borrowing costs (selected issues paper "*Determinants of Sovereign Spreads in Emerging Markets: Implications for Gabon*") and one of the main impediments to doing business.

Comparing Governance Performance in Gabon and Upper-Middle Income Countries
(Percentile Rank, 0 - 100)



Source: World Bank

14. The transitional authorities made initial inroads into improving transparency and budget management, but efforts will need to be sustained. As mentioned, previously unrecorded extrabudgetary expenditures have been included in the fiscal accounts for 2022–23 and in the 2024 budget, even if revealing a much weaker fiscal position. The authorities have also taken measures to better trace and manage public resources in the Treasury Single Account (TSA), with the new TSA platform likely to be fully operationalized in the first half of 2024. The digitalization of many processes relating to the management of public finances, including the payment of taxes has also started. The main risks to faster progress on transparency and governance, however, are decades of entrenched practices in public administration that may slow or stop the reform impetus.

15. Given critical information gaps inherited by the transition government, initial efforts should focus on taking full stock of fiscal flow and balance sheet items. This includes identifying all sources of government revenues, taking stock and setting up a registry of public assets (in Gabon and abroad) and liabilities, if needed through a forensic audit by a reputable international firm:

- To shed light on the resources available to the government in the mining sector, all mining contracts, including oil, should be published in line with the existing legislation. The authorities indicated that they are working on the practical arrangements for publishing the oil contracts, subject to confidentiality clauses in past contracts. An audit by a specialized reputable international firm could also help assess the oil extraction costs—declared by operating firms—that determine revenues shared with the government and clarify mutual financial obligations between stakeholders in the oil sector. Strengthened reporting under the Extractive Industries Transparency Initiative (EITI)—to which Gabon was readmitted in 2021— should also be pursued. Finally, it is critical to shed more light in the gold sector through efforts to formalize activities and assess potential revenues from gold mining with a view to bringing them into the budget.
- On the liability side, centralizing the accounting, reporting, and responsibility for all government liabilities within the debt office will help ensure the integrity and management of public debt. The government has already initiated an audit of its domestic arrears, and these efforts should continue with the full identification and publication of the stock of arrears as part of government liabilities, along with the adoption of the strategy for their repayment.
- After making transparent the fiscal data for 2022 and 2023, these efforts should be extended to pre-2022 data, starting with the most recent years.
- All fiscal transactions carried out by the executive offices, including that of the presidency—such as revenue inflows, spending, and sales and purchases of assets if any—should be folded into the budget for approval, monitoring, and transparent reporting to the public, along with the rest of the fiscal data, following best public financial management practice.
- Finally, the annual reports on government accounts by the Supreme Audit Institution (*Cour des Comptes*), including for previous years, should also be published in line with the requirements of the existing legislation.

16. The transparency effort should then carry forward to all public transactions. First, the government should publish quarterly/yearly analytical fiscal accounts and debt data on a timely basis, including the income and balance sheet statements of oil and mining-related funds (e.g., PID/PIH, training funds, rehabilitation funds) that support budget execution. Outside the central government, where little information is available, the certified financial statements of all SOEs and other parastatals should be required to be reported and published.[6] The government set up in early 2024 a new department of state assets under the Ministry of Economy that is expected to strengthen the management and monitoring of SOEs and state owned assets. To systematically identify transparency gaps, the government could undertake a Fiscal Transparency Evaluation and a governance diagnostic assessment, both with assistance from the IMF.

17. Good governance should also be supported in other areas, including public financial management (PFM), the overall anti-corruption framework, and anti-money laundering and combating the financing of terrorism (AML/CFT).

- Transparency and good management of public resources will depend heavily on strengthening PFM practices; these are discussed below.
- The anti-corruption framework must be strengthened and put into effect. Though Gabon's legal framework criminalizes corruption, the framework needs to be properly enacted, especially in addressing high-level corruption cases, strengthening the functioning and the independence of the anti-corruption institutions and the judiciary, and enhancing the rule of law, especially in contract enforcement and property rights protection.
- In the AML/CFT area, priority actions identified by the recent FATF assessment that remain to be addressed include (a) strengthening the reporting and analysis of suspicious activities; (b) reinforcing the investigation and prosecution of ML/FT; (c) identifying and monitoring high-risk non-profit organizations; (d) designating AML/CFT supervisory authorities for high-risk non-financial businesses and professions, including dealers in precious metals and stones; and (e) ensuring greater transparency of beneficial ownership of legal persons. The authorities have recently completed a national risk assessment and submitted a two-year action plan to address the above-listed deficiencies to the assessor body (the *Groupe d'Action contre le Blanchiment d'Argent en Afrique Centrale)*. A new regional regulation applicable to financial institutions will enter into force in July 2024. Other planned reforms, including the designation of AML/CFT supervisors for dealers in precious metals and stones and real estate agents, as well as measures to improve transparency of beneficiary ownership of legal persons, should be accelerated.

Authorities' Views

18. The authorities highlighted the criticality of improving transparency and governance as a policy priority. They consider transparency as a strong promise of the military regime to the Gabonese population. They noted that tangible progress may take time given decades of poor governance but are committed to carrying through the initiated reforms, such as enhancing transparency of the fiscal data. They noted in particular the need to shed more light onto the oil sector. They underscored that the recent acquisition of Assala and Addax (two oil companies) will give them more visibility of the flows of the sector and reaffirmed their decision

[6] These should include the government oil company GOC, newly acquired oil producer Assala, the Equatorial Mining Company (SEM), the deposit bank CDC, the oil refinery SOGARA, the sovereign wealth fund (FSRG) and its Asset Manager (FGIS), and the newly created Fly Gabon.

to publish the oil contracts once the confidentiality and legal constraints related to past contracts have been resolved. They also reiterated their commitment to identifying and recording public assets, including those obtained illicitly by individuals or related companies.

B. Ensuring Fiscal Sustainability

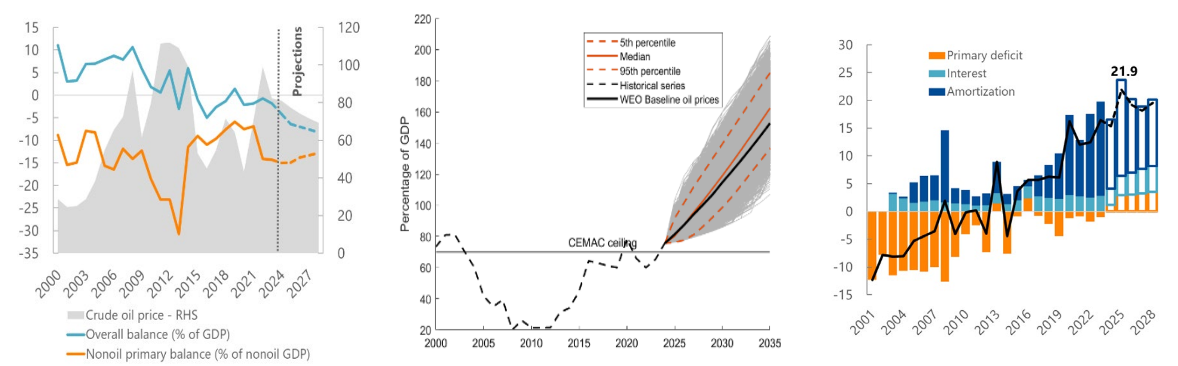
Ensuring a sustainable fiscal position will require a fiscal adjustment in the near term, a framework that anchors and guides fiscal policy decisions in the longer term, and improved PFM practices to support policy implementation.

Returning to a Healthier Fiscal Position

19. In the absence of an adjustment, the fiscal position would become unsustainable and difficult to finance. With limited tightening measures planned for 2024 or beyond, nonoil deficits are expected to remain at their 2022–23 levels over the projection horizon (Box 1, Text Figure 4). The resulting large financing needs (19 percent of GDP in 2024–25)—combined with tight financing conditions amid scarce official financing, high global interest rates and regional markets already overexposed to sovereigns—could leave notable financing gaps and result in further domestic arrear accumulation or excessive bank exposure to the sovereign.[7] Even if financed, such deficits would keep public debt on an upward path with a high probability (depending on oil price realizations), aided by declining oil production and unfavorable dynamics generated by low growth and high interest rates. Debt sustainability analysis qualifies debt as at high risk of distress if current policies continue without correction (Annex IV). Risk of debt distress can be lowered, and more financeable deficit levels can be restored under the recommended fiscal adjustment.

Text Figure 4. Gabon: Fiscal Sustainability Indicators—Baseline

Fiscal Balance *(percent; oil price in US$ per barrel)* | **Public Debt** *(percent of GDP)* | **Gross Financing Needs** *(percent of GDP)*



Sources: Gabonese authorities, IMF World Economic Outlook, and IMF staff estimates.

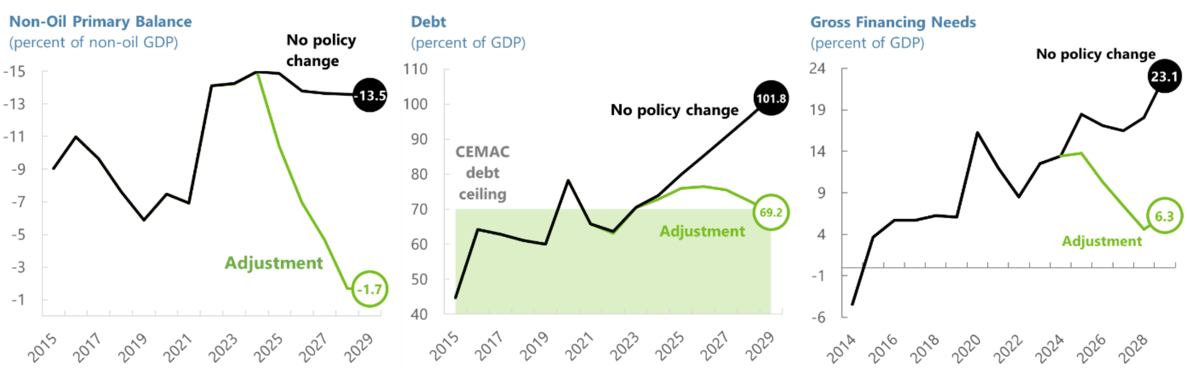
[7] Large Eurobond amortizations (3 percent of GDP) are adding to the financing needs in 2025. A blue bond issued in August 2023 sought to prefinance upcoming amortizations but was largely used to offset the 2031 maturities.

20. Risks to this baseline outlook are still high. Authorities' ambitions to pursue large-scale projects with unclear returns add considerable downside risks to the above baseline scenario. In addition, the fragmentation of fiscal policy—not only across ministries but also the presidency—risks further weakening the fiscal policy function. Finally, the practice of extra-budgetary spending, if not discontinued, could further hamper a clear understanding of the fiscal position and fiscal risks.

21. Ensuring a sustainable fiscal position will require a significant fiscal adjustment in the near term. Staff estimate that reducing the nonoil primary deficit of 14 percent of nonoil GDP under unchanged policies to around 2 percent by 2027–28 (an adjustment currently equivalent to some 6–7 percent of GDP), would help stabilize and then reverse the debt dynamics and would reduce the financing needs to more manageable levels (Text Figure 5). While this adjustment is large, it is in line with many fiscal consolidations and Gabon's own experience.[8] In addition, there is significant uncertainty around the fiscal effort needed to correct the debt dynamics, both because stronger-than-projected outcomes in the oil sector could reduce the needed consolidation and because there could still be scope for potentially untapped sources of savings, which would reduce the required fiscal effort. Overall, the adjustment is feasible provided political will exists, and the DSA indicates that debt would be sustainable under such an adjustment scenario (Annex IV).

Text Figure 5. Gabon: Fiscal Sustainability Indicators

Baseline vs Adjustment Scenarios[1]



[1] The scenarios are based on WEO oil prices. Debt and financing outcomes may change under different oil prices (see selected issues paper "*A Fiscal Framework for Gabon*").

22. Given the size of the adjustment effort, both revenue mobilization and spending cuts will be needed. Adjustment efforts could focus on reducing tax exemptions (including discretionary exemptions), closing loopholes in direct taxation, phasing out fuel subsidies and support to loss-making SOEs, and rationalizing the wage bill and the state functions (see Annex VI for a detailed discussion of possible revenue and spending measures). Finalizing the digitalization

[8] Reviews of the fiscal consolidation literature and practice note that most consolidation efforts involve an annual average improvement of 1-2 percent of GDP in the cyclically-adjusted primary balance (CAPB) (IMF WP/23/63), with a median improvement in CAPB close to 5 percent of GDP (IMF WP/14/179).

of revenue declarations, payments, and spending, and operationalizing the interconnectivity of their IT systems along the budget execution chain would also support the adjustment effort. At the same time, the adjustment would need to be growth-friendly, protect the most vulnerable and preserve space for capital spending on basic infrastructure and social needs.[9]

Box 1. Fiscal Policies in 2024

The 2024 budget was approved soon after the coup d'état and aimed at reducing the nonoil primary deficit from 14 percent of nonoil GDP in 2023 to 6 percent (Table 2). Although understandably transitory, the budget is significant in its departure from underreporting of revenues and spending of previous years. It is, however, unlikely to deliver on the fiscal targets given limited adjustment measure and new spending initiatives. On the revenue side, the budget included few tax policy measures (revisions to mineral and timber products export duties, rationalization for some tax incentives) and tax administration measures (such as digitization of tax filing and payment, and electronic invoicing for VAT) but these may not yield the planned increase in revenues from 16 percent of nonoil revenues in 2023 to 17.5 percent in 2024. On the spending side, the following expenditure measures were adopted in the budget or announced subsequently, which staff estimates may increase spending relative to 2023 and to the budget:

- The government regularized many positions that were de facto filled, especially in the health and education sectors, and announced large recruitments in 2024, increasing the wage bill by 1 percent of nonoil GDP.
- The government announced a new list of tax exemptions on food, transportation, and construction materials, at an annual cost of about 0.6 percent of GDP.
- Post-budget, the government has announced new initiatives, such as the purchase of two oil companies (Assala, the second largest in Gabon, and Addax), the setup of a national airline (Fly Gabon) based on the acquisition of a majority share in the regional airline, the setup of a new development bank, the construction of a government conference center (at *Cité de la Démocratie*) and of an administrative center, the building of a second airport and the purchase of majority holdings in the telecommunication company, among other—with potentially very large fiscal implications. All but the last two initiatives are already underway, but their costing is not yet known nor incorporated in staff projections.

A revised 2024 budget is expected by mid-2024, but it remains unclear whether it will initiate a correction of the current fiscal stance or expand it given the impact of the initiatives discussed above or the potential impact of decisions stemming from the national dialogue of April 2024.

23. Beyond the immediate adjustment focus, fiscal policy decisions will need to be anchored in a framework that guides policies to sustainability. While the CEMAC rules play a useful role in setting the upper bounds of debt and deficits, an operational fiscal framework is needed to guide policies on an annual basis towards sustainability. Given the transitional nature of the government, policies in the near term would need to be guided by the fiscal consolidation discussed above. Once data and institutions have been sufficiently strengthened, and there is political will, a fiscal framework could be adopted—as part of fiscal responsibility or similar legislation—to include a debt anchor and an operational deficit rule to achieve the debt anchor

[9] The World Bank is assisting the authorities in revamping and better targeting their social safety nets.

(see selected issues paper "*A Fiscal Framework for Gabon*"). [10] In addition to the rule—which can be chosen closer to the time of the adoption of the framework—the fiscal responsibility legislation would also introduce transparency requirements for the public sector, as well as principles for good governance, PFM, and responsibility for monitoring SOEs and other entities outside the budget perimeter.

Authorities' Views

24. The authorities noted that they inherited a difficult policy tradeoff between addressing high social demands and strengthening the fiscal position. They underscored that the regime change was welcomed by the people on expectations of seeing concrete improvements in their living standards. Therefore, making tangible progress in providing decent infrastructure, reducing costs of living, and creating jobs is the highest priority to contain current social tensions. Nonetheless, the authorities agreed that corrective action will be needed, but noted that the pace of the adjustment would need to be more gradual to allow room for spending to meet high social and investment demands. They also noted that revenue mobilization efforts could surprise on the upside, reducing the adjustment effort needed. They also noted that they agree with the overall long-term policy objectives proposed by staff in terms of debt anchors and economic policy direction needed to achieve them. Finally, the authorities highlighted that further work is needed to assemble the full picture on fiscal flows and stocks given weak records, after which they will be in a stronger position to decide on the extent of needed and feasible near-term corrective action.

Supporting the Fiscal Effort with Good PFM Practices

25. The transition government has inherited weak public financial management practices:

- *Fragmented management of fiscal resources makes policy implementation difficult and generates liquidity pressures.* A significant share of fiscal resources bypassed the Treasury Single Account (TSA) for spending that may not have been budgeted or recorded. This prevented an efficient liquidity management and carried an inherent risk of arrears or unrecorded liabilities. Compounding this problem was a weak digitalization of revenue collections and the expenditure process, with poor communication between them, lack of spending commitment planning and controls, and frequent use of emergency spending procedures. Coordination problems also arise, as responsibility for revenue collection and expenditure execution lies with two different ministries, as does responsibility for debt management.
- *Weak wage bill management is putting undue pressures on the budget*. Key weaknesses include lack of a recruitment strategy; a wage bill IT system that is not updated, which creates a high risk of ghost workers, salary arrears and abuse; payroll payments that are not

[10] The debt anchor would need to establish a ceiling for the debt post-oil (at most 50 percent of GDP) and likely interim debt anchors, relative to GDP or nonoil GDP.

fully digitalized; and salaries in some sovereign entities that were significantly out of line with civil service pay policies.

- *Resources allocated to public investment have limited returns due to lack of planning and controls*. In many cases, projects that are budgeted lack feasibility studies and a clear selection process. Public procurement processes are not transparent. Payments are made without control of delivery.
- *There is also no framework to manage contingent liabilities, and many have already materialized*. There is no record of government guarantees. Not all public-private partnerships are monitored centrally. In the SOE sector, there is neither a governance framework nor a centralized function to monitor and manage the associated contingent liabilities, with many SOEs likely a large drain on public resources. The three social security funds are also facing financial challenges, which could generate sizeable fiscal costs if unaddressed (Annex V).

26. The transition government launched important structural reforms to improve public finance management. It initiated steps to (i) integrate all revenues and payments into the Treasury Single Account with a view to making it fully operational by June 2024, which will facilitate the management of the fiscal resources; (ii) integrate the government's resource management systems (revenues, Treasury, budget); and (iii) digitalize government services, including tax payments. Finally, the authorities set up a unit to monitor government holdings and state-owned enterprises, and indicated their intention to finalize reforms that strengthen the investment processes.

27. The most critical area for action is ensuring immediate compliance with existing PFM rules across all levels of the public sector. This means putting an end to executing spending, issuing debt or purchasing and selling assets without budget authorization, bypassing appropriate and transparent procedures or with funds that bypass the Treasury, if these remain.

28. Reforms should address the legal, regulatory or management gaps that allow the fragmented execution of fiscal functions. While policy formulation and execution are divided between two ministries, a centralized function to comprehensively analyze the fiscal position and communicate risks could be instituted. The regulatory framework for debt authorization, management and monitoring should be strengthened to avoid its fragmentation and ensure clear authority for debt issuance within a coherent fiscal sustainability framework. As efforts to integrate resources into the TSA progress, it is important to ensure that (i) the oil revenues set aside for social purposes (PID/PIH), currently kept in the accounts of the oil companies, are paid into the TSA and managed within the framework of the budget; and that (ii) any loopholes that allow the management of general government resources outside the TSA be identified and eliminated.

29. Digitalization reforms will increase efficiency and governance of PFM processes. Efforts to integrate the PFM information systems should be brought to fruition, including by operationalizing the expenditure commitment module, adequately integrating all stages of payments, and ensuring the interface between budgetary, accounting and revenue management systems. The record of all state assets and liabilities should be digitalized, including by centralizing available information on state holdings and publishing information on the balances of bank accounts held outside the central bank.

30. Strengthening expenditure controls and execution, including for wages and investment, could support the adjustment effort. In the case of wages, the authorities should consider designing and implementing a centralized recruitment policy and wage bill management, while removing ghost workers and addressing impediments to the enforcement of the pay scale for all government units. On public investment management, adopting the draft decree on Public Investment Management introducing the methodology for the examination, selection, budgeting and monitoring of projects, would help address the gaps discussed above. Finally, strengthening expenditure execution procedures, including by limiting the use of emergency procedures, preventing payments without service provision and installing the expenditure control software in decentralized administrations would strengthen spending controls.

31. The analysis, management and control of contingent liabilities will be key to ensuring more resilient public finances. On the SOE side, a single supervisory body for public enterprises should be established under the aegis of the Ministry of the Economy and framework legislation for public enterprises that would define their governance rules and transparency obligations should be adopted. The legal and regulatory framework for PPPs and their monitoring should also be established. To address contingent liabilities in the social security funds, the authorities should initiate an audit to assess their financial viability, adopt a restructuring plan as needed, clear arrears to the funds, and for the public social security fund adopt a parametric reform of the system and clear arrears to retirees (Annex V). Overall, a framework for managing various contingent risks in the public sector could be developed more comprehensively under fiscal responsibility or similar legislation.

Authorities' Views

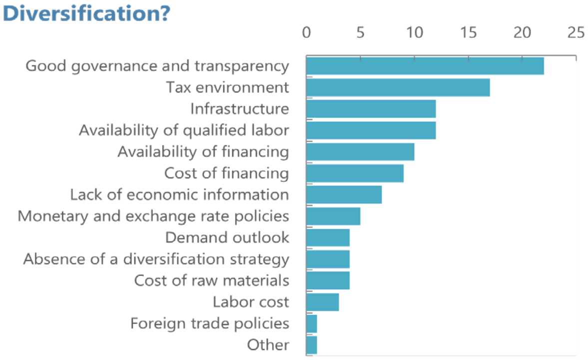
32. The authorities noted that ensuring a significant and lasting change in PFM practices is a key priority of the government. Strengthening cash management through pooling of all resources in the TSA could provide early gains, and the recent completion of a new platform by the regional central bank will allow the full operationalization of the TSA. Digitalization is also proving an important governance tool as recent experience with digitalization of customs clearance at ports is already yielding results. On wage bill management, the authorities agree with the need to centralize recruitments, but also pointed that a multi-year freeze in recruitments—in the context of IMF program arrangements—in critical sectors, especially education and healthcare, created significant pressures and required an increase in hiring. The authorities would like to end the ad hoc approach to public investment which caused low returns. On improving the sustainability and efficiency of the social security funds, the authorities have already initiated the repayment of the pension arrears, indexed pension in line with the wage scale and are planning reforms of the public pension funds to preserve their sustainability.

C. In Search of Growth

33. Reviving per capita growth is the main challenge. Gabon lost about 20 percent of its real per capita income over the last forty years and the outlook for per capita growth is muted by continued loss in oil resources. The country saw relative success in developing its timber and mineral sectors (mainly manganese, where Gabon is the second largest producer in the world). The diversification strategy relies largely on tax incentives, regulatory measures, such as an export ban for logs to encourage higher value added in the wood sector, and business facilitation through the creation of a one-stop shop for investors in the special economic zones. Nevertheless, progress in diversifying away from oil has not been sufficient to generate adequate or sustained growth, and while exports of processed wood and manganese increased, the overall export basket remains of relatively low value added and complexity.

34. Growth has been constrained by weak governance and policy environment, but also by the inability to translate resource wealth into higher human and physical capital (Figure 2, Selected Issues Paper "*Gabon's Diversification Journey: What is Missing*?"). Physical infrastructure is poor, which leads to frequent disruptions in domestic supply chains, and access to electricity is limited in rural areas where the mining and wood industries are located. Poor health and education outcomes limit human capital, with low labor skills coexisting with high youth unemployment. Gabon's financial sector also remains shallow and largely focused on lending to the government. Staff's survey of 37 firms and meetings with the private sector during the consultations indeed suggested that weak governance is the main factor stymieing the business environment, followed by lack of a predictable fiscal environment and importantly lack of basic infrastructure (transport, electricity) (chart).

What are the Three Main Obstacles to Economic Diversification?



Source: IMF Survey of 37 Gabonese companies.

35. The authorities' ability to accelerate the diversification of the economy will rest on progress in governance reforms and in gearing fiscal policy towards stability and support of growth. The transition government intends to accelerate the diversification of the economy. Its strategy is based on the development of infrastructure to address existing gaps—especially in transport, energy and water—in order to sustain economic diversification centered on the mining, wood, agriculture and tourism sectors, while continuing the development of the hydrocarbon sector. This will require:

- Addressing constraints to the business environment to support higher private investment in non-extractive sectors, including through improved transparency and governance (section A), the identification and removal of excessive regulation, and a lighter footprint of the state in the economy.
- Reducing costs imposed by the public sector on private activity, including by repaying arrears to suppliers that weigh on bank asset quality and credit generation; finalizing the liquidation of public banks; and strengthening the fiscal position to reduce sovereign spreads, the cost of private credit and risks to banks from an inflated bank-sovereign nexus.
- Ensuring that the fiscal adjustment needed to preserve macroeconomic stability is growth-friendly. In the case of spending, this means safeguarding fiscal space for higher investment to remove critical growth obstacles such as infrastructure and human capital (education and healthcare).

Authorities' Views

36. The authorities agree with staff on the urgent need to boost economic diversification to increase per capita growth and reduce unemployment. They noted that diversification is one of the objectives of their 2024–26 development plan. As a steppingstone, the authorities intend to harness the full potential of the oil, gas and mining sectors, with the resulting resources supporting the development of the nonoil sector. In this regard, additional value added could be captured in these sectors by exploring options for processing more gas, taking strategic positions through the acquisition of oil companies, and increasing local processing of mining products. Overall, they will focus efforts on boosting infrastructure to support the development of nonhydrocarbon sectors, especially iron ore and timber, for which transporting output from the production sites to ports is a key challenge. The authorities also plan to reform the tourism and fishing sectors to increase their contribution to job creation. Similarly, they plan to improve resource allocation in agriculture for a better development of rural areas, an increase in famers' income, and the reduction of Gabon's food import dependency.

D. Data Issues and Safeguards

37. Data provision and quality require significant improvement. In the real sector, the latest national accounts were released in 2010 and subsequent data rely on estimates by the Ministry of the Economy. The national accounts that continue to be compiled by the Statistics Office are not published and could potentially carry large discrepancies from what is currently used for surveillance. Estimates of demand-side GDP components and short-term indicators are also not published by the Statistics Office. Data on labor markets, including unemployment, are not compiled. In the external sector, the balance of payments for 2016–21 was finalized only in late 2023, while continued revisions and inconsistencies for 2022–23 data hinder their effective utilization for assessing external sector developments. One of the primary reasons behind these challenges are inadequate IT infrastructure and human resource availability, and the authorities are working with the multilateral partners to address them. On the fiscal side, data suffer from inadequate recording practices and coverage issues as discussed in section A, which complicate the assessment of the fiscal position. Staff advised on the urgent need to address the data gaps to ensure an adequate basis for analysis and policy decisions.

38. Safeguards assessment. The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding 2022 safeguards recommendations, an external quality assessment of internal audit, and the current implementation of the governance framework. The mission's preliminary recommendations include onboarding for new members of senior management and the Board and an enhanced delegation framework for executive decision-making.

Authorities' Views

39. The authorities are keenly aware of existing data deficiencies and are committed to addressing them. They noted the criticality of having adequate data for the national accounts, which are central to any economic analysis, and of starting their publication by the Statistics Office, potentially with prior technical assistance to ensure their quality. The authorities will continue to work closely with the central bank and the IMF's statistics department to improve the quality of balance of payments and monetary data, including addressing the significant level of errors and omissions and some above-the-line items that also reflect errors and omissions. On the fiscal side, the authorities are continuing efforts to piece together comprehensive data on the fiscal position and debt, including on supplier arrears, guarantees and PPP-related debt, in order to have a good assessment of the fiscal position.

STAFF APPRAISAL

40. Gabon finds itself faced with a historic opportunity to pivot towards a more transparent and inclusive model of governance. The transition authorities signaled a high-level commitment to such governance as a new foundation for sustained development. However, the inherited economic challenges and decades of entrenched institutional practice will be difficult to overcome unless serious reform efforts are sustained to achieve a point of no return. These efforts include profound transparency and accountability in the management of public resources, as well as difficult choices in putting the fiscal position on a sustainable footing while addressing decades of unmet social and developmental needs.

41. The reform efforts should benefit from a relatively propitious macroeconomic environment. The economy has recovered well from the series of shocks that plagued the global economy since the pandemic, helped by strong oil prices. While it faltered somewhat in 2023 due to supply disruptions and coup-related political uncertainty, it is already rebounding to potential as disruptions recede and demand remains strong, supported by expansionary fiscal policies. Inflationary pressures have also abated. The external position is buoyed by favorable terms of trade and reserves continued to accumulate, although a stronger contribution to the regional reserves was likely held back by fiscal deficits.

42. Transparency and accountability in managing public resources is a prerequisite for any credible and sustainable economic takeoff for Gabon. The authorities took encouraging steps, in a break from past practices, to shed light on the fiscal accounts and integrate them comprehensively within the national budget. It is critical that these efforts be sustained and extended to public assets and liabilities, sectors outside the central government (especially state-owned enterprises), fiscal accounts before 2022 and, importantly, to the extractive sectors. This should include the regular publication of fiscal data, the publication of the oil and mining contracts and of the past audits of government accounts.

43. Without a return to a sustainable fiscal position the authorities will not be able to achieve sustained and inclusive growth. The fiscal position has become precarious and the unsustainable expansion that started in 2022 looks set to continue as post-coup social demands replaced election-related spending. While delivering quick results on infrastructure and social needs may be important in securing support for subsequent reforms, this should be done without excessive risks to sustainability. Potentially large financing gaps against the background of quickly rising debt could destabilize the macroeconomic environment, undermining chances of reforms. Instead, a comprehensive fiscal adjustment should be initiated immediately by removing unproductive spending and tax exemptions, while focusing investment on basic infrastructure and social needs. Additional high-risk projects should not be undertaken before these needs are met or before putting the fiscal position on a sustainable footing. Addressing Gabon's fiscal challenges will also be critical for ensuring CEMAC external stability, as it is the second largest country in the currency union.

44. The commitment to strong public financial management practices should be firm and not sacrificed for expediency. The transition authorities should ensure that the collection of revenues, execution of public spending—including large national projects—and financing are carried out through responsible entities and consistently with PFM rules. This will ensure that the public institutions are not further weakened, that public resources are used transparently and efficiently, and that past practices of extra-budgetary spending are firmly ended. Initial efforts to centralize the management of government resources through the Treasury Single Account have been impressive and should continue, while plans to strengthen the monitoring of state-owned enterprises and of investment processes should be carried to fruition. The authorities should also focus on strengthening the management of the wage bill and of the civil service, as slippages will be difficult to correct.

45. Transitioning to higher, more durable and more inclusive growth will hinge on a successful economic diversification. As oil production continues to decline, finding new sources of growth outside the oil sector is imperative. To that end, preserving macroeconomic stability through a sustainable fiscal position and strengthened governance will be essential for investor confidence, a favorable business environment and lower private financing costs. This will require the repayment of government arrears, reduced risks from the bank-sovereign nexus, a predictable legal environment and upgraded public infrastructure, particularly in logistics and energy.

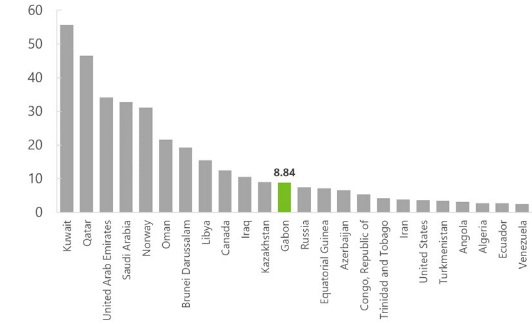
46. Efforts to improve data quality should be stepped up. High quality data is critical for policymaking, for assessing economic developments and performance, and taking informed decisions. The publication of quality data will also instill confidence and support a more open business environment.

47. Staff recommends that the next Article IV consultation for Gabon be held on the standard 12-month cycle.

Figure 1. Gabon: Oil Dependency

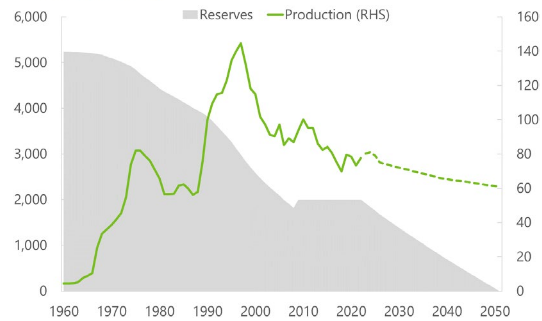
Gabon is one of the four SSA countries belonging to OPEC and among the top 10 countries in terms of oil production per capita.

Crude Oil Production per Capita, 2022
(in barrels per day)



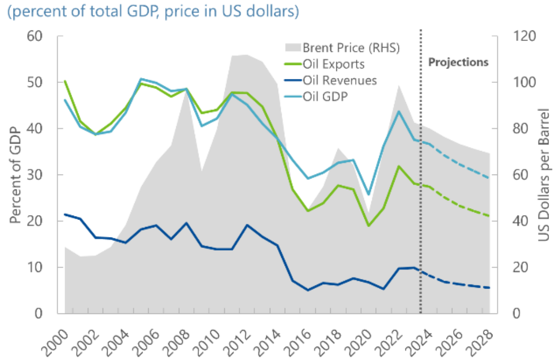
However, by mid-century crude oil reserves are expected to be depleted, assuming a 1 percent reduction in annual oil production starting in 2027.

Oil Production and Reserves
(in millions of barrels)



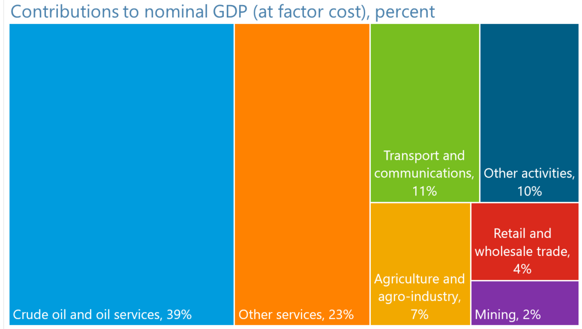
Its exposure to oil is high. Currently, …

Oil Exports, Revenues, and International Price
(percent of total GDP, price in US dollars)



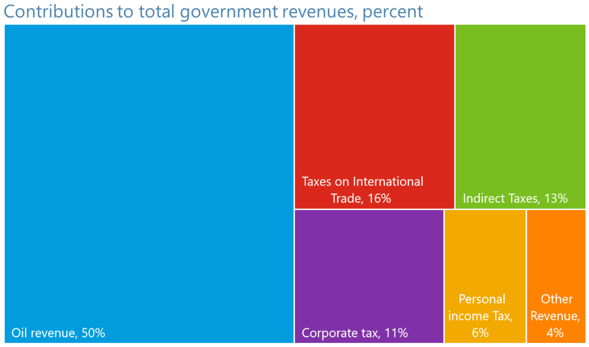
…39 percent of its output, …

2023 GDP Shares
Contributions to nominal GDP (at factor cost), percent



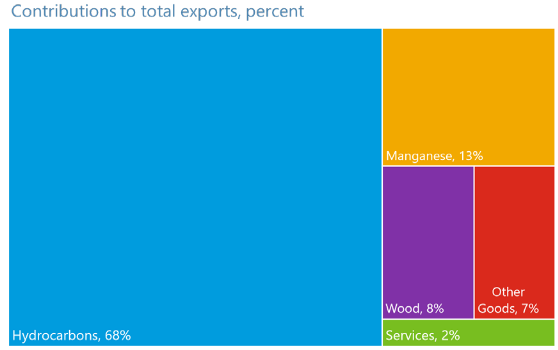
… 50 percent of fiscal revenues, …

2023 Fiscal Revenue Shares
Contributions to total government revenues, percent



… and 68 percent of exports are directly attributable to oil.

2023 Export Shares
Contributions to total exports, percent



Note: To estimate the depletion of oil reserves (using the broader measure of proven and probable reserves, i.e., 2P reserves), data from Rystad is used from 1980 to 2008. From 2009 to 2022, OPEC crude oil reserves data is used. We assume no new oil discoveries and calculate remaining oil reserves as the difference between reserves and production.
Sources: Bloomberg, BP Statistical Review of World Energy, World Bank World Development Indicators, World Economic Outlook, Rystad, Gabonese authorities and IMF staff estimates.

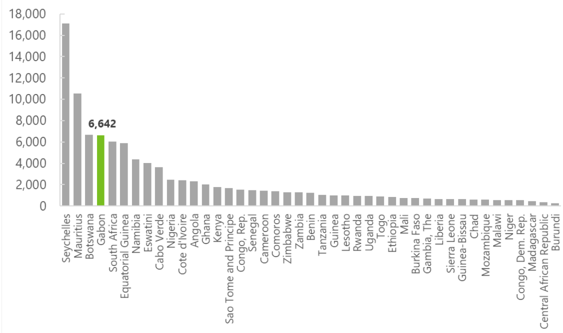
Figure 2. Gabon: Income and Social Indicators

(Dots are upper-middle income countries)

Gabon has the fourth highest per capita income in sub-Saharan Africa (SSA), largely due to its oil production.

GDP per Capita

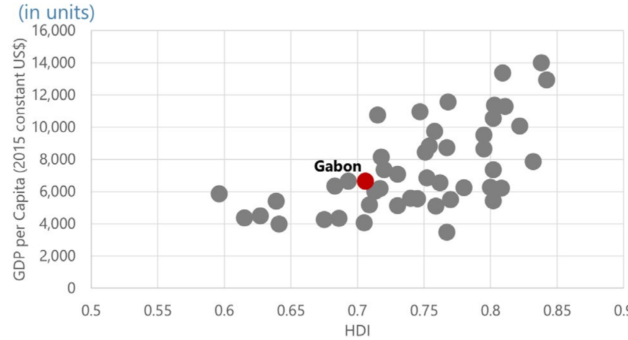
(in constant 2015 US dollars)



Relative to its income level, however, human development outcomes are lagging,...

Human Development Index

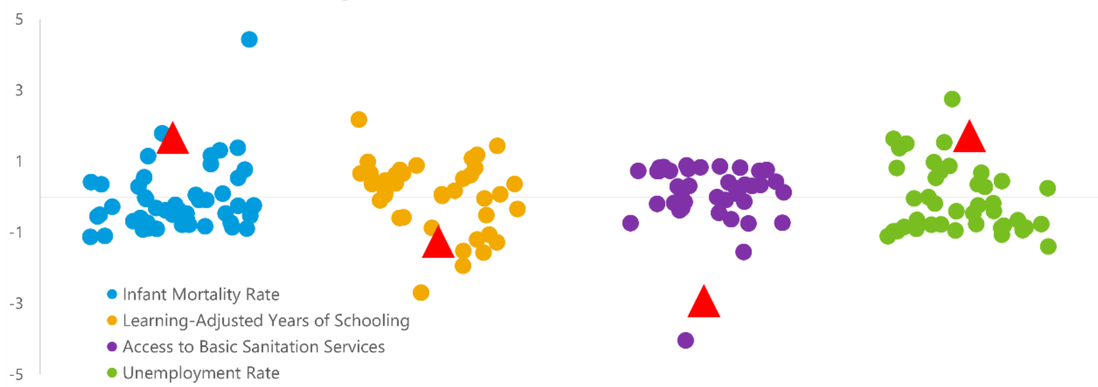
(in units)



...reflecting high child mortality, limited years of schooling, and poor access to basic services compared to other upper middle-income economies, while job market outcomes are also weak.

Social Indicators: Gabon and Upper Middle Income Countries

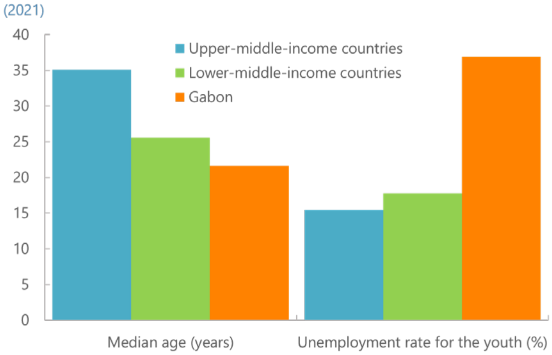
z-scores of each indicator (red triangle is Gabon)



A young population and a high youth unemployment rate do not bode well for human development or social stability.

Median Age and Youth Unemployment Rate

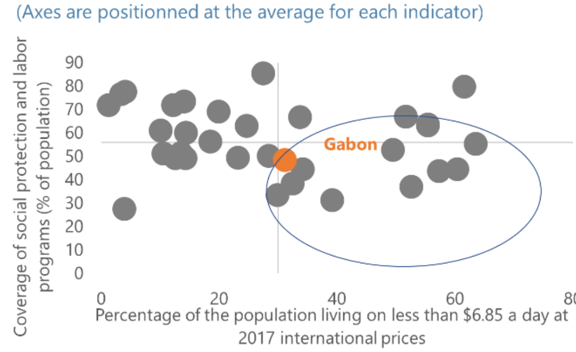
(2021)



In addition, about a third of the population is poor and social protection is weak.

Coverage of Social Protection and Poverty Rate

(Axes are positionned at the average for each indicator)



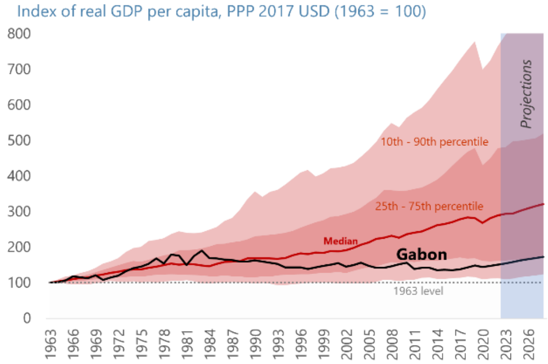
Note: The expected years of learning-adjusted schooling is a combined measure of the quantity and quality of education from the World Bank. This measure combines years of schooling that a child is expected to attain by age 18 and the harmonized test scores from interenational testing programs. 2022 GDP per capita is displayed in all graphs. Z-scores rescale each indicator by subtracting its mean value and dviding by its standard devation.

Sources: International Labor Organizaiton; United National Development Programme; and the World Bank.

Figure 3. Gabon: Real Sector Developments

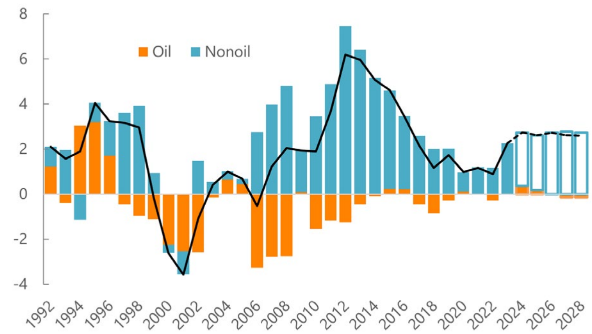
Gabon's income per capita is projected to continue lagging, as oil production continues its secular decline.

GDP per Capita Since Onset of Oil Production
Index of real GDP per capita, PPP 2017 USD (1963 = 100)



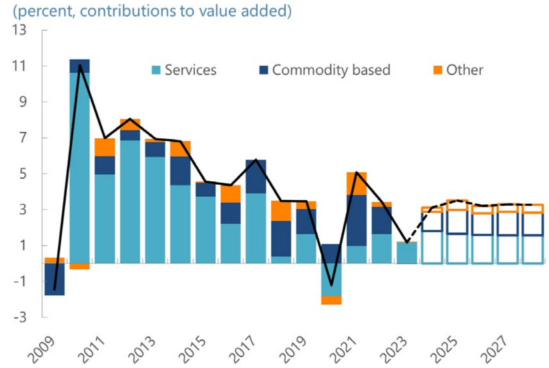
Growth is therefore driven almost exclusively by the nonoil sector, which has slowed down to around 2.1 percent recently but is projected to return to its recent average pace….

Contributions to GDP Growth
(percent, three-year moving average)



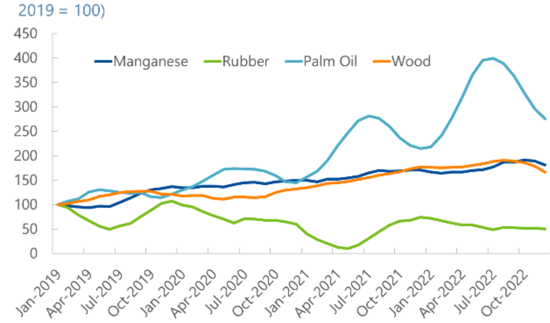
… largely due to a pickup in primary commodity production such as manganese and wood, while the boom in services draws to an end.

Nonoil GDP Growth Contributions
(percent, contributions to value added)



Planting in new areas has also supported the expansion of cash crop harvests, especially palm oil.

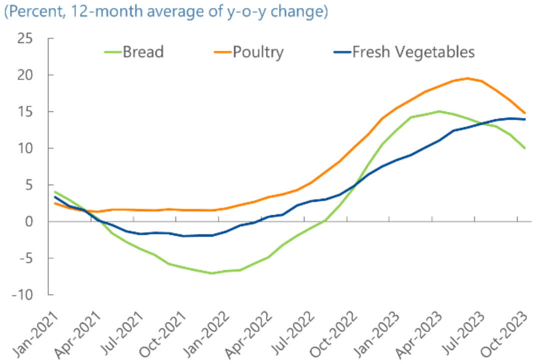
Nonoil Commodities Production
(Monthly volume indices of 6 month moving average, Jan 2019 = 100)



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

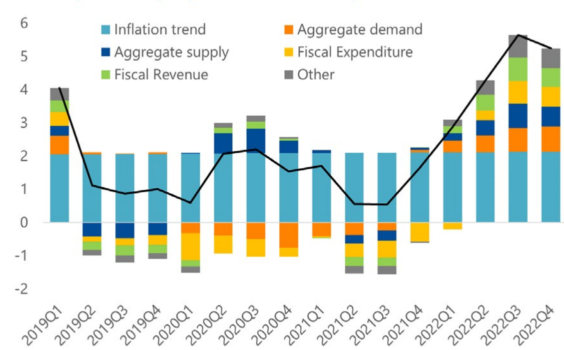
The rapid price increases for essential goods are weighing on household budgets, somewhat offset by significant fiscal expansion before the August 2023 elections…

Food CPI Subcomponents
(Percent, 12-month average of y-o-y change)



…but continued loose fiscal policy could exacerbate inflationary pressures, as it did in 2022.

Drivers of Inflation
Decomposition of y-o-y inflation based on Bayesian VAR



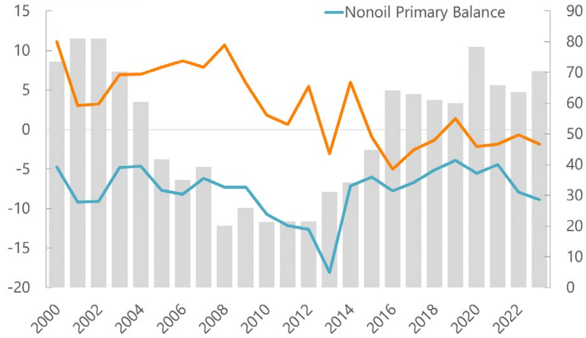
Sources: Gabonese authorities; Haver Analytics, World Economic Outlook; and IMF staff estimates and projections.

1/ Sub-Saharan African oil producers displayed include Angola, Cameroon, Chad, Congo (Democractic Republic), Congo (Republic), Cote d'Ivoire, Equatorial Guinea, Ghana, Niger, and Nigeria.

Figure 4. Gabon: Fiscal Sector Developments

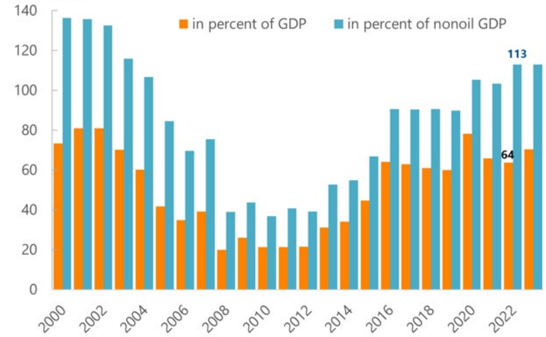
The fiscal position failed to improve over the last eight years, with relatively high debt and large deficits.

Overall Balance and Debt
(percent of GDP)



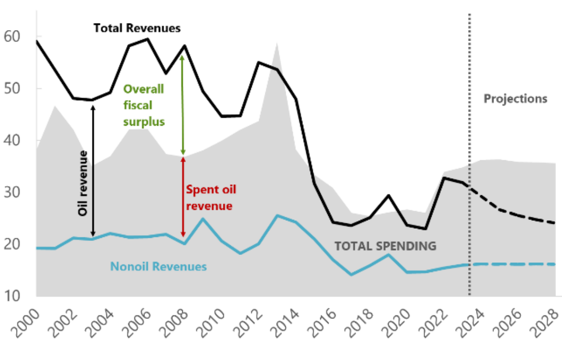
While the debt-to-GDP ratio remained broadly stable in these years, this reflected an increase in GDP due to high oil prices. In nominal terms or in terms of the nonoil GDP debt has increased notably.

Total Debt Stock
(percent)



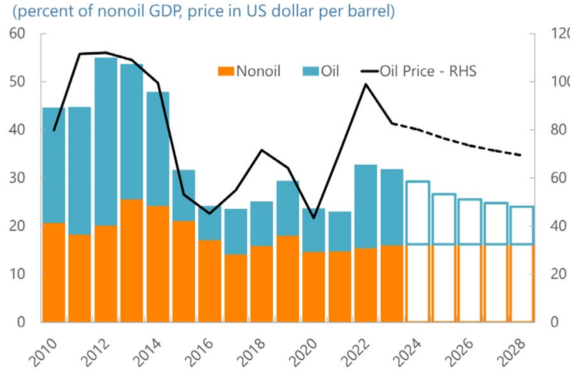
Oil revenue inflows into the budget decreased significantly over time, and have been fully spent in recent years, ….

How Much Oil Revenue is Saved?
(percent of nonoil GDP)



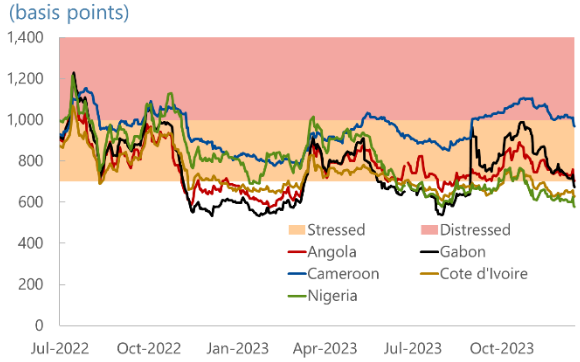
… while nonoil revenues have remained stagnant despite programmed attempts to mobilize additional revenues.

Government Revenues
(percent of nonoil GDP, price in US dollar per barrel)



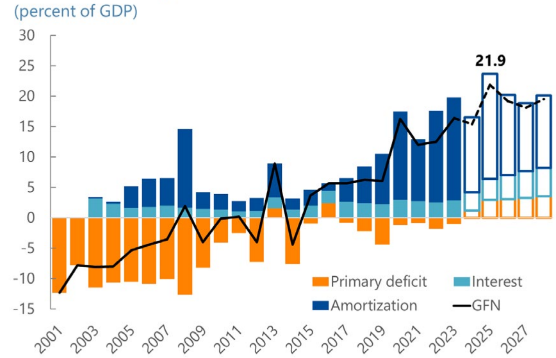
Overall, fiscal and governance risks are reflected in an increase in Gabon's spreads to near distressed territory…

Sovereign Spreads
(basis points)



…putting further pressures on the gross financing needs, which are projected to remain high going forward, including due to Eurobond amortizations in 2025.

Gross Financing Needs
(percent of GDP)

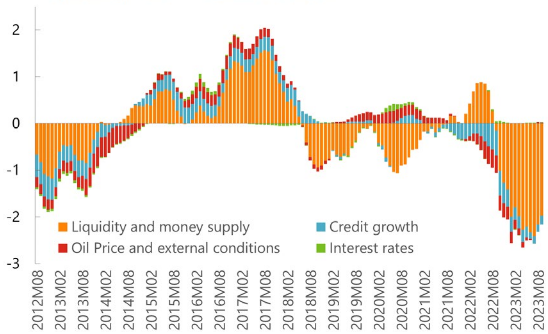


Sources: Gabonese authorities; JP Morgan Markets DataQuery, World Bank International Debt Statistics; and IMF staff estimates and projections.

Figure 5. Gabon: Monetary Sector Developments

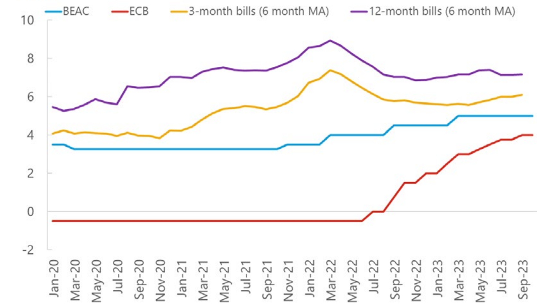
Financial conditions remain accommodative,…

Financial Conditions Index - Contributions
+ = tightening, 1 unit = 1 standard deviation



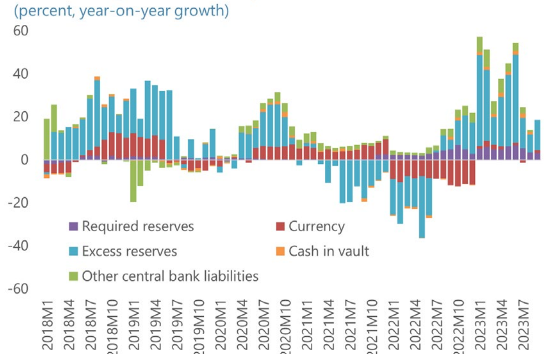
… as policy rate increases have not yet offset ample liquidity in the banking sector.

Short-term Interest Rates
BEAC/ECB main policy rates (percent), Gabon Treasury bill rates



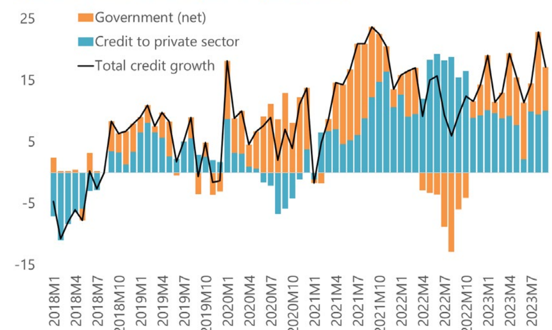
Excess liquidity throughout most of 2023 reflected high oil inflows, loose fiscal policy, and the repatriation of export profits in compliance with FX regulations…

Base Money Growth Components
(percent, year-on-year growth)



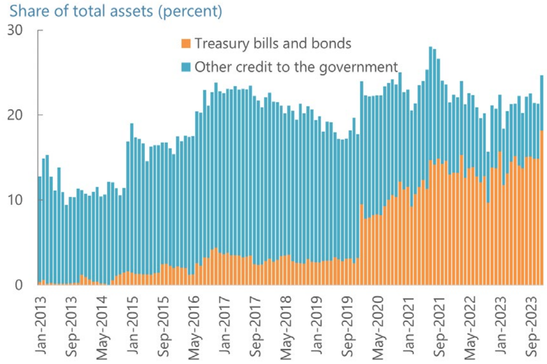
… and translated into rapid credit growth, over half of it due to government financing of its large pre-electoral deficits.

Credit Growth Components
(percent, contributions to year-on-year growth)



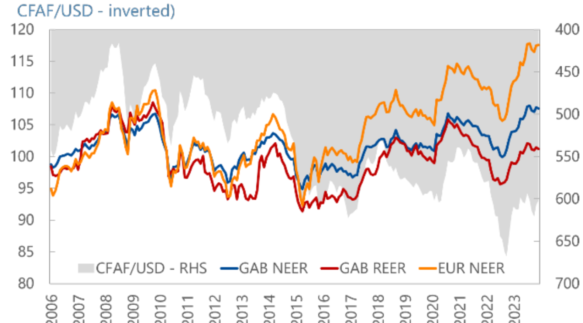
Nevertheless, bank exposure to the sovereign remained broadly stable, with bond financing through regional markets gradually replacing direct lending.

Bank Exposure to Government
Share of total assets (percent)



The appreciation of the real effective exchange rate—reflecting the appreciation of the Euro vis-à-vis the US dollar— has helped tighten somewhat monetary conditions.

Nominal and Real Effective Exchange Rates
(indices for NEER and REER, 100=2020, units of currency for CFAF/USD - inverted)



Note: Financial conditions index reflects changes in monetary aggregates, excess reserves, credit to the private sector, BEAC policy rates, Gabon's sovereign bond spreads, real effective exchange rates, oil prices and EMBIG returns.

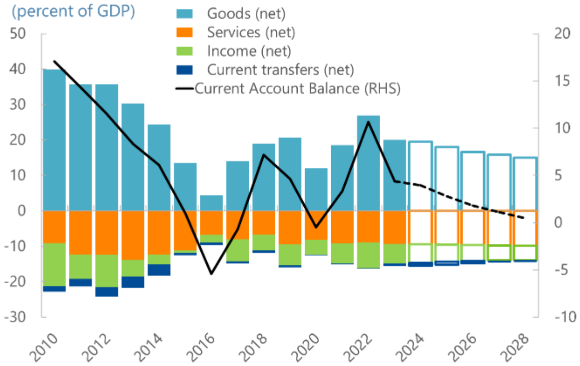
Sources: BEAC; BIS; Gabonese authorities; IMF Financial Soundness Indicators; and IMF staff estimates and projections.

Figure 6. Gabon: External Sector Developments

The current account strengthened in 2022 to 10.7 percent of GDP…

Current Account

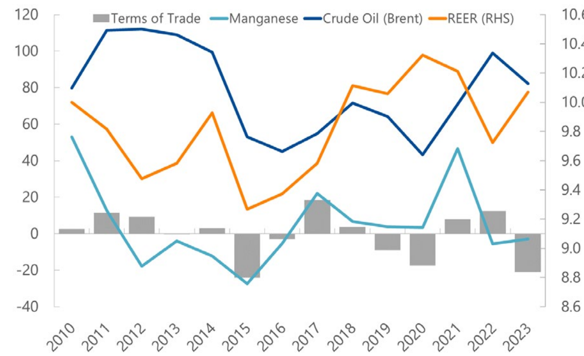
(percent of GDP)



… as terms of trade improved, but it will narrow going forward along with the expected TOT decline.

Terms of Trade, 2010-23

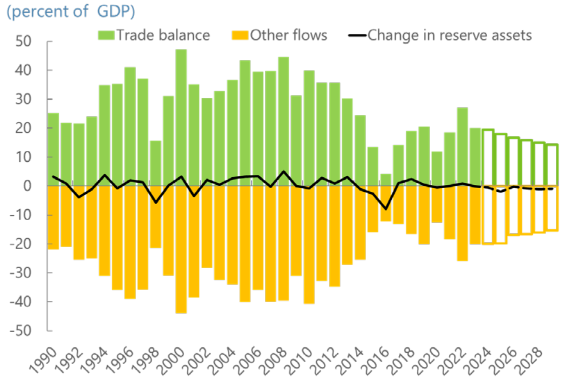
(Percent change LHS; REER Index RHS)



Despite the moderate strengthening of the current account, reserves have not increased much, reflecting the likely offshoring of oil receipts…

Balance of Payments Summary

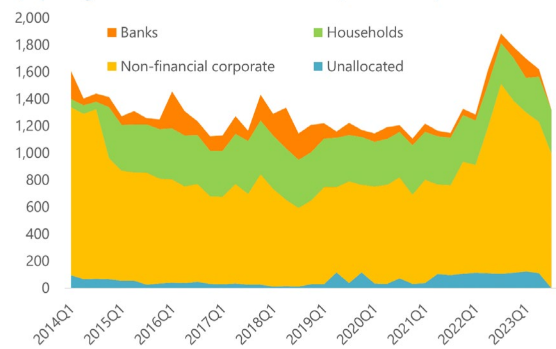
(percent of GDP)



… or other financial outflows, as suggested by the surge in reported Gabonese deposits abroad at end-2022.

Cross-Border Loans and Deposits

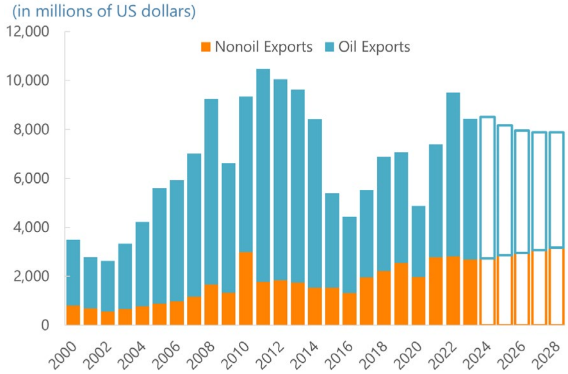
(Reporting banks' liabilities to sectors in Gabon, USD millions)



Going forward, export receipts are expected to be partially shored up by diversification into other commodity exports as oil exports and prices decline…

Exports: Oil and Nonoil

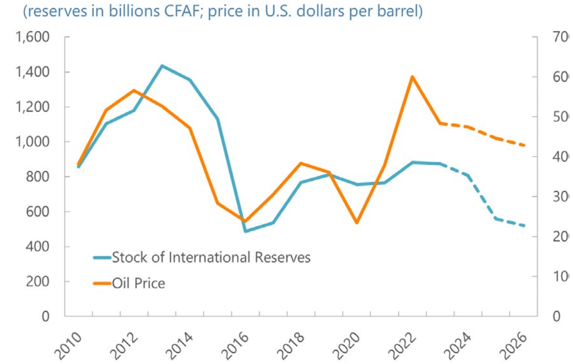
(in millions of US dollars)



… and the deterioration in the trade balance would put downward pressures on future FX reserves.

International Reserves and Oil Price

(reserves in billions CFAF; price in U.S. dollars per barrel)



Sources: Bank for International Settlements, Gabonese authorities, IMF Direction of Trade Statistics Database, IMF International Financial Statistics Database, and IMF staff estimates and projections.

Table 1. Gabon: Selected Economic Indicators, 2020–29

Social Indicators			
GDP		**Poverty (2020 or latest available)**	
Nominal GDP (2022, millions of US Dollars)	21,076	Headcount ratio at $2.15 a day (2017 PPP)	2.5
GDP per capita (2022, US Dollars)	9,752	Undernourishment (percent of population)	17.0
Population Characteristics		**Inequality (2017)**	
Total (2022, millions)	2.4	Income share held by highest 10 percent of population	27.7
Urban population (2022, percent of total)	90.7	Income share held by lowest 20 percent of population	6.0
Life expectancy at birth (2020, years)	67.0	Gini index	38.0

Economic Indicators

	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029
				Prog. 1/	Prel.	Proj. 2/					
	(Annual percentage change)										
National income and prices											
Real GDP, o/w:	-1.8	1.5	3.0	3.7	2.3	2.9	2.7	2.6	2.6	2.6	2.6
Oil	-2.4	-4.9	2.5	-0.5	2.7	1.7	-0.8	-1.0	-1.0	-1.0	-1.0
Non-oil	-1.7	2.8	3.1	4.5	2.2	3.1	3.3	3.3	3.2	3.2	3.2
Real GDP per capita	-3.1	0.2	1.8	2.5	0.0	0.7	0.5	0.5	0.4	0.4	0.5
GDP deflator	-8.9	25.3	13.6	-4.3	-7.2	-0.2	-1.8	-0.9	-0.5	-0.1	-0.1
Consumer prices (average)	1.7	1.1	4.3	3.2	3.6	2.1	2.2	2.2	2.3	2.4	2.4
Consumer prices (end of period)	1.6	1.7	5.4	2.0	2.3	2.2	2.2	2.3	2.3	2.4	2.5
Terms of trade	-17.4	8.1	12.3	-13.8	-21.0	10.6	-1.7	-1.4	-1.1	-0.9	-0.6
Nominal effective exchange rate 3/	4.6	-2.6	0.4	…	4.2	…	…	…	…	…	…
Real effective exchange rate 3/	5.2	-5.0	-0.7	…	2.3	…	…	…	…	…	…
	(Percent of GDP)										
National accounts											
Gross national savings	29.5	36.9	40.6	30.0	38.6	35.9	35.7	34.9	34.3	33.9	33.5
Gross domestic investment	30.0	33.5	30.0	31.1	34.2	32.0	32.9	33.1	33.1	33.4	33.5
Of which: public investment	2.7	2.4	1.8	2.5	3.1	3.8	3.9	3.5	3.2	3.1	2.9
	(Annual percentage change, unless otherwise indicated)										
Money and credit											
Broad money	6.8	5.5	15.2	16.5	9.7	2.7	0.9	1.7	2.0	2.5	2.5
Credit to the economy	5.4	14.8	15.1	11.1	16.4	8.2	4.7	4.7	4.5	4.9	4.9
	(Percent of GDP, unless otherwise indicated)										
Government operations											
Total public debt	78.3	65.8	63.7	50.8	70.5	73.1	78.9	84.6	90.5	96.5	102.8
Total public debt (percent of non-oil GDP)	105.4	103.3	113.2	80.6	113.0	115.5	120.0	124.9	130.8	136.3	142.1
Overall fiscal balance	-2.1	-1.9	-0.7	3.0	-1.8	-4.2	-6.4	-7.0	-7.7	-8.2	-8.7
Non-oil primary balance (percent of non-oil GDP)	-7.5	-6.9	-14.1	-3.4	-14.3	-15.0	-14.9	-13.8	-13.2	-12.8	-12.5
Government revenues, o/w:	17.6	14.6	18.4	17.6	19.9	18.5	17.5	17.3	17.1	17.0	17.0
Oil	6.8	5.3	9.8	7.5	9.9	8.2	6.9	6.3	5.9	5.6	5.3
Non-oil (percent of non-oil GDP)	14.6	14.6	15.4	17.1	16.0	16.2	16.2	16.2	16.2	16.2	16.2
Government expenditure	19.8	16.6	19.1	14.5	21.7	23.0	23.9	24.3	24.8	25.2	25.7
External sector											
Current account, o/w:	-0.5	3.3	10.7	-1.1	4.4	3.9	2.8	1.8	1.1	0.5	0.0
Exports of goods and services	31.8	36.5	45.2	43.3	41.1	40.5	38.7	37.1	36.1	35.3	34.7
Imports of goods and services	28.1	27.2	27.1	-27.5	30.4	30.5	30.3	30.2	30.1	30.2	30.4
External public debt (including to the IMF)	46.0	37.8	34.5	31.0	34.1	30.2	26.7	25.3	23.3	21.0	18.9
Gross international reserves (billions of US Dollars)	1.3	1.4	1.4	2.3	1.4	1.4	1.0	1.1	0.9	0.6	0.3
In months of next year's imports of goods and services	3.0	2.6	2.8	4.1	2.7	2.5	1.9	1.9	1.6	1.0	0.5
Memorandum items											
Nominal GDP (billions of CFA Francs)	8,815	11,211	13,118	13,803	12,447	12,782	12,893	13,108	13,373	13,711	14,057
Nominal GDP per capita (US Dollars)	7,276	9,476	9,752	10,939	9,290	9,308	9,148	9,095	9,070	9,091	9,104
Nominal non-oil GDP (billions of CFA Francs)	6,546	7,141	7,385	8,143	7,761	8,093	8,474	8,875	9,260	9,708	10,168
CFA Franc per US Dollars (average)	574.8	554.2	622.4	580.3	606.5	…	…	…	…	…	…
Crude oil price (Brent, US Dollars per barrel)	43.3	70.8	99.0	96.1	82.3	80.6	75.6	72.6	70.8	69.9	69.7

Sources: Gabonese authorities, World Economic Outlook, World Bank World Development Indicators, and IMF staff estimates and projections.

1/ Staff report for First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (July 8, 2022; EBS/22/53).

2/ Projections are based on unchanged policies.

3/ Data for 2023 correspond to year-year annual growth calculated for November 2023.

Table 2. Gabon: Central Government Accounts, 2020–29

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				Prog. 1/	Prel.	Budget	Proj.			Proj.		
						(Percent of GDP)						
Total revenue and grants	**17.6**	**14.7**	**18.4**	**17.6**	**19.9**	**19.9**	**18.8**	**17.5**	**17.3**	**17.1**	**17.0**	**17.0**
Revenue	**17.6**	**14.6**	**18.4**	**17.6**	**19.9**	**19.6**	**18.5**	**17.5**	**17.3**	**17.1**	**17.0**	**17.0**
Oil revenue	***6.8***	***5.3***	***9.8***	***7.5***	***9.9***	***8.5***	***8.2***	***6.9***	***6.3***	***5.9***	***5.6***	***5.3***
Non-oil revenue	***10.8***	***9.3***	***8.7***	***10.1***	***9.9***	***11.1***	***10.3***	***10.6***	***11.0***	***11.2***	***11.5***	***11.7***
Income, profits, and capital gains taxes	3.4	2.9	3.0	3.3	3.3	**3.5**	3.4	3.6	3.7	3.8	3.8	3.9
Value-added tax	0.7	1.2	1.2	1.8	1.5	**2.0**	1.4	1.5	1.5	1.6	1.6	1.6
Excises	0.8	0.7	0.5	0.7	1.1	**1.1**	0.9	0.9	0.9	0.9	1.0	1.0
Trade taxes	3.5	2.9	2.7	2.8	3.2	**3.4**	3.3	3.4	3.5	3.6	3.7	3.7
Other non-oil taxes	1.4	1.0	0.6	1.0	0.5	**0.5**	0.6	0.6	0.6	0.6	0.6	0.6
Non-oil non-tax revenue	0.9	0.7	0.7	0.5	0.4	**0.5**	0.7	0.7	0.7	0.8	0.8	0.8
Grants	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.4**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total expenditure and net lending	**19.8**	**16.6**	**19.1**	**14.5**	**21.7**	**18.3**	**23.0**	**23.9**	**24.3**	**24.8**	**25.2**	**25.7**
Wages and salaries	7.8	6.1	5.7	5.1	6.2	**6.0**	6.6	6.8	7.1	7.2	7.4	7.5
Goods and services	2.3	2.1	2.5	1.3	2.7	**1.7**	1.9	2.0	2.1	2.1	2.2	2.2
Interest payments	3.4	2.8	2.5	2.4	2.8	**3.0**	3.0	3.5	4.0	4.4	4.7	5.0
Transfers and subsidies	2.8	2.4	3.4	1.7	2.7	**3.4**	3.8	3.6	3.6	3.6	3.6	3.7
Capital expenditure	2.7	2.4	1.8	2.5	3.1	**3.9**	3.9	3.9	3.5	3.2	3.1	2.9
Other	2.1	0.9	3.1	1.4	4.1	**0.4**	3.8	4.0	4.1	4.2	4.3	4.4
Overall balance (commitment basis)	**-2.1**	**-1.9**	**-0.7**	**3.0**	**-1.8**	**1.6**	**-4.2**	**-6.4**	**-7.0**	**-7.7**	**-8.2**	**-8.7**
Non-oil primary balance (NOPB)	**-5.5**	**-4.4**	**-7.9**	**-2.0**	**-8.9**	**-3.9**	**-9.5**	**-9.8**	**-9.4**	**-9.2**	**-9.1**	**-9.0**
Memorandum items:												
Public debt	**77.9**	**65.8**	**63.7**	**50.8**	**70.5**	**…**	**73.1**	**78.9**	**84.6**	**90.5**	**96.5**	**102.8**
External debt	46.0	37.8	34.5	31.0	34.1	…	30.2	26.7	25.3	23.3	21.0	18.9
Domestic debt	31.9	28.0	29.3	19.8	36.4	…	42.9	52.2	59.3	67.3	75.5	83.9
						(Percent of non-oil GDP)						
Total revenue and grants	**23.7**	**23.1**	**32.7**	**29.8**	**31.8**	**31.5**	**29.7**	**26.6**	**25.5**	**24.7**	**24.0**	**23.6**
Revenue	**23.7**	**23.0**	**32.7**	**29.8**	**31.8**	**30.9**	**29.2**	**26.6**	**25.5**	**24.7**	**24.0**	**23.6**
Oil revenue	***9.1***	***8.3***	***17.3***	***12.6***	***15.9***	***13.4***	***13.0***	***10.4***	***9.3***	***8.5***	***7.9***	***7.4***
Non-oil revenue	***14.6***	***14.6***	***15.4***	***17.1***	***16.0***	***17.5***	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***
Income, profits, and capital gains taxes	4.6	4.5	5.3	5.7	5.3	5.5	5.4	5.4	5.4	5.4	5.4	5.4
Value-added tax	1.0	1.9	2.1	3.0	2.4	3.2	2.3	2.3	2.3	2.3	2.3	2.3
Excises	1.1	1.1	1.0	1.2	1.7	1.8	1.4	1.4	1.4	1.4	1.4	1.4
Trade taxes	4.7	4.5	4.9	4.8	5.1	5.4	5.2	5.2	5.2	5.2	5.2	5.2
Other non-oil taxes	1.9	1.6	1.0	1.6	0.7	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Non-oil non-tax revenue	1.2	1.1	1.2	0.9	0.6	0.8	1.1	1.1	1.1	1.1	1.1	1.1
Grants	**0.1**	**0.2**	**0.0**	**0.0**	**0.0**	**0.6**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total expenditure and net lending	**26.6**	**26.1**	**33.9**	**24.6**	**34.8**	**28.9**	**36.4**	**36.3**	**35.9**	**35.8**	**35.6**	**35.6**
Wages and salaries	10.4	9.6	10.2	8.7	9.9	9.5	10.5	10.4	10.4	10.4	10.4	10.4
Goods and services	3.1	3.3	4.5	2.3	4.4	2.6	3.1	3.1	3.1	3.1	3.1	3.1
Interest payments	4.5	4.3	4.4	4.0	4.5	4.7	4.7	5.3	5.9	6.4	6.6	6.9
Transfers and subsidies	3.8	3.8	6.1	2.9	4.4	5.4	6.0	5.5	5.3	5.2	5.1	5.1
Capital expenditure	3.7	3.8	3.1	4.3	5.0	6.1	6.1	6.0	5.1	4.7	4.3	4.1
Other	2.9	1.4	5.5	2.4	6.6	0.6	6.1	6.1	6.1	6.1	6.1	6.1
Overall balance (commitment basis)	**-2.9**	**-2.9**	**-1.2**	**5.2**	**-2.9**	**2.6**	**-6.6**	**-9.7**	**-10.3**	**-11.1**	**-11.6**	**-12.0**
Non-oil primary balance (NOPB)	**-7.5**	**-6.9**	**-14.1**	**-3.4**	**-14.3**	**-6.1**	**-15.0**	**-14.9**	**-13.8**	**-13.2**	**-12.8**	**-12.5**
Memorandum items:												
Public debt	**104.9**	**103.4**	**113.2**	**80.6**	**113.0**	**…**	**115.5**	**120.0**	**124.9**	**130.8**	**136.3**	**142.1**
External debt	61.9	59.4	61.3	49.1	54.7	…	47.7	40.6	37.3	33.6	29.7	26.2
Domestic debt	43.0	44.0	52.0	31.5	58.3	…	67.8	79.4	87.6	97.2	106.6	116.0

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ Staff report for First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (July 8, 2022; EBS/22/53).

Table 3. Gabon: Financing of the Fiscal Deficit, 2020–29

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				Prog. 1/	Prel.	Budget	Proj.			Proj.		
(Percent of GDP)												
Total financing needs	**20.8**	**17.1**	**13.4**	**3.5**	**16.7**	**10.1**	**15.7**	**19.2**	**17.8**	**17.5**	**19.1**	**24.2**
Overall fiscal deficit	**2.1**	**1.9**	**0.7**	**-3.0**	**1.8**	**-1.6**	**4.2**	**6.4**	**7.0**	**7.7**	**8.2**	**8.7**
Amortization	**17.8**	**12.3**	**7.8**	**5.6**	**10.7**	**10.4**	**9.2**	**11.9**	**9.7**	**8.8**	**9.9**	**14.6**
External	7.6	5.1	1.4	2.4	3.8	6.5	3.5	5.9	2.7	3.3	3.5	6.2
All, except the financial markets	2.5	1.7	1.3	2.3	1.6	3.5	3.5	2.9	2.7	3.3	3.4	3.4
Financial market (Eurobond)	5.1	3.4	0.1	0.1	2.2	3.0	0.0	3.0	0.0	0.0	0.1	2.8
Domestic	10.3	7.2	6.4	3.2	6.8	3.9	5.6	6.0	7.0	5.5	6.4	8.4
Regional markets (T-bills and bonds)	9.2	6.7	5.7	2.7	6.2	3.3	5.1	5.2	6.0	4.7	5.4	7.4
Banking sector 2/	1.1	0.5	0.7	0.6	0.6	0.5	0.5	0.8	1.0	0.8	1.0	1.0
Arrear repayments 3/	**0.5**	**1.7**	**4.3**	**1.0**	**3.8**	**1.1**	**2.0**	**0.6**	**0.6**	**0.6**	**0.5**	**0.5**
Other financing needs 4/	**0.3**	**1.2**	**0.6**	**0.0**	**0.4**	**0.3**	**0.3**	**0.3**	**0.5**	**0.5**	**0.5**	**0.4**
Financing sources	**20.8**	**17.1**	**13.3**	**3.5**	**16.7**	**10.1**	**15.7**	**19.2**	**17.8**	**17.5**	**19.1**	**24.2**
External	10.5	5.2	2.6	2.2	3.3	4.7	1.1	2.7	1.7	1.8	1.8	4.6
Project financing	1.0	0.6	0.7	1.1	0.8	0.9	0.9	1.0	1.5	1.5	1.6	1.6
Eurobond rollover	6.8	4.1	0.0	0.0	2.4	3.7	0.0	1.5	0.0	0.0	0.0	2.8
Other external 5/	2.7	0.6	1.2	1.1	0.0	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Use of SDR allocations	0.0	0.0	0.8	0.0	0.3	…	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	10.3	11.9	6.2	1.2	8.7	4.3	8.4	8.2	9.2	7.0	7.6	9.1
Regional market (T-bills and bonds)	8.9	11.1	7.3	2.8	7.5	1.9	7.2	7.4	8.2	6.2	6.5	8.2
Commercial bank	1.5	0.2	0.0	0.0	0.8	2.6	1.2	0.8	1.0	0.8	1.0	1.0
Deposit accumulation (domestic banking sector)	0.0	-0.7	1.1	-1.6	1.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified sources/domestic arrears	0.0	0.0	0.0	0.0	4.8	1.1	6.1	8.3	6.9	8.7	9.7	10.4
Memorandum items												
External financing, net	2.9	0.1	1.2	-0.2	-0.6	-1.8	-2.4	-3.2	-1.0	-1.5	-1.7	-1.6
Regional market financing, net	-0.3	4.4	1.5	0.1	1.3	-1.4	2.1	2.2	2.2	1.5	1.1	0.7
Banking financing, net	0.4	-0.4	-0.6	-0.6	0.2	2.1	0.7	0.0	0.0	0.0	0.0	0.0
Arrear accumulation, net	2.0	0.5	0.2	-0.8	1.0	…	4.1	7.7	6.3	8.1	9.2	9.9
(Percent of non-oil GDP)												
Total financing needs	**28.0**	**26.9**	**23.8**	**6.0**	**26.9**	**16.0**	**24.7**	**29.1**	**26.3**	**25.3**	**26.9**	**33.5**
Overall fiscal deficit	**2.9**	**2.9**	**1.2**	**-5.2**	**2.9**	**-2.6**	**6.6**	**9.7**	**10.3**	**11.1**	**11.6**	**12.0**
Amortization	**24.0**	**19.3**	**13.9**	**9.5**	**17.1**	**16.4**	**14.5**	**18.1**	**14.4**	**12.7**	**14.0**	**20.2**
External	10.2	8.0	2.5	4.0	6.2	10.3	5.6	9.0	4.0	4.7	4.9	8.6
All, except the financial markets	3.4	2.7	2.3	3.8	2.6	5.6	5.6	4.4	4.0	4.7	4.8	4.8
Financial market (Eurobond)	6.8	5.3	0.2	0.2	3.6	4.8	0.0	4.5	0.0	0.0	0.1	3.8
Domestic	13.8	11.3	11.4	5.5	11.0	6.1	8.9	9.1	10.3	7.9	9.1	11.6
Regional markets (T-bills and bonds)	12.3	10.5	10.2	4.5	9.9	5.2	8.0	7.9	8.8	6.8	7.7	10.3
Banking sector 2/	1.5	0.8	1.2	1.0	1.0	0.9	0.9	1.2	1.5	1.2	1.4	1.3
Arrear repayments 3/	**0.7**	**2.7**	**7.6**	**1.7**	**6.1**	**1.7**	**3.2**	**0.9**	**0.9**	**0.9**	**0.7**	**0.7**
Other financing needs 4/	**0.4**	**1.9**	**1.1**	**0.0**	**0.7**	**0.5**	**0.5**	**0.5**	**0.7**	**0.7**	**0.7**	**0.6**
Financing sources	**28.0**	**26.9**	**23.7**	**6.0**	**26.8**	**16.0**	**24.7**	**29.1**	**26.3**	**25.3**	**26.9**	**33.5**
External	14.1	8.1	4.7	3.7	5.2	7.4	1.8	4.1	2.6	2.6	2.6	6.4
Project financing	1.4	0.9	1.2	1.9	1.3	1.5	1.5	1.5	2.2	2.2	2.2	2.2
Eurobond rollover	9.1	6.4	0.0	0.0	3.9	5.8	0.0	2.3	0.0	0.0	0.0	3.8
Other external 5/	3.6	0.9	2.2	1.8	0.0	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Use of SDR allocations	0.0	0.0	1.4	0.0	0.5	…	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	13.9	18.7	11.0	2.0	13.9	6.9	13.2	12.4	13.6	10.1	10.7	12.6
Regional market (T-bills and bonds)	12.0	17.4	12.9	4.7	12.1	3.0	11.3	11.2	12.0	9.0	9.2	11.3
Commercial bank	2.0	0.2	0.0	0.0	1.3	4.2	1.9	1.2	1.5	1.2	1.4	1.3
Deposit accumulation (domestic banking sector)	0.1	-1.1	1.9	-2.6	2.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified sources/domestic arrears	0.0	0.0	0.0	0.0	7.7	1.7	9.7	12.6	10.2	12.6	13.7	14.4
Memorandum items												
External financing, net	3.9	0.2	2.2	-0.3	-0.9	-2.9	-3.8	-4.9	-1.5	-2.1	-2.3	-2.2
Regional market financing, net	-0.4	6.9	2.7	0.1	2.2	-2.3	3.2	3.3	3.2	2.2	1.6	1.0
Banking financing, net	0.5	-0.6	-1.2	-1.0	0.3	3.3	1.1	0.0	0.0	0.0	0.0	0.0
Arrear accumulation, net	2.6	0.7	0.4	-1.4	1.5	…	6.5	11.8	9.3	11.7	13.0	13.7

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

1/ Staff report for First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (July 8, 2022; EBS/22/53).

2/ Includes statutory advances from the BEAC.

3/ Negative figures indicate an accumulation of arrears.

4/ Includes expected below-the-line operations, such as repayments of legal debt following judiciary decision.

5/ Includes multilateral, bilateral, commercial (excluding project financing and Eurobonds).

Table 4. Gabon: Balance of Payments, 2020–29[1]

	2020	2021	2022		2023		2024	2025	2026	2027	2028	2029
	Prel.		Prog. 2/	Proj.	Prog. 2/	Proj.	Proj.					
						(Billions of CFAF)						
Current account	**-44**	**374**	**113**	**1,398**	**-153**	**546**	**502**	**360**	**238**	**150**	**65**	**3**
Goods (net)	1,053	2,072	4,012	3,534	3,402	2,498	2,482	2,313	2,179	2,109	2,051	2,013
Export of goods (fob)	2,732	3,988	6,117	5,775	5,551	4,981	5,033	4,857	4,732	4,701	4,704	4,741
Hydrocarbons	1,678	2,554	4,740	4,183	4,017	3,497	3,514	3,248	3,055	2,952	2,889	2,856
Timber	368	481	433	498	470	413	402	434	457	480	505	531
Manganese	574	692	801	786	901	706	735	775	802	833	853	875
Other	112	261	142	308	163	366	381	399	418	436	457	479
Import of goods (fob)	1,679	1,915	2,105	2,241	2,149	2,484	2,550	2,544	2,553	2,593	2,653	2,728
Petroleum sector	535	533	356	1,363	325	1,034	1,039	961	904	873	855	845
Other	1,144	1,382	1,749	878	1,824	1,449	1,511	1,583	1,649	1,720	1,799	1,883
Services (net)	-723	-1,027	-1,279	-1,160	-1,218	-1,162	-1,203	-1,232	-1,268	-1,308	-1,358	-1,412
Exports	78	110	378	160	424	138	139	134	131	130	130	131
Imports	801	1,137	1,657	1,320	1,642	1,300	1,342	1,367	1,399	1,438	1,489	1,543
Income (net)	-370	-639	-2,566	-969	-2,239	-680	-674	-625	-586	-564	-545	-530
Current transfers (net)	-3	-33	-53	-6	-98	-110	-104	-96	-87	-86	-82	-67
Capital account	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial account (+ = outflows)	**16**	384	**-15**	1,358	**-478**	483	**415**	**466**	**135**	**168**	**165**	**143**
Direct investment (net)	-62	-232	-750	-212	-718	-225	-216	-180	-151	-129	-106	-82
Portfolio investments (net)	-237	-146	13	0	13	6	-168	13	-184	-130	-85	-67
Other investment (net)	315	762	722	1,570	227	701	800	633	470	427	355	292
Errors and Omissions	**-148**	**-72**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-208**	**-82**	**127**	**40**	**325**	**63**	**86**	**-106**	**103**	**-18**	**-99**	**-140**
Financing	**208**	**81**	**-127**	**-40**	**-325**	**-63**	**-86**	**106**	**-103**	**18**	**99**	**140**
Change in reserve assets (- is an increase)	92	0	-232	-117	-310	8	52	212	-33	91	179	205
Use of IMF Credit (net)	116	82	105	77	-15	-71	-138	-106	-70	-73	-79	-66
Memorandum items:						(Percent of GDP)						
Current account	-0.5	3.3	0.8	10.7	-1.1	4.4	3.9	2.8	1.8	1.1	0.5	0.0
Exports of goods and services	31.8	36.5	46.7	45.2	43.3	41.1	40.5	38.7	37.1	36.1	35.3	34.7
Imports of goods and services	28.1	27.2	-27.1	27.1	27.5	30.4	30.5	30.3	30.2	30.1	30.2	30.4
Capital and financial accounts	0.2	3.4	-0.1	10.4	-3.5	3.9	3.2	3.6	1.0	1.3	1.2	1.0
o/w: Foreign Direct Investment	-0.7	-2.1	-5.4	-1.6	-5.2	-1.8	-1.7	-1.4	-1.2	-1.0	-0.8	-0.6
Overall balance	-2.4	-0.7	0.9	0.3	2.4	0.5	0.7	-0.8	0.8	-0.1	-0.7	-1.0
						(Billion of US$, unless otherwise indicated)						
Gross international reserves	1.3	1.4	1.7	1.4	2.3	1.4	1.4	1.0	1.1	0.9	0.6	0.3
In months of next year's imports of goods and services	3.0	2.6	3.2	2.8	4.1	2.7	2.5	1.9	1.9	1.6	1.0	0.5

Sources: Gabonese authorities and IMF staff estimates and projections.

1/ The Balance of Payments, reflecting Gabon's transactions with non-residents, reflects flows that are both in foreign exchange and in the CFAF (with the remaining members of the CEMAC currency union). The only exception are the change in reserves up to 2023, which are reportedly calculated to reflect true FX changes.

2/ Staff report for First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (July 8, 2022; EBS/22/53).

Table 5. Gabon: Monetary Survey, 2020–25

	2020	2021	2022		2023		2024	2025
			Prog. 1/		Prog. 1/	Prel.	Proj.	
	(Billion of CFA francs, unless otherwise indicated)							
Net foreign assets	393	204	329	239	654	213	230	120
Bank of Central African States (BEAC)	180	-66	59	-41	384	36	53	-57
Foreign assets	757	766	998	882	1,308	874	822	610
Foreign liabilities	-577	-831	-939	-924	-924	-838	-770	-668
o/w: IMF credit	-459	-541	-645	-623	-631	-535	-467	-365
Deposit money banks (DMBs)	213	270	270	280	270	178	178	178
Foreign assets	418	556	556	731	556	536	536	536
Foreign liabilities	-205	-286	-286	-451	-286	-359	-359	-359
Net domestic assets	2,067	2,391	2,539	2,752	2,687	3,069	3,140	3,280
Domestic credit	2,501	3,008	3,165	3,352	3,254	3,585	3,725	3,671
Claims on general government (net)	1,296	1,612	1,561	1,766	1,473	1,740	1,733	1,585
Claims on central government (net)	1,324	1,603	1,551	1,775	1,464	1,769	1,761	1,614
Claims on central government	952	1,090	1,196	1,272	1,181	1,209	1,140	1,027
Statutory advances	453	453	453	453	453	453	453	441
Use of IMF credit	459	541	645	623	631	535	467	365
Liabilities to central government	-220	-132	-275	-244	-490	-318	-318	-318
Claims on public agencies (net)	-29	9	9	-9	9	-29	-29	-29
Claims on nongovernment 2/	1,205	1,396	1,604	1,586	1,781	1,845	1,993	2,086
Other items (net)	-433	-617	-626	-600	-567	-516	-585	-392
Broad money (M2)	2,461	2,595	2,868	2,991	3,340	3,282	3,370	3,400
Currency	412	477	437	365	510	398	409	413
Deposits	2,049	2,118	2,430	2,626	2,831	2,884	2,961	2,987
Memorandum items:	(Annual percentage change, unless otherwise indicated)							
Reserve money	6.8	5.1	6.3	10.1	14.7	11.8	2.7	0.9
Broad money (M2)	6.8	5.5	10.5	15.2	16.5	9.7	2.7	0.9
Total Deposits	3.9	2.8	15.1	22.4	16.9	22.4	2.8	0.9
Total Credit	13.7	13.5	9.5	14.3	14.3	14.3	7.7	2.0
Broad money (in percent of overall GDP)	27.9	23.1	20.6	22.8	24.2	26.4	26.4	26.4
Velocity (Non-oil GDP/M2)	2.7	2.8	2.8	2.7	2.6	2.2	2.4	2.5
Gross international reserves (billions of US Dollars)	1.3	1.4	1.7	1.4	2.3	1.4	1.4	1.0

Sources: BEAC; and IMF staff estimates and projections.

1/ Staff report for First and Second Reviews of the Extended Arrangement under the Extended Fund Facility (July 8, 2022; EBS/22/53).

2/ Includes claims on the private sector and on public non-financial corporations.

Table 6. Gabon: Financial Indicators for the Banking Sector, 2015–23 (end of period)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital adequacy									
Total bank regulatory capital to risk-weighted assets[1]	8.3	8.1	12.9	13.7	17.0	17.5	16.9	16.1	14.7
Total capital (net worth) to assets	4.5	4.7	7.7	6.9	9.9	9.8	10.2	9.1	8.6
Asset quality									
Non-performing loans (gross) to total loans (gross)	9.1	9.0	11.8	15.7	9.2	9.0	7.6	7.6	7.6
Non-performing loans less provisions to regulatory capital	66.3	51.2	40.2	70.4	15.5	11.0	8.7	10.7	10.0
Provisions to non-performing loans	47.3	60.1	64.9	52.9	74.0	80.2	81.7	77.3	78.1
Earnings and profitability									
Return on equity[2]	5.1	14.9	13.7	18.5	18.5	17.1	16.9	19.1	20.7
Return on assets	1.1	2.1	1.9	2.8	2.7	3.1	3.1	3.2	3.2
Non interest expense to gross income	78.1	71.0	75.1	63.9	65.5	60.8	63.5	58.3	54.4
Liquidity									
Liquid assets to total assets	24.4	25.0	28.5	28.7	26.8	27.2	30.5	36.3	28.2
Liquid assets to short-term liabilities	148.3	134.0	157.1	169.7	140.1	166.9	180.8	197.5	176.7

Source: Banking Commission of Central Africa (COBAC).

1. Calculated according to the Basel I guidance.

2. Return in ROE is calculated based on annualized net profit before tax.

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Proj.				
Fund obligations based on existing credit										
(in millions of SDRs)										
Principal	11.9	88.1	170.5	130.0	85.7	89.4	71.6	47.7	32.9	32.9
Charges and interest	7.8	42.9	45.9	33.8	27.4	22.9	18.5	15.1	12.8	11.1
Fund obligations based on existing and prospective credit										
(in millions of SDRs)										
Principal	11.9	88.1	170.5	130.0	85.7	89.4	71.6	47.7	32.9	32.9
Charges and interest	8.0	42.9	45.9	33.8	27.4	22.9	18.5	15.1	12.8	11.1
Total obligations based on existing and prospective credit										
In millions of SDRs	19.9	131.0	216.4	163.8	113.0	112.3	90.0	62.9	45.7	43.9
In millions of US$	26.6	174.8	287.5	218.1	150.9	150.2	120.8	84.5	67.5	64.9
In percent of exports of goods and services 1/	0.3	2.1	3.4	2.7	1.9	1.9	1.5	1.1	0.8	0.8
In percent of debt service 2/	4.9	27.4	26.3	22.4	16.1	14.1	11.1	7.7	6.0	5.4
In percent of GDP	0.1	0.9	1.4	1.0	0.7	0.7	0.5	0.4	0.3	0.3
In percent of Gross International Reserves	1.9	12.1	21.3	21.8	14.4	16.7	19.8	30.9	-45.0	-9.5
In percent of quota	9.2	60.7	100.2	75.8	52.3	52.0	41.7	29.1	21.1	20.3
Outstanding Fund credit										
In millions of SDRs	793.5	740.5	499.8	369.8	284.1	194.7	123.1	75.4	42.5	9.7
In millions of US$	1061.1	987.8	664.1	492.3	379.3	260.4	165.2	101.3	62.9	14.3
In percent of exports of goods and services 1/	11.1	11.7	7.8	6.0	4.8	3.3	2.1	1.3	0.8	0.2
In percent of debt service 2/	194.6	154.9	60.8	50.6	40.6	24.5	15.2	9.3	5.6	1.2
In percent of GDP	5.0	4.8	3.2	2.3	1.8	1.2	0.7	0.4	0.3	0.1
In percent of Gross International Reserves	74.8	68.5	49.1	49.3	36.1	28.9	27.1	37.0	-41.9	-2.1
In percent of quota	367.4	342.8	231.4	171.2	131.5	90.1	57.0	34.9	19.7	4.5
Net use of Fund credit (in millions of SDRs)	104.2	-88.1	-170.5	-130.0	-85.7	-89.4	-71.6	-47.7	-32.9	-32.9
Disbursements	116.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	11.9	88.1	170.5	130.0	85.7	89.4	71.6	47.7	32.9	32.9
Memorandum items:										
Exports of goods and services (in millions of US$)	9,535	8,441	8,503	8,168	7,949	7,886	7,882	7,925	8,111	8,177
Debt service (in millions of US$)	545	638	1,092	973	935	1,062	1,085	1,095	1,131	1,206
Nominal GDP (in millions of US$)	21,076	20,524	21,013	21,099	21,426	21,827	22,353	22,868	24,304	24,730
Gross Official Reserves Imputed to Gabon (in millions of US$)	1,418	1,441	1,352	999	1,052	901	609	274	-150	-685
Quota (millions of SDRs)	216	216	216	216	216	216	216	216	216	216

Source: IMF staff estimates and projections.

1/ Exports of goods and services for 2022 and 2023 are based on staff projections.

2/ Total debt service includes IMF repayments.

Table 8. Gabon: Decomposition of Public Debt and Debt Service by Creditor, 2022–23

	Debt Stock (end of period)						Debt Service			
	2022			2023			2022	2023	2022	2023
	US$ mln	*Percent debt*	*Percent GDP* [1]	*US$ mln*	*Percent debt*	*Percent GDP* [1]	*US$ mln*		*Percent GDP* [1]	
Total	**13,499**	**100.0**	**63.7**	**14,582**	**100.0**	**70.5**	**1,693**	**2,291.6**	**8.0**	**11.2**
External	**7,303**	**54.1**	**34.5**	**7,056**	**48.4**	**34.1**	**649**	**1,248.6**	**3.1**	**6.1**
Multilateral creditors	3,081	22.8	14.5	2,904	19.9	14.0	170	330.1	0.8	1.6
IMF	1,219	9.0	5.8	1,023	7.0	4.9	41	134.9	0.2	0.7
World Bank	633	4.7	3.0	647	4.4	3.1	26	48.0	0.1	0.2
AfDB/IADB	1,105	8.2	5.2	1,096	7.5	5.3	79	120.9	0.4	0.6
Other	124	0.9	0.6	1,387	9.5	6.7	334	614.8	1.6	3.0
Bilateral Creditors	1,365	10.1	6.4	1,299	8.9	6.3	160	160.6	0.8	0.8
Paris Club	495	3.7	2.3	510	3.5	2.5	33	43.8	0.2	0.2
Canada	4	0.0	0.0	4	0.0	0.0	0	0.2	0.0	0.0
France	491	3.6	2.3	505	3.5	2.4	33	43.6	0.2	0.2
Non-Paris Club (China)	869	6.4	4.1	789	5.4	3.8	127	116.8	0.6	0.6
Bonds	2,527	18.7	11.9	2,521	17.3	12.2	200	638.4	0.9	3.1
Commercial creditors	330	2.4	1.6	332	2.3	1.6	119	119.5	0.6	0.6
Austria	74	0.5	0.4	66	0.5	0.3	21	23.8	0.1	0.1
France	24	0.2	0.1	16	0.1	0.1	19	12.8	0.1	0.1
China	137	1.0	0.6	122	0.8	0.6	40	42.0	0.2	0.2
Other international creditors	95	0.7	0.4	129	0.9	0.6	39	40.8	0.2	0.2
Domestic	**6,197**	**45.9**	**29.3**	**7,526**	**51.6**	**36.4**	**1,044**	**1,043.1**	**5.0**	**5.1**
T-Bills	452	3.3	2.1	690	4.7	3.3	…	…	…	…
Bonds	2,443	18.1	11.5	3,272	22.4	15.8	566	731.8	2.7	3.6
Loans	1,410	10.4	6.7	1,313	9.0	6.3	199	137.8	0.9	0.7
Other debt[2]	1,893	14.0	8.9	2,251	15.4	10.9	…	…	…	…
Memo items:										
Nominal GDP	21,076			20,524						

Sources: Gabonese authorities and IMF staff estimates.
1/ The debt-to-GDP ratio is derived from original data in CFA Francs.
2/ Arrears and legal debt as estimated by staff.

Annex I. Recent Engagements: EFF Program Performance and Past Article IV Advice

A. EFF Program: Taking Stock of Performance

1. The current three-year extended arrangement under the Extended Fund Facility (EFF) for Gabon was approved in July 2021.[1] The program was initiated against the backdrop of weakening economic, social, and fiscal performance with the onset of the COVID-19 pandemic. It aimed to support the short-term response to the COVID-19 crisis, reduce fiscal and debt vulnerabilities that were building up, and foster high, sustainable, green, and inclusive private sector-led growth. To this end:

- Quantitative conditionality focused on delivering a fiscal adjustment of about 4 percentage points of nonoil GDP, to (i) achieve a nonoil primary deficit of 3.4 percent of nonoil GDP by end-2023 and (ii) reduce public debt to below 70 percent of GDP (the regional CEMAC debt ceiling) by 2024. The adjustment effort focused on bolstering nonoil revenues (by 3.2 percent of nonoil GDP), with continued medium-term improvements on account of extended tax and tax administration efforts, and on reductions in current spending.
- Structural reforms focused on addressing governance in the extractive sector, strengthening public financial management, improving financial sector soundness, and enhancing the investment climate.

2. The program conditionality was significantly frontloaded because of the unfinished reforms during the previous arrangement and in anticipation of a potential weakening in the reform drive ahead of the August 2023 elections. The bulk of the adjustment was targeted to take place in 2021-22, and 70 percent of the prior actions and structural benchmarks were envisaged by end-2021, the timeline for completing the second review. Similarly, some 52 percent of the financing under the program was linked to the completion of the prior actions and the first two reviews.

3. In the event, only two reviews were completed. Delays in implementing the structural reform agenda and challenges in implementing the fiscal program (including the continued incurrence of external arrears) delayed the completion of the first review and led to the combining of the first two reviews. Subsequently, pre-electoral pressures, and the inflationary and social fallout of Russia's war in Ukraine further slowed the reform efforts and prevented the completion of subsequent reviews, despite the significant increase in global oil prices in 2022–23. Discussions to bring the program back on track were paused in April 2023, ahead of the elections,

[1] Financing under the program was envisaged to total SDR 388.8 million (about US$553.2 million at the time of approval) or 180 percent of the Gabon quota. It also followed emergency financing from the IMF under the Rapid Financing Instrument (US$299.61 million) in 2020 to meet urgent balance of payment needs associated with the onset of the pandemic in 2020.

on authorities' request; and their resumption was no longer feasible in light of the significant deviations and the change in government following the August 2023 coup d'état.

Figure I.1. Gabon: 2021 EFF vs. Actual Performance

Note 1: Differences between the starting points of the program and actual data reflect data revisions.
Note 2: The EFF targeted the debt ratio to GDP, but differences relative to the program reflect oil price developments rather than policies.

4. By end-2023, the last test date set under the program, the fiscal performance had veered off-track quite significantly (Figure I.1). The revenue effort fell short by some 2 percentage points of nonoil GDP relative to the target due to the reversal of some of the adjustment measures and non-implementation of others.[2] Pre-electoral spending also added some 6 percentage points of nonoil GDP relative to the program. In part, these deviations also reflect a more transparent accounting of spending (hitherto kept off budget) by the transition government that came to power after the August 2023 coup, which may not have been reported otherwise. As a result, the nonoil primary deficit widened to 14.1 percent of nonoil GDP in 2022 (compared to 5 percent under original program targets) and to 14.3 percent in 2023 (compared to 3.4 percent under the program). Finally, public debt not only failed to fall as a share of nonoil GDP, but it increased by some 20 percentage points above program plans (its decline as a share of GDP is due to higher oil prices rather than an underlying improvement).

5. Performance on the structural reform agenda has been mixed. Resource transparency initiatives, some of which were implemented in 2021, were not completed. The Treasury Single Account (TSA) reforms were not finalized, both because of logistical delays at the central bank, but also because of the continued existence of accounts outside of the TSA. Reforms to improve the procurement, investment, and accounting processes or strengthen the targeting of the social safety nets were also not implemented. Out of 16 structural benchmarks planned for 2022–23 (after the completion of the first two reviews), only one was met (publication of the procurement contract awards at end-July 2022; Table A1.1).

B. Implementation of Past Article IV Advice

6. The 2019 Article IV advice focused on three policy areas for achieving high, inclusive, and resilient growth: (i) a revenue-based and growth friendly fiscal consolidation, (ii) enhancing governance, and (iii) deepening financial intermediation. Implementation of the key policy recommendations to achieve these four goals was limited.

i. **Revenue-based and growth-friendly consolidation.** Measures to *strengthen tax policy and administration and to broaden the tax base*, picked up by the EFF program, were not seen through as discussed in section A. Similarly, measures to *contain non-priority spending while protecting public investment and enhancing social protection* fell through as subsidies were increased to protect the population against fuel price increases and global inflationary pressures, while public investment fell. On social protection, the planned revision of the vulnerable household profiles and the database for vulnerable Gabonese (GEF) were not completed. Finally, progress on the PFM agenda (public procurement, the TSA, and adoption of a restructuring plan for some SOEs) was also limited as discussed above.

ii. **Enhancing governance**. In the oil sector, Gabon regained its EITI membership and published a quarterly report on the flows in the oil sector as well as the first EITI report. However, anti-corruption measures, including asset declarations, stalled.

iii. **Deepening financial intermediation**. Financial stability was maintained and while the government initiated the resolution of the three public banks, it has not yet completed it.

[2] The first wave of tax policy measures budgeted for 2022 was not implemented, and neither were measures programmed for 2023 due to upcoming elections. Rather than broadened, the tax base was eventually narrowed through increased food exemptions in the context of the inflationary pressures stemming from the war in Ukraine.

Annex II. External Sector Assessment

(Based on EBA-Lite3 methodology)

Overall assessment. External position indicators for Gabon are mixed, but those that staff deems most appropriate in Gabon's context suggest that its external position in 2023 is weaker than implied by medium-term fundamentals and that the exchange rate is overvalued. The assessment is based on the current account model, which is better integrated with staff's policy recommendations and has historically provided a better fit for the country than the REER model. Overall, the current account model estimates an overvaluation of 9 percent (vs. 13.2 percent in 2021) once an adjustment is made for the level of oil prices relative to their historical average. The assessment is also supported by the complementary commodity module—applicable to commodity exporters—that suggests that the current account is 5-16pp of GDP weaker than estimated norms. At the same time, the REER model suggests an undervaluation of 6.5 percent (vs. 1.4 percent overvaluation in 2021). It is worth noting that the assessment is based on staff estimates/projections for 2022-23, as the latest finalized historical BOP data are for 2021 (see section on "Data Issues"). The assessment will therefore be sensitive to any subsequent revisions to the BOP data for 2022-23.

Policy Response. A significant fiscal consolidation and measures to bolster structural competitiveness would sustain the strengthening of the external position. The latter include measures to improve governance and the business environment that will be critical to diversifying the economy away from oil and strengthening its external position.

Current Account	**Background**. The current account (CA) improved on the back of higher oil prices in 2022 and 2023, with downside risks expected in the medium term. The CA surplus widened to an estimated 10.4 percent of GDP in 2022 and 4.4 percent of GDP for 2023, with higher oil and manganese exports offsetting an increased import bill. The improvement in the CA did not translate into a significantly higher reserve coverage (around 3 months of imports) mostly due to capital outflows and the likely offshoring of oil receipts. For 2023 and going forward, the CA surplus is expected to weaken with lower oil prices and production, to near zero by 2029. While some of the associated capital outflows will subside in tandem with the CA surplus, the weaker fiscal position and the assumed paucity of budgetary support to finance it under unchanged policies is projected to gradually reduce reserves, It is important to note that Gabon's BOP data is subject to significant revisions, while reserves are only indicatively attributed to CEMAC member countries as they are pooled into the common currency union reserves. **Assessment under EBA-Lite**. Estimates suggest that the 2023 current account was weaker than implied by fundamentals and desirable policies, and that the real effective exchange rate is as a result overvalued by 9.1 percent (Table II.1.A). The overvaluation is based on the estimated gap (2.3 pp of GDP) between the cyclically-adjusted CA surplus (3.8 percent) and the cyclically-adjusted CA norm that also takes into account the oil price cycle and fiscal adjustment needs (6.1 percent). The latter two adjustments take into account the fact that oil prices were above their historical average and the fiscal position is significantly weaker relative to staff advice; without these adjustments the model would suggest that the current account is stronger than implied by fundamentals. The implied overvaluation of the REER is broadly in line with the findings for the region under the same current account model. **Assessment under the commodity module.** The *investment-based sub-model*—where larger inefficiencies of private and public investments reduce the optimal level of investment and increase the current account norm—suggests that the projected current account is on average 5.2pp of GDP weaker than norms in the medium term (2023-2028) (Table II.1.B). In the *consumption-based sub-model*—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 18 percent, compared with an underlying CA projection of 2.4 percent, suggesting a gap of 15.6pp of GDP and also implying an exchange rate overvaluation (Table II.1.C). The model also suggests a medium-term fiscal norm of 6.5 percent of GDP consistent with a constant real per capita annuity, compared with a projected value of -6 percent (Table II.1.D). 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.

REER	**Background**. The REER appreciated by around 5½ percent between September 2022 and December 2023, reflecting the improvement of the terms of trade, and the appreciation of the Euro vis-à-vis the US dollar (Figure 5). By end-2023, the REER was broadly at its five-year average. **Assessment**. The estimates of the REER model suggest that the REER is undervalued by 6.5 percent, in contrast to the signal from the current account model. Staff's overall assessment, however, is based on the current account model which is better integrated with staff's policy recommendations and has historically provided a better fit for the country than the REER model.

Figure II.1. Gabon: External Sector Assessment

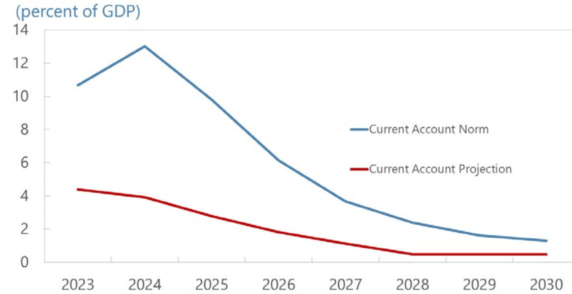
II.1.A. EBA-lite Model Results, 2023

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**4.4**	
Cyclical contributions (from model) (-)	0.5	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**3.8**	
CA Norm (from model) 2/	**1.5**	
Adjustments to the norm (-) 3/	4.6	
Adjusted CA Norm	**6.1**	
CA Gap	**-2.3**	**1.6**
o/w Relative policy gap	0.9	
Elasticity	-0.3	
REER Gap (in percent)	**9.1**	**-6.5**

1/ Based on the EBA-lite 3.0 methodology.
2/ Cyclically adjusted, including multilateral consistency adjustments.
3/ The norm has been adjusted using the 20-year average of oil prices to capture its impact on the current account.

II.1.B Investment-Based Model: Estimated and Projected Current Account

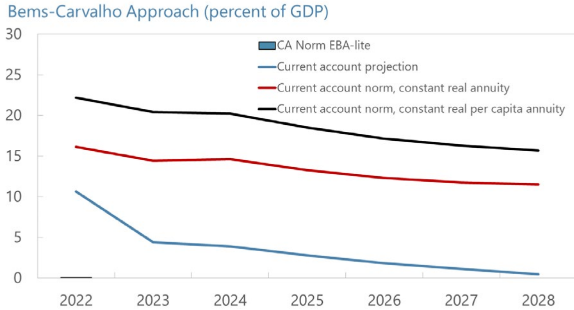
(percent of GDP)



Note: Based on PIMA (2019), follow-up PIMA (2022) findings, as well as staff judgement, the analysis considers an efficiency value of 0.5 (i.e., only half the amounf of investment turns into productive capital) for the public sector, and an efficiency value of 0.75 for the private sector.

II.1.C Current Account Balance Norm

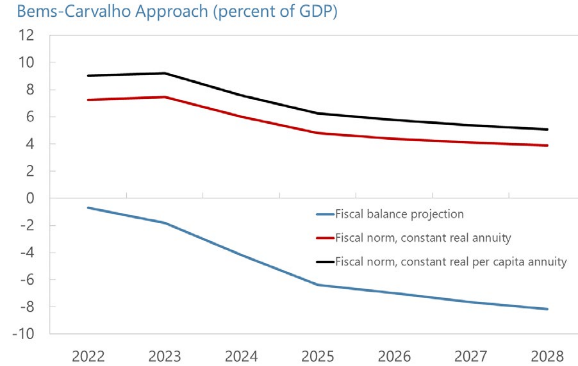
Bems-Carvalho Approach (percent of GDP)



Note: The analysis uses the following key assumptions: (i) -1 percent long term growth of exhaustible resource production owing to maturing oil fields and declining production, (ii) population growth of 2.2 percent per annum based on UN population statistics; (iii) 3 percent long term growth of domestic exhaustible resource consumption; and (iv) 29 percent share of natural resource revenues to budget.

II.1.D Fiscal Balance Norm

Bems-Carvalho Approach (percent of GDP)



Annex III. Risk Assessment Matrix

Risks	Likelihood	Expected Impact on Economy	Policy Responses (excl. CEMAC-level monetary policy)
Global Risks			
Commodity price volatility. A succession of supply disruptions and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High.** Given high dependence on commodity exports, commodity price volatility is a significant driver of the fiscal, external and real sector performance, but policies are not well equipped to respond. Higher prices will improve the performance in all sectors, but an expected increase in fiscal spending would prevent the appropriate buildup of fiscal and reserve cushions and increase risks, while looser credit conditions could increase inflation and build up financial sector risks. Under lower commodity prices, these risks would materialize, with a deterioration in fiscal, external and banking sector conditions.	In the short term, anchor the fiscal position on the needed adjustment effort, while strengthening social safety nets for a more targeted support. In the medium term, build a fiscal framework that would maintain fiscal sustainability in the face of commodity price volatility. Continue diversification towards nonoil activities, including through bold structural reforms to improve the business environment, and preserving fiscal space for needed infrastructure spending.
Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**Low-Medium.** Trade disruptions are most likely to affect imports, weighing on domestic activity and leading to higher core inflation given a narrow nonoil production base. On the export side, the likely increase in global oil prices would be a net positive for Gabon given high dependence on oil (see above).	In addition to the policy responses above, improved trade integration through stronger implementation of existing agreements.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	**Medium**	**Medium.** Lower external demand for commodities (the main channel through which a global slowdown would affect Gabon) would dampen real, external and fiscal sector performance as discussed above.	Refocus the fiscal adjustment on preserving space for infrastructure investment and targeted social spending. Renew efforts at structural reforms to further alleviate bottlenecks, improve governance and boost confidence and private investment.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	**Medium**	**Medium-High.** The financial system is not expected to be affected directly given small size and weak integration in global markets, but higher costs of fiscal financing would expose banks to potential regional default risks given their exposure to the sovereigns in the currency union. The fiscal position will weaken due to higher interest costs, inducing a further reliance on regional bond markets.	Frontload the fiscal adjustment if financing constraints become too binding

Risks	Likelihood	Expected Impact on Economy	**Policy Responses** (excl. CEMAC-level monetary policy)
		Global Risks	
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**Medium.** Gabon is vulnerable to climate events due to poor infrastructure, and disruptions to economic activity (agriculture, mining, transportation) can be expected due to infrastructure damage. Fiscal costs would increase, weakening the fiscal position.	Persevere with the fiscal adjustment to restore fiscal space for critical spending needs. While adjusting, preserve fiscal space for infrastructure spending and undertake reforms to significantly strengthen public investment management. Develop a strategy for climate adaptation, including with assistance from the World Bank.
		Domestic Risks	
Failure to undertake transformational reforms, while attending sustainably to social needs. Political uncertainty could arise during the transition period if social demands are not met.	**NA**	**High (long-term impact).** Failure to use this pivotal moment to implement sweeping reforms would deprive the economy of a chance to accelerate, start convergence towards higher income per capita, create jobs and reduce poverty and inequality.	Undertake transformational reforms as discussed in the report. Address increased social demands within a coherent fiscal policy and reform framework to avoid widening existing imbalances.
Political and social unrests. Given high expectations associated with the recent regime change, delays in meeting social and political demands could lead to deep popular disappointment. That in turn could result in social and political unrest.	**NA**	**Medium.** While economic performance may not be significantly affected relative to recent history, social and political instability could distract policy attention away from reforms and towards inefficient shortcuts, at the expense of fundamental long-term solutions.	Frontload needed fiscal and structural reforms, including policy frameworks to preserve stability while focusing on spending that addresses basic social and infrastructure needs.

Annex IV. Debt Sustainability Analysis

Gabon's debt sustainability has deteriorated significantly since the previous DSA[1], and there is a high risk of distress under unchanged policies on the back of upward debt trajectory and elevated gross financing needs. The deterioration relative to the previous assessment is due to a much weaker fiscal position and less favorable automatic debt dynamics as interest costs have increased. A strong and sustained fiscal adjustment would reduce the risk of debt distress.

1. Debt sustainability indicators have deteriorated significantly since the previous assessment. The DSA completed at the time of the first and second EFF review in June 2022 showed that Gabon's public debt remained sustainable but not with high probability, with the return to a downward path hinging on the successful implementation of the programmed fiscal adjustment. The fiscal position weakened significantly in 2022–23 (ahead of the August 2023 general elections), with nonoil primary deficits some 11 percentage points of nonoil GDP wider than envisaged under the program and public debt as a share of nonoil GDP about 20 pp higher. In addition, both global interest rates and Gabon's spreads increased significantly, with the spreads lingering in near-distressed territory (around 800–900 basis points) for large parts of 2023. Both factors contributed to the deterioration in debt sustainability.

2. Under current policies, the debt level is on an explosive path in the medium and long terms and financing needs are high, both signaling a high risk of distress if left unaddressed.

- *Macroeconomic assumptions.* Under the baseline scenario, growth is projected to remain around 2.6–2.9 percent, with inflation below the central bank target of 3 percent. Oil production is assumed to decline at about 1 percent a year, exhausting by around 2050. The gradual but modest pickup in the growth of the nonoil economy will partly offset this loss, but the impact on fiscal oil revenues (currently over half of revenues) and particularly on the external position (where oil exports account for about two thirds of all exports) will be strongest.
- *Fiscal policy assumptions.* No change in policies is assumed. Relative to 2023, this means that electoral spending falls off; wages and salaries increase to reflect recent announcements by the transition government to increase hiring and wages; investment spending—after some pickup in the near term—returns to its previous levels (average of the last five years), while interest payments move in line with global interest rates and public debt dynamics. Overall, these assumptions imply that the nonoil primary balance will improve by some 2pp of nonoil GDP to hover around 13 percent of nonoil GDP over the medium term. With the projected decline in oil production, the overall fiscal balance will also see a sustained deterioration over the long term.

[1] IMF Country Report No. 22/216, First and Second Reviews of the Extended Arrangement under the Extended Fund Facility.

- *Financing assumptions*. Our baseline scenario foresees no budget disbursements from external donors given the lack of progress on the program with the Fund, although project financing is assumed to continue. We also assume that about half of the external debt amortizations over the projection horizon, including the Eurobond maturing in 2025, will be refinanced externally through commercial, bilateral, or multilateral creditors. Regional/domestic capital markets thus remain the main source of financing: net issuances in these markets are assumed at 1–2 percent of GDP, in line with historical averages, with remaining financing needs covered under "unidentified financing". We assume that the latter is financed largely domestically (e.g., domestic arrears or additional syndicated loans from banks), or through bilateral external budget support. Interest costs for both domestic and external debt are assumed to grow with the level of debt and the dynamics of the effective interest rates to follow WEO projections for interest rates.
- *Debt dynamics under current policies*. The above assumptions contribute to an increase in debt from some 70 percent of GDP in 2023 to over 100 percent in 2029, with the upward dynamics accelerating over the long term due to a sustained loss in oil revenues. This is consistent with a high risk of debt distress under the baseline scenario over the medium and long term. Debt levels would increase further in the case of a commodity price shock and a real exchange rate shock further pushing public debt-to-GDP ratios in 2030 to 111 and 105 percent, respectively. Debt levels are exposed to contingent liability risks given lack of data on guarantees and other contingent liabilities.
- *Gross financing needs* are projected to average 19 percent of GDP per year over 2024–29 factoring the expected 2025 Eurobond amortization, more than triple the 5 percent of GDP expected in the previous DSA and much higher than the historical average of roughly 4 percent of GDP over 2013–23, signaling a high risk of distress. Financing risks are very high because international markets are costly (especially after a long history of external arrears) and official assistance dried up in the absence of an IMF program, leaving regional banks (already overexposed to the sovereigns) and domestic arrears as the main sources of financing, putting pressures on private activity and banking system health.
- In addition, *Gabon's debt carrying capacity* is overstretched in the medium term, as interest payments account for 20–30 percent of projected revenues (depending on oil prices) and total debt service for about 80–115 percent of revenues, at the very high end of the distribution for sub-Saharan Africa.

3. A sustained fiscal consolidation will be critical to ensuring debt sustainability going forward. A large adjustment effort (of around 11 percentage points of nonoil GDP over the next four years, equivalent to 6–7 percent of GDP under current oil price projections) will be needed to bring debt and financing needs to safer ground. Particular attention needs to be paid in the near term to (i) financing risks in 2025 and the pre-financing of some of the Eurobond amortization; (ii) avoiding any external debt service arrears that have contributed to high borrowing costs for Gabon; (iii) avoiding initiatives that lead to a permanent increase in spending; (iv) strengthened commitment controls and cash and debt management functions; and (v) identifying all domestic arrears and planning their gradual settlement.

Figure IV.1. Gabon: Risk of Sovereign Stress

Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**High**	The overall risk of sovereign stress is high, reflecting a high level of vulnerability in the medium term horizon, and a high level of vulnerability in the long term.
Near term 1/	n.a.	n.a.	
Medium term	**High**	**High**	Medium term risks are assessed as high given the absense of fiscal consolidation, less revenue mobilization, higher gross financing needs, and a lack of a clear strategy that would put debt on a sustainable trajectory.
Fanchart	**High**	...	
GFN	**High**	...	
Stress test	Comm. Prices FX rate	...	
Long term	...	**High**	Staff assesses long term risks as high given the projected exhaustion of oil resources and a related deterioration in fiscal revenues, primary balance and debt over the long term.
Sustainability assessment 2/	...	Sustainable	Debt is found to be sustainable but with explosive dynamics and large financing needs in a baseline scenario without an adjustment. This assessment hinges on the existence of a feasible fiscal adjustment path that can improve both debt dynamics and address financing risks.
Debt stabilization in the baseline			...

DSA Summary Assessment

Commentary: The risk of debt distress is high, because high deficits in the baseline scenario (of no policy change) will generate large financing needs and put debt on an explosive path. On the assessment of sustainability, debt is deemed to be sustainable according to the DSA framework because of staff assessment that a fiscal adjustment to correct such unfavorable dynamics is feasible. Going forward, if the fiscal position is not corrected and upward debt dynamics continue, debt could become unsustainable.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure IV.2. Gabon: Debt Coverage and Disclosures

Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	
2. Subsectors included in the chosen coverage in (1) above:						

Coverage group		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	No	
CPS / NFPS / GG: expected	5	Local governments	No	
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

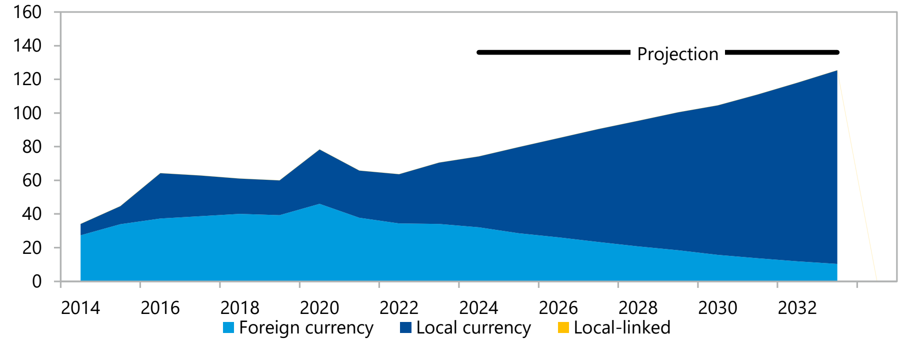
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Debt coverage includes Gabon's central government debt.

Figure IV.3. Gabon: Public Debt Structure Indicators

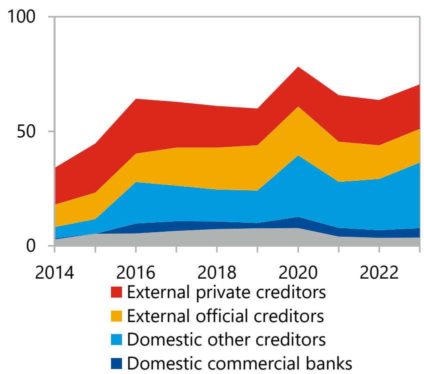
Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



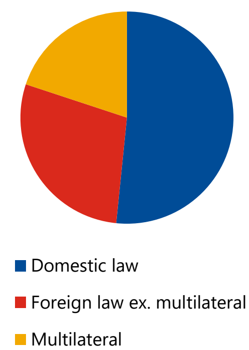
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



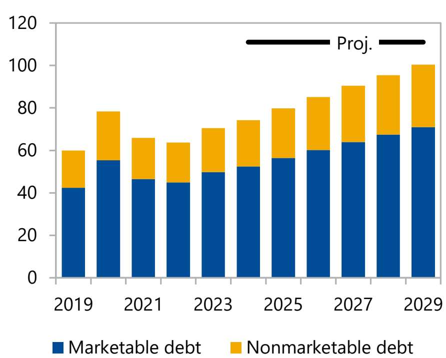
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2023 (percent)



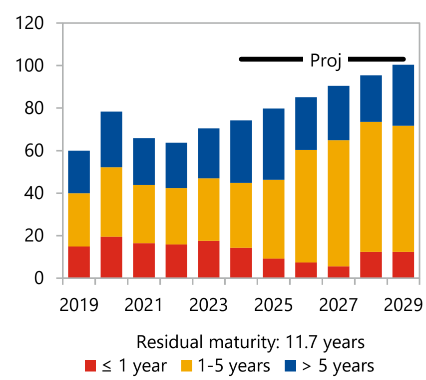
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

Commentary: The currency composition of debt has been historically dominated by foreign currency denominated debt, overwhelmingly denominated in euros. In staff's baseline scenario, the assumption of partial rollover of external debt and reduced budgetary support over the projection horizon leads to an increasingly higher share of debt in local currency. The majority of Gabon's debt is marketable, while the non-marketable debt comprises multilateral debt. A significant portion of the debt is medium term, and creditors comprise a mix of private and official external creditors, while the domestic creditors are mostly regional (bank) creditors.

Figure IV.4. Gabon: Baseline Scenario

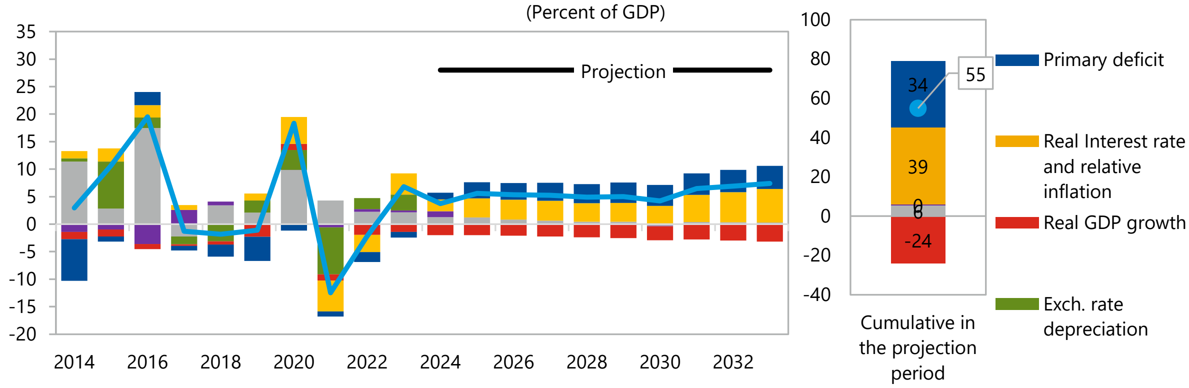
Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Prel.	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	70.5	73.1	78.9	84.6	90.5	96.5	102.8	107.8	114.1	120.8	128.0
Change in public debt	6.8	2.6	5.7	5.7	6.0	6.0	6.3	5.0	6.3	6.7	7.2
Contribution of identified flows	4.7	2.5	4.3	4.5	4.7	4.5	4.6	4.5	6.0	6.6	7.1
Primary deficit	-1.0	1.2	2.9	3.0	3.3	3.5	3.7	3.8	3.9	4.1	4.2
Noninterest revenues	19.9	18.8	17.5	17.3	17.1	17.0	17.0	17.1	17.2	17.2	17.3
Noninterest expenditures	18.8	20.0	20.4	20.3	20.4	20.5	20.8	20.9	21.1	21.3	21.5
Automatic debt dynamics	5.3	0.2	1.5	1.6	1.5	1.0	1.0	0.8	2.2	2.6	3.0
Real interest rate and relative inflation	3.9	2.2	3.4	3.6	3.6	3.3	3.4	3.3	4.9	5.5	6.1
Real interest rate	7.7	3.0	4.6	4.4	4.2	3.8	3.8	3.7	5.3	5.8	6.4
Relative inflation	-3.8	-0.8	-1.2	-0.8	-0.6	-0.4	-0.4	-0.3	-0.4	-0.4	-0.3
Real growth rate	-1.4	-2.0	-1.9	-2.0	-2.1	-2.3	-2.4	-2.5	-2.7	-2.9	-3.1
Real exchange rate	2.9	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.3	1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.3	1.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contribution of residual	2.2	0.2	1.4	1.2	1.3	1.5	1.7	0.5	0.3	0.1	0.1
Gross financing needs	11.5	11.8	20.8	16.9	17.5	17.1	26.0	27.3	31.3	25.8	27.5
of which: debt service	12.5	10.6	17.8	13.8	14.3	13.6	22.3	23.5	27.4	21.7	23.3
Local currency	7.7	5.4	10.1	9.6	10.1	9.8	16.1	17.4	21.4	18.5	20.3
Foreign currency	4.8	5.2	7.8	4.2	4.1	3.8	6.2	6.0	6.0	3.2	2.9
Memo:											
Real GDP growth (percent)	2.3	2.9	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7
Inflation (GDP deflator; percent)	-7.2	-0.2	-1.8	-0.9	-0.5	-0.1	-0.1	0.0	-0.9	-0.8	-0.6
Nominal GDP growth (percent)	-5.1	2.7	0.9	1.7	2.0	2.5	2.5	2.6	1.8	1.8	2.0
Effective interest rate (percent)	4.2	4.1	4.5	4.7	4.5	4.2	4.0	3.7	4.3	4.5	4.9

Contribution to Change in Public Debt

(Percent of GDP)

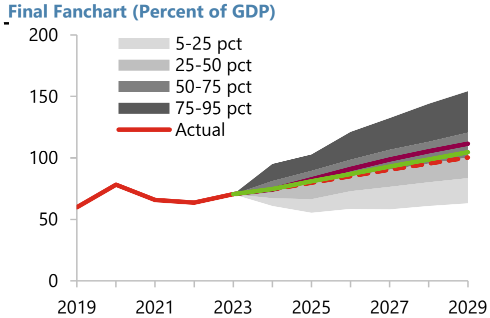


Commentary: Under current policies, public debt will continue to rise, reflecting a higher primary deficit, and the higher interest bill.

Figure IV.5. Gabon: Medium-Term Risk Assessment

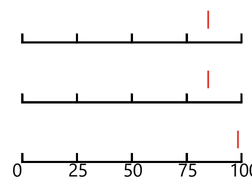
Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

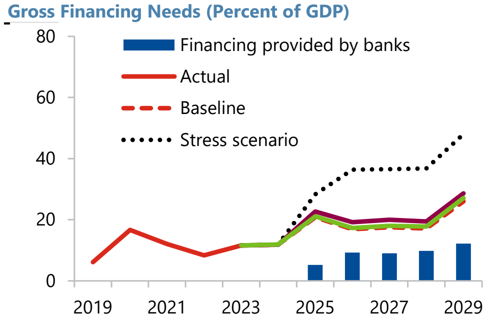


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	91.0	1.3	
Probability of debt non-stabilizaiton *(percent)*	95.7	0.8	
Terminal debt-to-GDP x institutions index	80.9	1.8	
Debt fanchart index (DFI)		3.9	
Risk signal: 3/		**High**	

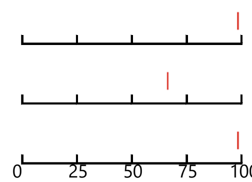


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

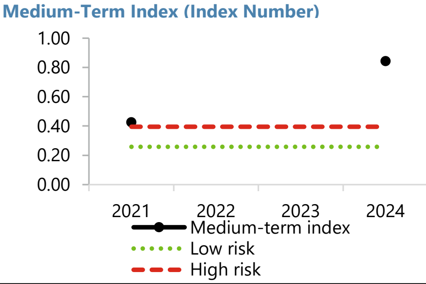
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	18.3	6.3	
Initial Banks' claims on the gen. govt *(pct bank assets)*	14.3	4.6	
Chg. In banks' claims in stress *(pct banks assets)*	95.3	31.9	
GFN financeability index (GFI)		42.8	
Risk signal: 4/		**High**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	3.9	0.9	0.5	0.4
GFN finaceability index	42.8	0.8	0.5	0.4
Medium-term index		0.8		
Risk signal: 5/		**High**		
Final assessment:		**High**		

Commentary: Large gross financing needs, high rollover needs, and large amortizations are the key drivers of vulnerability in the near to medium term. The high risk signal of the debt fanchart is also attributable to high existing debt levels and the high probability of debt not stabilizing in the medium-term. Lower commodity prices and exchange rate fluctuations can also excacerbate vulnerabilities.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure IV.6. Gabon: Realism of Baseline Assumptions

Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			
	real-time	t+3	t+5
Historical Output Gap Revisions 2/			

Comparator Group:

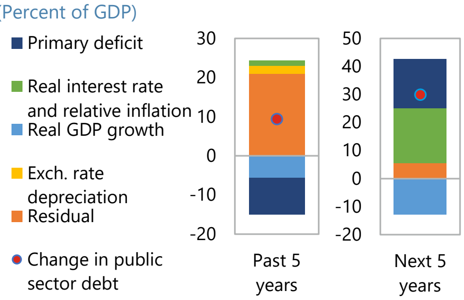
Emerging Markets, Commodity Exporter, Program

Color Code:

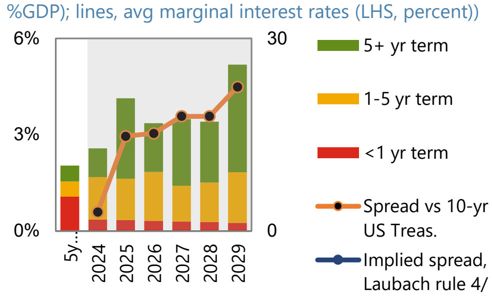
Optimistic	> 75th percentile
	50-75th percentile
Pessimistic	25-50th percentile
	< 25th percentile

Public Debt Creating Flows

(Percent of GDP)

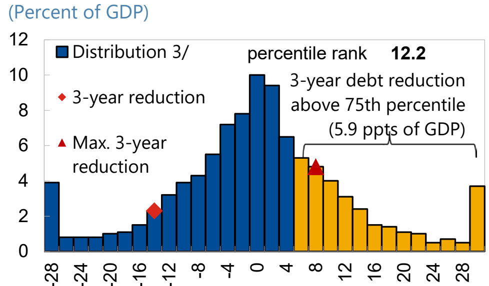


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

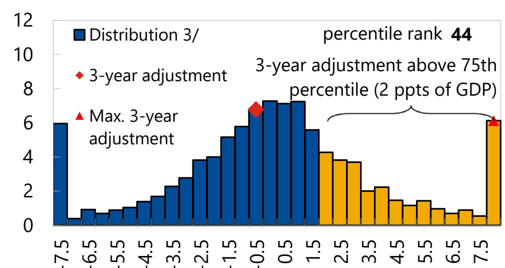


3-Year Debt Reduction

(Percent of GDP)

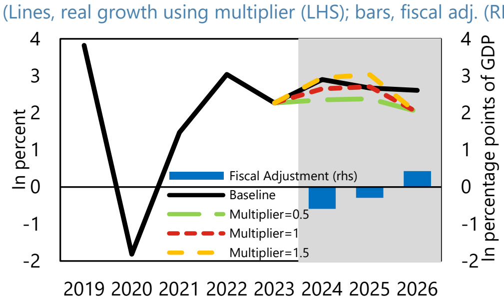


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



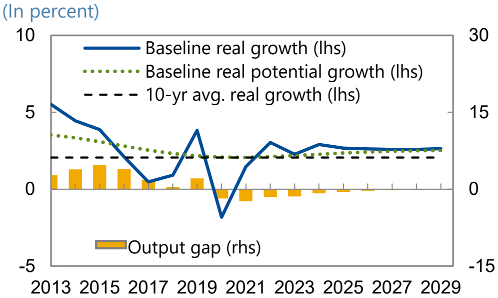
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Commentary: The realism tools do not indicate persistent forecast bias.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

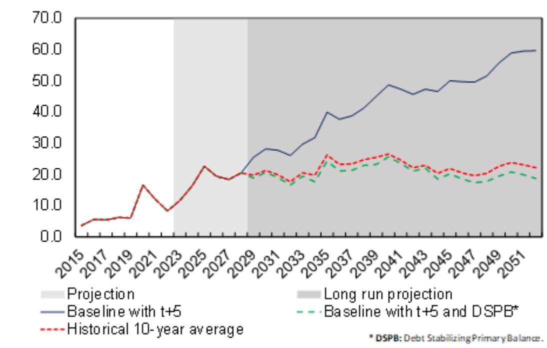
Figure IV.7. Gabon: Long-Term Risk Analysis

Large Amortization Trigger

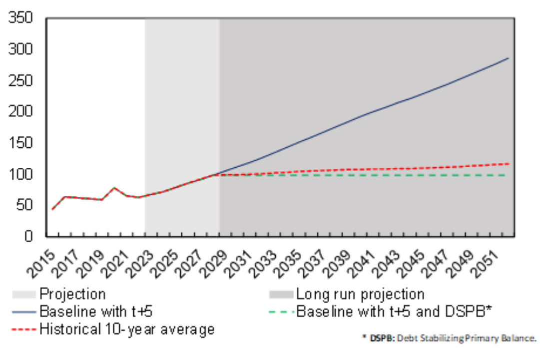
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Overall Risk Indication		

Alternative Baseline Long-term Projections

GFN-to-GDP ratio



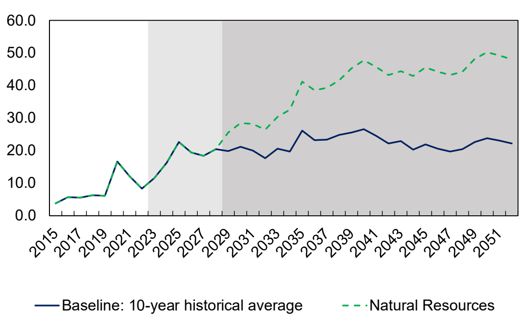
Total public debt-to-GDP ratio



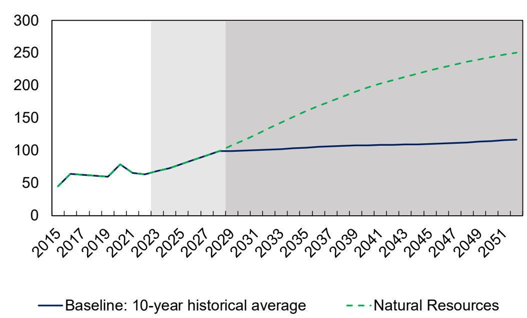
Commentary: While the calculated overall risk indicator is low, current policies pose significant risks to Gabon's long-term fiscal position. The baseline scenario using the 10-year historical average indicates that the debt to GDP ratio will increase moderately in the long run, reaching approximately 108 percent by 2050. Projections using the extension of the fifth projection year (i.e., blue line) show significantly higher financing needs and a debt ratio that surpasses 200 percent of GDP in the long-term. Fiscal consolidation, domestic revenue mobilization, and diversification efforts are required to contain these long-term fiscal risks.

Natural Resources

GFN-to-GDP ratio



Total public debt-to-GDP ratio



Commentary: A reduction in oil extraction and the depletion of Gabon's oil reserves give rise to significant fiscal risks. The natural resource module indicates that the baseline scenario using the 10-year historical average may be underestimating the debt path given the the projected scaling down of oil revenues and GDP growth. Gross financing needs and debt levels are predicted to rise substanitally as a result of these long-run oil production dynamics.

Annex V. Outside the Central Government: Social Security Funds and SOEs

A. Social Security Funds

The social security funds in Gabon pose significant fiscal risks which would grow in the absence of urgent governance reforms. The public pension fund (CPPFAE) faces growing unfunded liabilities. The private pension fund (CNSS) suffers from poor governance and large pension arrears. The health insurance fund (CNAMGS) has been accumulating arrears vis-a-vis suppliers, deteriorating the quality of healthcare services to its members.

CPPFAE: the Public Pension Fund

1. Without a parametric reform, the unfunded liabilities of the public pension fund (CPPFAE) are expected to grow to an unsustainable level. The unfunded liabilities result from the growing discrepancy between the numbers of workers and retirees. The ratio of public service workers per retiree dropped from 5 in 2014 to 3 in 2020. That drop reflected the hiring freeze started in 2015—against an annual increase of five percent for retirees—and the longer life expectancy of retirees. In addition, the generous pension package aggravates this unfunded gap (table). The accumulation of arrears by government for both employer and worker contributions vis a vis the public pension fund also contributed to weaken the financial situation of the CPPFAE. From 2016 to 2022, the government accumulated arrears for both amounting to about 1.2 percent of GDP.

Public Pension Parameters

Variables	*Description*
Reference salary	Last base salary
Employee's contribution rate	6 percent
Government's contribution rate	15 percent
Annuity rate	2 percent
Retirement age	60

Source: Gabonese authorities.

2. The unfunded liabilities of the pension fund would worsen if the government were to align the current pension with the 2015 salary increase agreement. In 2015, the government adopted a wage reform to increase the base salary of the civil servants by 50 percent. The base salary is the basis for the pension calculation. As a result, employees retired from 2015 onwards are entitled to an upward revision of their pension due to a higher base salary. At end-2022, about 10,015 out of 26,359 retirees should have benefitted from a higher pension, but the government never implemented the upward revision of the pension. The government therefore owes about 0.6 percent of GDP should the higher pension be paid retroactively. These pension arrears, coupled with an upward revision of the pension, will increase the unfunded liabilities of the pension system.

3. Against this background, it is urgent to reform the pension system. The government has initiated technical work on a parametric reform of the pension system underpinned by an actuarial study. The next step should be the adoption of one of the reform options proposed by the actuarial study.

The National Health Insurance Fund (CNAMGS)

4. In recent years, CNAMGS has faced some financial challenges due to the government's contribution arrears. The government accumulated some arrears in the transfer of the employer and employee contributions from the public sector to CNAMGS, putting the fund under cash pressure. This also resulted in arrear accumulation of CNAMGS vis a vis its suppliers. To overcome this liquidity challenge, CNAMGS has mainly been relying on the contribution from the private sector workers.

5. The opacity of the database of the most economically vulnerable Gabonese (GEF) has also contributed to increasing the financial strains of CNAMGS. The GEF database has about 900,000 individuals, accounting for 40 percent of the population (against a poverty rate of 33 percent). The database has not been properly updated since its setup. The size of the database reflects inclusion of some nonvulnerable individuals and possible exclusion of some vulnerable households. The large size of the GEF database also weighs on the costs of CNAMGS.

6. Against this background, it is urgent to clear the government's arrears and clean up the GEF database. The government could adopt an arrears clearance plan to provide more cash buffers to the insurance scheme. Also, the authorities could pursue the GEF database update initiated with the support of the World Bank.

The Private Sector Social Security Fund (CNSS)

7. CNSS has poor governance, which led to persistent pension arrears for years. For several years, protests by private sector retirees demanding the payment of pension arrears have become common. In 2022, following growing social discontent due to the unpaid pensions, the government dismissed the board and management of the CNSS to appoint an interim manager to reform the institution. These financial challenges reflect poor governance of the fund. The institution does not publish its financial statements or any other statistics. CNSS operating costs account for a large portion of the fund's spending, reducing resources available for pension payments.

8. The new authorities would like to reform CNSS. They announced the transfer of CNSS management from the public sector to the private sector. Details of the transfer are yet to emerge. It is urgent to audit CNSS to ensure a proper diagnostic and comprehensively address the governance issues.

B. SOEs in Gabon: What We Know for Now[1]

9. Gabon's State-Owned Enterprises (SOEs) are present across a wide spectrum of economic activity, but information about them is scarce. They are active in sectors such as agriculture, electricity, mining, construction, manufacturing, services, and transport. Among these sectors, SOEs involved in mining appear to be the most significant in scale, considering the size of the oil sector.

10. SOEs' governance is poor. The regulatory framework governing SOEs in Gabon is nearly non-existent. In principle, CEMAC countries rely on the Organization for the Harmonization of Business Law in Africa (OHADA) as a foundation for their regulatory and governance framework, but Gabonese SOEs are not managed in line with this framework. For instance, many SOEs do not hold board meetings. Their financial statements are neither certified nor published. Central government supervision is ineffective considering the existence of multiple supervising entities, the absence of clearly defined government responsibilities in the law, and the lack of a centralizing unit within the Ministry of Finance. Gabon's SOEs are divided into three portfolios, each overseen by distinct entities: one managed by FGIS, another by the Caisse des Dépôts et Consignations (CDC), and the third by the Ministry of Hydrocarbons. Poor recruitment practices and weak capacity compound the weak governance of SOEs.

11. Before the coup, the authorities were working on a law on the governance of public companies. The authorities reportedly prepared a draft law to reinforce the monitoring of the SOEs and ensure that the government receives needed information such as financial statements. The draft law aimed to meet best practices and benefit from the technical assistance of donors.

12. Immediate priorities are to adopt this SOE governance law and improve transparency. A significant improvement in SOE governance can be achieved through (i) the implementation of this new law in line with best practices, (ii) the establishment of a single oversight unit, within the Ministry of Finance, responsible for monitoring and supervision, and (iii) the regular publication of reports on the financial well-being of SOEs in the nation.

[1] This section relies on information shared by World Bank staff as part of an analytical work done on SOEs in the CEMAC region in July 2022.

Annex VI. A Menu of Fiscal Measures to Increase Fiscal Space

This annex discusses various reform options that could support the fiscal adjustment going forward. It covers revenues, revenue administration and spending measures.

A. Revenue Measures

This section offers an illustrative list of tax reforms that would help increase revenues, simplify the tax system, and make it more neutral and equitable. These reforms have been selected based on recent capacity development engagement with FAD on income tax reform, existing or forthcoming CEMAC directives, the TADAT assessment, lessons learned from international experience and best practice, and potential economic, fiscal, and social benefits.

1. A key priority could be to substitute all corporate income tax (CIT) holidays with new investment tax credits (ITCs)[1] designed to support actual investment expenditures (rather than investment plans). International experience shows that tax holidays are neither effective nor cost-efficient tax instruments to stimulate investment. Yet, Gabon continues to make extensive use of tax holidays within and outside the General Tax Code. These holidays should be replaced by new investment tax credits designed to support actual capital expenditures (rather than investment projects or intentions). The credit should be introduced with a sunset clause (e.g., 5 years) to ensure proper evaluation of their merits after a few years. The repeal of tax holidays should also apply to individual businesses which should not be eligible for the investment tax credit given that it is intended to support large-scale investments. A pre-requisite for any successful CIT reform would be strengthening the governance and institutional framework around the granting of tax preferences.

2. The alternative minimum tax (AMT) could apply to all businesses without exception, unlike the flat-rate *minimum* fee (*minimum de perception*) which should be repealed. The AMT should be presented as a *de minimis* charge on all businesses for the use of public infrastructure in conducting business in Gabon and should not be negotiable. As of now, businesses exempted from CIT/PIT are usually also exempted from the AMT. The two should be disassociated to ensure at least a minimum contribution to the Treasury even in the event of tax holidays. If the current rate of one percent of turnover under the AMT is deemed excessive, a lower rate (e.g., three-quarters of a percent) could be considered to facilitate the reform. The flat-rate minimum fee unnecessarily complicates the tax system, is highly regressive, and discourages formalization of the economy through incorporation of business undertakings. It should be eliminated with only the AMT applying as a *de minimis* contribution.

3. For the personal income tax (PIT), eliminate the family "quotient" thereby making individuals the unit of taxation. The family quotient establishes tax liability based on household size and generates a potentially significant reduction in taxes, especially for high-income families with several

[1] Although, our focus is on ICTs, there are many alternatives, such as accelerated depreciation, longer loss carryforward periods, and investment allowances, that could improve the cost-efficiency of CIT incentives.

children. Its design yields a questionable outcome as it provides more generous tax subsidies for children in higher-income households, making the measure regressive in nature. A better alternative could be to repeal the family quotient altogether (which will necessarily involve recalibrating tax brackets and rates) and simultaneously increase the generosity (and possibly the scope) of the family allowance. This would allow the government to continue supporting families, albeit in a more equitable and cost-effective way.

4. The PIT could be further simplified by adopting a semi-dual tax system. This would entail progressive taxation of labor income and proportional taxation on income associated with capital, with final rates varying according to the nature of this income (profits, dividends, interest, rents, etc.). In addition, it could broaden the tax base on investment income, which should be facilitated by the adoption of a moderate proportional tax rate on such income. This simplified system is easier to administer and comply with insofar as it facilitates the use of final withholding at source and thus limits the need to reconcile income through year-end filings of tax returns. This reform, especially if adopted alongside other amendments to the PIT such as the repeal of the family quotient or reductions to the deduction granted for presumptive professional expenses, would necessarily require reconsidering tax rates/brackets.

5. The generosity of the deduction for presumptive professional expenses could be scaled back, and bonuses should be fully taxed. The current law provides a universal deduction against labor income for presumptive professional fees. The deduction applies at a rate of 20 percent, up to CFAF 10 million. This deduction is highly regressive as it yields greater tax savings for individuals facing a higher marginal tax rate. Moreover, the deduction also applies to pension income even though there are likely no professional expenses involved in earning such income. A first best solution would be to repeal this provision entirely with consequential amendments to the tax rate schedule. Alternatively, the generosity of the deduction (both the 20 percent and CFAF 10 million) could be scaled back considerably with pension income becoming ineligible for the deduction. The higher deduction granted to ministers and parliamentarians (25 percent) should also be abolished. Lastly, performance allowances and other forms of bonuses should not be exempted from tax as they are just another means of remunerating employees.

6. Reform of the PIT and scaling back professional expenses could require important amendments. Initiating those amendments would necessitate strengthening the quality of the taxpayer database to be able to assess with some degree of certainty the distributional and revenue impact of the reform scenarios. These amendments could provide more flexibility to authorities in deciding additional revenue sources.

7. Introduce necessary amendments to ensure that Gabon's VAT conforms with the new regional CEMAC Directive. This includes eliminating one of the two reduced VAT rates (5 percent and 10 percent) and reviewing the list of supplies currently exempt or subject to a reduced rate. The new CEMAC VAT Directive was formally adopted in November 2022, with member countries given until 1 December 2023 to introduce necessary amendments to their domestic legislation.

8. Increase excise rates for specific products. Excise rates on goods with a negative impact on health such as alcoholic beverages (beer, wine and champagne), tobacco, and sugary drinks could be raised. Gabon does not apply an excise tax as mandated by the regional directives, which should be at least at 12.5 percent. The excise rates should be the same for imported and domestic products. Imports of passenger vehicles should also be subject to excise duties (CEMAC Directive 3/19 – art. 3).

9. Tax transactions through mobile phone. This reform should be led in the framework of a global negotiation with phone companies to avoid an increase in the cost of the transactions for the user (currently 3% of the transaction value).

B. Revenue Administration

10. Improve compliance level by digitalizing the core tax and customs procedures. A new IT tax system (DIGITAX) has been contracted to replace LIIR. With this new platform, all taxpayers will have to declare their incomes or turnovers and pay their taxes online. For small taxpayers, a simplified tax declaration process could be smoothly integrated with tax payments on mobile devices, speeding up tax collection. The creation of this electronic environment will help the adoption of pre-filled tax returns, increase tax return filling and payment rates, enable crosschecking of online active registered taxpayers' data and improve tax audit. In addition, adopting electronic invoices would have a positive impact on VAT performance. This last reform could be implemented in 2024.

11. Ongoing digitalization, which is still incomplete, must also be sped up, in particular with regard to: (i) the creation of a database of the values of the main imported products, (ii) the use of the risk management and analysis module to improve the selectivity criteria for customs controls, (iii) the activation of the litigation module to deal with violations, (iv) the online payment of customs duties and (v) the interconnection of the ASYCUDA accounting module to secure the collection of customs duties and provide a framework for the monitoring of credits.

12. Improve compliance level of taxpayers through better management of available information. The implementation of DIGITAX will also be an opportunity to improve interfacing with the Treasury and Customs' IT systems and other third parties (social security agencies, public expenditure related administrations, banks, electricity and water suppliers, mobile phone companies, etc.) and will enable data cross checking to detect non-registered taxpayers. Treasury on its side must review the registering process of tax payment, to be able to trace payments to the payer and to the type of tax, and the monitoring of the flow of information through the commercial banks, BEAC and the tax department (DGI), to guarantee timely recording and accounting of tax payments, on-time VAT credit refunds payments, and the emission of receipt to taxpayers.

C. Spending Measures

13. Set a wage bill trajectory consistent with medium-term fiscal sustainability objectives. This will require:

i. Strengthening payroll controls, including by finalizing the ongoing audit of the file of civil servants; ensuring regular consistency between personnel records and payroll files; and ensuring the enforcement of pay-scales (including bonuses) at all levels.

ii. Strengthening the recruitment process, including by improving coordination with the line ministries on the personnel and wage bill processes.

iii. Conducting a comprehensive evaluation for adjusting the civil service size to enhance efficiency.

iv. Assessing existing arrears on salaries and social security contributions, validating the amounts, and specifying the pace of repayment.

v. Including the payment of bonuses to senior staff, including advisors, in the budget if not already included.

14. Remove fuel subsidies by aligning pump prices with international reference prices, adjusted to fully reflect supply costs and taxation, excluding kerosene and butane that are mostly consumed by poor households. The passthrough to domestic prices could be gradual, depending on fiscal space and must be preceded by a comprehensive communication campaign to publicize the large cost of inefficient and inequitable subsidies. The removal of subsidies should be accompanied by enhanced social protection to adequately compensate poor households for the rising fuel prices.

15. Rationalize transfers to public entities. This will require: (i) strengthening the governance of SOEs and the role of the government as the main shareholder, by bringing the legal framework in line with the Uniform Act of the OHADA and OECD guidelines on corporate governance of SOEs; (ii) defining roles and responsibilities of the SOE oversight entity recently created under the ministry of economy and give it the legal support to request timely information from the SOEs; (iii) conducting and publishing diagnostic audits focusing on the financial viability of all the SOEs and identifying entities to be restructured in order to generate savings; (iv) tightening disclosure and publication requirements for SOEs, including disclosing SOEs' guaranteed debts and contingent liabilities, and publishing annually the certified financial statements of all SOEs, including the government oil company GOC, the Equatorial Mining Company (SEM), the development bank CDC, the oil refinery SOGARA, and the sovereign wealth fund (FSRG) and its Asset Manager (FGIS); and (v) taking stock of the work led by the task force dedicated to the rationalization of public agencies (SPPs) and independent administrative authorities (AAI), to improve the management, transparency and viability of these agencies.

16. Strengthen public investment management. Public investment processes in Gabon are still inefficient and hampered by several structural weaknesses as stated in the 2022 PIMA, resulting in poorly designed projects, extra costs, and interrupted projects. The authorities aim to sign a decree to improve the institutional and organizational framework governing public investments. This will help formalize the programming and budgeting of investment projects, especially the ex-ante evaluation, selection, execution and monitoring of investments. Project evaluation and selection criteria could incorporate analysis in terms of climate change. Also, the adoption of commitment authorization and payment credit reform (AE/CP), particularly for infrastructure projects, would improve expenditure planning. It is also important to prioritize ongoing investment projects and complete them, when feasible, before new projects are considered. This medium-term reform could be supported initially by the introduction of training courses, followed by a pilot in the infrastructure sector. Last, special attention should be paid to PPPs.

17. Improve the quality of public spending through periodic reviews. The authorities should: (i) conduct annually a review of spending by line ministry/institution; and (ii) undertake proper spending reviews, with World Bank support every three years.

18. Increase the predictability and legibility of public action. The lack of a medium-term perspective makes it difficult to reap the benefits of program budgeting and calls for the elaboration of a sound medium-term expenditure framework. In addition, the absence of a functional classification that sorts expenditures by major purposes of public action hampers its legibility. The adoption of such a classification requires modifications to the budget IT system VECTIS. The decentralization of payment authorization to line ministries is another measure designed to ensure that spending is prioritized based on its sector relevance.

19. Improve budget execution and control to avoid arrears. Budget control needs to be strengthened, on the one hand through a better definition of its framework, and on the other hand, using tools such as commitment plans. A proper articulation of commitment plans with cash flow plans would help avoid liquidity defaults and the creation of payment arrears. To achieve this, a decree could be drawn up defining, among other things, the order of priority for payments. Nevertheless, good execution and cash management require, above all, curbing the use of derogatory procedures such as cash advances, forecast commitments or any other payment process that does not subsequently go through the commitment, liquidation and ordering stages of expenditure, or that inadequately registers liquidation while the corresponding service is not actually provided. Finally, to avoid arrears, the budget department should be enabled to take measures to control expenses. Article 64 of the organic law requires a decree of application to be fully implemented.

20. Ensure adequate fiscal reporting and external audit. The state must control public finances beyond the central budgetary government with a better register of the state assets and liabilities, including guarantees, and report on fiscal risks. Among other measures, this will require the full implementation of the current reforms for accounting of the non-financial assets. A fiscal transparency evaluation could be undertaken to assess the actual coverage of fiscal reports and fiscal risk analysis with the support of the IMF. Regular and timely publication of quarterly budget execution reports and communication of government finance statistics are key to ensuring close monitoring of the fiscal stance of the government. To facilitate a clear understanding of the State's financial situation, it is also important to ensure that the budget classification (NBE) and the chart of accounts (PCE) are aligned. These are actions that would reinforce the auditing of government, whether internally (by general inspectorates) or by the Court of Auditors (*Cour des Comptes*).

INTERNATIONAL MONETARY FUND

GABON

May 10, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	The African Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

As of March 31, 2024

Membership Status: Joined: September 10, 1963

General Resources Account:	**SDR Million**	**%Quota**
Quota	216.00	100.00
IMF's Holdings of Currency (Holdings Rate)	835.29	386.71
Reserve Tranche Position	18.06	8.36

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	353.75	100.00
Holdings	128.00	36.18

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
Emergency Assistance [1/]	148.50	68.75
Extended Arrangements	488.83	226.31

[1/] Emergency Assistance may include ENDA, EPCA, and RFI.

Latest Financial Commitments:

Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved** (SDR Million)	**Amount Drawn** (SDR Million)
EFF	Jul 28, 2021	Jul 27, 2024	388.80	197.10
EFF	Jun 19, 2017	Jun 18, 2020	464.40	375.06
Stand-By	May 07, 2007	May 06, 2010	77.15	0.00

Outright Loans:

Type	**Date of Commitment**	**Date Drawn/Expired**	**Amount Approved** (SDR Million)	**Amount Drawn** (SDR Million)
RFI[1/]	Jul 31, 2020	Aug 04, 2020	108.00	108.00
RFI[1/]	Apr 09, 2020	Apr 13, 2020	108.00	108.00

[1/] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e., Board approval date.

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

		Forthcoming			
	2024	**2025**	**2026**	**2027**	**2028**
Principal		137.56	130.01	85.69	89.41
Charges/Interest		33.16	33.67	27.24	22.77
Total		170.72	163.68	112.92	112.18

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

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

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Safeguard Assessments: The Bank of the Central African States (BEAC) is the regional central bank of the *Central African Economic and Monetary Community* **(**CEMAC). Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, a safeguards assessment was completed in 2022. The 2022 assessment noted that subsequently to the 2017 legal reforms strong governance arrangements remained in place. While external audit arrangements were considered as robust, the assessment encouraged additional strengthening of internal audit mechanisms, risk management, and cyber-resilience and business continuity frameworks. A safeguards monitoring mission took place at end-2023 to follow up on the remaining 2022 safeguards recommendations, an external quality assessment of internal audit, and the current implementation of the governance framework. The mission's preliminary recommendations included the need for onboarding for new members of senior management and the Board and a delegation framework for executive decision-making.

Exchange Rate Arrangements: The de jure and de facto exchange rate arrangement of CEMAC is a conventional peg. Gabon participates in CEMAC and has no separate legal tender. Gabon has accepted the obligations of Article VIII, Sections 2, 3 and 4 but Gabon maintains a 1.5 percent tax on wire transfers abroad, which constitutes an exchange restriction. The regional currency is the CFA franc, which is pegged to the euro at a fixed rate of CFAF 655.957 per euro.

Article IV Consultations: The last Article IV consultation with Gabon was concluded by the Executive Board on December 16, 2019. Gabon is on a 24-month Article IV consultation cycle but change in the political/security situation has resulted in delays.

TECHNICAL ASSISTANCE

Gabon has received technical assistance (TA) from AFRITAC and the IMF headquarters. TA focused on budget execution, cash and debt management, public investment management, tax reform, external and government statistics, and national accounts. Key TA missions are listed below.

2024

March	AFRITAC mission to improve Public Entities supervision tools
March	AFRITAC mission on Implementing Gender Budgeting
February	AFRITAC mission on strengthening revenue forecasting

2023

November	FAD mission post Tax Administration Diagnostic Assessment Tool (TADAT)
September	STA mission on external sector statistics
September	FAD mission on tax policy (CIT/PIT Directive - ad hoc engagement Budget 2024)
June	FAD mission on tax revenue administration (assessment of tax system using TADAT methodology)
June	FAD mission on tax policy (CIT/PIT reforms for adopting CEMAC regional Income Tax Directive)
June	AFRITAC mission Government Finance Statistics
May	FAD mission on tax policy (CIT/PIT reforms for adopting CEMAC regional Income Tax Directive)
April	FAD mission on budget execution
April	AFRITAC mission on strengthening budgetary control
April	STA mission on national accounts
February	FAD mission on tax policy (CIT/PIT reforms for adopting CEMAC regional Income Tax Directive)

2022

November	FAD mission on strengthening budget execution reporting
October	AFRITAC mission on social sector and local government data compilation
September	FAD mission on revenue administration (implementation plan for new Integrated Tax Administration System)
June	AFRITAC mission on cash management
February	FAD mission on public investment management (PIMA and C-PIMA follow-up)

2021

November	AFRITAC mission on national accounts
September	AFRITAC mission on strengthening budget execution reporting
February	AFRITAC mission on external sector statistics
January	FAD mission on public financial management and fiscal risks

2020

December	FAD mission on the update of the commitment plan
December	FAD mission on public expenditures forecasts
December	FAD mission on the assessment of fiscal risks
November	AFRITAC mission on national accounts
September	AFRITAC mission on strengthening budget execution reporting
September	FAD mission for the Review of fiscal risk annual report
August	FAD mission on Tax administration
June	FAD mission on customs administration

2019

October	STA mission on data dissemination via Enhanced General Data Dissemination System (e-GDDS)
June	AFRITAC mission on government finance statistics (adoption of GFSM 2014)
June	FAD mission for Public Investment Management Assessment (PIMA)
June	AFRITAC mission on national accounts data compilation
June	AFRITAC mission on public investment management
April	FAD mission on property taxation
March	STA mission on external sector statistics
February	AFRITAC Mission on Medium-Term Debt Management Strategy

2018

November	FAD mission on cash and debt management
November	FAD mission on revenue administration measures
November	AFRITAC mission on government finance statistics (adoption of GFSM 2014)
November	AFRITAC mission on debt management
April	STA mission on external sector statistics
February	AFRITAC mission on government finance statistics (adoption of GFSM 2014)

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Gabon collaborates with the World Bank Group and the African Development Bank. Further information may be obtained from the following websites:

D. Gabon and the World Bank

https://www.worldbank.org/en/country/gabon

E. Gabon and the African Development Bank

https://www.afdb.org/en/countries/central-africa/gabon

STATISTICAL ISSUES

As of March 31, 2024

I. Assessment of Data Adequacy for Surveillance
General. Data provision has serious shortcomings that significantly hamper surveillance. Data timeliness and quality require significant improvement. Staff analysis is affected by shortcomings in the availability, accuracy, and timeliness of data. The statistical agencies do not have sufficient access to source data and lack an institutional framework in which to share information and coordinate compilation efforts. Shortcomings are particularly notable in (i) the national accounts, which have not been published by the statistical office since 2010; (ii) the balance of payments due to frequent large revisions and inconsistencies; and (iii) the fiscal data because of poor recording practices and incomplete coverage.
National Accounts. National accounts were last published by the General Directorate of Statistics in 2010 and analysis currently depends on estimates prepared by the Ministry of Economy. The national accounts that continue to be compiled by the Statistics Office are not published and could potentially carry large discrepancies from what is currently used for surveillance. Estimates of demand-side GDP components and short-term indicators are also not published by the Statistics Office. AFRITAC Central (AFC) has worked with the authorities to incorporate the System of National Accounts 1993 methodological recommendations into a series with base year 2001, most recently reviewing the estimates for 2018-2020 and making recommendations on improving collection of the source data. A 2023 AFC TA mission also sought to assist the General Directorate of Statistics with preparing base 2019 data in line with the 2008 System of National Accounts, but the work on the base 2001 series must be finalized first. The authorities expressed their interest in a TA mission to ensure the quality of the data prior to their publication. AFC will also assist with the development of quarterly national accounts statistics, but this work has not yet started. **Employment and unemployment.** Data on unemployment and the total labor force are not compiled.
Price Statistics The authorities have replaced the 2004 Harmonized Consumer Price Index (HCPI) with a new index using 2018 as the reference period. The weighting structure is based on expenditure data from the 2017 poverty survey - *Enquête Gabonaise pour le Suivi et l'Evaluation de la Pauvreté* (EGEP II) - and the reference population is all households resident in Gabon, broader than the previous 2004 HCPI. TA on price statistics is provided by AFRISTAT.
Government Finance Statistics. On the fiscal side, data had suffered from inadequate recording practices and coverage issues, which complicate the assessment of the fiscal flows, stocks and their consistency, but are starting to improve. Data on the fiscal position of SOEs or on contingent liabilities such as guarantees do not exist. The debt data monitored by the *Direction Générale de la Dette* do not include T-bills, VAT arrears, and supplier arrears. This requires data to be collected from different sources for a comprehensive view of the country's domestic debt. The current coverage of debt is the budgetary central government. Significant progress has been made in adopting the analytical framework and classifications of the GFSM2001/2014 and by producing a TOFE from the government trial balance. Draft TOFE produced in line with GFSM 2014 for the central budgetary administration from the government trial balance, local authorities and public institutions are available. Further extension of the coverage to other government subsectors (e.g., social security) is underway, as the necessary statistical sources become available. Gabonese authorities have indicated their commitment to GFS data and have been investing in training staff, but there remain risks particularly around the mobility of staff.
Monetary and Financial Statistics. Monetary statistics are reported to the Fund by the Banque des États de l'Afrique Centrale (BEAC) on a monthly basis in the standardized report forms (SRFs), with delays up to two months. The depository corporation survey does not include data on deposit-taking microfinance institutions and does not report interest rates offered by the financial institutions to non-financial entities on deposits and loans. Gabon has not reported data to the Financial Access Survey (FAS) since 2014. Until 2014, Gabon reported some indicators of the FAS, including SME and mobile money data, and the two indicators (commercial bank branches per 100,000

adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).
Financial Sector Surveillance. The Banking Commission of the Central African States (COBAC) reports all core and some additional—financial soundness indicators for deposit takers to STA for Gabon.
External Sector Statistics. Balance of payments statistics are compiled by the national directorate of the BEAC, and the estimates are validated by staff from BEAC headquarters. Provisional balance of payments data is available for 2022 and until Q2 2023 but continued revisions and inconsistencies hinder their effective use. The latest, broadly finalized, balance of payments data are for 2021. While there have been improvements in data provision, including the recent publication of provisional balance of payments, the introduction of quarterly updates ending in Q2 2023, and the preparation of IIP data for 2021, concerns persist regarding data quality. These concerns stem from a history of frequent and significant revisions, inconsistencies compared to other data sources such as customs and fiscal accounts, unexplained large movements in the financial account, particularly notable in short-term other investments, and large errors and omissions. The authorities expressed their commitment to continue working closely with the central bank and the IMF's statistics department to improve the quality of balance of payments data. There are comprehensive data on the stock of external public debt and its composition, as well as detailed projections on debt service due. Data are provided, usually to Fund missions, by the General Directorate of Public Debt and Accounting (*Direction générale de la comptabilité publique*) of the Ministry of Budget and Public Accounts, but with delays.
II. Data Standards and Quality
Gabon implemented the enhanced General Data Dissemination System (e-GDDS) in October 2019 by launching the National Summary data page. No data ROSC is available.

Gabon: Table of Common Indicators Required for Surveillance
(As of March 27, 2024)

	Date of latest observation	Data received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Mar-2024	Mar-2024	D	D	D
International Reserve Assets and Reserve liabilities of the Monetary Authorities [1]	Dec-2023	Mar-2024	M	M	M
Reserve/Base Money	Dec-2023	Mar-2024	M	M	M
Broad Money	Dec-2023	Mar-2024	M	M	M
Central Bank Balance Sheet	Dec-2023	Mar-2024	M	M	M
Consolidated Balance Sheet of the Banking System	Dec-2023	Mar-2024	M	M	M
Interest Rates[2]	Dec-2023	Mar-2024	M	M	I
Consumer Price Index	Dec-2023	Feb-2024	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing[3] – General Government[4]	N.A.	N.A.	N.A.	N.A.	N.A.
Revenue, Expenditure, Balance, and Composition of Financing[3] – Central Government	Dec-2023	Jan-2024	M	M	M
Stocks of Central Government and Central Government- Guaranteed Debt[5,6]	Dec-2023	Jan-2024	M	M	M
External Current Account Balance[7]	Q2 - 2023	Jan-2024	Q	I	I
Exports and Imports of Goods and[7] Services	Q2 - 2023	Jan-2024	Q	I	I
GDP/GNP[8]	2023	Jan-2024	A	A	I
Gross External Debt	2023	Jan-2024	M	M	M
International Investment Position[9]	N.A.	N.A.	N.A.	N.A.	N.A.

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes and bonds.

[3] Foreign and domestic bank, nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Includes currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Provisional BoP data are available for 2022 and until Q2 2023 but continued revisions and inconsistencies hinder their effective use. The latest, broadly finalized, BOP data are for 2021.
[8] National accounts are based on estimates provided by the General Directorate of the Economy. The national accounts that continue to be compiled by the Statistics Office have not been published since 2011.
[9] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by Mr. N'Sonde, Executive Director for Gabon

and Mr. Nguema-Affane, Senior Advisor to the Executive Director

May 24, 2024

Gabon went through a major political regime change on August 30, 2023, when the military overturned without bloodshed the 55-year-old one-party-ruling political regime in place, following the announcement of the presidential and legislative elections results. The event was motivated by continued deterioration in governance and living standards amid an unstable political climate. Upon taking power, the new authorities under the *Comité de la Transition pour la Restauration des Institutions* (CTRI) announced a two- year political transition to undertake essential institutional reforms and pave the way for peaceful elections in 2025.

In this perspective, the authorities have formed a transition government, adopted a charter, and published the calendar of the political transition. They have identified six principles that will guide their actions during that period: (i) restoration of stability and confidence, (ii) institutional and legislative reforms, (iii) national dialogue and public consultation, (iv) fight against corruption, (v) economic and sustainable development, and (vi) education and sensitization. In line with those guiding principles, the government rolled out in March 2024 a *Plan National de Développement pour la Transition* (PNDT) underpinned by 5 pillars: (i) institutional reforms, (ii) development of strategic infrastructure, (iii) intensification of economic diversification, (iv) social inclusion, and (v) environmental sustainability and climate change resilience.

The political transition is proceeding according to schedule. The authorities have launched a process of inclusive national dialogue (*Dialogue National Inclusif*, DNI) in April 2024, bringing together six hundred people from diverse backgrounds and social conditions placed into three (political, economic, and social) commissions. The commissions identified challenges and opportunities facing Gabon and proposed sustainable solutions with the view to redefine the country's institutions and lay the foundations for a new social, economic, and political pact. Among other recommendations, the DNI supported the two-year period of the political transition and the drafting of a new constitution. It is worth noting that the DNI participants placed a strong emphasis on strengthening governance and transparency in public finance management.

Against this backdrop, the new authorities have expressed interest in the Fund maintaining its engagement with Gabon. They note that the regime change occurred less than a year before the expiration of the current Fund-supported program, which was already experiencing difficulties since 2022, owing to the accumulation of external arrears, fiscal slippages, and delays on the structural front. In such circumstances, the authorities decided to let the arrangement expire and continue to seek Fund’s policy advice and technical assistance to help the country address macroeconomic imbalances, and support reform implementation during the transition period.

During the 2023 Annual Meetings in Marrakesh, the authorities requested a visit of an IMF team to evaluate the country's macroeconomic situation and provide an external perspective on the homegrown policies and measures being proposed. The authorities welcomed the Article IV mission in Libreville in January/February 2024. They appreciated the candid and productive discussions on very topical issues for the transition government, which were also pursued in Washington during the Spring Meetings in April 2024. The authorities welcomed staff's policy recommendations and the insightful analyses in the *Selected Issues* paper.

Recent Economic Developments and Outlook

The authorities broadly share staff's assessment of the macroeconomic situation and prospects although they are more optimistic about the growth outlook considering ongoing developments in the agricultural and mining sectors. The macroeconomic situation in 2022-2023 was characterized by a slowdown in growth from 3.0 percent in 2022 to 2.3 percent in 2023 due to disruptions on the rail network which limited manganese and wood exports. However, growth should accelerate to 2.9 percent in 2024 as railway transportation normalizes and public demand remains strong. Over the medium term, growth would benefit from higher palm oil production, and the current development of a major iron production project in the Northeastern region of the country. Inflation declined from 5.4 percent in 2022 to 2.3 percent in 2023, below the regional convergence ceiling of 3.0 percent, on the back of lower global food prices. Inflation should remain below the ceiling over the medium term in the absence of new supply-side shocks. The current account surplus more than halved to 4.4 percent of GDP in 2023 due to lower oil prices and commodity exports and is expected to gradually decline over the medium-term with projected lower oil prices and production. Foreign currency reserves attributed to Gabon increased in 2022-2023 with higher oil prices but the external position could weaken considering large external debt obligations scheduled in 2025-2030.

While the banking sector remains broadly sound, risks associated with exposure to the sovereign and vulnerability to oil prices fluctuations are significant. The liquidation process for three public banks is advancing well, with two of them now under judicial liquidation. The authorities will continue collaborating with the regional banking commission COBAC to finalize the resolution of the three banks and preserve the stability of Gabon's financial system.

The medium-term outlook will hinge on the pace of reform implementation and evolution of the global economy and financial conditions. Sustaining the renewed reform momentum will be key to support growth and preserve macroeconomic stability. The Gabonese economy, which remains highly dependent on oil, is vulnerable to oil price and production developments, which highlights the need to advance economic diversification away from oil. In this regard, the authorities are working towards implementing sectoral reforms aimed at supporting the emergence of other non-oil sectors besides mining and agriculture. Their growth strategy is based on scaling-up public investment for road, rail, energy, and health infrastructures, which, among others, would facilitate the transition from an extractive to a transformation economy. They are promoting activities with significant potential in terms of both job creation and rural development. These include further development of the timber industry, agriculture, fishing, and tourism, which will significantly increase GDP per capita and reduce poverty. Moreover, the authorities are determined to improve the business climate and enable greater participation of Gabonese enterprises in the economy. They have reaffirmed their strong commitment to address the effects of climate change and intend to continue implementing the country's ambitious climate commitments, with the view to enhance resilience.

Fiscal Policy and Reforms: Focus on Fiscal and Debt Sustainability while Meeting Growth and Development Priorities

The authorities are committed to greater fiscal data transparency to better inform fiscal policy. Upon their arrival to power, they uncovered several unrecorded revenues and spending which, when accounted for, depict a more fragile fiscal position. The non-oil fiscal deficit more than doubled in 2022-2023 to 14 percent of nonoil GDP, due to significant election-related spending, which was mainly financed through arrears. As a result, public debt went above the regional ceiling of 70 percent of GDP at end-2023 when all obligations were accounted for.

On the structural fiscal front, the implementation of reforms is being accelerated since August 2023. In particular, the implementation of the Treasury Single Account (TSA) has progressed with the new TSA platform expected to be fully operationalized by end-June 2024. The modernization and digitalization of many processes relating to the management of public finances, including the integration of the revenue, budget and Treasury management systems, and the payment of taxes, has also started. It is worth noting that these efforts are already bearing fruit in terms of revenue mobilization and will be intensified during the transition period. As part of their efforts to increase transparency in state holdings, a directorate general of state's participations was set up to better monitor public assets and help reduce fiscal risks from SOEs.

A budget law for 2024 which targets fiscal consolidation was adopted in December 2023, but a revised budget is being contemplated following newly disclosed fiscal data and new plans to scale up social and infrastructure spending. The 2024 budget envisages higher mobilization of domestic revenues, notably through rationalization of tax exemptions, broadening of the tax base, and modernization of customs and tax administrations. On the expenditure side, the authorities are resolutely in favor of rationalizing spending but stress that the deterioration in the economic and social environment has required taking a series of urgent measures to address the state's overdue obligations, including the payment of some external and domestic arrears, the regularization of administrative situations, and the payment of retirement pensions arrears. Furthermore, to relieve the pressure points on the provision of public services and economic activity, including degraded roads and water and electricity shortages, the authorities prioritize the acceleration of road, education, health, and energy infrastructure works. These measures should translate in higher-than-projected expenditures in 2024, notably on the wage bill. Consequently, the non-oil primary fiscal deficit is projected to slightly widen in 2024 to 15 percent of nonoil GDP. However, capacity constraints in executing the envisaged additional spending and effective efforts to mobilize additional revenue could lead to a lower non-oil primary deficit.

The authorities agree on the need to put the fiscal balance on a more sustainable path. The large volume of urgent spending, particularly on the social front, and the need to upgrade certain essential growth-enhancing infrastructures require a gradual return to a viable fiscal trajectory. The authorities acknowledge that financing risks are elevated in view of the unfavorable global financial conditions, and the large bank-sovereign nexus in the CEMAC region. Nonetheless, they are determined to meet the country's debt obligations and stand ready to make the needed policy adjustment should their revenue mobilization efforts and quest for sustainable financing fell short of expectations. The authorities agree with staff on the need to ensure compliance with existing PFM rules, strengthen the framework for debt authorization, and ensure that all revenues, including oil revenues are transferred to the TSA. They also share staff's view on the criticality of reducing regulatory gaps conducive to fragmented execution of fiscal functions.

Governance and Transparency at the Forefront of the Authorities' Reform Priorities

The authorities are strongly committed to put Gabon on the path to good governance and transparency and have started following through on those commitments. This made it possible to better identify the expenses linked to the 2023 elections, as well as certain other expenses that were previously not included in the budget. A series of actions has been launched to identify illicit transactions involving public resources and assets, with a view to recover those resources and assets. The authorities appreciate the recommendations to strengthen the PFM, AML/CFT and anti-corruption frameworks to reduce corruption vulnerabilities.

The authorities are keen on improving governance and transparency in the oil sector and ensuring that all the oil revenues the country is entitled to are effectively collected. To increase the state's presence in the sector and better assess flows of oil resources, they have exerted their preemptive right in an oil assets transaction and did not renew an expiring oil exploitation license with a view to recover related oil assets and put them under the management of the national oil company. They have taken good note of staff's recommendation to undertake an audit of oil extraction costs to determine government take and clarify mutual financial obligations between stakeholders in the oil sector. They reaffirmed their decision to publish the oil contracts once the confidentiality and legal constraints related to past contracts have been resolved.

Beside fiscal information, the authorities are determined to address data deficiencies in national accounts and the balance of payments. Significant progress is being made in the finalization of national accounts for the past decade under the supervision of the Prime Minister. The authorities will continue to work with the regional central bank BEAC and the IMF to improve the quality of balance of payments and monetary data.

Conclusion

The transition regime in Gabon is raising high expectations amongst the population, and the authorities are committed to addressing pressing social, environmental, and infrastructure needs while putting the country on a new path of economic stability and development. The authorities are appreciative of staff's pertinent policy recommendations which are helpful in finetuning their economic and financial policies. They look forward to continued policy dialogue with the Fund.