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July 30, 2020

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

We thank staff for the report and Mr. Raghani and Mr. Nguema-Affane for their useful Buff statement.

The infection rate since the first request for emergency assistance (RFI-1) has increased. Still, improvements in the margin have resulted in a gradual easing of containment measures, but it could also risk a protracted COVID-19 outbreak. The near-term outlook has worsened, and as a result, projections for 2020 have been revised downward to -2.7 percent, from -0.4 percent at the time of RFI-1, and the current account deficit has widened further to 9.5 percent of GDP. Even accounting for the RFI-1 purchase, Gabon presents urgent financing needs, external and fiscal. **Against this backdrop, we support the authorities' request for a purchase under the Rapid Financing Instrument (RFI) of 50 percent of quota (SDR 108 million) to be used as budget support to help address urgent balance-of-payment (BoP) needs and mitigate the risk of disorderly fiscal or BoP adjustment.** We note that this additional request will bring the total purchases under the RFI to 100 percent of quota in 2020.

**In addition to the pandemic, the Gabonese economy was hit by a sharp fall in commodity prices, adding to the fiscal gap.** The policy response has been commendable given the constraints. We take positive note of improved response capacity of the health system and praise the authorities for the continued commitment to implementing health and economic policies, as stated in the LOI. Amid mounting pressures on the fiscal accounts, we commend that fiscal discipline remains a priority. The monitoring of fiscal risks includes those arising from the weak financial situation of State-Owned Enterprises (SOEs). The banking system appears to be healthy, but solvency risks could arise as NPL ratios and provisioning requirements increase.

**We caution against too early implementations of a strategy of fiscal consolidation that could backfire on Gabon's recovery.** It should be state-dependent, conditional on the crisis abating. Nevertheless, measures like avoiding the creation of new arrears are desirable, given that the risk to debt sustainability has increased substantially as debt dynamics have worsened. In addition, the increasing NPL trend mentioned earlier also underscores the importance of this initiative.

**We take positive note of staff's assessment that Gabon's capacity to repay the Fund is adequate under the policies committed by the authorities in the LOI.** Yet, it should be noted that it is not absent of risks. We welcome that the BEAC has implemented the priority recommendations from the 2017 safeguard assessment, and we note that it recently issued its FY 2019 audited financial statements in full compliance with IFRS. We also note that the authorities have indicated their strong intention to request a new Fund-supported program to help preserve macroeconomic stability and debt sustainability and achieve higher and more inclusive growth.

**We welcome the authorities' commitment to the effective and transparent use of public funds, including the use of funds to respond to the COVID-19 pandemic and the funds from the RFI.** Likewise, we commend the commitment to provide a separate reporting mechanism for COVID-19 expenditures, including the on-line publication of all related procurement contracts, in addition to conducting an independent, third-party audit of all government expenditures and procurement tenders linked to the pandemic. Continued publication of budget execution reports, enhancement of fiscal management practices, and strengthening the capacity to identify and mitigate fiscal risks are areas that need to be prioritized and in the same way the Fund has provided TA in the past, it should consider further engagement to pave the way to a successful outcome, including risks arising from SOEs.

With these comments, we wish Gabon and its people success in their policy endeavors during this challenging time.