

The contents of this document are preliminary and subject to change.

GRAY/20/2809

July 30, 2020

**Statement by Mr. Heo and Ms. Park on Gabon
(Preliminary)
Executive Board Meeting 20/86
July 31, 2020**

We thank staff for their clear and concise staff report and Mr. Raghani and Mr. Nguema-Affane for their useful Buff statement. **We support Gabon's request for financial support from the IMF through a purchase under the Rapid Financing Instrument** to help address urgent balance of payment needs due to a further deterioration in growth prospects and worsened external and fiscal positions. We would like to emphasize a few points.

- **Choice of instrument** – We note staff's view that the RFI is the appropriate instrument to support Gabon given the urgency of the balance of payments need and uncertainty about the outlook. While we can agree to the RFI request, we can see advantages to a UCT program aimed at stabilization and involving greater commitment to strong policies. Given the remaining financing gap and elevated fiscal risks, we encourage further close engagement on contingency plans including the potential need for a successor UCT program.
- **Fiscal contingency planning** – The revised budget appropriately focusses on meeting healthcare needs and supporting the private sector. Nonetheless, given the near-term fiscal risks highlighted by staff, we welcome the authorities' assurance that strict fiscal discipline will be pursued, and should fiscal revenues and financing fall short of expectations, additional measures will be implemented to ensure fiscal and debt sustainability.
- **Medium-term debt sustainability** – Risks to debt sustainability are assessed to have increased since April and we note that debt remains vulnerable as both debt held by non-resident and foreign currency debt breach the upper assessment benchmarks. Hence, we share staff's view that while debt reprofiling will assist in the near term, a medium-term strategy and prudent fiscal policies are required to mitigate debt sustainability risk going forward.

- **Governance** – The authorities’ commitment to reforms to strengthen governance, transparency and accountability is welcome. We welcome the commitments made to safeguard the quality of emergency spending and the progress made in implementing these since the first RFI request.
- **Regional considerations** – We welcome the preparation of an informal background note on emergency assistance and the impact of the COVID-19 shock in CEMAC countries. As external sector stability in the CEMAC region requires a common strategy and commitments from all CEMAC members, this is useful context for Gabon’s request.