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GRAY/20/2819

July 30, 2020

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

We thank staff for the reports and Mr. Raghani and Mr. Nguema-Affane for the helpful Buff statement. The sharp fall in commodity prices has added another challenge to the Gabonese economy that still grapples with the fallout from the COVID-19 crisis. Fiscal balances are expected to deteriorate further as a result of continued decline in oil and non-oil revenues and higher pandemic-related spending, while the near-term outlook remains subject to high uncertainty and downside risk. We support Gabon's request for a second Rapid Financing Instrument since the start of the pandemic to help meet its urgent balance of payments needs.

We find the authorities' strategy of strengthening healthcare facilities, protecting the most vulnerable households, and supporting the private sector appropriate in the immediate term. We note in this regard the 2020 Revised Finance Law (RFL) which focuses on limiting the macro-financial and social impact of the COVID-19 pandemic. Both oil and non-oil revenues have been revised downward compared to the last RFI, while health-related spending and social spending were increased. Capital expenditures, both domestically and foreign-financed, were also revised downward due to project implementation delays and reprioritization towards more crisis-related spending. As a result, the fiscal deficit and financing gap have widened.

Public debt remains sustainable but risks to debt sustainability have increased significantly. We welcome the authorities' commitment to fiscal stability. However, it is important to preserve fiscal and debt sustainability even while the crisis is still unfolding given the high uncertainty around the outlook. This could include developing a contingency plan in which additional non-priority spending is postponed while health and social protection spending is

prioritized. Moreover, debt reprofiling would be crucial to help avert immediate risks to debt sustainability.

Public financial management reforms are needed to reduce fiscal risks, prevent arrears accumulation, and enhance transparency. We, therefore, welcome the authorities' recent completion of their domestic arrears audit, which strengthens fiscal transparency.

Finally, we welcome the authorities' interest in a possible new financing arrangement with the Fund to support their medium-term agenda and resume fiscal consolidation.