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GABON

Public Investment Management Assessment

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ABBREVIATIONS AND ACRONYMS

ANGTI	National Agency for Major Infrastructure Projects
ANPI	National Agency for Investment Promotion
ARCEP	Electronic Communications, Postal and Print media distribution Regulatory Authority
ARMP	Public Procurement Authority
ARSEE	Drinking Water and Electricity Sector Regulatory Agency
ARTF	Rail Transport Regulatory Agency
BC-PSGE	Coordination Office of the Emerging Gabon Strategic Plan (<i>Plan Stratégique Gabon Emergent</i>)
BEAC	Bank of Central African States
CA	Commitment authorization
CEMAC	Central African Economic and Monetary Union
CMP	Public Procurement Code
DGBFIP	General Directorate of Budget and Public Finance
DGCPT	General Directorate of Public Accounting and the Treasury
DGD	Debt Directorate
DMP	Directorate of Public Procurement
DOCAMAB	Macroeconomic and Fiscal Policy Framework Document
DPPB	Budget Preparation and Programming Directorate
EFF	Extended Fund Facility
EME	Emerging market economies
FAD	Fiscal Affairs Department
FGIS	Gabonese Strategic Investment Fund
FID	Departmental Initiative Fund
FINEX	Financing abroad/externally funded
GDP	Gross domestic product
HDI	Human Development Index
IMF	International Monetary Fund
Kp	Kilometer point
LF	Budget law
LFI	Initial budget
LFR	Supplementary budget
LOLFEB	Organic Law on Budget Laws and Budget Execution
MBCP	Ministry of Budget and Public Accounts
MEF	Ministry of Economy and Finance
MTBF	Medium-Term Budget Framework

MTDF	Medium-Term Development Framework
MTEF	Medium-Term Expenditure framework
PA	Payment appropriation
PAP	Annual Performance Plan
PB	Program budgeting
PC	Public corporation
PDL	Local Development Plan
PEFA	Public Expenditure and Financial Accountability
PI	Public investment
PIE	Public Investment Efficiency Index
PIM	Public investment management
PIMA	Public Investment Management Assessment
PIP	Public Investment Program
PLF	Budget proposal
PPP	Public-Private Partnership
PRE	Economic Recovery Plan
PSGE	Emerging Gabon Strategic Plan (<i>Plan Stratégique Gabon Emergent</i>)
RGCP	General Government Accounting Regulation
RUF	Road usage fee
SEEG	Energy and Water Company of Gabon
SGG	General Secretariat of the Government
SNDI	National Infrastructure Development Program
SPE	Semipublic enterprise
SU-PPP	Public-private partnerships support unit
TA	Technical assistance
TSA	Treasury Single Account
UNDP	United Nations Development Programme

PREFACE

In response to a request from the Gabonese authorities, a mission from the Fiscal Affairs Department (FAD) of the IMF visited Libreville from June 19 to July 2, 2019, to conduct an evaluation of public investment management, using the Public Investment Management Assessment (PIMA) methodology. Headed by Ms. Gwénaëlle Suc (economist, FAD), the mission comprised Mr. Bruno Imbert (economist, FAD), Mr. Pierre Roumégas and Ms. Onintsoa Raoilisoa (experts, FAD), Mr. Abdoulaye Touré (AFRITAC Central Resident Advisor in public financial management), Ms. Sonia Ondo Ndong (economist, World Bank), and Mr. Celestin Niamien (senior financial management specialist, World Bank).

At the start and the end of its work, the mission met with Mr. Roger Owono Mba, Minister of Economy, Finance, and National Solidarity, accompanied by Mr. Sosthène Ossoungou Ndibangoye, Deputy Minister of Budget. It also held discussions with Mr. Jean-Fidèle Otandault, Minister of Investment Promotion and Public-Private Partnerships, and with Ms. Françoise Assengone Obame, Deputy Minister responsible for improving the business environment. A presentation of the mission's work with feedback was also delivered to Mr. Arnauld Calixte Engandji Alandji, Minister of Equipment, Infrastructure, and Public Works.

The mission received valuable support throughout its work from ministerial advisor Mr. Thierry Minko; Mr. Mérés Mabiala, Director of Budgetary Programming; and Mr. Kern Terence Iponga Bodi, advisor to the Director General of Budget and Public Finance (DGBFIP).

Working sessions were conducted with all of the directorates and departments involved in public investment management: DGBFIP, the General Directorate of Public Accounting and the Treasury (DGCPT), the Debt Directorate (DGD), the National Agency for Major Infrastructure Projects (ANGTI), the General Secretariat of the Government (SGG), the Gabonese Strategic Investment Fund (FGIS), and the National Agency for Investment Promotion (ANPI). The mission also met with representatives of the ministries of water and energy, national education, and infrastructure, and the interior, as well as the Director of the Mother and Child University Hospital of the Jeanne Ebori Foundation. Finally, working meetings were organized with the Audit Office (*Cour des comptes*); the National Assembly's Commission on Finance, the Budget, and Public Accounting; the Drinking Water and Electricity Sector Regulatory Agency (ARSEE); the Energy and Water Company of Gabon (SEEG); and the Libreville Mayor's Office.

Two plenary sessions—the first technical and the second in the presence of the Directors-General and chaired by the Minister—provided opportunities to present and share the mission's approaches, recommendations, and options, all of which were approved. Feedback was also delivered to the technical and financial partners.

The mission would like to thank all those with whom it worked for their availability and the frank exchange of views. It would also like to express its sincere gratitude for the constant support provided by Mr. Marcos Poplawski-Ribeiro, the IMF's Resident Representative in Gabon, and by his colleague, local economist Ms. Judith Lekogo.

EXECUTIVE SUMMARY

The development of infrastructure is one of the pillars of the Emerging Gabon Strategic Plan (PSGE). Implemented as of 2012, the PSGE has been establishing priority strategic guidelines to transform Gabon into an emerging economy by 2025. Its primary aims are to ensure and expedite the country's sustainable development and growth by focusing on potential growth sectors. Public investment grew continuously from 2009 to 2013, when it peaked at 15.2 percent of GDP; it averaged 5.7 percent growth from 1990 to 2018. At the same time, private investment declined, as did growth and public capital stock. These outcomes indicate that public investment in Gabon does not drive growth and that investment expenditure does not automatically translate into actual accumulation of assets, which raises questions about the efficiency of those outlays.

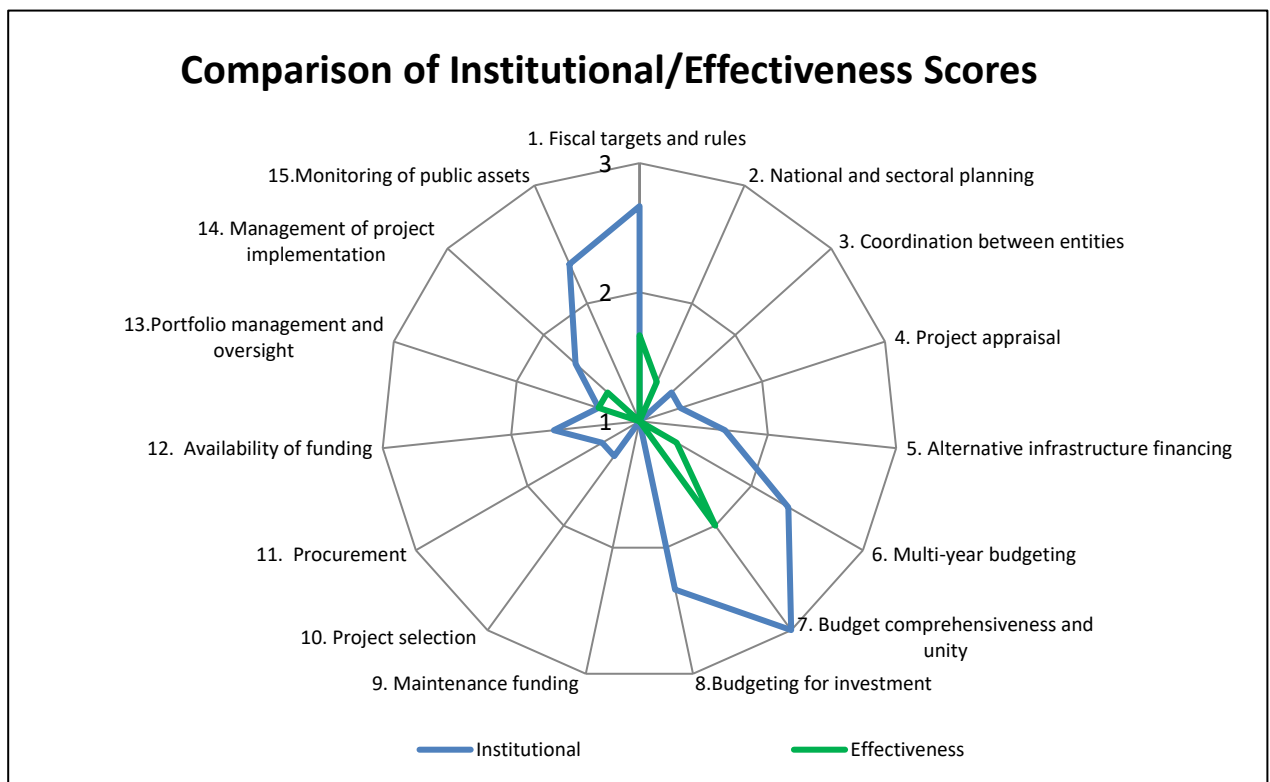
Enhancing the efficiency of public investment is essential, given Gabon's current budget constraints. Since 2014, Gabon has been experiencing decelerating growth and severe cash flow shortages. An extensive fiscal adjustment is under way, limiting the ability to launch new investments. This tight environment, in which the volume of investment spending is necessarily restricted, requires making the most of investment expenditure in terms of the coverage and quality of infrastructure. This goal is rendered even more essential by the fact that public investment served as an adjustment variable in a period of decelerating growth; in 2017, it reached its lowest level since 1990.

Improving public investment management (PIM) should help stem the declines in public investment efficiency in Gabon. In terms of infrastructure quality, public investment efficiency has fallen to half of the expected optimal level, compared to a 20 percent decline both worldwide and in Sub-Saharan Africa, as well as a 31 percent decline in member states of the Central African Economic and Monetary Union (CEMAC). Studies have shown that efficient management of public investment can narrow that gap from optimal levels through more credible and productive infrastructure development. The PIMA methodology developed by the IMF helps to detect the strengths and weaknesses of the system throughout the PIM cycle and to determine what reforms are priorities.

The findings of the PIM assessment reveal structural deficiencies in planning procedures and institutional arrangements. The assessment (Figure 1 and Table 2) shows an institutional framework that is close to attaining the highest international standards with respect to fiscal objectives and rules, budgetary comprehensiveness and unity, and monitoring of government assets. That strength derives directly from Gabon's adherence to the regulatory framework of the CEMAC and implementation of the program-budgeting reform. However, the assessment also reveals weaknesses in public investment planning. Strategic and operational roles get not clearly defined, and multiple actors draw up separate, uncoordinated lists of projects that at times have little to do with the final list selected for inclusion in the budget law. Planning tools are

nonexistent, dispersed, or dysfunctional; in practice, projects selection and how they are financed are not based on objective criteria derived from prior studies. Precisely when Gabon would like to expand recourse to public-private partnerships (PPP), the legal framework for them remains deficient, particularly with respect to spontaneous bids; the fiscal impact and risks associated with such partnership contracts have not been evaluated, ascertained, or mastered. Moreover, the effectively low level of competition in the major infrastructure sectors does not create an environment conducive to efficient financing.

Figure 1. Summary of the Strengths and Weaknesses of PIM in Gabon



These planning defects have a direct impact on resource allocation and project execution.

In the absence of well-coordinated planning, the allocation of resources for investment outlays in the program-budget becomes incomplete and subjective. Not all public investments, especially those of the Gabonese Strategic Investment Fund (FGIS) and other public institutions, are included and described in the budget, and the selection criteria for projects that are included in the budget are not detailed or published. In the end, funding is not available when it comes to executing projects, a practice that lacks both transparency and proper oversight. The choice of providers in charge of works is essentially based on tacit agreements; the monitoring of project implementation is neither centralized nor adequately supervised, which results in poorly synchronized budgetary, physical, financial, and accounting execution. The flagship PK12-PK105 road construction project—with its cost overruns and occasional payments made for works not in fact executed—is a case in point.

Eight recommendations are put forward to enhance PIM efficiency in the short and medium terms, with three urgent steps needed to rationalize planning. The proposed action plan (Table 1) is based on the following recommendations:

- Strengthening the legal framework of PIM is a priority for establishing well-anchored and durable procedures and responsibilities with which all actors are familiar.
- Rational organization of PIM and capacity-building are essential for centralizing planning, assigning spheres of competence to each of the actors involved, and ensuring that they coordinate with one another throughout the PIM cycle.
- Rationalization and more robust planning are prerequisites for the budgetary programming of projects and for their execution.
- Enhanced budget documentation, particularly regarding the risks associated with PPP, is needed to improve forecasts and allow proper oversight of resource allocation.
- Several other actions add to the credibility of budgetary programming of investments and help prevent slippages in budget execution.
- Overall, PIM transparency needs to be improved, with respect to both the project selection criteria and to the choice of the investors and providers to execute the projects.
- Effective mobilization of financing, particularly through better cash flow management, is a key factor in preventing the accumulation of arrears.
- Finally, once infrastructure is delivered, steps need to be taken to maintain and replace it.

As part of these endeavors, three actions are urgently needed, given their ability to shape the entire structure of PIM:

- Issuing a decree governing the whole of the PIM cycle, specifying responsibilities, making ex ante assessment of large investment projects mandatory by law, and systematizing ex post evaluation
- Turning the Sectoral Studies Committee into the central technical body responsible for selecting projects and preparing the draft Public Investment Program (PIP) by revising the documentation establishing its composition and tasks;
- Drawing up and consolidating a PIP.

Table 1. Proposed Action Plan

Recommendation	Action	Maturity			Actors	Instit. PIMA	Priority
		2019	2020	2021			
1. Strengthen the legal framework for PIM.	Issue a decree governing the whole of the PIM cycle, specifying responsibilities, making ex ante assessment of large investment projects mandatory by law, and systematizing ex post evaluation.	X			SGG (BC-PSGE)	All	Urgent action n°1
	Break down the decree governing the whole of the PIM cycle into methodological guidelines specifying the different stages.	X	x		All under the direction of the DGBFIP	All	High
2. Rationalize organization of the PIM, and build actors' capacity.	Turn the Sectoral Studies Committee into the central technical body responsible for selecting projects and preparing the draft Public Investment Program (PIP), by revising the documentation establishing its composition (updating and extending it to line ministries) and its tasks (managing the SSF (<i>FES</i>) and assisting with ex-ante appraisals).	X			SGG, MEF	2, 4	Urgent action n°2
	Introduce monitoring of public institutions and enterprises.	X	x	x	DGBFIP	3, 5, 7	High
	Adopt and implement a continuous training program in project management.	X	x	x	SGG, MEF	All	High
	Decentralize payment orders to line ministries, including for procurement and government contract awards	X	x	x	DGBFIP, Line ministries	8, 12, 13	High
	Refocus ANGTI on its delegated project management role and the BC-PSGE on its strategic role.		x		ANGTI, BC-PSGE	2, 4	Medium
	Continue interfacing between information systems, and authorize those involved in PIM to access IS (for example, consultation profiles).		x		DSI DGBFIP, DGCPT, DGD	All	Medium
	Strengthen investment programming, steering, and monitoring functions in the DGBFIP and the DG.	X	x		DGBFIP, DGP	2, 3, 5, 6, 8, 10, 13, 15	Medium
	Establish directorates or units in charge of studies, planning, and statistics.		x	x	Line ministries	2	Medium-term
3. Rationalize and strengthen planning.	Create a single database listing all projects, including projects derived from local development plans, irrespective of how they are financed.	X	x		Technical Secretariat of the Sectoral Studies Committee	2, 8, 10	High
	Centralize and increase the reliability of information on physical and financial project implementation.		x	x	Line ministries, ANGTI, DGBFIP, DGTCP	13	Medium
	Extend sectoral strategies to all ministries, and standardize the presentation and content of those strategies (costs, targets, indicators, risks).			x	DGP and line ministries	2, 4	Medium-term

Table 1. Proposed Action Plan (Continued)

4. Enrich budget documentation.	Complete the investment section of the DOCAMAB, make it more specific, and publish it on a regular basis.		x	x	DGBFIP, Steering Committee	1, 6	Medium
	Produce the annex on risks (Article 11 of the LOLFEB), complete the local governments annex to the investment section, identify PPP project in a separate annex and the PIP; produce an annex on public institutions and enterprises.		x	x	DGBFIP, Decentralization Directorate, PPP unit	3, 5, 7	Medium
5. Enhance the credibility of investment programming in the budget.	Draw up and consolidate a Public Investment Program (PIP)	x	x	x	DGBFIP	2, 6, 8, 10	Urgent action n°3
	Include drafting and validation of the PIP in the budget schedule.		x		DGBFIP, SGG	6, 8	Medium
	Include budgeting and execution in CA-PA.		x	x	DGBFIP, Line ministries	6, 8, 12	Medium
	Establish budgeting stages via a "budget programming circular," based on project fact sheets to be filled in by the line ministries.		x	x	DGBFIP	8	Medium
	Establish the investment project nomenclature, and include it in the IS.		x		DGBFIP	8, 13	Medium
6. Make PIM more transparent.	Systematize the use of open tenders for equipment suppliers in line with the provisions of the procurement code (CMP).	x	x	x	DGBFIP, ARMP, ANGTI, regulators, ANPI	5, 11	High
	Complete the PPP management framework governing spontaneous bids, and complete the public procurement framework by adding PPP-related matters.		x		ANPI, ARMP, FGIS	5	High
	Establish and publish selection procedures and criteria for projects included in the PIP.	x			Secretariat of the Sectoral Studies Committee	10	High
	Confer by law independent administrative authority on the ARMP and establish the Dispute Settlement Committee.	x			SGG, ARMP	11	High
	Systematize external audits of major projects.		x	x	Audit Office, Parliament	14	Medium
	Boost regulators' independence by assigning them own funds identified in the budget.			x	SGG, MEF	5	Medium-term
	Continue the drafting and promulgation of public procurement instruments and CMP application manuals.		x	x	DGBFIP, ARMP	11	Medium-term
	Establish a government procurement internet portal, and post complete and reliable information on it.			x	ARMP, DGBFIP	11	Medium-term
	Deploy a separate information system for monitoring and managing public procurement.			x	DGBFIP, ARMP	11	Medium-term
	Develop a communication mechanism regarding PIM and its deliverables (PIP, budget appropriations, and physical and financial implementation).			x	MEF, line ministries	All	Medium-term

Table 1. Proposed Action Plan (Concluded)

7. Project investment financing, and make it available.	Establish the types of financing to be used (domestic resources, external funding [FINEX], or PPP) during annual drafting of the budget law.	x	x	x	DGBFIP, DGCPT, DGD, ANPI, FGIS, line ministries	3, 5	High
	Hold regular meetings of the Cash Flow Committee.	x			DGCPT, DGBFIP, DGD	12	High
	Draft procedural guidelines for procurement, commitment, and cash flow programs.		x		DGBFIP, ARMP, DGCPT	11, 12	Medium
	Update the 2012 note on payment times, and activate their monitoring in VECTIS.	x			DGCPT, DGBFIP,	12	Medium
	Establish a plan for settling arrears accumulated due to projects being at a standstill.		x		DGCPT, DGBFIP, DGD	12	Medium
	Activate the Departmental Initiative Fund (FID), and introduce an objective mechanism for allocating funding based on declared local needs.		x	x	DGBFIP, DG Decentralization, Local governments.	3	Medium-term
	Deposit future external funds in BEAC escrow accounts.			x	DGCPT, DGD, PTF, BEAC	12	Medium-term
8. Guarantee infrastructure maintenance and upkeep	Develop asset accounting, and list existing assets.	x	x	x	DGBFIP, line ministries, DGCPT	15	Medium
	Make valuation of nonfinancial assets and depreciation more reliable by checking estimates against fixed asset and inventory datasheets and by regularly reappraising values.	x	x	x	DGCPT, DGBFIP, line ministries	15	Medium-term
	Establish a methodology and procedures for appraising the upkeep and maintenance costs.			x	MEF, line ministries	9	Medium-term

	Urgent action
	High priority
	Medium priority
	Priority in the medium term

Table 2. Map Summarizing the Outcomes of the PIMA in Gabon

Pillars/Institutions		Institutional strength	Effectiveness	Priority of reforms
1	Fiscal targets and rules	High: Standing CEMAC rules and others derived from the program with the IMF govern fiscal policy and debt sustainability. A fiscal framework is drawn up when the annual budget law is being prepared.	Medium: Implementation and observance of fiscal rules varies. The effectiveness of the macro-fiscal framework appears to be weak: there are major discrepancies vis-a-vis the budget proposal.	**
2	National and sectoral planning	Weak: The national strategy does not specify projects or their costs. Sectoral documents contain heterogeneous information with no overall rationale. None of the documents contains performance frameworks.	Weak: Project costs are not appraised in the PSGE. They are estimated by the ministries and then more reliably established after being included in the budget. Performance frameworks are shown in the draft annual performance plans (PAP) appended to the budget proposal.	***
3	Coordination between entities	Weak: Local governments have strategy documents, which include lists of projects but are not published. There is no clearly established system for allocating funding. Contingent liabilities are not identified, tracked or monitored.	Weak: Local government participation in the implementation of public investment projects is very limited and transfers to them are, in practice, scant.	**
4	Project appraisal	Weak: There are rules about conducting project evaluations, but they are not binding. They do not provide for risk analysis or the identification of systematic mitigation measures.	Weak: Prior appraisal of projects is not practiced: projects are usually appraised after being included in the budget. Risk assessments are not systematic.	***
5	Alternative infrastructure financing	Medium: Several independent economic regulators have been in place for a number of years now. The extent to which large infrastructure contracts are open to competition varies. There is no national strategy with regard to PPPs.	Weak: Competition appears to be limited, as is the effective role of regulators. The legal framework for procurement is incomplete. The PPP unit is in place but not yet fully up and running.	**
6	Multiyear budgeting	Medium: The LOLFEB has introduced three-year budgeting covering investment expenditure. It provides for indicative multi-year ceilings, broken down by program. No annual splitting of costs over a three-to-five year period is specified.	Weak: The DOCAMAB, which is not published, contains aggregate multiyear forecasts of capital expenditure. Budget documentation does not include the total cost of projects.	***
7	Budget comprehensiveness and unity	High: Fiscal comprehensiveness and unity are required by the LOLFEB, with complete publication of investment expenditure. According to the regulations, the Ministry of Finance and the Budget is responsible for drawing up the budget in accordance with rules governing the presentation of operating and investment expenses.	Medium: The budget documents show most internally and externally financed investment expenditures. They do not include investments carried out by autonomous public entities or those financed under PPP contracts.	**
8	Budgeting for investment	Medium: The provisions in the LOLFEB safeguard investment expenditure. Procedures currently in effect accord priority to projects already under way, but they are not formalized in any official documents.	Weak: Budgeting in CA and PA is not practiced effectively and investment expenditure can serve as an adjustment variable in the event of budget constraints.	**
9	Maintenance funding	Weak: There is no standard methodology for estimating and programming current maintenance expenses and those devoted to major improvements.	Weak: The budget does not include routine maintenance outlays. Only road upkeep expenditure is identified, even though estimates for it are not based on any particular methodology.	***
10	Project selection	Weak: The institutional framework for project selection and prioritization is patchy. The Government has no centralized list of already appraised projects.	Weak: The criteria and procedures for effective selection and prioritization of projects are insufficient and not published.	***
11	Procurement	Weak: The legal framework requires openness and transparency in procurement and an equitable and effective process for reviewing complaints, but says too little about monitoring of contracts. The independence of ARMP is not guaranteed by law.	Weak: Most contracts are private arrangement, direct deals, without enough transparency and monitoring of procurement contracts, and procurement-related complaints are not fairly reviewed.	***
12	Availability of funding	Medium: The regulatory framework does not do enough to correlate programming and management tools and keep track of payment times, but it does require donors'/creditors' funds to be kept in the TSA.	Weak: Commitment ceilings are not notified in good time; expenditures are subject to severe cash flow constraints, and donors' and creditors' accounts are kept outside BEAC.	***
13	Portfolio management and oversight	Weak: The regulatory framework provides for physical and financial monitoring, but falls short when it comes to centralization. Transfers of appropriations do not function and ex post reviews are not conducted in practice.	Weak: Major projects are monitored but the information is not pooled or centralized. Appropriations are not transferred, nor is there any ex post review of domestically financed projects.	***
14	Management of project implementation	Medium: Donors' and creditors' procedures and the national regulatory framework prescribe management rules, but the institutional framework is insufficient for adjustments and external ex post project audits.	Weak: Management of project implementation is effective. Adjustments carried out are not standardized and a posteriori auditing of major projects is not the norm.	**
15	Monitoring of Public Assets	Medium: The institutional framework for asset accounting does not function, even though the general accounting framework is in line with best international practices	Weak: Records of assets are neither complete nor up-to-date. The financial statements showing the value of nonfinancial assets and depreciation are not yet reliable.	**

Note: *** = high priority, ** = medium priority, * = low priority.

I. THE CONTEXT SURROUNDING PUBLIC INVESTMENT IN GABON

Box 1. Public Investment Management Terminology

Public investment comprises the gross fixed capital formation (GFCF) of the general government sector (public institutions and corporations and subnational governments). It consists of the purchase or production of fixed assets (such as capital goods, housing, and buildings) to be used in the process of producing goods and services incorporated into acquired capital, land, and intangible assets.

The fixed capital stock is the whole set of tangible or intangible assets to be used in the production process for at least one year (they are durable goods). The fixed capital stock is the result of cumulative GFCF, diminished over time by an attrition rate (that is, adjusted for depreciation).

Infrastructure quality is gauged using data compiled by the World Economic Forum from opinion surveys conducted by sector in each of the countries concerned. Methodology and panel size vary by sector.

Public investment performance is a function of both its productivity and efficiency:

- Input efficiency: ratio of the value of public capital (input) to the measures of infrastructure coverage and quality
- Output efficiency: ratio of the average rate of growth of the capital stock (in real terms) to the average rate of growth of the economy

The **efficiency** of public investment is measured using an indicator (Public Investment Efficiency Index-PIE-X), which is based on an aggregate measure of infrastructure coverage and perception of its quality. The efficiency of public investment is the relationship between the value of the public capital stock and the measured coverage and quality of infrastructure assets.

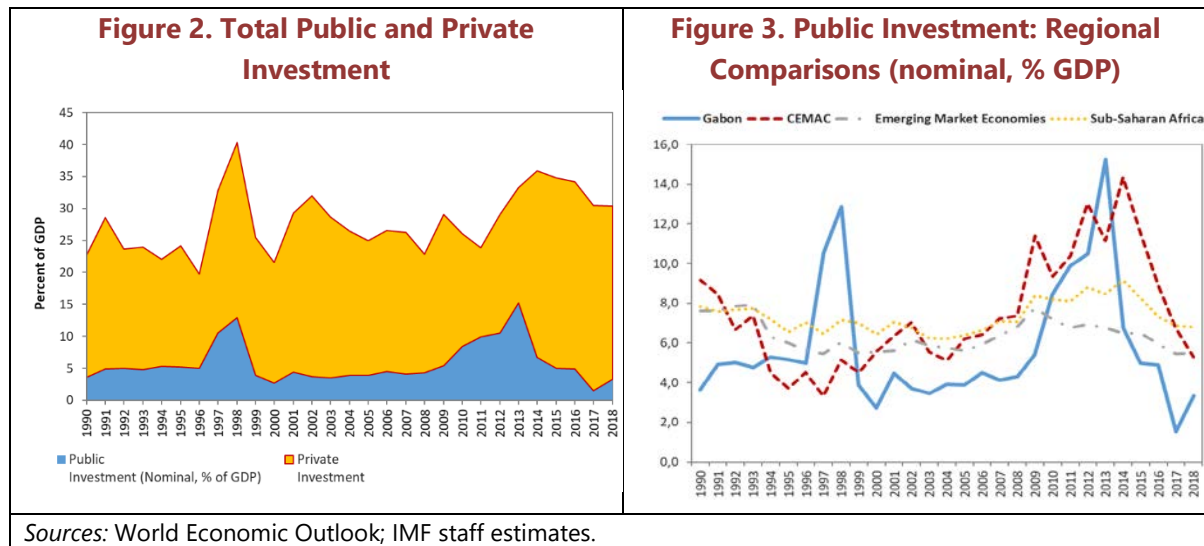
According to an IMF study covering more than 180 countries, inefficiencies in public investment (or the efficiency gap) average 27 percent for all the countries covered.

Sources: FMI/PIMA methodology; the mission's own interpretations.

A. Total Public Investment and Capital Stock

1. **The positive overall trend of investment in Gabon since the 1990s is driven by private investment, irrespective of public investment.** The long-term investment trend is positive: +33 percent for the cumulative amount of public and private investment between 1990 and 2018 (Figure 2). Most of the growth stems from strong private investment (+41 percent), which offsets and disguises the decline in public investment over the same period (-8 percent). In fact, the private investment share was more than 10 times the amount of public investment. For the period as a whole, the correlation between public and private investment is negative (coefficient of -0.23), reflecting the absence of any leverage exerted by public investment on private investment. Since 2010, the phases in which public investment increases have been systematically accompanied by a decline in private investment. Conversely, when public investment dropped sharply in 2014 from 15.2 percent to 6.7 percent of GDP, private investment

increased from 18 percent to 29.1 percent of GDP. All in all, between 2010 and 2018, the correlation coefficient was -0.77.



2. The overall level of public investment in Gabon is low and tends to fall when the pace of growth declines. Public investment accounted on average for 5.8 percent of GDP from 1990–2018 (Figure 3), a level below that observed in other countries in the region (CEMAC: 7.5 percent; Sub-Saharan Africa: 8.2 percent). In 2015, in US dollar terms, public investment in Gabon stood at US\$1.8 billion, the same level as in the Democratic Republic of Congo or Guatemala, ranking 114 out of 168 countries. Fluctuations in the level of public investment from one year to another, as a percentage of GDP, were also higher in Gabon (averaging 1.83 percent of GDP) than in the rest of the CEMAC (1.5 percent) or Sub-Saharan Africa (1.76 percent). Since 2010, the correlation between the level of public investment in Gabon and the overall state of the country's economy has become much more marked: in the event of an economic shock, investment serves as an adjustment variable.

3. An increase in public investment, however, does not have a knock-on effect on growth. Several empirical studies document a positive correlation between public investment and economic growth.¹ The 2015 IMF study of public investment highlights the way in which public investment acts as a catalyst for growth.² It enables public capital stock to accumulate, which, in turn, raises the productivity of total capital. That dynamic has not been observed in Gabon, where vigorous investment spending does not systematically translate into robust growth, and a similar growth rate may result from a modest to a triple level of investment (Figure

¹ See, inter alia, Romp and de Han, 2007. "Public Capital and Economic Growth: A Critical Survey," *Perspektiven der Wirtschaftspolitik*; and Gupta et al. 2014. "Efficiency-Adjusted Public Capital and Growth," *World Economic Development* 57 (C): 164–78.

² IMF. 2015. "Making Public Investment More Efficient." IMF Policy Paper, Washington, DC. <https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Making-Public-Investment-More-Efficient-PP4959>.

4). For certain periods, the rate of GDP growth even follows an opposite trend to that of the level of investment: from 2011 to 2013, the rate of growth declined (from 7 percent to 5.5 percent), while the level of investment rose significantly (by more than 50 percent over the same period).

Figure 4. Public Investment and Growth of GDP

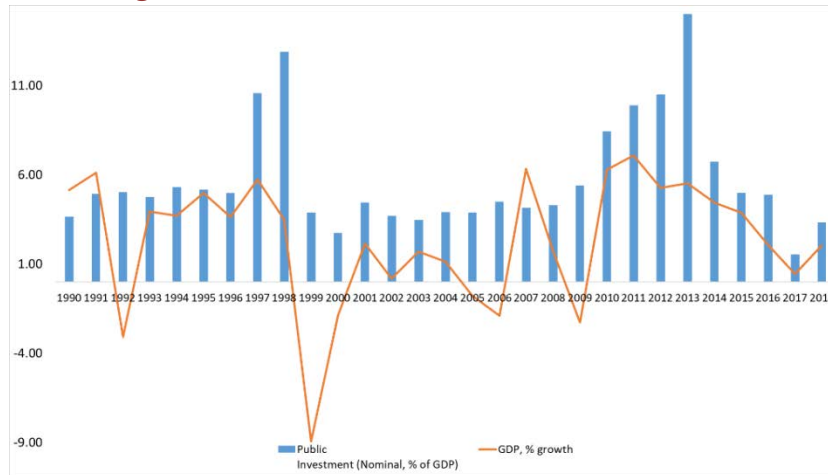
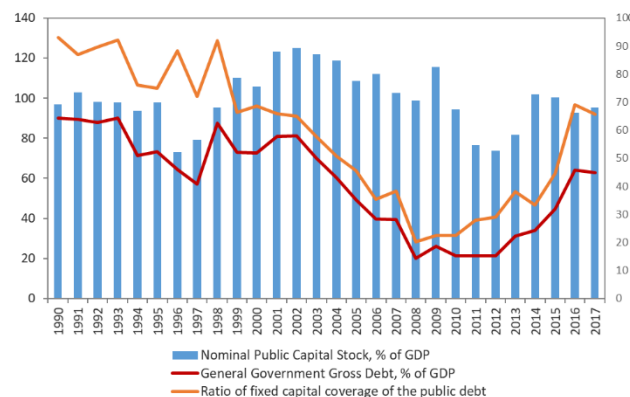


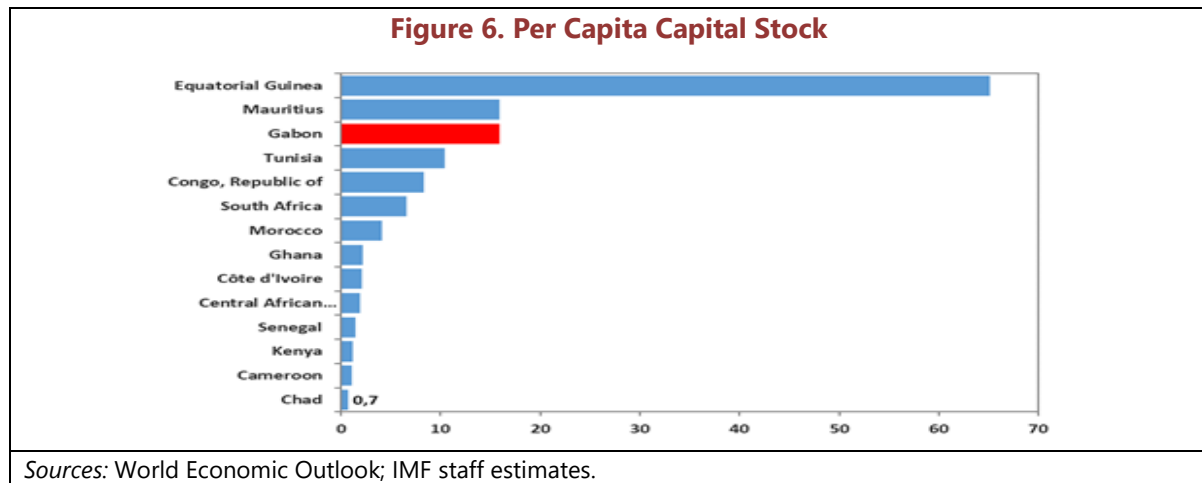
Figure 5. Public Capital Stock and Public Debt



Sources: World Economic Outlook; IMF staff estimates.

4. The public capital stock has remained stable, while the public debt hedging rate (*taux de couverture de la dette publique*) has steadily deteriorated in recent years. The value of the capital stock (amortized value of fixed assets) has barely risen due to the low level of investment and limited maintenance of existing infrastructure. The public capital stock level remained relatively unchanged from 1990 to 2015 (1990: 110.9 percent of GDP; 2015: 118 percent of GDP). The steady increase in public investment from 2007 to 2013 did not translate into a significant increase in the public capital stock, which averaged 111.18 percent of GDP in that period. Nevertheless, the per capita public capital stock is higher than that found in numerous countries in Sub-Saharan Africa, particularly the CEMAC countries (Figure 6), due to Gabon's relatively smaller population. At the same time, the public debt increased sharply (by 190 percent) between 2008 and 2018, due to the macroeconomic downturn. The ratio of fixed

capital to public debt thus deteriorated in recent years: by 2015, the hedging rate was 37 percent, compared to 19 percent in 2008 (Figure 5).



B. Composition of Public Investment

5. The Government of Gabon has ambitious plans to transform the country's economy and reduce poverty. Gabon possesses major natural resources, especially oil, which have been driving the economy for many years. Although GDP per capita is high (US\$7,728³), social indicators remain modest: in 2017, Gabon ranked 110 out of 188 countries on the Human Development Index ranking, with a HDI of 0.702, one rung below its ranking in 2016.⁴ Its poverty rate, estimated as 33.5 percent in 2005, has barely changed; it was 34 percent in 2015, according to United Nations Development Programme (UNDP) and IMF sources. A household consumption survey is being conducted to update the data, but no findings are yet available. Following the decline in oil output in recent years, the country is seeking to diversify its economy and sources of growth to safeguard its economic and social development. To this end, Gabon has been pursuing a strategic development plan since 2012, the Emerging Gabon Strategic Plan (PSGE), to become an emerging economy by 2025 (Box 2).

³ Data for 2015. Article IV, IMF, March 2016.

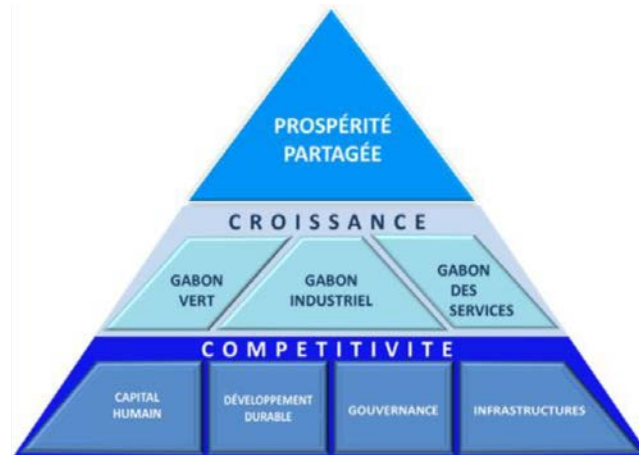
⁴ Source: UNDP, Human Development Data (1990–2017), <http://hdr.undp.org/en/data>.

Box 2. The Emerging Gabon Strategic Plan

Since 2012, Gabon has been implementing the Emerging Gabon Strategic Plan (PSGE), to make the country an emerging economy by 2025. The plan has five core objectives:

- **A united nation:** strengthening good governance and affirming adherence to the principles of the rule of law
- **A competitive economy:** dynamic growth and diversified and sustainable engines of growth
- **Sustainable development:** optimal management of natural resources, mindful of future generations and efforts to combat climate change, in keeping with the United Nations Framework Convention on Climate Change
- **Shared prosperity:** the effects of growth translate into improved social indicators
- **A voice respected on the international stage:** Gabon becomes a key player at the subregional (CEMAC) and regional (African Union) levels.

For the Emerging Gabon Vision to materialize, three strategic paths have been chosen, all of which are illustrated in the Pyramid of an Emerging Gabon.

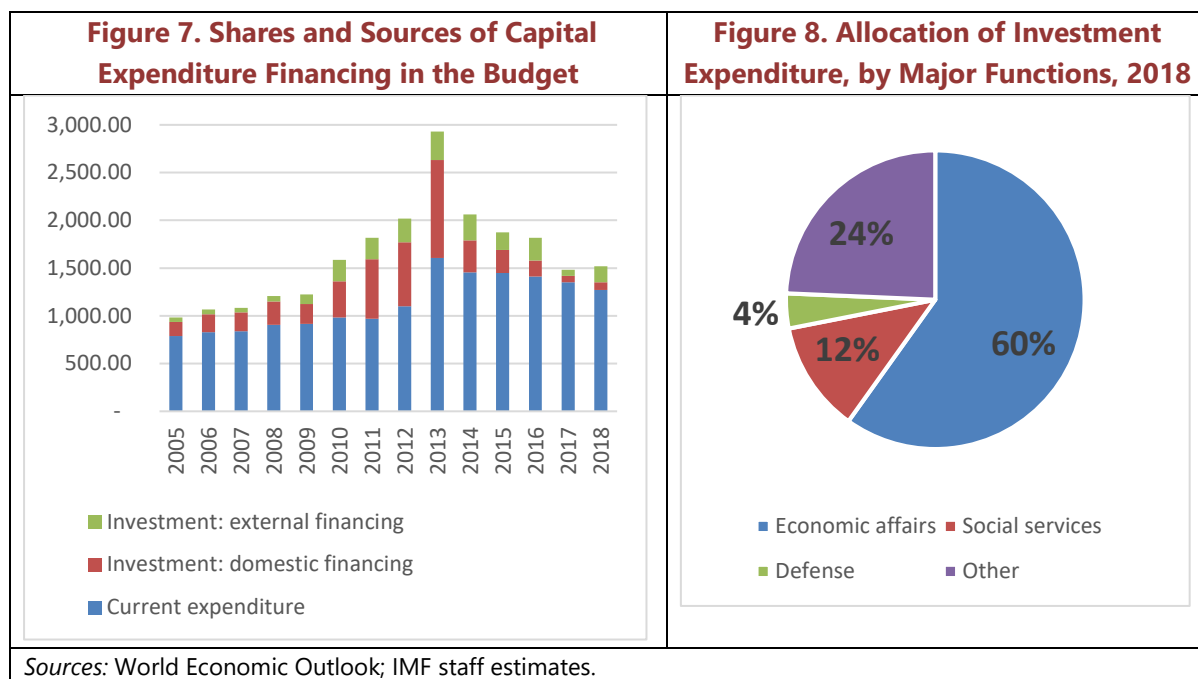


- 1) **Strengthen the foundations for emergence:** take global competitiveness factors into account (human capital, sustainable development, governance, and infrastructure).
- 2) **Build emergence pillars:** focus on potential growth sectors and ensure sustainable development of the country (three components: Green Gabon, Industrial Gabon, and Services Gabon)
- 3) **Establish shared prosperity:** facilitate the well-being of and equitable sharing by all segments of the Gabonese population in the fruits of growth.

Source: Gabonese authorities; PSGE.

6. However, neither the volume nor the composition of public investment supports this vision. Since the PSGE was implemented in 2012, capital expenditure has averaged 28 percent of the total budget expenditure, but its share of the total fell continuously from 2012–17, from 46 to 13 percent. Indeed, domestic financing of investment declined constantly and was only partially offset by increased external funding by lenders and borrowers, as shown in Figure 7. Moreover, investment focused on the economic sectors (collective infrastructure, trade, and

public finance), which accounted for 60 percent of investment outlays in 2018, versus 12 percent for the education and health sectors (Figure 8).



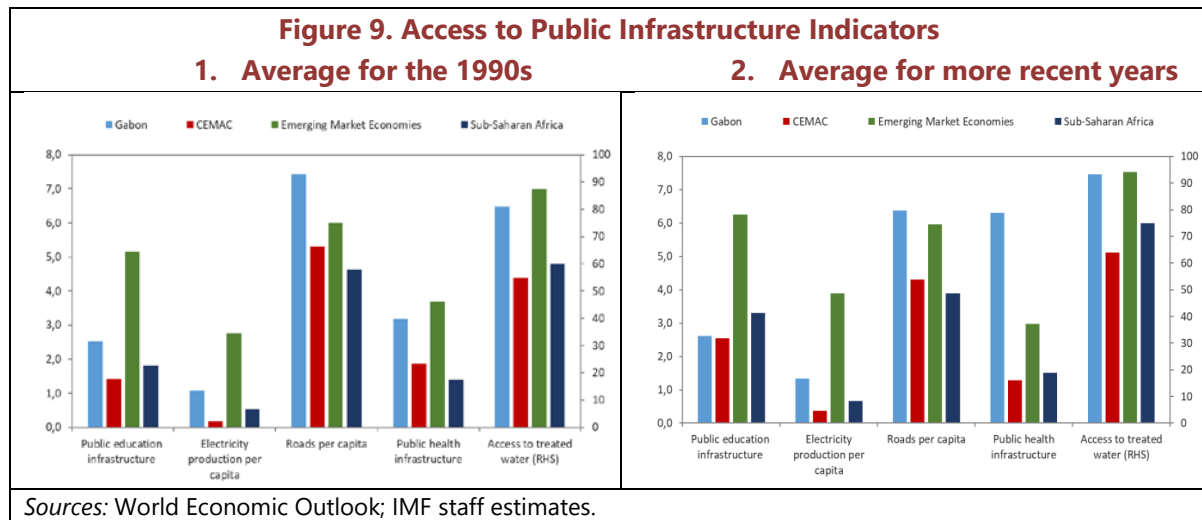
C. Impact and Efficiency of Public Investment

7. The ratio between public capital stock per capita and the volume and quality of physical infrastructure provides a measure of the efficiency of public investment. The IMF has developed a methodology for measuring the performance of public investment by relating public capital stock per capita to its impact in terms of the volume and quality of physical infrastructure. Countries with the strongest impact compared to their public capital stock per capita levels represent the efficiency frontier.⁵ Scores range between zero and one. Distance from the frontier represents the room for potential improvement of public investment performance. Recent data for the volume of physical infrastructure in Gabon are incomplete and do not allow an overall estimate. The data on the perception of its quality, however, do allow us to analyze efficiency.

8. There has been little progress in expanding access to basic infrastructure, with the notable exceptions of access to drinking water and health infrastructure (Figure 9). Access to infrastructure is measured through a series of indicators in relation to the population: the number of teachers per 1,000 inhabitants; electricity capacity in kWh per 1,000 inhabitants; kilometers of road per 1,000 inhabitants; the number of hospital beds per 1,000 inhabitants; and the percentage of the population with access to safe water. With respect to education and

⁵ For further details, see "Making Public Investment More Efficient." Staff Report, International Monetary Fund, Washington, DC. www.imf.org/external/np/pp/eng/2015/061115.pdf.

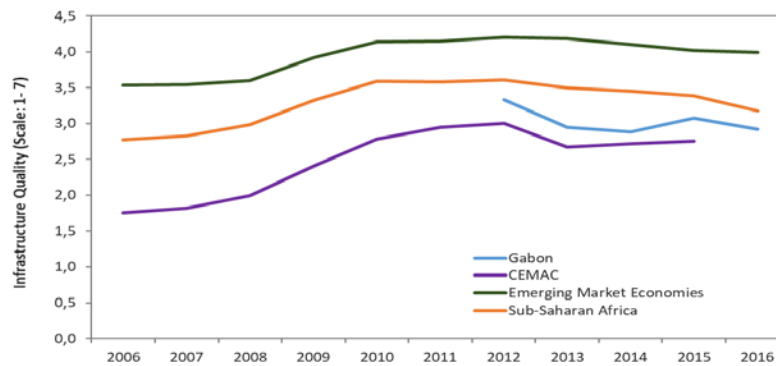
electricity production, these indicators point to stagnation in the different periods reviewed. The number of kilometers of road per 1,000 inhabitants has dropped. Only access to health infrastructure and safe water show marked improvements of +100 percent (between 1990 and 2010) and +14 percent (between 1990 and 2015), respectively.



9. Users' perception of the quality of infrastructure is better than in the countries of the CEMAC but has recently tended to deteriorate. Users' perception of quality is measured by an index developed by the World Economic Forum. Scores range from 1 to 7, where 7 indicates top quality infrastructure. The perceived quality of infrastructure in Gabon is better than in other CEMAC countries but below that for Sub-Saharan Africa. At the same time, unlike the findings for the CEMAC, users have perceived a decline in quality since 2013 (Figure 10).

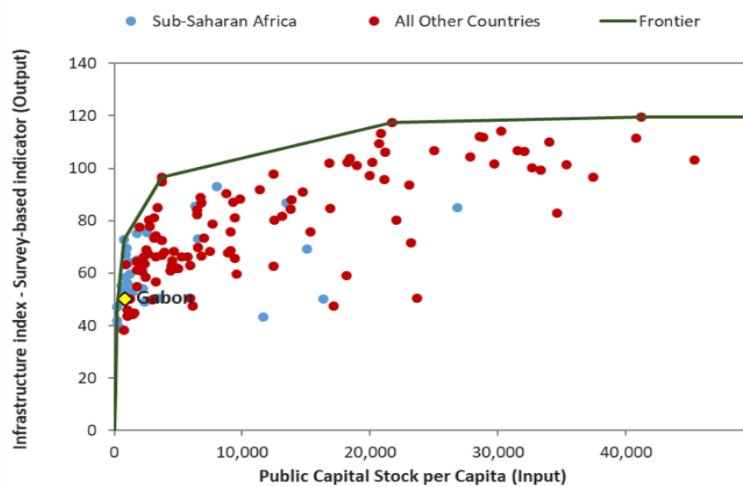
10. Public investment efficiency measured in relation to infrastructure quality is relatively low in Gabon. Comparing public capital stock per capita against infrastructure quality in Gabon yields an efficiency score of 0.5 (Figure 11), which is below the average scores in the CEMAC (0.69), Sub-Saharan Africa (0.80), and emerging countries (0.78). The public investment efficiency shortfall, with respect to infrastructure quality, is 50 percent vis-à-vis the potential level expected for that public capital stock (Figure 12). The aforementioned IMF study shows that, on average, that gap can be reduced by up to two-thirds by improving public investment management (PIM).

Figure 10. Infrastructure Quality Perceptions



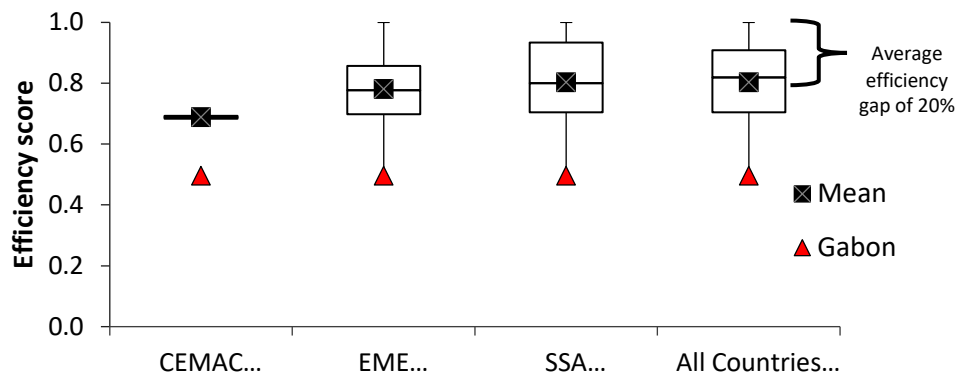
Sources: World Economic Outlook; Gabonese authorities; and IMF staff estimates.

Figure 11. Efficiency Frontier: Quality of Infrastructure Component



Source: IMF staff estimate.

Figure 12. Efficiency Indicator: Quality of Infrastructure Component



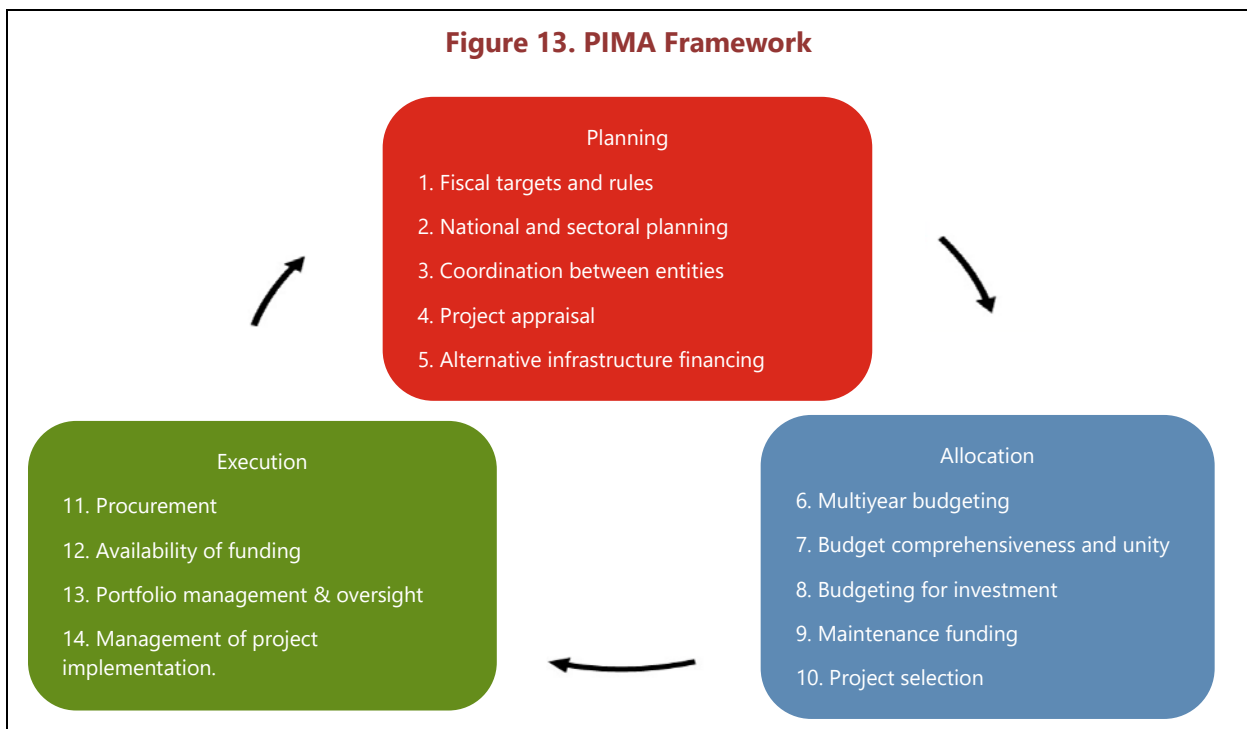
Source: IMF staff estimate.

II. ASSESSMENT OF PUBLIC INVESTMENT MANAGEMENT

11. Public investment (PI) can be an important driver of economic growth, but its impact depends primarily on its efficiency. On average, a country loses around 30 percent of the value of its investments due to inefficiencies in its PI management process. By improving the efficiency of that process, a country can reduce that efficiency gap by up to two-thirds. The economic dividends realized from closing this efficiency gap are substantial; the most efficient public investors get twice the growth “bang” for their public investment “buck” than the least efficient.

12. The new revised tool for assessing PIMA developed by the IMF is intended to help countries strengthen their practices in this area.⁶ PIMA serves to evaluate 15 institutions engaged in the three phases of the PI cycle, as well as 3 crosscutting institutions (IT support, legal framework, and skills of the personnel involved) that affect them (Figure 13). For PIMA purposes, an institution is defined as a set of rules, relations among actors, and effective practices in a given PIM area.

- **Planning** sustainable levels of investment across the public sector.
- **Allocating** investment to the right sectors and projects.
- **Implementing** projects on time and on budget.



⁶ This methodological framework was revised by the IMF in April 2018.

A. Planning Sustainable Levels of Public Investment

13. Sound planning ensures that public investments are sustainable and coordinated with development strategies. This pillar is assessed in terms of the existence of an institutional framework and the effectiveness of the following institutions: (1) fiscal principles or rules that help ensure fiscal sustainability and facilitate medium-term planning of public investments; (2) national and sectoral plans that establish investment strategies; (3) effective coordination of central government and other entities, such as subnational governments and public corporations (PCs), on matters involving investment and communication regarding contingent liabilities associated with investment projects; (4) prior, systematic, and standardized assessment of proposed projects, taking into account the risks involved; and (5) a propitious environment for financing of infrastructure by the private sector, public-private partnerships (PPPs), and PCs.

14. Despite recent efforts, planning is still characterized by major weaknesses that affect other stages in PIM. First, the investment planning phase has collapsed: no actor has an overall, precise, and quantified vision of the investments and activities needed to achieve strategic goals. Accordingly, there is no coordination between national and sectoral planning or between the different public entities, and there are no consolidated data on investment. Feasibility studies are not systematically conducted and, in general, are performed after a project has already been included in the budget. Infrastructure markets are not entirely competitive, and recourse to innovative forms of financing (PPPs) needs to be better organized and supervised.

1. Fiscal targets and rules (institutional strength - high ; effectiveness - medium ; priority of reforms – medium)

15. Limits are set to ensure the sustainability of the public debt. The CEMAC convergence criteria and the Government's economic program supported by the IMF under the Extended Fund Facility (EFF) prescribe limits to ensure public debt sustainability. The CEMAC convergence criteria (Table 3) establish a general government indebtedness ceiling: the stock of public debt has to be below 70 percent of GDP. Those criteria include a measure to prevent the accumulation of domestic and external arrears. Furthermore, under the economic program supported by the IMF, the Government has committed to meeting a quantitative performance criterion with respect to foreign debt, as well as criteria with respect to bank financing and non-accumulation of domestic and external arrears. In practice, while the debt ceilings are respected, Gabon regularly accumulates domestic and external arrears.

Table 3. Ratio of Fulfillment of the 2018 Convergence Criteria

Convergence criteria		Provisional findings of the multilateral surveillance in the CEMAC at December 31, 2018							Number of countries observing the criteria
		Cameroon	Central Africa	Congo	Gabon	Equatorial Guinea	Chad	CEMAC	2018
1	Benchmark fiscal balance as % of GDP (norm ≥ 1.5)	-4.3	0.7	-5.6	-1.3	0.1	-0.8	-2.8	4
2	Average annual inflation rate (norm ≤ 3 %)	1.1	2.1	1.6	4.8	1.3	4	2.1	4
3	Total public debt stock as a % of nominal GDP (norm ≤ 70 %)	36	43	93.5	64.3	36.2	40.4	48.5	5
4	Non-accumulation of internal and external payment arrears in the course of the current fiscal year (CFAF billions)								0
	Clearing of the existing stock of payment arrears pursuant to the valid and published plan (CFAF billions)								
Number of criteria	2018	2	3	1	2	3	2	2	

Source: The CEMAC Commission (criteria not met are shown in gray).

16. Central and local government fiscal policy establishes several permanent rules that are not fully observed in practice. The CEMAC convergence criteria and multilateral surveillance indicators, as well as the quantitative benchmarks of the program with the IMF in connection with the EFF arrangement, have established permanent fiscal policy rules: a deficit objective through targets for the fiscal balance (for example, the non-oil fiscal balance under the EFF program); the tax pressure rate (for example, a target of 17 percent of revenue under the CEMAC criteria); or payroll expenses as a share of tax revenue (35 percent ceiling under the CEMAC criteria). Article 4 of the Organic Law on Budget Laws and Budget Execution (LOLFEB) specifies that “the Government shall establish a medium-term fiscal policy in keeping with the criteria set by the conventions governing the Central African Economic and Monetary Community.” In addition, Organic Law No. 001/2014 of June 15, 2015, on decentralization, sets specific rules for local government budgets. The law ordains that loans taken out by local governments may only be used for investment expenditure⁷ and that operating expenses may not exceed 60 percent of the local government budget.⁸ In practice, however, and except for fiscal deficit targets, these rules are not observed (Table 3). With respect to local governments, the Public Expenditure and Financial Accountability (PEFA) assessment had shown that the share

⁷ Article 254 of Organic Law No. 001/2014 of June 15, 2015, on decentralization.

⁸ Article 270 of Organic Law No. 001/2014 of June 15, 2015, on decentralization.

of operating expenses in their budgets exceeded that allowed by the law (up to a projected 76 percent).

17. A three-year macrofiscal framework was established prior to the preparation of the annual budget, but it is not aligned with fiscal policy. The Macroeconomic and Fiscal Policy Framework Document (DOCAMAB) is produced in June in connection with the budget proposal (PLF) for year $n+1$. As a fiscal stance discussion tool, the DOCAMAB projects fiscal revenue and expenditure for the PLF year ($n+1$) and the following two years. This document includes three-year projections of investment expenditure and synthetic sectoral data. However, the investment expenditure aggregates do not distinguish between new investment projects and those already being implemented. That distinction is only made for externally financed (FINEX) projects. Furthermore, the credibility of the macrofiscal framework is limited: the differences between the amounts first calculated for the first year and the amounts included in the budget proposal average more than 5 percent for 2017 and 2018 and differ by as much as 44 percent in 2017 for investments financed with own resources (Table 4).

Table 4. Discrepancies Between the First Year of the DOCAMAB and the Corresponding Budget Law Amounts

DOCAMAB	2016	2017	2018	2019	2020	PLF 2016	Diff.	PLF20 17	Diff.	PLF 2018	Diff.
2016–18											
Current expenditure	1391.3	1343.8	1359.5			1401.1	0.7%	-	-	-	-
Investment expenditure	555	532.2	553.5			562.7	1.4%	-	-	-	-
<i>internally funded portion</i>	333.7	355.3	235			180.6	45.9%	-	-	-	-
<i>externally financed portion</i>	221.3	176.9	318.5			382.1	72.7%	-	-	-	-
Total	1946.3	1876	1913			1963.8	0.9%	-	-	-	-
2017–19											
Current expenditure		1251.6	1267.9	1274		-	-	1199.2	-4.2%	-	-
Investment expenditure		468.5	513.7	316.2		-	-	392.1	-16.3%	-	-
<i>internally funded portion</i>		80.7	83	216.2		-	-	116.7	44.6%	-	-
<i>externally financed portion</i>		387.8	430.7	100		-	-	275.4	-29.0%	-	-
Total		1720.1	1781.6	1590.2		-	-	1591.3	-7.5%	-	-
2018–20											
Current expenditure			1182.2	1184.9	1219.2	-	-	-	-	1237.9	4.7%
Investment expenditure			415	375.7	407.2	-	-	-	-	417.4	0.6%
<i>internally funded portion</i>			120.4	137.3	241	-	-	-	-	132.3	9.9%
<i>externally financed portion</i>			294.6	238.4	166.2	-	-	-	-	285.1	3.2%
Total			1597.2	1560.6	1626.4	-	-	-	-	1655.3	3.6%
<i>Total discrepancies (diff.) $n+1$ & $n+2$ (2016–18/2017–19)</i>	-	-8.3%	-6.9%	-	-						
<i>of which, investments</i>	-	-12.0%	-7.2%	-	-						
<i>Total discrepancies (diff.) $n+1$ & $n+2$ (2017–19/2018–20)</i>	-	-	-10.4%	-1.9%	-						
<i>of which, investments</i>	-	-	-19.2%	18.8%	-						

Sources: Gabon authorities; DOCAMAB; PLF.

18. Drawing up a fiscal framework is a relatively recent exercise and one that needs strengthening to pay more heed to investment. A fiscal framework document has been mandatory since the passage of Organic Law No. 020/2014 (LOLFEB) on May 21, 2015, and the program-budgeting reform that resulted from the incorporation of the CEMAC directives in public financial management. Article 5 of the law provides for an annual three-year projection of revenue and expenditure to serve as a benchmark for preparing the budget for year $n+1$. That fiscal framework exercise needs to be improved to (1) ensure observances of the various fiscal rules and (2) become a tool for better planning and forecasting of investment expenditure. In particular, the section on DOCAMAB investments needs to be completed, and the document needs to be published on a regular basis.

2. National and sectoral planning (institutional strength - weak; effectiveness - weak; priority of reforms - high)

19. Existing national and sectoral strategy documents do not include all of the projects in the budget. At the national level, the PSGE launched in 2012 is the benchmark strategic document establishing the Government's broad objectives. It comprises separate sectoral strategies (Green Gabon and Industrial Gabon operational plans). Other strategic documents, drawn up after the PSGE, such as the 2017 Economic Recovery Plan (PRE), provide specifics for certain actions envisaged in the PSGE. All of these documents are available online. Nevertheless, none of these documents provides a detailed list of the activities or investment projects actually embodying the strategic guidelines or details of the costs, schedules, or even the ways they are to be financed. Unlike other countries, Gabon lacks a centralized system for planning investments from the national and sectoral strategy levels through to budgetary implementation. Line ministry investment projects are only tied in with PSGE objectives a posteriori, when they are monitored by the PSGE Coordination Office (BC-PSGE), which was formerly attached to the Office of the President and since early 2019 is attached to the General Secretariat of the Government (SGG). At the sectoral level, some ministries (water, energy, and national education) have a sectoral strategy document,⁹ and a National Infrastructure Development Program (SNDI) serves as a guideline for the execution of works carried out by the National Agency for Major Infrastructure Projects (ANGTI). These documents, which are not published, bear no clear relation to the national strategy; it is not easy to trace the projects in budget documents, given the lack of standardized nomenclature and presentation. Ultimately, the lack of consistency among the multiple national and sectoral strategic documents, the weakness or lack of units in charge of planning, and the dispersal of responsibilities all preclude a unified and coordinated vision of the different projects.

20. National and sectoral strategy documents do not contain reliable quantifications of the investments contemplated. Since the national strategic documents do not provide a breakdown of the various investment projects pursuing the strategic objectives of the PSGE,

⁹ For example: The National Infrastructure Development Program (2012), The Gabon Electricity Generation Master Plan (2017), and The Education-Employment-Training Task Force (2018).

projects costs are established later, either in the sectoral documents or when a project is included in the budget. At the sectoral level, project cost assessments vary considerably from one document to another. The SNDI has a precise assessment of the different projects; the education sector document estimates project costs in a way that is barely trackable in the budget; the electrification master plan has no quantified list of projects. Furthermore, the absence of systematic prior feasibility studies makes it impossible to achieve reliable estimates of how much projects will cost.

21. Each ministry's annual performance plans (*projets annuels de performance* [PAP]) include measurable investment targets. The PSGE does not come with a performance framework establishing objectives monitored with the help of targets and indicators. The thematic plans associated with the PSGE do list strategic objectives and actions to be undertaken to achieve them, but only sporadically do they come with measurable targets. Nor do the sectoral strategies come with a performance framework showing targets and indicators for outputs and outcomes. In contrast, the PAP that have been included in the annual budget documents since the reform implementing program-budgets do come with performance measurement frameworks for keeping track of investments in all sectors (Table 5).

Table 5. Performance Indicators for Objective No. 1 of Mission 15 Construction, Social Housing, and Infrastructure

Target No. 1: Carry out the road network construction, development, and improvement works planned for 2012–15 with the requisite quality						
Item	Unit	2017 Carried out	2018 PAP forecast	2019 Target	2020 Target	Multiyear maturity target
Progress with works for National Highway 1 PK5-PK12	%	60	100	100	N/A	100 (2019)
Progress with the Port-Gentil (Ferasol-Mbega) connection highway	%	60	90	100	N/A	100 (2019)
Progress with works for the road from Port-Gentil to Omboue	%	80	98	100	N/A	100 (2019)
Progress with works for 34 steel bridges	%	N/A	30	30	60	100 (2021)
Progress with works for the Ovan-Makokou highway	%	N/A	30	40	70	100 (2021)

Source: PLF 2019.

22. National and sectoral planning lacks coordination and barely functions. The strategy documents contain few precise data and figures for activities and projects with which to monitor progress in achieving objectives. Those shortcomings and the dispersal of the various units

involved in planning directly impair program-budgeting and project implementation. Strategic planning needs to be thoroughly revamped by means of the following:

- adoption of a written set of rules to govern the planning process and selection of investment projects
- specification in the rules of the roles of those involved and the tools and procedures to be used
- provision in the rules for the establishment of a centralized project database¹⁰
- methodology for preparing sectoral strategies and gradually extending them to all ministries.

These developments should be accompanied by efforts to boost both central and sectoral planning. Box 3 illustrates the steps taken in Mali to coordinate its various strategy documents.

Box 3. Mali's National Planning Documents

In Mali, public investment planning uses three documents leading up to the investment budgeting phase.

The National Projects System (SNP)

This includes (1) a National Inventory of Projects (RNP), based mainly on information provided by national technical departments; and (2) a National Inventory of Agreements (RNA), based on information provided by donors and creditors.

The National Inventory of Projects (RNP)

The RNP database is available at the National Planning and Development Directorate and is regularly updated using information from project description datasheets. In addition to describing the projects that can be programmed, the datasheets can be fed into the projects portfolio of the RNP to track the progress of their implementation. Listed in the RNP are the projects and programs of the line ministries selected by the Project Selection Committee that have made sufficient progress in both project formulation and funding negotiations.

The Three-Year Investment Plan (PTI)

All projects—regardless of whether they are internally or externally financed—have to complete the various preparation phases before being included in the PTI. This requirement helps to ensure the effectiveness of public expenditure by giving projects a better chance of achieving their targets, thereby contributing to achievement of the overall objectives of Mali's Strategic Framework for Economic Recovery and Sustainable Development.

The three-year investment program serves as a tool for coordinating planning and budgeting. The first year of the program matches the investment budget in the budget law. The PTI is a year-on-year plan based on the fiscal year. The procedure makes it possible to cover all areas of government investment with respect to both internally and externally financed investment projects.

¹⁰ To illustrate how this can be done, Annex II contains a comparative analysis of the content of such documents drawn up in other French-speaking African countries.

Box 3. Mali's National Planning Documents (Concluded)

The PTI needs to echo the country's priority development objectives and sectoral strategies and to take macroeconomic and financial constraints into account.

PTI projects cover the four planning areas: (1) rural economy, (2) manufacturing (the secondary sector), (3) infrastructure, and (4) human resources.

Source: Mission.

3. Coordination between central and local government levels (institutional strength – medium ; effectiveness – weak ; priority of reforms - medium)

23. Local governments¹¹ have investment expenditure plans compiled in coordination with the central government. To finance their investments, local governments have what are known as *special resources*, such as donations, bequests, or assistance funds, as well as resources provided by the Departmental Initiative Fund (FID).¹² Local governments may also resort to borrowing; the proceeds must be entirely devoted to investments. With UNDP support, all local governments in Gabon have drawn up strategic Local Development Plan documents (PDL), which include lists of projects. The preparation of the PDL was coordinated with the ministry in charge of decentralization, with line ministries taking part during the design phase. A summary of the projects mentioned in the PDL has been put together by the ministry responsible for decentralization. However, the PDL have not been published. Moreover, in practice, local government participation in executing PI is limited or nonexistent. Although projects to be funded by the FID have been included in the budget FID in the past three years, no PDL project has yet been financed; the use of the amounts involved is subject to approval by the General Directorate of Budget and Public Finance (DGBFIP)¹³ without any rules having been set in that regard. Investments to be implemented locally are, in practice, decided on at the central government level; local governments do not make financing decisions or participate in either the design or management of the projects. The state still funds the clear majority of investment expenditures; some investments decided on at the local government level are financed using own resources, with little coordination with the central government.

¹¹ Local governments in Gabon include 48 departments and 52 urban and rural communes. Organic Law No. 001/2014 of June 15, 2015, on decentralization establishes the rules governing local government budgets. It specifies, in particular, local governments' resources, rules on borrowing, their budget mechanisms and rules, terms and conditions for adopting the budgets, and the state controls exercised via the local representative of the state (for example, the governor). Enabling regulations for the 2015 law have not yet been issued, however, and a bill establishing the distribution of spheres of competence between the state and local governments has yet to complete the legal framework.

¹² Decree 0103/PM of March 7, 2018, governing management of the FID.

¹³ The FID is not really a fund in that there is no mechanism involving a cash flow. It consists of a budget entry that may be executed depending on the projects approved in the ways described in the decree of March 7, 2018, in which the Governor of the province under the jurisdiction of the local government and, ultimately the DGBFIP, play a dominant role.

24. There are no rules governing transfers to local governments, which are difficult to predict. The 2015 decentralization law allows local governments to draw up preliminary budgets prior to the beginning of the fiscal year, which are then completed by a definitive budget once transfer amounts are confirmed following adoption of the budget law. The amounts of those transfers are established in connection with the annual process of drawing up the budget for year $n+1$, in which local governments do not participate. As underscored by the PEFA evaluation, most transfers are calculated under a rule established by an ordinance issued in 1981. Later, at the start of the fiscal year, local governments are notified of the amounts allocated to them.¹⁴ During execution, actual mobilization of the transfers envisaged in the budget laws is random. As discussed, no local investment has been funded by the FID despite being included in the budget. The government is assessing the possibility of having local governments participate in the process to give more consideration to their needs and to facilitate the financing of initiatives.

25. No document identifies the contingent liabilities derived from investment projects, and no unit keeps track of them. Contingent liabilities are not identified, charted, or monitored, irrespective of the government entity concerned (the state, local government, state-owned enterprise, or public institution) or of the type of contract (such as concessions or PPPs). Despite the existence of contingent liabilities in certain current contracts—primarily in the water and electricity sectors—the data regarding them are not compiled systematically, their potential impact on public finance is not analyzed, and no risk mitigation measures are taken as a precaution. These shortcomings are due to the absence of an operational arrangement or unit for centralizing the information. Responsibility is dispersed across ministries, the local governments directorate, and the PPP Unit attached to the National Agency for Investment Promotion (ANPI). Government enterprises and institutions are not monitored, given that the unit recently created at the DGBFIP to conduct that financial surveillance—following a decree issued by the Minister of Budget and Public Accounting on October 23, 2018—is not yet functional. In short, as of now, there is no budget document for assessing the costs and potential impacts of contingent liabilities, even though Article 11 of the LOLFEB provides for production of an annex to the budget law on fiscal risks.

26. Coordination of investment management among government entities is weak, and recent initiatives to improve it have not yet taken hold. Some positive steps to enhance the coordination of PI have been taken in recent years, such as the drawing up of PDL for all local governments, the establishment of the FID, and the creation of a separate unit devoted to PPPs. However, that coordination needs to be consolidated: (1) the grounds for allocating funding to local governments need to be clear and objective; (2) the unit in charge of monitoring government enterprises or public institutions (GE/PI) in the DGBFIP needs to become operational; and (3) investments made by all public entities (including local governments and

¹⁴ At the time of the mission, given that the 2019 Budget Law was passed late in February 2019, local governments had not yet been notified of the amounts of the transfers and had not yet voted on their preliminary budgets (for example, the Municipality of Libreville).

GE/PI) need to be monitored and identified in budget documents, along with contingent liabilities, especially those associated with PPPs.

4. Evaluation of projects (institutional strength - weak ; effectiveness- weak ;priority of reforms - high)

27. The institutional framework encourages prior studies evaluating major projects, but they are rarely conducted. Decree No. 00199/MBCP of September 8, 2016, specifying terms and conditions governing project eligibility provides for systematic study of the socio-economic, technical, financial, environmental, and institutional feasibility of projects. Furthermore, a structural benchmark of the economic program supported by the IMF requires that any project costing more than CFAF 20 billion must undergo a cost-benefit analysis. Under current arrangements and in regulations, no provision is made for entrusting an independent body with prior assessments. In practice, (1) studies for major projects are generally conducted after the projects are included in the budget, given that those studies are financed out of the budget appropriation, or else they are carried out directly by partners and lenders after the project agreement; and (2) the IMF's structural benchmark has not yet been applied because of the lack of projects that reach the CFAF threshold for the 2019 Budget Law. Only studies for externally funded projects are actually published.

28. The existing framework for carrying out project evaluations is not effective. The project assembly guidelines produced in 2012 proposes a standard methodology for assessing the technical, socio-economic, environmental, institutional, and financial feasibility of projects. Nevertheless, the contents of those guidelines and the methodology proposed are vague, unenforceable because they are not endorsed by any law or regulation, and not applied. Even though its charter does not entrust this task to it¹⁵, ANGTL does have resources in its budget for prior studies that it can either conduct directly or support by providing funding to certain line ministries. Other line ministries can also conduct studies, as can ANPI in its quest for PPPs, with each authority applying different methodologies. In practice, prior evaluation of projects does not occur: ANGTL has not conducted any recent study and, as pointed out, most studies are conducted directly by lenders or investors after entering into a contract with the state.

29. Risk assessment is envisaged in connection with project selection, but it is not systematically practiced. The methodology established in the 2012 project assembly guidelines includes risk analysis (input and output prices, political measures, and natural factors) in project feasibility analysis. However, the methodology does not call for the establishment of risk mitigation measures and is not binding. In practice, certain project evaluation documents include a risk analysis and identify mitigation measures; however, those documents are not available for all projects, even all major projects. The procedures followed are also neither systematic nor

¹⁵ Decree 0032/PR/MITPAT of January 19, 2018, on the restructuring of ANGTL.

homogeneous. The annex to the budget law on risk assessment called for under Article 11 of the LOLFE and listing risk mitigation measures has yet to be produced.

30. Ex ante project evaluation is not performed, due to the lack of properly structured organizational arrangements and a binding methodology for it. Ex ante evaluations are generally performed after projects have been included in the budget. The part played by ANGTI in conducting evaluations is more of a pragmatic response to a need than a well-thought-out organizational approach to the tasks and functions of public investment management. Feasibility studies are an essential stage in the project cycle that shapes the chances of subsequent stages developing as planned. The aforementioned redefinition and revamping of the roles of those involved in planning, along with the establishment of a centralized project database, should help systematize and enhance the quality of ex ante evaluations. It is also necessary to mandate by statute the ex ante evaluations of major investment projects and to allocate the financial resources needed to conduct these studies, while clearly specifying the rules governing the use of those funds.

5. Alternative financing of infrastructure (institutional strength - medium ; effectiveness – weak ; priority of reforms - medium)

31. The regulatory framework governing competition is relatively complete, but little advantage is taken of it, and openness to competition varies sharply from one sector to another. Several independent economic regulators, such as the Electronic Communications, Postal and Print media distribution Regulatory Authority (ARCEP),¹⁶ the Drinking Water and Electricity Sector Regulatory Agency (ARSEE),¹⁷ or the Rail Transport Regulatory Agency (ARTF),¹⁸ have been in place for several years (founded in 2012, 2010, and 2010, respectively). Law 5-89 on competition banned anticompetitive activities, except for those established by law, and established an advisory commission responsible for reviewing and making recommendations on any competition-related issue. Private operators may intervene in certain markets but on terms set by law: for example, in the electricity sector, only generation is not a monopoly; transportation and supply are a monopoly of the Energy and Water company of Gabon (SEEG).¹⁹ Rates are regulated and may be altered through adjustment mechanisms. A formula for reviewing rates is negotiated and specified in the concession contract between the state and private operators. In practice, however, competition is limited.

¹⁶ Established by Ordinance No. 000008/PR/2012 of February 13, 2012, and ratified by Law No. 006/2012 of August 13, 2012.

¹⁷ Established by Ordinance No. 19/PR/2010.

¹⁸ Established by Ordinance No. 17/PR of February 25, 2010.

¹⁹ For the electricity sector, the Public Drinking Water, Electricity, and Sanitation Assets Company is the government entity owning both the production facilities and the networks. It sells its output to the SEEG and certain industrial consumers, such as the Special Economic Zone.

The presence of private operators varies from by sector. Several operators are found in the telecommunications sector, for instance,²⁰ but this is not the case in the water supply sector, in which several segments are a monopoly. In addition, large government procurement operations for the provision of equipment/infrastructure in the water and electricity sectors, restricted or direct, use discretionary tenders. Finally, in practice, the regulators' functions are not effective when it comes to rates charged or the awarding of licenses; their independence is limited when, as in the case of ARSEE, their funding comes solely from the Government budget.

32. The PPP management framework is recent and needs to be completed and better coordinated with other PI. The legal framework relating to PPPs consists of Ordinance No. 009/PR/2016 of February 11, 2016, and Law No. 020/2016 of September 5, 2016, as well as several enabling regulations. This recently established framework takes its inspiration from international best practices and helps steer project preparation and selection. The framework does not, however, contain rules governing unsolicited bids and is not completely aligned with government procurement rules; as a result, the Public Procurement Authority (ARMP) is not competent to hear appeals against the awarding of contracts to PPPs. The recently established Public-Private Partnerships Support Unit (SU-PPP) is not yet fully operational. In practice, projects financed through this mechanism are not identified in the budget, even though several PPP-financed projects are currently being implemented, including the new Libreville airport project. In addition, the decision to resort to this type of financing, the state's financial commitments, and the mechanism for remunerating partners are discussed separately and irrespective of budget tradeoffs. Finally, there is no national strategy with respect to PPPs and no comprehensive list of PPP projects.

33. The supervision of investments carried out by public institutions and enterprises is not organized and lacks a rationale encompassing PIM as a whole. The supervision is conducted by having state representatives serve on boards of directors, but there is no well-organized, overall review and consolidation of the financial and fiscal data relating to investments by the PIs, PCs, or PPPs. These players are mentioned in the PAP as operators who help attain the program's objectives, but only the subsidies from which they benefit are identified. In contrast, the budget documents do not mention their investment operations that may help achieve the sector's objectives. For example, investments by the SEEG are not identified in the PAP of the Water and Sanitation Resources Management program, although those investments may serve the country's water stress reduction goals.

34. Despite recent progress in strengthening the institutional framework, private sector participation in the financing of public infrastructure is conducted on terms that pose a risk to the state. The legal framework and the presence of regulators, in theory, are conducive to competition in major infrastructure procurement; in practice, however, such competition is limited, and regulators fail to perform their functions or lack the means to do so. The only

²⁰ For example: Airtel, Moov, Azur (mobile telephony).

recently established PPP management framework is neither complete nor fully operational. The lack of a strategy to guide recourse to PPPs and the lack of coordination with other PI reduce the effectiveness of this form of financing and detract from the transparency of agreements.

Finally, there is no coordinated and centralized monitoring of investments by PIs and PCs. This state of affairs could be improved by the following: (1) boosting the independence of regulators by endowing them with own resources identified in the budget; (2) completing the PPP management framework by including rules regarding unsolicited bids (Box 4) and completing the regulatory framework for procurement by including PPP-related aspects; (3) identifying PPP projects in budget documents (annexes to investment projects and ministerial PAP) and including an assessment of contingent liabilities in the annex to the budget law on risks; (4) including the option of resorting to PPPs in the general considerations regarding investments during the annual drafting of the budget law; and (5) doing whatever is required to make the unit in charge of monitoring PPPs fully functional and effective.

Box 4. Spontaneous Bid Management

A spontaneous bid occurs when a private transactor submits a bid to a public partner, without the latter having first envisaged or prepared a similar project or without having invited the transactor to do so via the public procurement process.

Spontaneous bids may have advantages, including the following: (1) developing innovative solutions in certain sectors; and (2) helping resolve difficulties encountered during prior project appraisal. They may also help authorities to gain a better understanding of the areas for which they are responsible and a more in-depth insight into economic agents' interests.

Nevertheless, spontaneous bids also come with certain risks due to their uneven quality:

- These bids may not necessarily fit in with the public investment programming cycle.
- Spontaneous bids tend to underestimate the nature and costs of the risks run, explicitly or implicitly, by the authorities.
- Finally, entering into partnerships with the private sector based on spontaneous bids may give the appearance of undermining transparency, which is a key principle in the public procurement process.

Accordingly, the contracting authorities contacted by private transactors need to have specific methodological tools at their disposal to handle spontaneous bids. Doing this requires the following:

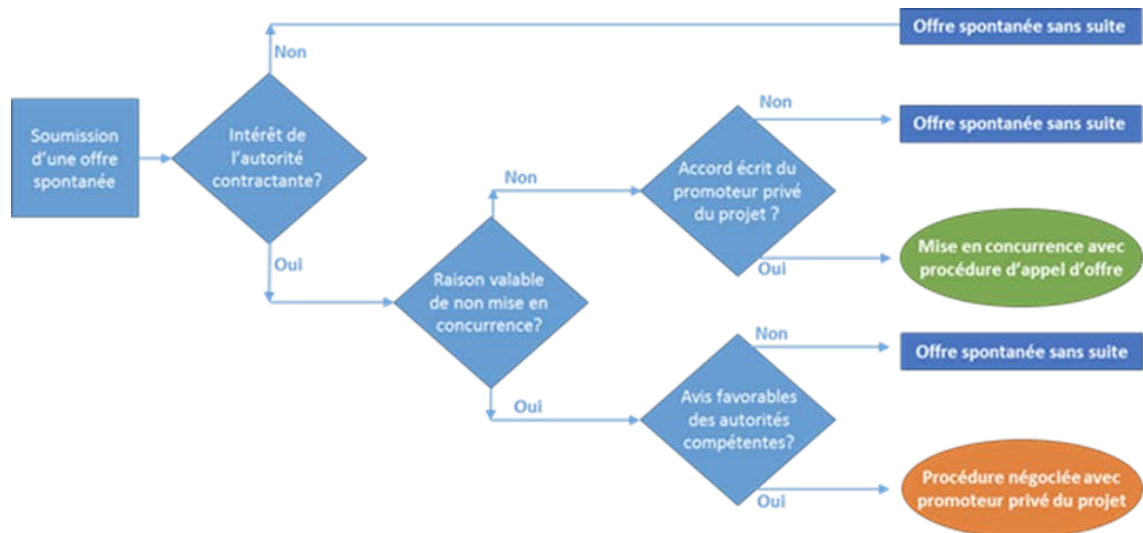
- **Establishing competition for the project:** Even if, after reviewing the spontaneous bid, the public partner wishes to proceed with the projects, it is in its interest to put it up for competition, via an open tender, rather than engage in a direct arrangement with the bidder.
- **Providing guarantees for the private sector:** To encourage private transactors to assume the responsibility of preparing high-quality spontaneous bids, they need to be convinced of the commercial viability of the undertaking. To that end, the public partner needs to seek to reformulate the project within the framework for preparing tenders and, in particular, to base it on sought-after objectives and expected results, rather than on means that have yet to be put in place.
- **Establishing shared procedures:** To achieve the identified objective, the contracting authorities need to develop and implement clear, well-established procedures in accordance with the provisions specific to public procurement and to share them with the interested private transactors. In particular, it is important to ensure that private transactors clearly understand how their spontaneous bids are handled.

Box 4. Spontaneous Bid Management (Concluded)

Five essential strategic questions need first to be answered by government decision-makers:

1. Are the spontaneous bids authorized?
2. What are spontaneous bids expected to offer?
3. How should spontaneous bid management policy be included in the existing regulatory framework?
4. To what extent will the promoter of the spontaneous bid be able to participate in the development of the project?
5. What kinds of public procurement and incentives will be authorized?

The following decision tree illustrates the appraisal process and how to handle spontaneous bids.



Source: Mission, based on guidelines for handling spontaneous bids in Senegal and documents of the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF).

B. Ensuring Public Investment is Allocated to the Right Sectors and Projects

35. A sound public finance management system has three objectives, one of which is the efficient allocation of resources.²¹ With respect to investment, this objective entails allocating resources to sectors and projects likely to generate growth and/or reduce poverty. Here, pillar 2 of the PIMA seeks to ensure the following: (1) budgeting is done from a multiyear sustainability perspective and takes the overall costs of investment projects into account; (2) the budget is comprehensive and unified in both its preparation and presentation; (3) appropriate provision to protect investments already under way are in place; (4) operating and maintenance costs of physical assets are correctly appraised when it comes to launching projects; and (5) investment projects are selected on the basis of objective criteria.

²¹ The other two are sustainability and efficient delivery of goods and services.

36. **Despite relatively robust budgeting of investment outlays, there are major shortcomings with project selection and the programming of funding for them.** The program-budgeting reform and the adoption of the LOLFEB since 2015 have greatly improved multiyear budgeting. The budgetary exhaustiveness and unity principles are likewise built into the provisions of the LOLFEB. However, more needs to be done to apply those principles. Furthermore, maintenance expenses are not taken into account when the budget is drawn up and financing remains problematic. Finally, more transparency is needed with respect to project selection criteria and procedures.

6. Multiyear programming (institutional strength – medium ; effectiveness - weak ; priority of reforms -high)

37. **The LOLFEB provides for three-year programming of capital expenditure, but there is still room for improving projections.** Articles 5 and 20 of the LOLFEB specify that the Government must prepare and publish a medium-term budget framework (MTBF), with three-year projections of fiscal aggregates. Based on that MTBF and within the ceilings established in it, the Government establishes the medium-term expenditure frameworks (MTEF), with a breakdown of the major public expenditure categories by type, purpose, and program. In practice, this budgeting framework essentially relies on two programming tools: the Macroeconomic and Fiscal Policy Framework Document (DOCAMAB) and the Annual Performance Plans (PAP). The DOCAMAB presented to Parliament during the fiscal stance debate contains aggregate three-year projections of capital expenditure and is not published. The PAP annexed to the budget law have been showing three-year budget appropriations since 2017, classified by purpose and program. However, sectoral MTEF are not yet being produced, and the list of investment projects is provided on an annual basis.

38. **The multiyear ceilings prescribed by the LOLFEB are not applied.** Article 36 of the LOLFEB establishes the commitment authorizations (CA) principle and provides for a detailed schedule of payment appropriations (PA). In addition, Article 10 of Law No. 021/2014 of January 30, 2015,²² provides for complete quantification of the fiscal impact of government decisions. Furthermore, Article 17 of Decree No. 0078 of March 4, 2014,²³ states that institutions and ministerial departments shall draw up their proposed budget on the basis of a multiyear expenditure framework, in keeping with the ceilings instructions (*lettres-plafonds*) of the Prime Minister, sectoral plans, and the Government's strategic guidelines. Nevertheless, the DOCAMAB establishes aggregate capital expenditure ceilings that are not broken down by ministry. Moreover, those ceilings are indicative rather than mandatory, and they are regularly adjusted in annual reviews, thereby giving ministries a less clear picture of their multiyear investment projects (Table 4).

²² Law on transparency and good governance in public financial management

²³ Decree establishing the schedule and procedures for drawing up the budget law.

39. The budget documents do not show the programming of the total cost of each major investment project or its breakdown by year. The LOLFEB requires that total expenditure costs be included in the budget and systematically published. Nevertheless, neither the total cost nor a detailed timeline for project implementation are provided in the budget documents. That information may appear in sectoral strategies, but not systematically, and the strategies are not published. Moreover, while the PAP annexed to the budget law do show three-year projections for investment projects, broken down by purpose and by program, they do not show the total cost of major projects. Finally, the list of investment projects annexed to the budget proposal shows the cost of projects only for the corresponding fiscal year.

40. Strengthening the multiyear programming mechanism is essential for establishing a reliable and sustainable investment program. The budget preparation timeline must ensure proper coordination between the drafting of multiyear programming documents (MTBF, MTEF, PAP) and the programming of public investment projects. In addition, the DOCAMAB must include detailed information regarding the three-year projections, broken down by ministry and capital expenditure plans, to obtain a complete overview of investment expenditure. At the same time, to obtain a better grasp of the financial impact of projects, improvements in the presentation of the list of investment projects annexed to the budget law are needed; the drawing up of a public investment program (PIP)²⁴ is a short-term priority. For each investment project, the PIP needs to show three-year expenditure projections, total project cost, total expenditure executed, total expenditure remaining, breakdowns for each of the three years, and expenses extending beyond the period covered by the public investment program (Box 5 and Annex III). Finally, the gradual introduction of CA and PA will make programming credible and facilitate alignment between the DOCAMAB forecasts and those of the budget proposal.

Box 5. The Public Investment Program

Definition

The Public Investment Program (PIP) is a tool for ensuring consistency between PI expenditures and the overall macroeconomic framework and the broad lines of Government policy. It constitutes a multiyear (normally three-year), year-on-year, public investment programming framework, in which the first annual tranche is consistent with the amounts established in the corresponding budget law. This tool provides an overview of investment projects and increased transparency in fiscal management.

Content

The PIP encompasses all of the projects to be carried out over a given period, based on priorities and available resources, which may come from different sources (the national budget, external financing [FINEX], PPPs). It entails multiyear investment management, as well as an annual review to adjust forecasts for the following years. That adjustment is based on the progress made by projects under way and the level of maturity of new projects to be included in the program. Certain criteria are established for a project to be included in the PIP, especially the following:

²⁴ Article 2 of Decree 199/MBCP of September 8, 2016, defines the PIP as an official and formal inventory of development projects drawn up by the competent public authorities. However, the decree has not been enforced, and there is no PIP in Gabon.

Box 5. The Public Investment Program (Concluded)

- Consistency with strategic development priorities
- Prior studies and ex-ante appraisal
- Availability of financing (external or domestic funding agreements)
- Existence of a work program or technical and financial execution program (start and end of the work).

A sample PIP format is attached to this report (Annex III).

Preparation process and schedule

Drawing up the PIP is an iterative and consistent procedure, for which general guidelines need to be established each year in a budget programming circular prepared in advance of the budgeting process itself.

The various stages involved in drawing up the PIP should be included in the budget preparation schedule:

- Development of the three-year programming frameworks (MTBF/MTDF)
- Establishment of capital expenditure ceilings for each ministry
- Physical and financial execution summary of ongoing projects
- Appraisal and selection of new projects
- Drawing up of the program based on a questionnaire or project datasheet type of form to be filled in by the ministries (a sample format is shown in Annex IV).

Source: Mission.

7. Budget comprehensiveness and unity (institutional strength - high; effectiveness - medium; priority of reforms - medium)

41. Although budget comprehensiveness is a principle clearly asserted and guaranteed by the LOLFEB, major investment operations are not identified in the budget. The LOLFEB prescribes that the budget must cover all levels of government and government agencies receiving public funds and that no revenue may be earmarked in advance for any particular expenditure, except for operations in supplementary budgets and special-purpose accounts. In such exceptional cases, the expenditures shall be provided for, authorized, and executed on the same terms and conditions as apply for the general budget. In fact, the budget law and its annexes do not identify all capital expenditure. A significant portion of public investment is carried out by public institutions and local governments. This lack of comprehensiveness of the information contained in the budget precludes accurate and reliable knowledge of the actual level of public investment. Thus, projects financed or managed by the Gabonese Strategic Investment Fund (FGIS) or the National Agency for Investment Promotion (ANPI) are not included on the list of public investments annexed to the budget law and are not centralized.

42. In principle, the budget law covers most internally or externally financed investment expenditure. However, it does not include information on PPPs. Articles 9 and 13 of the LOLFEB specify that all contributions by national and international donors and creditors must be included in the budget. Article 36 states that investment operations under PPPs are included in the CAs. However, the budget does not fully include all government investment outlays, and projects carried out under a PPP contract are not included in the budget documents. PPP projects follow their own management and preparation procedures, just as the state is tending to increasingly favor this kind of financing, given the cash flow constraints it faces.

According to ANPI, out of some 40 PPP projects, about 10 are under way without any available financial information about those contracts.

43. Current expenditure and capital expenditure budgets are drawn up by a single ministry and shown in the budget law, broken down by purpose and program. Decree No. 0078 of March 4, 2014, vests only the Ministry of the Economy and Budget with the authority to draw up the budget law and establishes rules governing the presentation of operating and investment expenses. As the body responsible for consolidating the budget law, the DGBFIP ensures that there is a coordinated approach to investment and operating expenses. The latter are included in the same budget; the special procedure for drawing up and adopting them is the same for both of those expenditure categories. The recent government restructuring that merged the Ministry of the Economy and the Ministry of the Budget reinforces that principle of a unified budget and makes it possible to fully integrate the entire chain of steps used to process projects and the funding for them. Despite this unified handling of all expenditures, only limited heed is paid to future current expenditure related to infrastructure maintenance, because the amounts involved are not reported in the information provided by the line ministries.

44. Greater comprehensiveness is essential to ensure that investment expenditure is allocated in a thorough, well-coordinated, and efficient manner. Although the principle of a unified budget has been accepted, the current investment budgeting procedure is not yet watertight. Gaps persist in budget coverage, making it difficult to fully assess the impact of investments carried out. Not all investment outlays are shown in the budget documents, especially those effected by autonomous government entities or financed by PPPs. No annex to the budget law identifies the investment expenditure of national public institutions, such as the FGIS. Budget information needs to be enriched with those data to enhance financial transparency and better manage the fiscal and cash flow impact of the complete set of investment operations. The recent establishment of a unit in the DGBFIP to conduct financial surveillance of those institutions should facilitate the gathering and analysis of the data needed. Similarly, to ensure a complete overview of expenditure, the line ministries should report the future current spending amounts needed for maintenance.

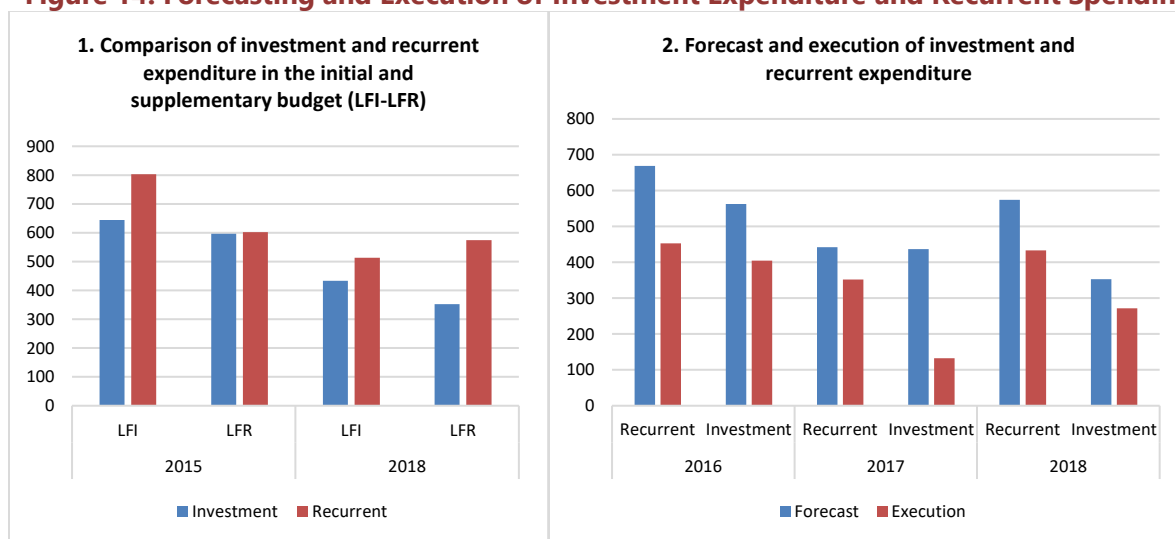
8. Investment budgeting (institutional strength -medium ; effectiveness – weak ; priority of reforms - medium)

45. Multiyear budgeting of investment expenditure is not yet being practiced, and budget documents do not include the total cost of projects. Article 36 of the LOLFEB specifies that the CA set the ceiling on expenses, payment of which may extend over several years. However, current budget procedure has not yet implemented that mechanism. In the budget law, CA are equivalent to PA, and the budget documents remitted to Parliament make no mention of the total cost of projects. The current investment project preparation mechanism cannot guarantee completion of the projects.

46. Transfers of capital expenditure appropriations to current expenditures are prohibited by law; in practice, however, projects suffer from substantial underexecution.

Article 40 of the LOLFEB establishes that investment expenditure appropriations may not be reduced within a program. Article 45 sets a limit on transfers of appropriations equal to 2 percent of the appropriations provided for in the budget law. In practice, investment appropriations act as adjustment variables in the event of funding constraints. Figure 14 illustrates the—sometimes considerable—gaps between budget law forecasts and the execution rate. That same figure shows major discrepancies in forecasts between the budget proposal and the supplementary budget. In 2018, in particular, the lowering of investment appropriation forecasts led to higher appropriations for operating expenses.

Figure 14. Forecasting and Execution of Investment Expenditure and Recurrent Spending



Source: Initial budget law, budget proposal, and supplementary budgets (LFI, LFR, *Lois de règlement*).

47. The procedure for drawing up the budget prioritizes inclusion of projects already under way, but that principle has never been stated in an official document. The budgeting procedures accord priority to projects that are consistent with the PSGE, to projects under way, and to external financing counterparts. However, those principles have not been formally established, and the inclusion of new projects in the budget may impair funding for projects under way. Analysis of the list of projects for the 2019 budget law shows that more than half of them are new, a finding that does not suggest prioritization of projects under way. Moreover, the way that projects are listed in the budget does not distinguish between current and new projects: the nomenclature used for projects under Title V makes it impossible to identify them. Within a given purpose, which is then further broken down by programs, all projects are grouped together in a single operational unit on the same line, with no possibility to differentiate between projects or the departments in charge of implementing them. This approach impairs both budget readability and the transparency surrounding the execution of investment expenditure.

48. The regulatory framework is intended to protect investment expenditure during budget execution but, in fact, it is not very effective. The reforms undertaken by the Government in recent years have improved the fiscal framework, especially since the passing of the LOLFEB. However, budgeting procedures do not fully guarantee the quality and credibility of investment expenditure. The prioritization of investment outlays and the analysis conducted by the DGBFIP should be supported by a budget programming circular and project fact sheets (see Annex IV) to be filled in by the line ministries to consolidate and harmonize information regarding projects. Furthermore, project codification needs to be improved to facilitate the identification of the units in charge of managing expenditure. Finally, the gradual transition to CA-PA budgeting should lead to the inclusion of a ceiling that takes the total cost of a project into account. Those actions should be accompanied by capacity-building for DGBFIP personnel and the upgrading of I. tools.

9. Financing of maintenance activities (institutional strength -weak ; effectiveness -weak ; priority of reforms - high)

49. There is no standard methodology for appraising current maintenance needs, and recurrent costs are not taken into account in the projects. No methodology has been established for estimating recurrent costs, and the line ministries do not assess them. The project assembly guidelines developed by the DGBFIP in 2012, describing the procedures that line ministries must follow when preparing projects to be included in the budget, do not require consideration of recurrent costs, and there are no rules governing maintenance cost estimates.

50. Estimates of the cost of expenses involved in major improvements are not based on any standard methodology, and maintenance is underfunded. There is no centralized standard methodology for determining major maintenance costs and how to finance them. Certain sectors have established rules for estimating maintenance costs. In the energy sector, for example, maintenance costs are supposed to be based on an operating costs benchmark,²⁵ which, however, is not applied. For the roads sector, the calculation of road maintenance expenses is based on the findings of studies of degraded works and on consideration of the urgency of upkeep. Since the 2019 budget law, those expenses have been included in the budget and broken down by project in the road stock management and fuel quality control special-purpose account. They are financed out of the Road Usage Fee (RUF) and included in the list of investments annexed to the budget law. However, the expenditure execution rate is low, and the amounts entered in the budget do not necessarily reflect maintenance financing needs (Table 6).

²⁵ According to the authorities, this cost is estimated at 2 to 3 percent of the total cost of the project.

Table 6. Road Maintenance Expenditure (CFAF billions)

Item	2018			2019			2020	2021
	<i>Supplementary Budget</i>	<i>Execution</i>	<i>%</i>	<i>Supplementary Budget</i>	<i>Execution</i>	<i>%</i>	<i>Forecast</i>	<i>Forecast</i>
Road maintenance	5.5	2.9	53%	16.14	0.879	5%	16.14	16.14

Sources: Budget execution reports; 2019 budget law; and PAP task 68.

51. Current servicing expenses are not identified in the budget, which only shows certain major maintenance costs. Current servicing expenses should be included under Title III (goods and services expenses), and periodic maintenance should be included under Title V (investment expenditure). However, routine servicing expenses and expenditure on major improvements are not systematically identified in the budget, with the exception of road maintenance expenses.

52. Upkeep of infrastructure requires predicting expenditure on servicing, regular maintenance, and major maintenance using a standard methodology. Line ministries do not calculate current servicing needs, so those expenses are not taken into account when the budget is drawn up. Introducing a methodology and procedures for calculating servicing and maintenance costs is essential for the efficient management of investment. Those servicing expenditure forecasts need to be clearly identified in the PAP. The project assembly guidelines should be updated to include the obligation to predict project servicing costs. The guidelines should also specify the methods to be used to calculate the amounts needed to cover current and periodic maintenance expenses.

10. Project selection (institutional strength -weak; effectiveness – weak; priority of reforms – high)

53. The institutional framework prescribed in the regulations for validating development projects has not been set up. Two regulatory documents establish central bodies, at the technical and strategic levels, to examine all projects to be included in the budget. The Inter-ministerial Development Project Validation Committee, known as the Sectoral Studies Committee, was established by Decree No. 00198/MBCP of September 8, 2016,²⁶ to select the development projects to be included in the budget proposal and to monitor their implementation. It is chaired by the Minister in charge of the budget. At the strategy level, a decree issued in February 2019 instituted the Inter-ministerial Commission for Validating and Coordinating Investment Programs in the Gabonese Republic, chaired by the Minister in charge of the Economy and the Budget. Its purpose is to coordinate the programming and validation of investment projects. It also monitors the financing of those projects, their successful completion, and their impact on the economy. In practice, neither of these two bodies is up and running; the

²⁶ Decree 198/MBCP of September 8, 2016, on the establishment and organization of the Inter-ministerial Development Project Validation Committee.

job of reviewing, examining, selecting, and prioritizing projects is performed by the Coordination Office of the Emerging Gabon Strategic Plan (BC-PSGE), which used to be attached to the Office of the President and which since February 2019 has been part of the General Secretariat of the Government (SGG). The DGBFIP notifies the BC-PSGE of the budget amount available for investment expenditure and does not undertake any second opinion of the projects selected.

54. The investment project selection procedure is insufficiently regulated, and selection criteria are too broad. They are also not published. Decree No. 00199/MBCP of September 8, 2016, establishes the terms and conditions for a project to be eligible for inclusion in the PIP, including a prior study comprising: (1) the context and grounds justifying the project; (2) the feasibility of the project; (3) the logical framework; (4) the project appraisal and monitoring and evaluation; and (5) the sustainability of the benefits of the project. These provisions are only partially applied, and the criteria are not published. In addition, the 2012 project assembly guidelines specify the stages to be followed in drawing up projects that will contribute to implementation of the PSGE. However, the guidelines are not used. In practice, project selection/prioritization starts with guidelines issued by the Head of State. Next are projects already under way, followed by externally funded projects, and, lastly, new projects. Financing permitting, political trade-offs are always possible.

55. The Government has no list of mature projects, and the procedure for selecting projects to be included in the budget lacks transparency. Each of the actors involved in PIM draws up its own separate list of investment projects. The BC-PSGE, which officially decides the projects to be included in the budget, has at its disposal the list, provided by the line ministries, of projects ready to be budgeted. At the same time, other entities, such as FGIS and ANPI, also have their own lists of infrastructure projects and projects to be implemented under PPP contracts. Except in the case of externally financed projects, sectoral ex ante appraisals for drawing up these lists are not systematically conducted. Studies are mostly conducted after a project has been selected and are sometimes even conducted directly by the private investor concerned.

56. Formalizing the project selection and prioritization procedure is essential to guarantee efficient investment. Getting the Sectoral Studies Committee and the Inter-ministerial Commission up and running is a short-term priority. Project selection procedures need to be clearly defined and communicated to all those involved in PIM. Currently, the criteria used to select projects are very broad and could lead to projects that are less than mature being included in the budget. Moreover, the failure to make public the selection criteria and the lack of transparency regarding the procedure mean that there is no guarantee that new projects selected align with PSGE objectives. Finally, capacity-building is needed at both the central and sectoral levels to enhance expertise and evaluation skills.

C. Delivering Productive and Durable Public Assets

57. The implementation of PI projects needs to deliver productive and durable public assets. Economically profitable and timely implementation of PI projects requires comprehensive financing, effective management, and thorough and transparent monitoring and evaluation mechanism. This PIMA evaluation pillar seeks to determine whether the authorities:

- **Have an effective procurement and procurement monitoring mechanism** evaluated by implementing: (1) open and competitive procedures; (2) an appropriate system for monitoring procurement; and (3) equitable procedures applied in a timely fashion for examining complaints.
- **Make financing for capital expenditure available on time**, which is gauged by assessing: (1) the capacity of ministries and institutions to plan and commit their investment expenditure in advance, thanks to reliable cash flow projections; (2) timely disbursement of the funds allocated to the expenditures concerned; and (3) the inclusion of external financing in the Treasury Single Account (TSA).
- **Appropriately manage and monitor implementation of the whole investment portfolio**, as indicated by the existence: (1) of a physical and financial mechanism for monitoring major projects during their implementation; (2) of mechanisms for transferring appropriations from one project to another; and (3) a posteriori studies of projects that have reached the end of the implementation phase.
- **Manage and oversee PI projects during implementation**, as indicated by: (1) the existence of an effective project management system; (2) the issuance and enforcement of rules, procedures, and directives on adjustments to projects; and (3) the performance of ex post external audits.
- **Guarantee monitoring of public assets by recording them and their value accurately in financial statements**, as indicated by: (1) regularly updating assets records, based on an analysis of the stock of assets, their value, and their condition; (2) recording the value of these nonfinancial assets in the government's financial accounts; and (3) recording the depreciation of the fixed assets concerned in the state's income statement.

58. Execution of investments is weak with respect to procurement procedures, the mobilization of financing, and project monitoring and oversight. This weak performance has to do with the difficulty of implementing an institutional framework that still needs developing, particularly with respect to government procurement and management and monitoring of the PI portfolio.

11. Government procurement (institutional strength - weak; effectiveness - weak; priority of reforms- high)

59. Few major project contracts are awarded via a competitive process, and the public has little access to information on government procurement. The Public Procurement Code (CMP) advocates openness,²⁷ that is, competitiveness and transparency,²⁸ in procurement processes via public access to information.²⁹ Thus, the World Bank's recent assessment of the public procurement system³⁰ highlights the incomplete and/or obsolete nature of the enabling regulations for the CMP, especially the procedures manuals.³¹ In particular, the Gabonese authorities lack a manual on government procurement plans. In practice, most contracts are awarded by direct (private treaty) agreement.³² The public has only limited access to government procurement information. Only the legal framework for it is made available to the public. Opportunities to bid are only published when contracts are awarded via invitation to tender. The awarding of contracts, information on the settlement of complaints, annual statistics, and procurement plans are not published.

60. Incomplete information in the database impedes proper monitoring of government procurement. The institutional framework for procurement calls for a system that makes it possible to monitor procurement via the establishment of a database, but it has still to be documented when it comes to the formats for standard analytical reports. This framework³³ does not specify the authority responsible for gathering information and documents, with a view to setting up an electronic database and producing an annual report on the effectiveness and reliability of the government procurement system. It entrusts that task to the Directorate of Public Procurement (DMP) in the DGBFIP and to the Public Procurement Authority (ARMP), which do little to ensure the availability of complete information. In addition, the framework also fails to specify the terms and conditions governing timely provision of government procurement information. In practice, the authorities have no public procurement information management system. The information in the procurement database is incomplete and not available in a timely

²⁷ See Articles 5, 56, 68, 70 and 71 of Decree No. 00027/PR/MEPPDD of January 17, 2018, on the CMP and Article 5 of Decree No. 6/MEPPDD of March 23, 2018, establishing mandatory public procurement thresholds.

²⁸ See Articles 5, 48, 81, 82, 83, 127, and 136 of the aforementioned Decree No. 00027/PR/MEPPDD and Article 5 of aforementioned Decree No. 6/MEPPDD.

²⁹ Evaluation of the legal framework applicable to PPP contracts is carried out by public investment management (PIMA) institution No. 5.

³⁰ See the World Bank's report of June 2019 on the evaluation of the national public procurement system.

³¹ ANGFI does, however, have a formal procedure governing bidding, evaluation of bids, and awarding of contracts.

³² ARMP statistics for fiscal year 2016 show more than 80 percent of contracts (in volume terms) are awarded by direct agreement. The World Bank's June 2019 evaluation mentions the 2017 PEFA data stating that in 2015 more than 70 percent of contracts were awarded by direct agreement. The Third Review by the IMF states that, for third quarter 2018, in value terms, 39 percent of the total value of procurement corresponded to direct agreement contracts worth CFAF 67.9 billion.

³³ See Articles 65 and 83 of Decree No. 0058 PRMBCP of January 16, 2015, on the establishment and organization of the DGBFIP and Article 2 of Decree No.278/PR/MEP of August 22, 2014, on the organization of ARMP.

manner. The DMP has a database, but it, too, is incomplete. In particular, no mention is made in procurement plans of contracts entered into by direct (private treaty) agreement, and information is not fully centralized by the DMP and ANGTI.

61. The procedure for dealing with procurement-related complaints is not applied in an equitable manner. The regulatory framework³⁴ mentions general principles needed to ensure fair and prompt examination of procurement complaints. However, the World Bank study points out that the designation of ARMP as an independent authority is not guaranteed, given that it backed by a simple decree rather than by a law.³⁵ Moreover, neither the procedures for friendly settlement of disputes nor the deadlines are specified. In practice, the mechanisms for handling complaints and disputes³⁶ by the Disputes Settlement Committee are not used, since that committee has not been installed.

62. Improving the procurement system in connection with PI projects to optimize resources is a high priority. Gabonese authorities are unable to do the following: (1) put mechanisms in place to ensure competitiveness and the public's access to procurement information; (2) adequately monitor procurement to ensure that the system is functioning properly, steer use of the mechanism, and deal with issues related to it; and (3) effectively examine procurement-related complaints, to assess whether the system is correctly designed and functioning as it should. Several measures could boost the institutional framework for procurement linked to PI projects and ensure that it is fully applied: (1) further drafting and promulgation of regulations and manuals for enforcing the Public Procurement Code; (2) systematic recourse to open tenders for selecting providers within the framework of the provisions set forth in the Procurement Code; (3) establishment of a public procurement internet portal posting complete and reliable procurement information; (4) deployment of a separate information system for monitoring and managing public procurement; and (5) legal basis for the designation of ARMP as an independent administrative authority and installation of the Dispute Settlement Committee.

12. Availability of financing (institutional strength – medium; effectiveness - weak; priority of reforms - high)

63. Ministries and institutions are not in a position to plan and commit investment project expenditure in advance, based on reliable cash flow forecasts. The CMP³⁷ prescribes that procurement plans must be drawn up. The LOLFEB³⁸ mentions the drawing up of a

³⁴ See Articles 40, 128, 129, and 234 to 245 of Decree No. 00027/PR/MEPPDD, and Article 63 of Decree No. 0058 PRMBCP.

³⁵ See Article 3 of Decree No. 278/PR/MEP.

³⁶ According to Table No. 13 of the World Bank study of June 2019, ARMP received and processed six appeals in 2018. The mission was not in a position to analyze the length of time it took to settle the disputes.

³⁷ See Articles 40, 46 and 47 of Decree No. 00027/PR/MEPPDD.

³⁸ See Articles 13 and 81 of Organic Law No. 020/2014 of May 21, 2015, on the budget and budget execution laws.

commitment plan and a cash flow plan to be annexed to the budget law. However, there are no specific guidelines to assist with the actual drafting and coordinating of the various tools for programming and budget and financial execution.³⁹ An annual circular from the Prime Minister on fiscal management for the year establishes general principles but does not enable the authorities to plan and commit their investment expenditure in advance. In practice, cash flow forecasts are made⁴⁰ and regularly updated; however, the cash flow committee is not effective,⁴¹ and there is no guarantee that the information is reliable.⁴² Moreover, line ministries and ANGFI are not notified in good time of the commitment ceilings established for them.⁴³

64. The funds earmarked for project expenditure are not disbursed on time due to severe cash flow constraints. The regulatory framework has not been updated with respect to intermediate and overall processing times in the chain of budgetary, accounting, and financial execution of PI project expenditure.⁴⁴ In keeping with the CEMAC rules, the decree⁴⁵ on the government flow of funds table (TOFE) establishes amounts still pending payment. The LOLFEB⁴⁶ prescribes that those pending payments must be annexed to the supplementary budget. The VECTIS app has a module for monitoring payment times with early warning or alert features. Payment arrears are closely monitored under the program entered into with the IMF, and the Gabonese authorities publish quarterly reports keeping track of outstanding and unpaid balances. In practice, given the large volume of domestic and external debt arrears,⁴⁷ expenditures on internally and externally financed PI projects are subject to severe cash flow constraints, which is detrimental to both physical and financial project execution.⁴⁸ Budget and accounting chain execution times are not monitored, although the information is available in VECTIS.

³⁹ The DGTCP does, however, have a draft manual on how to use a special software tool for expert programming of government cash flow. (*Vigie Stat Trésorerie*) of March 2017.

⁴⁰ See the cash flow projection plan in the economic, social, and financial report accompanying the 2019 Budget Proposal.

⁴¹ Decree No. 503 MBGP/MEPPDD of May 9, 2018, on the establishment, functions, organization, and composition of the Government Cash Flow Committee is currently being amended.

⁴² The mission was not in a position to analyze the gaps between cash flow forecasts and actual figures, and the DGCPT reported difficulties with exchanging information with financial agencies.

⁴³ As a reminder, in 2015, PEFA pointed out that ministries received reliable information regarding their commitment ceilings less than one quarter in advance.

⁴⁴ A circular dated January 6, 2012, specified those times in connection with implementation of the budget for fiscal year 2012, but it has not been updated every year to take cash flow constraints into account.

⁴⁵ See Article 16 of Decree No. 0410/PM/MBGP/MDDEPIP of May 12, 2016, establishing rules governing production of the Government flow of funds table.

⁴⁶ See Article 18 of the Organic Law No. 020/2014.

⁴⁷ The quarterly report monitoring outstanding and unpaid balances for fourth quarter 2018 highlights more than CFAF 69 billion in arrears on orders to pay enterprises, including more than CFAF 8 billion more than three months in arrears, and more than CFAF 41 billion in foreign debt arrears. That being so, it is not possible to identify the portion related to investment expenditure. An audit of the arrears is under way as part of the program with the IMF.

⁴⁸ According to information provided by ANGFI, currently 22 projects out of 70 in all—more than 31 percent—are at a standstill.

65. Although the legal framework prescribes it, external project funding is not included in the principal government bank account system. The legal framework⁴⁹ prescribes that all resources, including external donor funding, are included in the TSA. In practice, depending on the financing agreements, foreign financing is handled either by the Deposits and Consignments Fund (*Caisse des dépôts et des consignations*),⁵⁰ outside the Bank of Central African States (BEAC), or in commercial banks, as is the case for some World Bank-financed projects.

66. The availability of financing for PI expenditure needs to be improved soon to optimize physical and financial project execution. The Gabonese authorities are not in a position to: (1) plan and commit PI expenditure in advance, based on reliable cash flow projections for determining whether enough liquidity will be available to cover needs and avoid delays in project execution; (2) ensure timely disbursement of funds earmarked for financing project expenses; and (3) include externally financed project bank accounts within the remit of the BEAC to facilitate the monitoring and planning of project expenditure. The following recommendations seek to boost financing allocated to investment projects, by: (1) drafting procedural guidelines for procurement plans, commitment plans, and cash flow plans; (2) organizing regular meetings of the Cash Flow Committee to increase the accuracy of information and make effective use of programming and budget execution tools; (3) ensuring that CA and PA are issued to provide line ministries with annual commitment ceilings, and periodically regulating payment appropriations based on forecasts of the progress made with physical implementation of projects; (4) updating the January 2012 circular on payment times and activating monitoring of those times in VECTIS; (5) establishing a plan for clearing arrears accumulated on projects at a standstill; and (6) holding upcoming external financing in escrow accounts at the BEAC.

13. Portfolio management and monitoring (institutional strength - weak; effectiveness - weak; priority of reforms - high)

67. Physical and financial track is kept of major projects during implementation, but the information is not centralized in an efficient manner. The procedures established by donors and creditors and the national framework set rules⁵¹ for monitoring during the implementation phases, but these are not enough to ensure centralization. The procedures establish certain responsibilities for the DMP in the DGBFIP,⁵² for provincial procurement

⁴⁹ See Article 80 of the Organic Law No. 020/2014 and Article 111 of Decree No. 0094/PR/MBCP of February 8, 2016, containing the General Government Accounting Regulations (RGCP).

⁵⁰ A list for November 2018 points to 31 projects opened with the special cash flow office for external funding and counterpart funds on the books of the *Caisse des dépôts et des consignations*, but that list does not reflect operations currently under way to close those accounts.

⁵¹ See Article 17 of Decree No. 0862/PR/MBCPFP of October 28, 2013, establishing ways to handle projects in the Public Investments Program of the Gabonese Republic.

⁵² See Articles 67 and 69 of Decree No. 0058 PRMBCP.

authorities,⁵³ for ANGTI⁵⁴ and the Inter-ministerial Development Project Validation Committee.⁵⁵ The project assembly guidelines mention general rules for physical and financial monitoring. However, arrangements for periodically pooling and centralizing information on the internally and externally funded project portfolio are deficient.⁵⁶ The decree issued on October 28, 2013, establishing how projects in the public investment program are to be handled does not assign specific responsibility to any organ in charge of centralizing physical and financial monitoring, which severely weakens the institutional framework. In practice, for most major projects, annual costs and physical progress are monitored during implementation; however, the data are not regularly reconciled, pooled, and centralized. ANGTI keeps physical and financial track of the projects for which it is in charge, but it does not regularly share the information with other actors. The DGBFIP and the DGCPT are responsible for financial monitoring, but feedback on actual payment is not made available to all actors.⁵⁷ There is no effective centralization of information in the SGG. That lack of a link between physical and financial monitoring can lead to actual payments for work that has not been done, as shown by the PK12-PK105 road project (Annex V). The January 2016 report by the Supreme Audit Court (*Cour des comptes*) on the auditing of expenditure related to efforts to combat HIV/AIDS and malaria also refers to certain malaria treatment centers where physical works were paid for but not built.

68. There is currently no effective way to transfer appropriations from one investment project to another during implementation. The LOLFEB⁵⁸ does authorize transfers of appropriations from one investment project to another during implementation, but only via a presidential decree, which, in practice, renders the provision inapplicable. Consequently, there are no officially sanctioned transparent procedures for appraising and justifying such transfers. The authorities have developed a draft decree on the movements of appropriations to remedy this legal snag, but the instrument has still to be examined and promulgated. In practice, the line ministries with which the mission met have never transferred appropriations from one investment project to another during the implementation phase.

69. The Government does not conduct an ex post review of completed projects and does not adjust project execution policies and procedures accordingly. Procedures established by donors and creditors and the national regulatory framework⁵⁹ establish general procedures for an ex post review of projects; however, the national regulation is not sufficiently detailed, and no rules are set for adjustments based on the review findings. The procedures

⁵³ See Article 83 of Decree No. 0058 PRMBCP.

⁵⁴ See Article 2 of Decree 354/PR/MIHAT of July 22, 2015, on the establishment and organization of ANGTI.

⁵⁵ See Article 3 of Decree No. 198 of September 8, 2016, on the establishment and organization of the Inter-ministerial Development Project Validation Committee.

⁵⁶ Following the recent relocation of the PSGE Coordination Office to the General Secretariat of the Government (SGG), Decree 48/PR of January 12, 2015, on the restructuring of the Coordination Office of the PSGE has not been updated.

⁵⁷ In particular, the feedback interface between the DGTCP payment app and VECTIS is no longer operational.

⁵⁸ See Articles 16 and 45 of Organic Law No. 020/2014.

⁵⁹ See Article 17 of Decree No. 0862/PR/MBCFPF.

assign responsibilities⁶⁰ to the General Government Oversight Office⁶¹, to the Directorate for Evaluating Fiscal Policy Performance in the DGBFIP⁶², and to ARMP⁶³. The General Government Oversight Office is a single-purpose central department attached to the Prime Minister's office comprising three inspection units: the general inspectorate for administration, the technical general inspectorate, and the general inspectorate of finance. The project assembly guidelines mention general rules regarding a posteriori project evaluation, but there are no detailed guidelines and no formal rules for making adjustments based on the evaluation findings. In practice, ex post review of projects is, in most cases, only required and carried out for externally funded projects; the mission was not in a position to analyze evaluation reports.

70. Project portfolio management and monitoring suffer from major shortcomings that require immediate measures to tighten oversight. The Gabonese authorities conduct physical and financial monitoring of major projects to check, on a regular basis, whether they are being implemented according to plan and to identify any cost overruns, delays, or other issues. However, the information is not effectively double-checked, pooled, and centralized; this impairs the quality of overall monitoring of the implementation of the PSGE and may lead to unwarranted payments. Furthermore, the authorities do not carry out: (1) reallocations that could expedite the implementation of the major projects portfolio, by transferring appropriations from slower projects to those making more rapid progress; and (2) systematic ex post evaluations of completed projects to draw lessons from their implementation and adjust implementation policies and procedures based on these lessons. Enhancing the accuracy and centralization of information on the physical and financial implementation of both internally and externally funded projects; restoring the interface between the payment information system at the DGCPT and VECTIS and authorization for those involved in PIM to access information on actual payments; and ensuring systematic ex post evaluation of projects are all essential to strengthen project management monitoring and oversight.

14. Project execution management (institutional strength - medium; effectiveness - weak; priority of reforms - medium)

71. The authorities systematically appoint those to be in charge of major investment projects, but project implementation plans are not systematically drawn up prior to the adoption of the budget. Apart from the donors' and creditors' procedures, implementation of the project governance framework is not backed by any sectoral instrument. Nevertheless, for each major infrastructure project that it monitors, ANGTI establishes formal project management procedures and systematically designates the senior managers responsible for implementation. At the line ministry level, decrees and decisions are generally made to put in place and appoint project management bodies. Financing agreements for externally funded projects likewise

⁶⁰ The mission was not in a position to meet with representatives of the new Ministry for Promotion of Good Governance, Fighting Corruption, and Public Policy Evaluation.

⁶¹ See Decree No. 0219 of June 4, 2012, on general government oversight.

⁶² See Articles 43 and 44 of Decree No. 0058 PRMBCP.

⁶³ See Article 2 of Decree No. 278/PR/MEP.

include a governance mechanism. In practice, ANGTI and the line ministries responsible for executing development projects establish the mechanisms needed to implement them, but implementation plans are drawn up prior to budget approval only in the case of externally funded projects.

72. The Government has not issued rules, procedures, or directives regarding adjustments that need to be made systematically to all major projects. Apart from the usual mechanisms generally found with respect to public procurement contract riders,⁶⁴ the institutional framework makes no mention of any rule, procedure, or directive regarding adjustments to projects in the process of being implemented. In practice, PI projects are generally not adjusted once they are under way based on an in-depth reexamination of the grounds for them, their costs, or expected outcomes. Only the availability of funds or political priority criteria involve regulation.

73. Major investment projects are generally not subject to ex post external audits. The legal framework broadly mandates the National Assembly's Finance, Budget, and Public Accounting Commission⁶⁵ and the Audit Office (*Cour des comptes*)⁶⁶ to conduct evaluations of public policies and performance audits. That mandate de facto includes surveys and ex post external audits of projects, but the institutions involved have no manual on a posteriori auditing of PI projects.⁶⁷ The legislative framework likewise envisages those reports being open to the public.⁶⁸ To date, no recent externally financed PI project has been audited ex post by either Parliament or the Audit Office. In April 2017, the latter did, however, conduct a performance audit of public procurement in connection with road infrastructure and engineering works carried out by the SANTULLO/SERICOM Group between 2010 and 2015.⁶⁹ That audit, which is posted on the Audit Office website,⁷⁰ highlighted, in particular, the lack of expenditure planning,

⁶⁴ See Article 179 of Decree No. 00027/PR/MEPPDD.

⁶⁵ See Article 36 of the Constitution of the Gabonese Republic, promulgated in Law No.3/91 of March 26, 1991, amended by Law No. 1/2018 of January 12, 2018, on amendment of the Constitution of the Gabonese Republic and Article 83 of the Organic Law No. 20/2014. The Rules of Procedure of the National Assembly were amended in February 2019.

⁶⁶ See Articles 48, 76, and 77 of the Constitution of the Gabonese Republic, Articles 2, 18, 26, 36, and 159 of Organic Law No. 11/94 of September 17, 1994, establishing the organization, composition, spheres of competence, *modi operandi*, and Rules of Procedure of the Audit Office and Article 86 of Organic Law No. 20/2014.

⁶⁷ The Audit Office is affiliated with several associations (INTOSAI, AFROSAI, CREFIAF, AISCCUF) and has gradually been acquiring audit manuals.

⁶⁸ See Article 44 of Law No. 021/2014 of January 30, 2015, on transparency and good governance in public financial management.

⁶⁹ The Audit Office has also produced other audit reports, including the one on expenditure performance in connection with efforts to combat HIV/AIDS and malaria between 2010 and 2014 (January 2016) and the one on the National Health Insurance and Social Guarantee Fund (CNAMGS) (January 2017); however, those reports are not specifically about PI management.

⁷⁰ See <http://www.ccomptes.ga/index.php/telechargements/category/2-audits>.

the failure to enforce the provisions of the CMP, and the occasional lapses in the provision of funds.

74. Consolidated management of major project implementation is needed to boost the transparency of PIM. Project management provides overall assurance that project implementation is proceeding in line with the scope, costs, and scheduling envisaged. However, (1) there are no standardized adjustment rules and procedures, which are essential to prepare for possible impact on the project and promptly make any needed adjustments; and (2) a posteriori external audits of major projects are almost nonexistent. It would be best to systematize these audits, adopt a risks and financial implications-based approach, and publish the outcomes.

15. Monitoring of public assets (institutional strength - medium; effectiveness - weak; priority of reforms - medium)

75. Assets records are not complete and not regularly updated as a result of an analysis of the stocks, values, and condition of public assets. A general regulatory framework⁷¹ governs accounting aspects, but it is not detailed enough to provide *modi operandi* for drawing up, and then updating, an inventory of assets. The Directorate of Insurance and Administrative Assets in the DGBFIP⁷² is responsible for monitoring the state's real estate assets, centralizing the stock accounting records of the authorizing officers, and keeping an up-to-date inventory of the state's movable and immovable assets. The authorities have a specific (PRACTIS) information system for asset accounting. However, the framework does not specify the formats to be used for the journal, general ledger, fixed asset datasheets, inventory, and trial balance. In practice, there are no comprehensive and regularly updated records of assets in PRACTIS. Monitoring is patchy and sporadic and provides no overall picture. FGIS was established to administer tangible, as well as intangible, real estate assets, but the data are not pooled. Moreover, the assets management corporation is responsible for the maintenance of water and energy infrastructure assets; the assets management corporation responsible for digital infrastructure is responsible for maintenance of related digital assets. However, there is no communication with the DGBFIP, and the assets managed by those government corporations are not subject to any accounting.

76. The value of nonfinancial assets recorded in the Government's financial accounts does not cover all of them and is not substantiated by inventory datasheets or updated regularly. The institutional framework⁷³ establishes general principles governing the valuation and recording of nonfinancial assets in the Government's financial assets, with practical and

⁷¹ See, in particular, Article 75 of aforementioned Organic Law No. 020/2014, Articles 118, 119, 139 to 142, 208 to 211, and 259 to 262 of Decree No. 0094/PR/MBCP, Article 40 of Decree No. 0535/PR/MBCP of October 20, 2015, on the Government's chart of accounts, as well as Decree No. 01379/PR/MBCPFPRE of November 22, 2011, on the special system for government stock accounting.

⁷² See Articles 53, 54, 56 and 57 of Decree No. 0058 PRMBCP.

⁷³ See, in particular, Articles 72 and 73 of Organic Law No. 020/2014, Articles 135, 136, 137, and 146 of Decree No. 0094/PR/MBCP, and Articles 7, 26, 28, and 40 to 42 of Decree No. 0535/PR/MBCP.

precise ways to value and record them in the accounts.⁷⁴ In practice, however, the Government's financial assets statements,⁷⁵ drawn up using ASTER software, provide an unchecked value for certain nonfinancial assets, which are regularly reevaluated. Although the net position table is accurately described in the annex to the Government's general account, the failure to fully implement stock accounting (*comptabilité des matières*) precludes proper substantiation of the values recorded, which requires reconciliation with fixed asset and inventory datasheets.

77. The fixed asset depreciation recorded in the Government's income statement is likewise incomplete and is not substantiated with inventory datasheets. The institutional framework⁷⁶ establishes the general principle of recording depreciation of fixed assets in the government's income statement, and the accounting standards book and technical datasheets provide concrete details regarding the mechanism for doing so. In fact, the Government General Account for 2017 shows allocations to depreciation and provisions in the income statement. Calculation methods, the hypotheses used, and the applicable depreciation schedule based on statistical estimates are specified as well. However, given the lack of fixed asset and inventory datasheets, the base to which depreciation is to be applied cannot be validly appraised in terms of its reliability and comprehensiveness.

78. Monitoring of public assets needs to be progressively introduced because it is essential for sustainable fiscal policy, planning, and budgeting maintenance expenditure. The regulatory framework for general accounting is aligned with best international practices, but implementation of asset accounting arrangements remains weak. Thus, the keeping and regular updating of comprehensive records of public assets are not guaranteed; the recording of the value of nonfinancial assets and their depreciation in the Government's financial accounts are not yet fully reliable. Further work to ensure the reliable monitoring of public assets should help to guarantee infrastructure maintenance and upkeep by: (1) developing asset stock accounting and gradually making an inventory of existing assets; and (2) increasing the reliability of nonfinancial asset valuation and depreciation by reconciling them with fixed asset and inventory datasheets and regularly reassessing values.

D. Cross-Cutting Issues

IT Support

79. The IT system essentially covers the preparation and execution of the budget law by using three softwares. For project planning, there is no complete and validated IT database on investment projects. Project ideas are stored by the directors of each ministry's technical

⁷⁴ See the annotated government chart of accounts of 2016, the book containing the government accounting standards of Gabon and the technical accounting datasheets for the operations of public institutions of June 2014.

⁷⁵ See the Government General Account for 2017.

⁷⁶ See, in particular, Articles 119, 137, and 146 of Decree No. 0094/PR/MBCP, and Articles 26, 29, and 34 to 39 of Decree No. 0535/PR/MBCP.

departments on Excel spreadsheets, for lack of a single unit devoted to centralizing projects. During the administrative phase, budget preparation and execution are facilitated using VECTIS software. The accounting phase is handled by ASTER and DC software. Payment orders issued using VECTIS are channeled into ASTER and then into the DC app (cash flow phase) to finalize payment. The information system needed to list and monitor fixed assets (PRACTIS software) has not yet been deployed in public administration.

80. The breakdown of expenditures by operating unit precludes monitoring by project in the IT system. Given that operating units are used as the basis for budget nomenclature, investment projects are not broken down by their purpose. Investment projects are grouped by type of expenditure under Title V of the operating unit. As a result, there is no (even annual) computerized database of projects included in the budget. Reprocessing is required to obtain that statement in VECTIS.

81. The compartmentalization of information systems and the lack of a specific system for constituting and monitoring a project database detract from the quality of PIM. The mapping and current coverage of information systems preclude access to a unified inventory of projects at the planning stage and make it impossible to base the choice of projects to be included in the budget on objective criteria. Interconnecting systems to connect all of the stakeholders in the process—line ministries and offices of the directors-general of budget, public finance, cash flow, and public accounting—and cover the complete PIM cycle are essential to improve the monitoring and effectiveness of investment expenditure.

Legal Framework

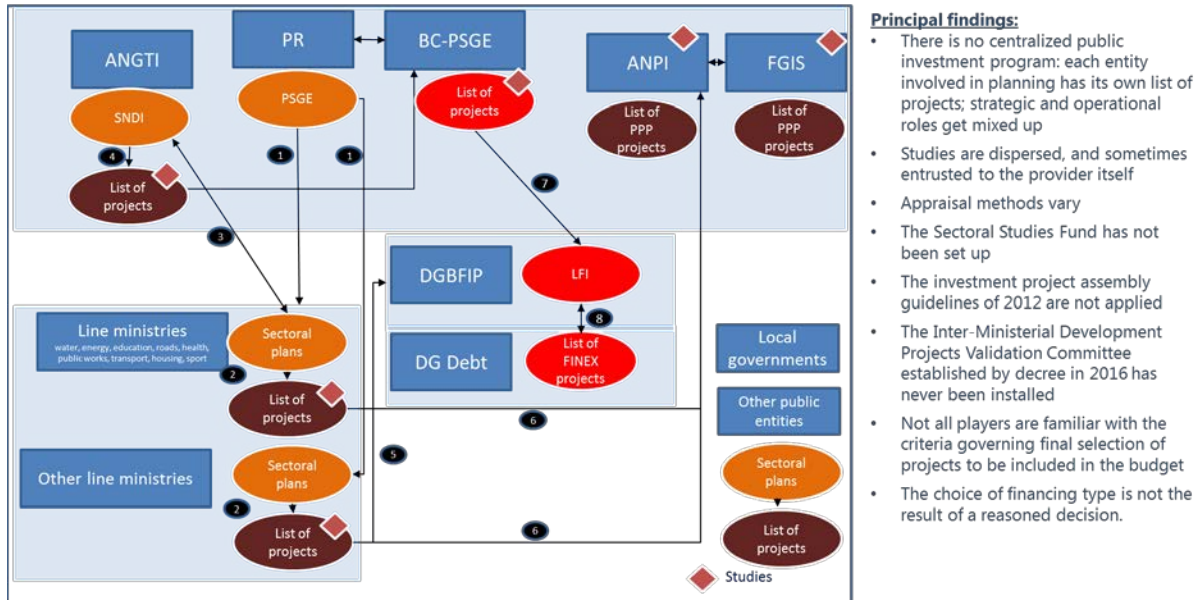
82. The legal framework governing PIM is scant and dispersed with respect to the role of the actors involved and the procedures. With respect to the bodies in charge of PIM, several barely consistent instruments exist. Decree No. 0058/PR/MBCP of January 16, 2015, on the establishment and organizational structure of the DGBFIP vests that General Directorate with powers to coordinate the monitoring of investment projects by: (1) monitoring and periodically evaluating projects; and (2) constructing a project database. The DGBFIP's responsibility with respect to investment project management was also reinforced by Decree No. 00198 MBCP of September 8, 2016, which entrusted it with the task of acting as the Secretariat of the Inter-ministerial Project Validation Committee, known as the Sectoral Studies Committee. That committee's job is to choose which of the development projects in the public investment program are to be included in the budget law and to monitor the proper execution of those projects. Another Inter-ministerial Committee to validate and coordinate investment programs in the Gabonese Republic was established in February 2019 to coordinate the programming and validation of investment projects and to keep track of the financing for those projects, ensure that they reach completion, and assess their impact on the economy. With respect to tools, project preparation guidelines have been in place since 2012, basically establishing the rules governing project document presentation. Those rules cover five areas:

- the context of the project and the rationale for it
- the operational feasibility of the project
- the logical framework of the project
- the evaluation of the relevance of the project
- the sustainability of the benefits of the project.

The principal shortcoming of the guidelines is that they mainly address the content of the project document, without mentioning the players involved at various stages in the project cycle and their responsibilities. Certain parts of the guidelines were subsequently readdressed in Decree No. 0862/PR/MBCPPF of October 28, 2013 establishing how projects are to be included in the public investment program of the Gabonese Republic; and in Decree No. 00199MBCP of September 8, 2016, establishing rules governing the eligibility of projects for inclusion in the public investment program.

83. In practice, this legal framework is not applied, thereby disrupting the whole PIM cycle. The regulatory provisions are implemented. The way in which the DGBFIP operates is inconsistent with the provisions in the decree. In particular, the project execution directorate in the DGBFIP includes a department in charge of investment expenditure, whereas the legal instruments delegate that function to the line ministries. The public investment program has never been drawn up; the procedures in the guidelines have not been applied. The Sectoral Studies Committee has never met; neither has the new Inter-ministerial Commission. Furthermore, numerous other actors intervene in PIM, sometimes, as in the case of ANGTE, in ways that go beyond the powers vested in them. The job of selecting projects, which should be performed by the Sectoral Studies Committee, is in practice split among all of the actors, each of which draws up its own list of projects and looks for ways to fund them, without any real coordination and encouraging resort to extrabudgetary operations, as is the case with FGIS. In the end, the projects included in the budget law are selected by the BC-PSGE, which is now part of the SGG, without that information being effectively shared with all of the actors involved (Figure 15).

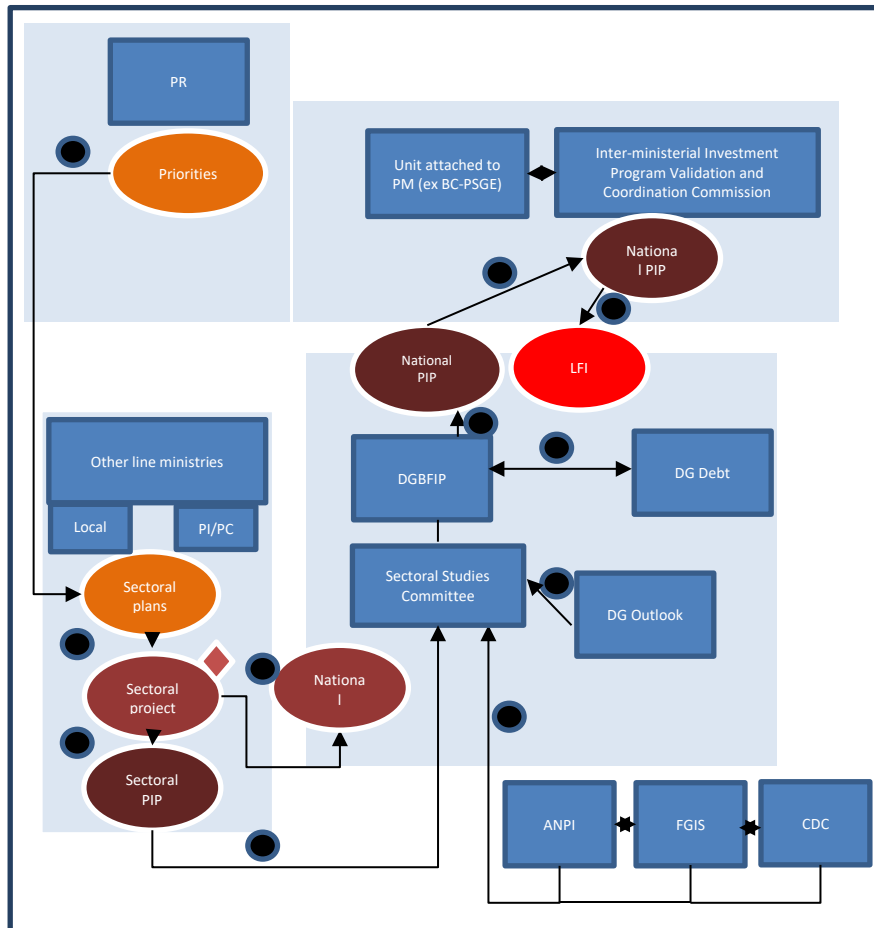
Figure 15. Current Planning Arrangements



Source: Mission.

84. There is an urgent need to strengthen the legal framework and rationalize the way PIM is organized. The existing legal framework needs to be supplemented and harmonized by drafting and passing a decree encompassing the complete PIM cycle, specifying responsibilities, terms and concepts, documents, and processes and procedures at every stage of the PIM. That decree would then be broken down into guidelines and manuals specifying the precise roles of the actors involved and the methodologies to be applied to specific processes. Effective decentralization of payment orders to line ministries is also essential to ensure that spending is executed close to projects on the ground and to be able to hold fiscal program and project managers accountable. Along the same lines as the decree, the way that the PIM is organized needs to be rationalized, and the role of the departments/units involved needs to be redefined by revising the regulations governing them. Thus, the Sectoral Studies Committee could become the central technical body responsible for preparing the draft PIP, which would then be validated by the Inter-ministerial Commission. Figure 16 contains a proposal for rationalizing planning practices.

Figure 16. Proposed Organizational Structure for Planning



Principal characteristics:

- **ANGTI** no longer takes part in planning. It only does delegated project management.
- **Studies** are conducted by the line ministries and financed by the FES under instructions from the DGBFIP
- **The BC-PSGE** becomes a lean unit reporting directly to the Prime Minister and serves as the Secretariat for the Inter-Ministerial Investment Program Validation and Coordination Commission. It produces the annual report on implementation of presidential priorities.
- **The DGBFIP** analyzes the fiscal sustainability of projects listed in the inventories and in sectoral PIP and establishes, in coordination with ANPI, FGIS, and the Debt Directorate, the appropriate form of financing. It serves as the Secretariat for the Sectoral Studies Committee.
- **The Sectoral Studies Committee** draws up the draft national, using transparent project selection criteria.
- **The Inter-Ministerial Investment Program Validation and Coordination Commission** provides guidelines for the PIP in a budget circular and validates the draft PIP, checking the transparency of the criteria used.

Source: Mission.

Staff Capacities

85. Investment planning and programming are not systematized in the line ministries.

Some ministries, especially health and education, include planning and programming departments in their organizational structures, thanks to the close involvement of technical and financial partners in sectoral policies. The organizational chart of the Ministry of Health includes a Directorate-General of Planning, Infrastructure, and Equipment charged with making health care accessible to all via a network of well-equipped health units distributed throughout the country. That Directorate is responsible for drafting and updating the Health Care Map (*la carte sanitaire*) and the organizational structures for health care. The Ministry of Education has a Directorate-General of Planning and Projection Statistics and a Directorate-General for Investment and Infrastructure Programming. However, those functional divisions are not found in all ministries.

86. Capacity-building still poses a major challenge for both administrative and human resource management.

Capacity-building for those involved in investment management used

to be entrusted to the former BC-PSGE, which was attached to the Office of the President until early 2019, and whose functions have now been absorbed by the General Secretariat of the Government. The decree governing the organizational structure of the Coordination Office designated as one of its tasks the “methodological support for managing programs and projects for program managers, line budget managers, and operating unit managers, with crafting and steering PSGE programs and projects.” In many countries, planning units appear in ministries’ organizational charts as a cross-cutting body like financial and human resource directorates, and the civil service statute provides for professional planners. In practice, the job of professional planner does not exist. Planning is done by staff members from a variety of professions (including engineering and administration), depending on their responsibilities and the powers vested in them in the administrative hierarchy.

87. Developing planning and programming skills is a prerequisite for ensuring optimal management of investment. Directorates or units—depending on the size of the ministries—responsible for studies, planning, and statistics need to be established in the line ministries. It is essential to adopt and implement a continuous training program in investment project management to ensure that they function effectively in the long term.

Annex I. PIMA Evaluation Scores

No.	Dimension	Institutional score	Efficiency score
1.a.	Is there a target or limit for government to ensure debt sustainability?	3	2
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	3	2
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	2	1
2.a.	Does the government prepare national and sectoral strategies for public investment?	1	1
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	1	1
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	1	2
3.a.	Is capital spending by SNGs coordinated with the central government?	2	1
3.b.	Does the central government have a transparent, rule-based system for making capital transfers to subnational governments, and for providing timely information on such transfers?	1	1
3.c.	Are contingent liabilities arising from capital projects of SNGs, public corporations (PCs), and PPPs reported to the central government?	1	1
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analyses?	2	1
4.b.	Are there a standard methodology and central support for the appraisal of	1	1
4.c.	Are risks taken into account in conducting project appraisals?	1	1
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecommunications, and transport)?	2	1
5.b.	Has the government published a strategy/policy for PPPs and a legal/regulatory framework that guides the preparation, selection, and management of PPP projects?	2	1
5.c.	Does the government oversee the investment plans of PCs and monitor their financial performance?	1	1
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	3	2
6.b.	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	2	1
6.c.	Are projections of the total construction cost of major capital projects published?	2	1
7.a.	Is capital spending mostly undertaken through the budget?	3	1
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	3	2
7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	3	3
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	3	1
8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	3	1
8.c.	Is the completion of ongoing projects given priority over starting new projects?	1	1
9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	1	1
9.b.	Is there a standard methodology for determining capital maintenance projects, and are they included in national and sectoral investment plans?	1	1
9.c.	Can expenditures relating to maintenance be identified in the budget?	1	1
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	2	1
10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	1	1
10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	1	1
11.a.	Is the procurement process for major capital projects open and transparent?	2	2

11.b	Is there a system in place to ensure that procurement is monitored adequately?	1	1	
11.c	Are procurement complaints review process conducted in a fair and timely manner?	1	1	
No.	Dimension	Institutional Score	Efficiency Score	
12.a	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	1	1	
12.b	Is cash for project outlays released in a timely manner?	1	1	
12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	3	1	
13.a	Are major capital projects subject to monitoring during project implementation?	2	2	
13.b	Can funds be reallocated between investment projects during implementation?	1	1	
13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	1	1	
14.a	Do ministries/agencies have effective project management arrangements in place?	2	1	
14.b	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	1	1	
14.c	Are ex post audits of capital projects routinely undertaken?	2	1	
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	1	1	
15.b	Are nonfinancial asset values recorded in the government financial accounts?	3	1	
15.c	Is the depreciation of fixed assets captured in the government's operating statements?	3	1	

Annex II. Examples of Provisions Contained in Regulations Governing PIM

Content of regulatory instruments	Example 1	Example 2
1. General aspects	Establishment of the scope of government investments (investments executed by the state, capital transfers, and public-private partnership contracts).	Scope: The following shall be considered development projects or programs: all public investment or technical cooperation actions carried out during a given period to: (1) produce goods and services; (2) create socio-economic infrastructure; (3) strengthen institutional capacity; and (4) build human resource capacity and skills.
	Disputes arising out of development project or program activities shall be settled by the competent jurisdictions in accordance with instruments and procedures in force.	Creation of development projects or programs: Joint decree of the minister in charge of technical supervision and the minister in charge of financial supervision. Projects and programs are classified under three headings: A. those whose implementation is directly overseen by the Public Administration B. those whose implementation requires establishing an autonomous body under the supervision of the Public Administration C. those implemented by an execution agency.
2. General rules governing projects	The overall cost of a project to be included in the Public Investment Program may not be less than CFAF 5,000,000,000.	-
	The maximum duration of a public investment project is 5 years, including the closure period (technical approval by the Ministry responsible for the Plan is required to exceed that duration).	-
3. Roles of the actors involved	Definition of the role of the Ministry responsible for the Plan: • checks that public investment projects are eligible for inclusion in the national Budget • updates the public investment project portfolio database every year • proceeds, at the behest of the Rprog to include or re-include a public investment project in the government portfolio • is responsible, in collaboration with the line ministry concerned, for conducting the project preparation phase • establishes the format/outlines for project documents • drafts the report on the execution of the government's active portfolio within 45 days of the end of each quarter • draws up the national project monitoring schedule.	Definition of the role of supervision (<i>tutelle</i>): (1) technical supervision by the ministry responsible for the area affected by the project/program; (2) financial supervision by the Ministry of Finance.
	Establishment of the roles to be performed by ministerial actors: • The Public Investment Program Committee: responsible for ensuring that sectoral policy is pursued through project implementation. • The Director of Programming and Outlook (<i>Prospective</i>): coordinates all programming-related activities for the ministry's projects and provides feedback on outcomes and prospects to the Public Investment Program Committee.	Technical supervision establishes the tasks and objectives of the project/program in an engagement letter/mission statement (such as objectives; material, human and financial resources; expected outcomes; performance indicators; and execution timetable).
	Definition of the role of the Public Investment Program Commission, which moderates the pre-arbitration sessions of the Public Investment Program (PIP) and is in charge of: • appraising performance in development project and program execution • reviewing the outlook for the following year • ensuring project prioritization, portfolio rationalization, and optimal allocation of resources • putting forward recommendations to enhance the quality of development projects and programs.	Establishment of a Steering Committee for each project/program to meet twice a year for regular sessions. The Steering Committee is responsible for correct project orientation. Definition of the role of Heads of Project, known as "Coordinators": • reports each quarter and annually on project implementation status to the technical supervision ministry, via the ministry's Director of Studies and Planning; • submits activity reports and their financial accounts approved by the project/program steering committee.

Content of regulatory instruments	Example 1	Example 2
4. Budget-related rules	Every year, a Ministry of Finance Circular specifies the terms and conditions governing allocation of resources to public investment projects.	-
	The establishment in the National Budget of a secure line of credit known as "Project Preparation and Management Fund". This Fund is primarily to finance: <ul style="list-style-type: none"> • feasibility studies for public investment projects • the preparatory phases of public investment projects • participation in post-implementation evaluation and project closure • joint missions on the ground • project monitoring visits • project audits. 	-
5. Procedures for inclusion in the PIP	Every public investment project supported by a program included in the Public Investment Program Portfolio prior to implementation. + A duly completed information file and economic, technical, financial, environmental impact, and social feasibility studies, and financing agreement for externally financed development projects/programs.	Every government-approved development project or program must be included in the Public Investment Program (PIP) database.
	Standardization of projects included in the Public Investment Program according to: <ul style="list-style-type: none"> • type of project • ministries or institutions responsible for implementation • planning sector • commitment authorizations and payment appropriations • the Multiyear Expenditure Programming Document program • sources and forms of financing. 	-
6. Rules governing implementation	Fiscal and physical monitoring are performed jointly and separately by the Planning Ministry, the line ministries, and other public institutions concerned	Projects or programs are subject to the external audits stipulated in the legislative and regulatory provisions governing public finance.
	Oversight rules: <ul style="list-style-type: none"> • Organization of a national review of development programs will occur at least twice a year. • Development programs are subject to the external audits stipulated in legislative and regulatory provisions governing public finances. • Every public investment project must be audited every year. 	The types of financial and accounting management applicable to development projects or programs are established pursuant to the general regulations for government accounting.
	The types of financial and accounting management applicable to programs are those contemplated in the provisions of the General Rules of Procedure for Government Accounting.	-
7. Procurement rules	Unless otherwise stipulated in officially ratified agreements or conventions, investment project or development program-related procurement are governed by the standard rules and regulations.	-
8. Project closure rules	Assets acquired by a project are registered in an inventory drawn up by Fiscal Program Manager, approved by the Public Investment Program Committee, and remitted to the Minister in charge of supervising the project within two months of the finalization of the project.	Each development project or program must keep stock accounting records of materials and assets acquired by the project or placed at its disposal.
		Assets acquired by the development project or program must be listed in an inventory drawn up under the responsibility of the Coordinator, approved by the Steering Committee, and remitted to the technical and financial supervision authorities two months prior to project closure.

Content of regulatory instruments	Example 1	Example 2
9. Ethics	Remuneration and benefits for those involved in public investment project are established by a joint decree of the Ministry of Finance and the Ministry of Planning.	Development project and program personnel receive wages and/or allowances in amounts established in the regulations.
	-	Except for government personnel on secondment or assigned to the project or program, any other civil servant must take a leave of absence to be recruited by a development project or program.

Annex III. Sample Public Investment Program (n - n+2) Format

Ministries/Sectors/ Programs		Ministry of xxxx												
		Duration of the project		Total project cost	Carried out by N	Domestic Financing				External Financing				
Code*	Name of the Project	Start	End			N	N+1	N+2	Total	N	N+1	N+2	Total	Sources
xxx	Project x1													
	Project x2													
	.													
	.													
	.													
Total														

Note. (*) For ease of reference, each project is given a code, which should be consistent with budget nomenclature.

Annex IV. Sample Project Datasheet

A. - Identification of the Project

Ministry : _ _ Mission : _ _ _ Program : _ _ _ Operating unit : _ _ - _ _ - _ - _ _ _ -	Name of Project: Project status : _ -New - _ -Old Project start-up : End of project :
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B. – Detailed Presentation of the Project (SUMMARY OF THE INFORMATION CONTAINED IN THE PROJECT FILE)

B.1. - PRINCIPAL OBJECTIVES / EXPECTED OUTCOMES

OBJECTIVES (Objectives pursued by the project)	EXPECTED OUTCOMES (Quantifiable indicators)	IMPACTS ENVISAGED (Economic, Social,...)

B.2. – BRIEF TECHNICAL DESCRIPTION

B.3. – PROJECT BENEFICIARIES/TARGETS

B.4. - RISKS AND RISKS MITIGATION STRATEGY

B.5. - FINANCIAL SCHEDULE

IMPLEMENTATION SCHEDULE	N	N+1	N+2
	T1 _ T2_ _ T3_ _ T4_	_T1_ _ T2_ _ T3_ _ T4_	_T1_ _ T2_ _ T3_ _ T4_
PROJECT ACTIVITIES (*)			
(Mention the Budget Nomenclature of the Investment Chapters and Articles)			

C. – Fiscal Year N

C.1. - INFORMATION FOR YEAR N

Objectives of the project	Expected outcomes (quantifiable indicator)	Principal activities

C.2. – IMPLEMENTATION SCHEDULE FOR CURRENT YEAR ACTIVITIES

ACTIVITIES	U.O [?]	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec

D. – Financial Information

Overall cost	Recurrent costs (*)	PROGRAM N			PROGRAM N+1			PROGRAM N+2		
		Internal financing	FINEX	Total	Internal financing	FINEX	Total	Internal financing	FINEX	Total

Note: (*) Recurrent operating and maintenance expenses start prior to project implementation. The project documents must include information on the nature and programming of these expenses.

Annex V. Example of a PIMA Evaluation: The KP12-KP105 Road Project

Context: National Route 1 is a highway serving the southern parts of Libreville and heading toward the west and north of the country. Work has been done on several sections. The stretch between kilometer points 12 and 105 links the southern exit from Libreville (near the Special Economic Zone of Nkok) to the Nsile commune in the southwest (Map A5.1). Apart from its social function, this highway is also of major economic importance because it connects to the SEZ and is used by the logging industry to transport timber. It is also one of the priority projects in the PSGE.



Project background: The first contract was placed in November 2008 and was awarded in its entirety to CEDEX Corporation, with Deutsche Bank financing. The idea was to complete the work in 2015, at a cost of approximately CFAF 70 billion. The first amendment to the contract was made in 2013, and a memorandum of understanding was drawn up on splitting the contract into various stretches. The first three stretches—KP12-KP40, KP40-KP55, and KP55-KP74—were awarded to CEDEX, SOCOBA and ACCIONA, respectively. The next two stretches—KP74-KP94 and KP94-KP105—were awarded to the COLAS Corporation. The contracts were awarded by private arrangement, with all financing charged to the national budget. To this day, only the KP94-KP105 stretch has been finished, with COLAS receiving payment for the work. Since the companies that contracted for work on the other sections never received any payment, those works are at a standstill or never began.

Accordingly, parts of the KP40-KP55 and KP55-KP74 sections have been completed, while work on the KP74-KP94 stretch has never started. All of these contracts were rescinded in 2017. The Gabonese Government is now seeking concessionary EXIM Bank financing and has launched a restricted tender to which three Chinese companies have responded. The tender called for bidders to develop a financing proposal. The contract was awarded to the China State Construction Engineering Corporation, but the loan application was turned down by the EXIM Bank China in May 2018, and the Gabonese state is unable to finance the works. It is, moreover, in a dispute with the company over a clause in the contract that precluded any suspension. Currently, the Gabonese State is in the process of rescinding the contract with China State.

Current state of affairs:

- **A longstanding but still unfinished project despite the use of “urgent” bidding procedures:** by private arrangement with CEDEX; restricted tender for the sections awarded to SOCOBA, ACCIONA, COLAS, and China State



- **A major cost to the state:**¹ apart from the costs associated with the first contract awarded to CEDEX in 2008,² payments made total CFAF 79 billion, not counting debts amounting to approximately CFAF 3 billion claimed by certain companies (SOCOBA and ACCIONA)
- **Multiple lawsuits that could result in a further burden on the budget:** one dispute is already under way with CEDEX, and there is a risk of another dispute with China State.
- **A project still to be implemented:** appropriations to implement the project are still being included in the national budget (Table A5):

Table A.5

Road upgrading KP 12 -KP 105	2018		2019		2020		2021		TOTAL	
	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA
BG	5,000,000,000	#####	9,600,000,000	9,600,000,000	0	-	-	-	#####	#####
FINEX		-	9,782,710,000	9,782,710,000	#####	#####	#####	#####	#####	#####
TOTAL	5,000,000,000	#####	#####	19,382,710,000	#####	#####	#####	#####	#####	#####

Source: Draft supplementary budget (PLFR 2018) Road Upgrading.

- **Failure to meet physical and financial implementation objectives:** the initial goal was to have a first 70 km stretch of road upgraded by 2015. The initial cost estimate was CFAF 1 billion per kilometer.

¹ Source: ANGTI.

² The length of time that has elapsed since the contract was entered into and recourse to bank financing have precluded a reconstruction of the financial data in the time allotted by the mission. Nevertheless, the DGD has confirmed that this financing has been included in the debt, and the DGBFIP has confirmed the existence of a counterpart executed in connection with the loan. Thus, the costs associated with this operation are to be added to those identified in this annex.

Institutions	Situation/evaluation	Weaknesses in the PIM process
1. Fiscal targets and rules	The project was taken into account differently in the budget programming based on the periods and form of financing. As of 2017, a fiscal framework was drawn up, and financing for the KP12-105 highway was included. The financing for it was included in the budget law.	
2. National and sectoral planning	The project was included in the PSGE but without quantification of the costs associated with it. The project was taken into account in the PARR (Road Network Improvement Project prior to the PSGE); the financial information was added (little detail on the pace of implementation) and subsequently in the National Infrastructure Development Program (SNDI). No performance framework or target or objective was associated with the project.	
3. Coordination among entities	This is a national project; no local government or PI/PC is involved in its financing. There is no evaluation of contingent liabilities related to procurement and contracts entered into. Legal disputes have begun (for example, Cedex) or could begin (for example, ACCIONA, SOCOBA, and China State). No mention was made of provisions in the budget for litigation.	
4. Project appraisal	Studies were conducted by the providers after the contract was awarded. A preliminary project proposal was crafted in 2001 but was not used in the project design. A detailed budget proposal was produced by the provider in 2009.	
5. Alternative infrastructure financing	The project was financed both externally and internally. There was no PPP. The externally financed portion was monitored by the DGD.	
6. Multiyear budgeting	The lack of a public investment program (PIP) made it impossible to track the total cost of the project and its impact on the national budget. Moreover, the new budget documents (DOCAMAB and PAP) do not give a detailed account of this project.	
7. Budget comprehensiveness and unity	The project is identified in the budget (list of investments), with respect to both the internally and externally financed portions. The project is recorded in the Ministry of Infrastructure budget and executed by ANGTI.	
8. Budgeting for investment	The numerous modifications to the project make it impossible to have a clear grasp of its budgeting. However, project amounts are properly recorded in budgets as of the 2018 supplementary budget.	
9. Maintenance funding	According to the terms of the contracts, maintenance work is to be done by the entrepreneurs during the guarantee period (for 12 months from the date of provisional reception of the works).	
10. Project selection	There are no selection criteria for investment projects. This project has been listed as an infrastructure priority for several years (for example, PAR, PSGE).	
11. Procurement	Most procurement has been by direct private contract, transparency and monitoring of procurement have been scant, and current reviews of procurement complaints have not been equitable. Given the urgency, the various procurement contracts were awarded by direct agreements or restricted tenders; the public has had little access to the public procurement data.	
12. Availability of funding	Commitment ceilings were not communicated on time, expenditures were subject to severe cash flow constraints, and external partners' accounts were placed outside of the BEAC. The costs of this investment project, financed in turn by both internal and external funding, have also been subject to severe cash flow constraints, to the detriment of both the physical and financial implementation of the project. Arrears have accumulated since 2014.	
13. Portfolio management and oversight	The project was monitored, but too little information was pooled and compared. Information has not been regularly reconciled and pooled with stakeholders, and centralized monitoring only began to be effective as of 2013. There were no transfers of appropriations from one project component to another during execution. There was also no ex post evaluation.	
14. Management of project implementation	Project execution management was effective. Adjustments made were not standardized and no external a posteriori audit was conducted. ANGTI did put in place the mechanism needed for project implementation. The project was regulated depending on the availability of funds, but no adjustments were made during implementation. No examination was conducted by the Audit Office (<i>Cours des Comptes</i>) (no mention was made in the audit report on road infrastructure).	
15. Monitoring of public assets	The records of assets generated by the project are neither complete nor up to date, making it impossible to trace information on their valuation and depreciation in the financial statements.	

	Not applicable		Weak		Medium		Good
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