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IMF Staff Conclude their 2019 Article IV Consultation Mission and the Fourth and Fifth Reviews of the EFF arrangement in Gabon

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

An International Monetary Fund (IMF) staff team, led by Boileau Loko, visited Libreville from September 27 to October 9, 2019 to conduct discussions on the Article IV consultations and the fourth and fifth reviews of Gabon's extended arrangement under the Extended Fund Facility (EFF), which was approved in June 2017.

At the conclusion of the IMF mission, Mr. Loko issued the following statement:

"Economic activity has rebounded, with growth expected to reach 3.4 percent this year, compared with 0.8 percent in 2018, mainly due to good performance in the oil, mining and timber sectors. Inflation remained under control, at 1 percent (y-o-y) in July 2019. The improvement in the level of domestic revenue mobilization and better control of operating expenses made it possible to bring down the non-oil budget deficit from 11 percent of non-oil GDP in 2016 to 7.6 percent in 2018. Over the same period, the external current account position improved, and public debt declined by almost 3.5 percent of GDP.

"The economic outlook remains favorable, with growth expected to gradually increase to 4 percent in the medium term. Risks to the macroeconomic outlook include slower implementation of fiscal consolidation in Gabon or other CEMAC member countries, as well as a slowdown in global growth. However, there are also upside risks, particularly related to the high volume of foreign direct investment in the oil and non-oil sector.

"The priority continues to be generating stronger, sustainable and more inclusive non-oil growth. This requires ambitious macroeconomic measures and far-reaching structural reforms to improve economic governance, increase domestic revenue mobilization, enhance the

management and effectiveness of public finances, and ensure a more attractive business environment.

"Recent efforts have led to a slight increase in non-oil revenues over the past two years. The authorities are committed to continuing these efforts and have agreed with IMF staff that streamlining tax expenditures is essential. The mission also encourages the authorities to continue strengthening the tax and customs administrations by providing the necessary resources to perform their functions and modernizing their information systems.

"IMF staff and the authorities agreed on the urgent need to improve the quality of public spending. Continued efforts to streamline current expenditure, in particular transfers to public agencies and public institutions, coupled with the restructuring of certain structurally loss-making public enterprises (particularly in the oil sector), should generate the necessary space for financing social and investment expenditure. It is also important to renew the public investment management framework, strengthen its management, and revise the legal framework for public procurement, particularly by strengthening the independence of the Public Procurement Regulatory Agency.

"Social spending must benefit from increased efforts by the authorities to achieve adequate levels of implementation, particularly in the sectors of education and healthcare. Achieving this objective would also involve making these expenditures more effective and ensuring that they have a real impact on the most vulnerable populations.

"The mission welcomed the full payment of external arrears and the measures taken to avoid any further accumulation of external arrears. It encourages the authorities to do the same with domestic arrears. This will help to boost private investment. Preventing the accumulation of new domestic arrears requires, in particular, the establishment of effective mechanisms to optimize management of the government's cash flow and to ensure the strict application of the rules and procedures for executing the budget. Continued efforts must also be made to deploy and modernize budgetary and accounting information systems and extend their use to all autonomous agencies and extra-budgetary units.

"Finally, it was agreed that the continuation of ongoing efforts to improve the business climate is essential to generate sustainable and stronger growth. The aim is to further facilitate the creation and development of businesses, particularly small- and medium-sized enterprises. It will also be important to develop a national financial inclusion strategy.

"IMF staff commended the authorities' efforts in implementing the Extended Fund Facility (EFF). Most targets set for end-June 2019 have been met and the majority of the structural benchmarks have been implemented, albeit with some delays. The mission encouraged the authorities to rapidly conclude the internal debt audit and to submit the law on harmonizing the status of public enterprises to Parliament as soon as possible. The mission also held discussions with the government on the 2020 budget which, in line with the authorities' objectives, aims to further boost non-oil revenues, control non-priority spending, and

improve the composition of public spending to create space for social and investment expenditure. The Gabonese authorities and the IMF team made significant progress in discussions on the policies and reforms needed for the completion of the fourth and fifth review of the EFF-supported program. Discussions will be finalized in Washington DC during the upcoming IMF/World Bank Annual Meetings.

"The mission would like to thank the Gabonese authorities, headed by the President of the Republic, for the constructive discussions and for their warm hospitality."

The mission met with President Ali Bongo, the President of the National Assembly, Mr. Faustin Boukoubi, the President of the Finance, Budget and Public Accounting Committee of the National Assembly, the President of the Constitutional Court, Mrs. Marie Madeleine Mborantsuo, the Minister of Economy, Finance and National Solidarity, Mr. Roger Owono Mba, the Minister of Investment Promotion, Public-Private Partnerships, responsible for the Improvement of the Business Environment, Mr. Jean-Fidèle Otandault, the Minister of Employment, Public Service, Labor and Vocational Training, in charge of Social Dialogue, Mrs. Madeleine Berre, the Minister of Agriculture, Livestock, Fisheries and Food, Mr. Biendi Maganga Moussavou, the Minister of Mines, Energy and Hydraulic Resources, Mr. Emmanuel Ondo Mba, the Minister of Petroleum, Gas, and Hydrocarbons, Mr. Noel Mboumba, the National Director of BEAC, Mr. Denis Meporewa, the Chairman of the Commission against Illicit Enrichment, Mr. Mbou, and other senior officials, as well as representatives of the private sector, civil society and international development partners. A press conference was held at the end of the mission.