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Report Number: ICRR0023153

1. Program Information

Country
Gabon

Practice Area (Lead)
Health, Nutrition & Population

Programmatic DPF

Planned Operations
3

Approved Operations
2

Operation ID
P159508

Operation Name
FISCAL CONSOLIDATION & INCLUSIVE GROWTH

L/C/TF Number(s)
IBRD-87890

Closing Date (Original)
31-Oct-2018

Total Financing (USD)
199,234,236.08

Bank Approval Date
07-Nov-2017

Closing Date (Actual)
31-Oct-2018

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	200,000,000.00	0.00
Revised Commitment	200,000,000.00	0.00
Actual	199,234,236.08	0.00

Country
Gabon

Practice Area (Lead)
Macroeconomics, Trade and Investment

Operation ID
P164201

Operation Name
Gabon second DPO (P164201)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-87890,IBRD-89220	31-Dec-2019	198906862.49
Bank Approval Date	**Closing Date (Actual)**	
19-Feb-2019	31-Dec-2019	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	200,000,000.00	0.00
Revised Commitment	200,000,000.00	0.00
Actual	198,906,862.49	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Shahrzad Mobasher Fard	Judyth L. Twigg	Jennifer L. Keller	IEGEC

2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objectives (PDO) of the Gabon Fiscal Consolidation and Inclusive Growth Operation consisted of (i) increasing revenue mobilization, stabilizing the wage bill, and improving procurement practices, (ii) improving the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness, and (iii) improving the efficiency of healthcare delivery and social protection services in order to protect the poor (Program Document [PD], p. 4, and Letter of Development Policy, PD Annex 2). For the purpose of this ICRR, the same three objectives are used.

b. Pillars/Policy Areas

The programmatic series was structured around three pillars/policy areas. Pillar 1 supported the policy objectives of (i) increasing revenue mobilization and transparency, (ii) stabilizing the wage bill, and (iii) improving transparency and efficiency in procurement practices. Pillar 2 pursued the objectives of (i) addressing key bottlenecks in the investment climate and (ii) strengthening ICT services. Pillar 3 supported (i) improving the efficiency of health care delivery, particularly at the primary care level, and (ii) increasing the efficiency of social protection services.

Table 1: Prior Actions (PAs) under the First and Second Programmatic Series

Prior Actions for DPO1	Prior Actions for DPO2	

Objective 1: Increasing revenue mobilization, stabilizing the wage bill, and improving procurement practices		
Objective 1(a): Increase revenue mobilization and improve transparency		
Enhancing revenue generation, through elimination, and improved coordination and oversight, of tax expenditures		
PA1: To reduce the amount of tax expenditures, the Minister of Economy has (i) issued regulations (Arrêtés), within the framework of the Fight against La Vie Chere Program, which apply (a) a full exemption of custom duties and taxes to only 42 products from the list of basic goods; (b) a rate of 5 percent on 116 additional products from the list of basic goods; and (ii) revised the 2017 Finance Law to specify that (a) all exemptions from taxation on cross-border transactions require authorization in the Finance Law and must be accompanied by estimates of revenue foregone, and (b) discretionary administrative exemptions have been suppressed.	PA2: To enhance revenue mobilization and reduce tax expenditures, the Borrower's Ministry of Economy has taken the following measures:	
	i. includes, in the draft 2019 Finance Law, provisions to abrogate tax reliefs and preferential rates in the tax and customs systems and an assessment report on tax expenditures in domestic tax sources of 2018;	
	ii. amend, through two Arrêtés, the selection of products under la Vie Chère program, to include only 36 clusters of basic food items fully exempted of custom duties and value added tax; and	
	iii. amend through an Arrêté, the mandates and functions of the Inter-Ministerial Committee for the Macroeconomic and Fiscal Framework to coordinate and oversee tax expenditure management.	
Enhancing revenue mobilization, through increased alcohol and tobacco excises		
	PA3: To enhance revenue mobilization, the borrower has (i) introduced in the 2018 Amended Finance Law excise taxes on additional goods and services, including on luxury cars, and revised rates on existing excise items; and (ii) activated a levy of 5% on the value of goods imported by small and microbusinesses which are not registered as value-added taxpayers.	
Objective 1(b): Stabilize the wage bill and improve workers' performance		
Strengthening the recruitment control system		
PA4: To stabilize the wage bill in the short term, the Prime Minister has issued a circular to all its ministries prohibiting all recruitments across administrations, including agencies, departments, and state-owned enterprises, for a period of 12 months, excepting only its ministries responsible for health, national education, and defense for which hiring will be on a case-by-case basis.	PA5: In order to strengthen the management of human resources and recruitment control system, (i) the Borrower's Prime Minister has signed an Arrêté to extend the hiring freeze for a period of 36 months until August 2021, excluding only its ministries responsible for health, national education, social affairs, and defense; and (ii) the Borrower's Ministries of Public Service and Budget have initiated the identification of civil servants and the clean-up	

	of the human resources records to be completed by December 2018.	
Making promotions more merit-based		
	PA6: To move from automatic promotion to performance-based management, the Borrower's Prime Minister has signed an Arrêté to suspend automatic promotions of civil servants for three years, until August 2021.	
Objective 1(c): Improve efficiency and transparency in procurement practices		
PA7: To improve the efficiency of procurement practices, the Council of Ministers has adopted a draft law on public procurement in line with its public financial management (PFM) framework, which inter alia clarifies stakeholders' responsibilities and better enforces provisions on the use of single sourcing.	PA8: In order to improve the efficiency and transparency of public spending: (i) the Borrower's Agence de Régulation des Marchés Publics (ARMP) has published its first annual report including statistics on public procurement contracts and the single source contracting rate; and (ii) the Borrower's Supreme Audit Institution (SAI) has finalized and published its annual report to the President and has published its performance audit reports on infrastructure, and social and health insurance (CNAMGS).	
Objective 2: Improving the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness		
Objective 2(a): Improve the investment climate		
PA9: To streamline business registration and spur business creation, the Minister of Investment Promotion has issued an Arrêté establishing a One-Stop Shop for business registration under its Agence nationale pour la promotion des investissements (ANPI) and said One-Stop Shop has been staffed by transfer of representatives of the ANPI, enterprise and collateral registry (RCCM), and tax administration to said One-Stop Shop.	PA10: To open the one-stop shop for business creation and post creation and make it fully operational, the Borrower has: (i) reassigned staff from all relevant agencies (business registry-RCCM, tax authority, social security, official gazette) to the one-stop shop; and (ii) developed a new unified paper form for business start-up in use by all agencies present at the one-stop shop.	
	PA11: To improve the investment climate, the Borrower's Prime Minister has signed an Arrêté that establishes an inter-ministerial working group with a mandate to agree on the contents of the new investment code and incentive regimes.	

Objective 2(b): Strengthen ICT services		
PA12: To strengthen ICT services, the Council of Ministers has approved (i) the draft law on the regulation of electronic communications and (ii) the draft law on electronic transactions, including, inter alia, provisions for a more competitive ICT sector and for more secure electronic transactions.	PA13: To increase access to digital services, the Borrower has implemented a connectivity initiative in one rural area funded by the Universal Service Fund.	
Objective 3: Improving the efficiency of healthcare delivery and social protection services in order to protect the poor		
Objective 3(a): Improve the efficiency of health care delivery		
Adopting Performance Based Financing (PBF) in health care		
PA14: To prioritize Primary Health Care (PHC) and make its delivery more efficient, the Minister of Health has issued an Arrêté specifying the key design characteristics of the PBF PHC reform to be applied in selected health regions (i.e., West, central, south central, and south health regions and two health departments (Libreville 1 and Libreville 2) within the Libreville-Owendo health region).	PA15: To facilitate gradual implementation of the PBF reform in the selected health regions starting in 2019, the Borrower has taken the following measures: (i) the Prime Minister has signed an Arrêté defining the governance structure of the PBF mechanism for the operationalization of the health districts (départements sanitaires); and (ii) the Ministry of Health has completed the mapping of health facilities for purposes of implementing the reform in selected health regions.	
PA16: To ensure that PBF is effective, the Minister of Budget has issued an Arrêté that establishes a dedicated PBF account for annual allocations and provides greater autonomy to service providers.		
Objective 3(b): Increase the efficiency of social protection services		
Redefining poverty and vulnerability in Gabon and simplifying safety nets		
PA17: To make social protection services better targeted and more streamlined, the Council of Ministers has adopted: (i) a draft law to change the operational definition of Economically Weak Gabonese (GEFs) taking into consideration, inter alia, household composition and the poverty line, and (ii) a decree simplifying the social security and welfare system, including the specification of the priority target groups for monetary transfers and fee exemptions as well as the amounts and terms of transfers and exemptions.	PA18: To enhance the targeting of social safety nets and improve the contribution of the social protection sector to the fight against poverty, the Borrower has taken the following measures: (i) the President has promulgated a Law introducing fundamental principles for improving the targeting of GEFs; (ii) the Minister responsible for Social Protection has established a multisectoral commission mandated to draft the roadmap to implement the new targeting mechanism and update the GEF database; and (iii) the Ministers responsible for Social Protection and Economy have adopted the roadmap.	
Improving the delivery of safety nets and health insurance for GEFs		
PA19: To increase financial autonomy and accountability for the delivery of safety nets		

and non-contributory health insurance, (i) the Minister responsible for Social Development has signed with the CNAMGS an annual performance contract specifying objectives in terms of results and resources, and (ii) the parliament has introduced a Special Solidarity Contribution to finance health insurance for GEFs.		
	PA20: To improve effectiveness and efficiency in administering health insurance and delivering social safety nets programs, the Borrower, through the CNAGMS, (i) has launched a bidding process for the digitalization of its services, starting with health records; (ii) has launched a bidding process for advisory services to obtain ISO9000 for quality management certification; and (iii) imposed the mandatory use of competitive bidding for the purchasing of cars.	

c. Comments on Program Cost, Financing and Dates

Program Cost. The approved amount for the first and second operations in this programmatic series was US$200 million each, for a total of US$400 million. The disbursed amount was US$199.2 million under the first operation and US$198.9 million under the second operation. The difference between the approved amounts and the actual amounts disbursed is explained by fluctuations in the SDR exchange rate. While a third operation in the series was originally planned, it was decided at the Regional Operations Committee meeting for the second operation in the series that the second operation would complete the series. The decision to cancel the third operation came largely as a result of the difficulties encountered with reforms under Objective 3, which necessitated changes to PAs during the second operation. Changes were required due to the complex economic and budgetary context prevailing at the time, which did not allow budget allocations to be secured for the reforms that were originally envisaged in the areas of health and social protection, and that could not be further supported by the Bank due to the absence of ongoing Bank investment project financing in these areas. The Bank’s management viewed the likelihood of reaching a satisfactory outcome on Objective 3 to be relatively weak, and therefore decided to interrupt the DPO series at the second operation, with the option to a start a new DPO series later on. While the results indicators (RIs) were established for a three-operation series, the RIs remained unchanged, except in a few cases where PAs were modified.

Financing. The operations under this programmatic series were financed through two International Bank for Reconstruction and Development (IBRD) loans (IBRD-87890 and IBRD-89220).

Dates. The first operation was approved on November 7, 2017 and became effective on December 13, 2017. The original/actual closing date for the first operation was October 31, 2018. The second operation was approved on February 19, 2019 and became effective on June 13, 2019. The original/actual closing date for the second operation was December 31, 2019.

3. Relevance of Design

a. Relevance of Objectives

At the time of appraisal, Gabon was undertaking a program of sharp fiscal adjustment through revenue-enhancing and expenditure-reducing measures. This was part of a larger commitment by all member countries of the Central Economic and Monetary Community (CEMAC) (comprised of Cameroon, Chad, the Central African Republic, Equatorial Guinea, Gabon, and the Republic of Congo) to stabilize the CFA Franc's peg to the Euro within the context of falling oil revenues**.** In the years preceding these operations, the introduction of tax exemptions, which were not subject to assessments to consider their ramifications for the government's ability to deliver on its national development objectives, led to erosion of the tax base. Tax expenditures were estimated to be equivalent to 4 percent of GDP (or 6.4 percent of non-oil GDP). Roughly 60 percent of the tax expenditures were associated to foregone border taxes (i.e., customs, import value-added tax (VAT), and import-related excises), while 28 percent and 12 percent of tax expenditures were associated to foregone VAT and corporate income tax revenues, respectively. Furthermore, there was a consensus around the need to mobilize revenues by increasing the tax base and excise tax rates on alcohol, tobacco, and fuel. Taxes on these items yielded less than 0.5 percent of gross domestic product (GDP) compared to 1.7 percent of GDP, on average, for Sub-Saharan Africa. For example, taxation of cigarettes is 12-14 percent lower in Gabon than in Sub-Saharan Africa on average, with the excise tax about 20 percent of the retail price of the most popular cigarette brand (very low compared with the 70 percent level recommended by the Framework Convention on Tobacco Control, which Gabon ratified in 2009).

Gabon was also confronted with an oversized and growing public sector wage bill, which impeded achievement of its fiscal consolidation objectives. Public sector hiring did not adhere to the employment ceilings defined in the Finance Law. The public sector wage bill consequently rose by 30 percent from 2010 through 2015 due to an increase in the number of public servants, the conversion of temporary workers to permanent status, and the introduction of a poorly designed performance incentive system in 2014, which led to a bonus payment of CFAF 100 billion, equivalent to a 14 percent increase of the total public sector wage bill, that was later converted into base pay in 2015. These issues ultimately led the government to establish Human Resources (HR) Management Directorates in all ministries to control hiring and improve HR processes. At the time of appraisal, the government was also developing a new performance evaluation system linking public servants' career progression to their performance in order to improve public service delivery, while trying to limit the rise in the public sector wage bill.

In addition to the fiscal measures required, Gabon was also confronted with the need to diversify its economy away from the hydrocarbon sector to build resilience against future shocks and support job creation by raising its international competitiveness. At the time of appraisal, many of the jobs in Gabon were concentrated in the hydrocarbon industry, as well as in the public sector. To lead the country's diversification efforts, the government initiated public investments to develop sectors such as forestry, agriculture, and agribusiness. The government also aimed at improving the investment climate through the creation of the High Council for Investment, a high-level platform for public-private dialogue, the creation of an Investment Promotion National Agency (*Agence nationale pour la promotion des investissements, ANPI*), and improvements in technical and vocational education and training that involved, most notably, the introduction of dual-training programs in partnership with the private sector.

Finally, Gabon was challenged by the need to raise public spending in health and social safety nets to support human development and poverty reduction, and to increase the efficiency and equity of delivery of such programs. In 2015, fewer than 10 percent of the 30 percent of individuals estimated to be living below the poverty line qualified for any type of social transfer (excluding non-contributory health insurance for the poor). Furthermore, maternal and child mortality rates were much higher in Gabon than in other countries with comparable health expenditure per capita.

Relevance to government priorities and Bank-supported strategy. The PDOs were aligned with Gabon's development priorities as expressed through its Economic Recovery Plan (*Plan de relance économique*, PRE), which focused on the objectives of supporting the country's economic and social progress with the support of international financial institutions. All three objectives of the Country Partnership Strategy (CPS) FY12-FY16 (extended by two years), consisting of (i) improved governance and public sector capacity, (ii) greater competitiveness and increased employment, and (iii) improved human development and environmental sustainability, were addressed in part through this programmatic series. Furthermore, the two objectives of the new Country Partnership Framework under preparation -- (i) promoting diversified growth and competitiveness, and (ii) increasing the efficiency of social programs and strengthening social protection -- were also addressed in part through this programmatic series.

The objectives pursued by the programmatic operation series remained relevant to Gabon's context until the series closing date. The PDOs supported by the programmatic series supported the fiscal consolidation process of Gabon and helped the country build fiscal buffers against shocks to its economy, particularly important as the country dealt with the COVID-19 pandemic.

b. Relevance of Prior Actions

Rationale

There were eight PAs under Objective 1, five PAs under Objective 2, and seven PAs under Objective 3. The de facto number of actions was 35, given that many PAs were comprised of sub-actions.

<u>Relevance of Prior Actions for Objective 1 - Increasing revenue mobilization, stabilizing the wage bill, and improving procurement practices</u>

PA1 supported Gabon’s fiscal adjustment through a reduction in tax expenditures associated with the *La vie chère* program (estimated at CFAF 55 billion or 0.9 percent of non-oil GDP) and to discretionary administrative exemptions (estimated at CFAF 140 billion in 2017 or 2.5 percent of non-oil GDP).

- **PA1(i):** The *La vie chère* program, which was introduced by the government in 2012 following large demonstrations in neighboring countries, was intended to provide financial relief to low-income households confronted with high cost of living. Given that several products included in the original program did not constitute basic goods consumed by lower-income households and that the list of consumption items exempted under the program had grown over the course of the ensuing years without any consideration for the ramifications on tax expenditures, the World Bank recommended that the list of basic goods fully exempted from custom duties and taxes be reduced. As a result of this measure, the number of products fully exempted from taxation was reduced from 192 products to 42 products, with the remaining 150 products being subject either to a reduced (but not exempted) consumption tax rate of 5 percent (116 products) or a normal consumption tax rate (34 products).
- **PA1(ii):** Gabon's government revenues were limited by significant tax expenditures related to tax exemptions or tax reductions on custom duties and the VAT, including a large number of import items taxed at a favorable rate of 5 percent, and tax advantages for the petroleum sector, the forestry

sector, and Special Economic Zones (SEZ). This PA required the adoption of the Supplementary Finance Law on August 3, 2017, with Article 23 specifying that exemptions from taxation on cross-border transactions require authorization in the Finance Law and that any requests must be accompanied by estimates of foregone revenues.

PA2 (DPO2) followed on the reforms of PA1 (first DPO series) by supporting Gabon's fiscal adjustment process through additional reduction of tax expenditures and better coordination and oversight of tax expenditure management by the Inter-Ministerial Committee.

- **PA2(i)** required the adoption of the 2019 Finance Law, which included Article 24 that abolished all tax relief and preferential rates that violate the customs code of the CEMAC. The PA did not remove all forms of tax advantages, however, with important exceptions being reduced tax rates and tax exemptions granted for the petroleum industry, the forestry sector, SEZ, the construction sector, and the education and health sectors. PA2(i) also included the preparation of a report on tax expenditures, which was relevant to supporting the overarching objective of strengthening the fiscal balance given that there was a lack of tax expenditure reporting in fiscal management. The scope of tax expenditure reporting was, however, limited to VAT exemptions. The government had expressed capacity issues in manually entering all the data into one file. The VAT form was comparatively shorter than that for other major taxes and required less time to enter manually in a file.
- **PA2(ii)** led to a further reduction in the number of products fully exempted from custom duties and taxes under the *La vie chère* program, from 42 products under PA1 to 36 products under PA2. The products that were fully exempted from custom duties and taxes under the program included meat, fish, vegetables, pasta, rice, milk, baby foods, and canned vegetables. The measure aimed to limit tax exemptions under the program to essential food products of mass consumption, thus eliminating import tariff exonerations on all other products.
- **PA2(iii)** expanded the mandate of the Inter-Ministerial Committee such that it assesses the fiscal impact of tax exemptions stemming from ministries when new contracts are being negotiated, and establishes a ceiling for new tax expenditures that are introduced into draft Budget Laws. Prior to the implementation of PA2(iii), the roles and functions of the Inter-Ministerial Committee were limited to the elaboration of the macro-fiscal framework and the formulation of economic policies, and the Committee had no means of assessing the anticipated impact of tax expenditures on the budget. With PA2(iii), the Committee was able to assess the fiscal impact of any new tax exemption granted by the government, and the results of these assessments could be annexed to Budget Laws and submitted to Parliament in support of greater transparency and accountability. Further, the Committee is expected to establish a ceiling for new tax expenditures that are introduced into draft Budget Laws.

The relevance of PA1 and PA2 is rated Moderately **Satisfactory.** The measures were intended to reduce tax exemptions to strengthen the fiscal balance. However, there was no concrete estimate of their fiscal impact, and therefore no direct evidence that either measure would make a meaningful contribution to the objective of revenue mobilization. **(Relevance of PA1=MS; Relevance of PA2=MS)**

PA3 supported fiscal adjustment through revenue mobilization from excise taxes on additional goods and services, and the introduction of a levy on the value of goods imported by small and microbusinesses that are not registered as value-added taxpayers.

- **PA3(i)** introduced excise taxes on additional goods and services in the 2018 Amended Finance Law, including on luxury cars, and revised rates on existing excise items. With regards to cars, it imposed 20,000 FCFA for new cars and cars less than 5 years old with more than 10 horsepower, and 30,000

FCFA for cars more than 5 years old with more than 10 horsepower. The Bank indicated as part of the ICR Review that the higher excise tax applied on older luxury cars compared to newer cars was explained by the desire to deter imports of older cars. Chapter II Section C of the Law also featured new excise rates on alcoholic beverages, tobacco products, perfumes, and luxury food products.

- **PA3(ii)** activated a levy of 5 percent on the value of goods imported by small and micro-enterprises that are not registered as value-added taxpayers. Prior to thse operations, importers registered under the VAT were subject to VAT plus customs duties on the value of their imports. While small and micro-enterprises not registered under the VAT were supposed to be subject to a tax levy of 5 percent on the value of their imports, this measure was not applied by customs officials. PA3(ii) made it a requirement for customs officials to apply the tax levy of 5 percent for imports of small and micro-enterprises not registered under the VAT, which was not difficult to achieve administratively as the levy automatically applied to businesses that were not registered under the VAT.

The relevance of PA3 is rated Moderately **Satisfactory**. The measures were intended to raise revenue to strengthen the fiscal balance. However, there was no concrete estimate of their fiscal impact, and therefore no direct evidence that either measure would make a meaningful contribution to the objective of revenue mobilization. **(Relevance of PA3=MS)**

PA4 sought to stabilize the wage bill in the short term by imposing a public sector hiring freeze for ministries, departments, and agencies, as well as state-owned enterprises, for a period of 12 months, with the exception of the ministries responsible for health, education, and national defense, for which hiring was allowed on a case-by-case basis. These ministries were exempted from the public sector hiring freeze in order to ensure that the key social functions of the government in the areas of health and education were maintained and to ensure that the defense of the territory and the security of property and the population were maintained. The 12-month public sector hiring freeze began in August 2017. While this PA was intended to limit the rise in the public sector wage bill, which had risen by 92 percent between 2009 and 2016, the PA did not specifically control public sector wages. Furthermore, there was no concrete estimate of the estimated savings, and therefore no direct evidence that the measure would make a meaningful contribution to stabilizing the wage bill.

PA5 (DPO2) followed on the reforms of PA4 (first DPO series) by seeking to improve the fiscal balance by controlling public expenditures through the extension of the public sector hiring freeze and launch of the biometric census.

- **PA5(i)** extended the public sector hiring freeze of 12 months under PA4 to a period of 36 months effective between August 2018 and August 2021.
- **PA5(ii)** launched a biometric census in 2018, which was completed in 2020, in order identify ghost workers and establish a rigorous database of civil servants. The results of the biometric census indicated that roughly 5 percent of public servants consisted of ghost workers. This database also helped to inform the government's medium-term training and recruitment plan, with the government being challenged by significant human resource gaps in the areas of health and education.

The relevance of PA4 is rated Moderately Unsatisfactory, for the reasons outlined above. The relevance of PA5, which is comprised of two separate sub-actions, is rated Moderately Satisfactory with PA5(i) failing to reverse the rise in the public sector wage bill, but PA5(ii) constituting an important step toward reducing ghost workers in the public sector and reversing the previous upward trend in the number of civil servants.
(Relevance of PA4=MU; Relevance of PA5=MS)

PA6, which was supported by a wage bill RAS (P163632)**,** was intended to support the overarching objective of strengthening the fiscal balance by suspending automatic civil servant promotions until August 2021. This PA addressed the challenge with the automatic promotion of public servants resulting in a significant rise in the public sector wage bill, which was assessed to have risen by 70 percent in nominal terms between 2010 and 2015. As such, the relevance of this PA is rated Satisfactory. **(Relevance of PA6= Satisfactory)**

PA7 supported the strengthening of the fiscal balance by seeking to improve procurement practices by modernizing procedures, increasing transparency, and limiting single sourcing through the passing of a law on public procurement in line with the public financial management framework. This PA was supported by a Public Financial Management Reimbursable Advisory Service (RAS) (P146379). Prior to the implementation of this PA, the framework for the public procurement of goods and services contained inconsistencies between the public procurement code, recent institutional changes in public procurement management, and a new program budgeting approach that had been adopted. First, while the procurement code adopted in 2012 delineated the roles and responsibilities between the regulatory function led by the Public Procurement Regulatory Agency (*Agence de Régulation des Marchés Publics*, ARMP) and the control function led by the General Directorate of Budget and Public Finances (*Direction Générale des Marchés Publics*, DGMP), the DGMP was later replaced by the General Directorate of Budget and Public Finances (Direction Générale du Budget et des Finances Publiques) created in 2015, creating a conflict of interest and overlapping responsibilities with contracting authorities, and undermining the transparency and the efficiency of the public procurement process. Further, the adoption of the program budgeting approach, which provides program managers with the authority to manage the budget, was not reflected in the existing procurement code. Finally, there was a lack of transparency in public procurement as evidenced by the 2016 PEFA and the 2016 Systematic Country Diagnostic, with waivers to the provisions of the procurement code and the use of direct contracting being common practice. The draft law on public procurement, leading to the approval of a new procurement code, would strengthen the regulatory function of the ARMP and reinstate the roles and responsibilities of the DGMP, entrusting the DGMP with the review and approval of procurement plans and contracts of each ministry and control of contracts above a certain threshold. This effectively supported increased transparency in the public procurement process and limited reliance on single sourcing. PA7 supported the amendment of the law on public procurement, allowing the new procurement code to be adopted.

PA8 supported the objective of strengthening the fiscal balance by improving the efficiency and the transparency of public spending through the publishing of the first annual report to include statistics on public procurement contracts and the single source contracting rate, and the publishing of performance audit reports of the National Fund for Health Insurance and Social Warranty (*Caisse nationale d'sssurance maladie et de garantie*, CNAMGS).

- **PA8(i)**: The implementation of the measure required that the details of single sourced public contracts be published in ARMP's annual reports, which raised the degree of transparency and accountability of these contracts. The annual report of the ARMP published in 2017 revealed that only 62 percent of the value of public procurement was regulated by the ARMP, and that 82 percent of the value of public contracts was procured through single source contracting, pointing to a potential lack of efficiency in public procurement due to a lack of competitiveness in the bidding process. PA8 effectively supported the control and audit function of the ARMP through the publication of an annual report, constituting a first step in the process of controlling spending.
- **PA8(ii)**: The implementation of the measure made it a requirement for the SAI to publish an annual report on the performance audit of the CNAMGS. The main issues with the CNAMGS, as identified in SAI's audit, consisted of an absence of procedures and mechanisms to prevent errors and fraud, the

absence of written procedures related to the registration and control of health care offered to the population, the absence of procedures and mechanisms to ensure the quality of the services offered, and the absence of procedures and mechanisms to ensure the sustainability of the CNAMGS's financing. Following the commissioning by the government of a five-year strategic framework for the health system which led to the *Plan Stratégique Santé: Pour un système de santé performant et de qualité au Gabon*, an action plan for the CNAMGS was adopted aimed at increasing revenue collection to ensure that regular payments for the delivery of health care service to the population could be made, which ultimately led to changes in the funding streams for the CNAMGS. This was particularly important given that the CNAGMS' scheme for the poor, i.e., the GEF, was not financially sustainable.

The relevance of PA7 and PA8 is rated Moderately **Satisfactory**, as they were important first steps along the results chain toward achievement of the overarching objective of strengthening the fiscal balance by contributing to the transparency and accountability of public procurement. **(Relevance of PA7=MS; Relevance of PA8=MS)**

Relevance of Prior Actions for Objective 2 - Improving the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness

PA9 was intended to support the overarching objective of enhancing competitiveness by fast-tracking business registration through the establishment of a one-stop shop. This PA was supported by the Investment Promotion and Competitiveness Project, which facilitated the design of the one-stop shop and its online platform. PA9 allowed all administrative entities involved in the creation of businesses in Gabon to be brought together and for a single form for the creation of a business to be created, replacing the multiple forms which existed previously, and to proceed with the digitization of the single form to further accelerate the process of business registration. According to 2009 Enterprise Survey which collects data across the non-agricultural formal private economy, 0.8 percent of firms identified business licensing and permits as their biggest obstacle in 2009. The 2009 Enterprise Survey also indicated, however, that 21.3 percent of firms reported business licensing and permits as a major constraint, which was higher than the Sub-Saharan Africa average of 15.7 percent and the global average for all developing economies of 13.7 percent. Further, according to the World Economic Forum Global Competitiveness report, Gabon ranked 128th across 141 countries assessed on business dynamism, with 31 days required, on average, to start a business, which was longer than in 118 other countries. Finally, the 2017 Doing Business indicated that 47 days were required to start a business in Gabon, which was about twice longer than the global average of 23 days, and longer than the Sub-Saharan Africa average of 28 days.

PA10 (DPO2) followed on the reforms of PA9 (first DPO series) by operationalizing the one-stop shop for business creation, which became effective in January 2018, and developing a new unified paper form for business start-up for use by all agencies present at the one-stop-shop.

The relevance of PA9 and PA10 is rated **Satisfactory** to the achievement of the overarching objective of enhancing competitiveness given that business licensing and permits did constitute a key constraint to firm creation. **(Relevance of PA9=S; Relevance of PA10=S)**

PA11 sought to enhance private sector competitiveness by improving the investment climate through the establishment of an inter-ministerial working group mandated to review and to agree on the contents of the new investment code and incentive regimes. The Investment Charter, which had been in place since 1998, set out principles for regulating investment but had no binding rules or incentive systems embedded in it. The new Investment Code aimed to provide Gabon with an investment framework that raises the attractiveness of the country by lowering profit taxes for a pre-determined period, stimulating investments in the country with higher incentives being provided to investment in specific regions, and providing tax incentives for reinvesting profits. The inter-ministerial working group was established in September 2018, and the new Investment Code was presented by this group to the minister charged with investment promotion on October 5, 2021. The new investment code is currently undergoing review by the government. Despite this progress, the relevance of PA11 is rated **Unsatisfactory,** given that the PA itself consisted only of establishing a working group rather than approving an investment code, and further, the PA did not establish the content of the new investment code or establish a deadline for producing a draft of the investment code. **(Relevance of PA11=U)**

PA12 sought to strengthen ICT services with the Council of Ministers approving (i) a draft law on the regulation of electronic communications and (ii) a draft law on electronic transactions, including provisions for a more competitive ICT sector and for more secure electronic transactions. PA12 sought to improve access to and to reduce the cost of internet and telephony services through enhanced competition in the ICT sector, which the PD (p. 19) highlights as a key constraint to competitiveness without providing explanatory detail. Both draft laws were adopted by Parliament and promulgated into law in mid-2018. The law on the regulation of electronic communications regulates the licensing regime for telecommunications, including provisions for infrastructure sharing, interconnections, access to networks, number portability, universal services, consumer rights, and privacy protection. The law on electronic transactions regulates electronic communications rights and obligations, e-commerce contracts, security of e-commerce transactions, electronic signatures, cryptography, and other aspects.

PA13 (DPO2) followed on the reforms under PA12 (first DPO) by operationalizing the Universal Service Fund (USF) such that it disburses funds for rural ICT connectivity projects. This PA complemented an IPF that financed backbone connectivity (i.e., the national fiber optic network), allowing rural villages to be connected via middle and last mile connectivity. This PA was intended to increase access to telephony and internet services in rural areas. As part of this measure, the government implemented a connectivity initiative in one rural area funded by the USF, which is financed by contributions of telecom service providers, with a contribution rate equivalent to 2 percent of their revenue. The connectivity initiative to provide telephony and mobile broadband service coverage to 33 villages between the cities of Maskokou and Okondja began in 2016 and was completed by September 2018.

The relevance of PA12 and PA13 is rated Moderately **Satisfactory** to the achievement of the overarching objective of enhancing competitiveness, as there was a credible results chain in principle connecting enhanced telecommunications, including electronic communications, to supporting business activity and enhancing the competitiveness of the private sector, but no information provided on the results chain specific to Gabon. **(Relevance of PA12=MS; Relevance of PA13=MS)**

Relevance of Prior Actions for Objective 3 - Improving the efficiency of healthcare delivery and social protection services in order to protect the poor

PA14 applied PBF to primary healthcare units in select health regions. This PA was supported by the E-Gabon Project for the PBF reform. Prior to the implementation of PA14, regional hospitals absorbed most of the budget allocation for the health sector, resulting in the underfunding of primary healthcare. Further, there was a lack of incentive for medical staff to improve their performance or to assume positions in underserved areas. As a result, patients routinely bypassed primary care clinics in favor of hospitals in search of quality care. PA14 required that regulations specifying the key characteristics of PBF for public healthcare be applied in select regions, leading to a reallocation of budget that would benefit primary healthcare units predominantly used by the poor in underserved areas. The Bank together with the government calculated the minimum level of activity achievable by type of primary healthcare facility, applying a different threshold for the facilities located in underserved areas. Further, the allocation amount was to be determined based on the quantify and the quality of healthcare delivery, thereby allowing facilities in underserved areas to receive an increased allocation.

PA15 (DPO2) followed on the reforms of PA14 (first DPO) and sought to facilitate the gradual implementation of the PBF reform in the select health regions starting in 2019 by defining the governance structure of the PBF mechanism for the operationalization of the health districts (*départements sanitaires*) and completing the mapping of health facilities for the purposes of implementing the reform.

The relevance of PA14 and PA15 is rated **Satisfactory** as the introduction PBF for the funding of primary health care units was expected to lead to an improvement in the number of primary care facilities offering cost-effective preventive services, quality of healthcare delivery, and efficiency of health spending through redirection of funds from hospitals toward primary care. **(Relevance of PA14=S; Relevance of PA15=S)**

PA16 sought to ensure that PBF is effective through the Minister of Budget's issuance of an *Arrêté* that establishes a dedicated PBF account for annual allocations and provides greater autonomy to service providers through the creation of health facility bank accounts. This measure was implemented in mid-2017. The relevance of PA16 is rated **Satisfactory** for the same reasons as those presented for PA14 and PA15. **(Relevance of PA16=S)**

PA17 sought to better target and streamline social protection services through the Council of Ministers' adoption of: (i) a draft law to change the operational definition of Economically Weak Gabonese (GEF) taking into consideration household composition and the poverty line, and (ii) a decree simplifying the social security and welfare system, including the specification of the priority target groups for monetary transfers and fee exemptions, as well as the amounts and terms of transfers and exemptions.

- **PA17(i)** was intended to modify the poverty definition for the purposes of determining eligibility for social protection benefits, from a poverty measure that was strictly based on an income level below the minimum wage of CFAF 80,000 per month to a poverty measure that considers other variables such as household composition, assets, education, and health levels. Individuals would be subject to a proxy means testing model that would integrate various monetary and non-monetary measures of poverty. Other dimensions of poverty beyond income measures are considered by the government to be superior measures for assessing societal well-being to better target social protection benefits to households, and the Bank provided technical assistance, including analytical work, to develop the new targeting approach.
- **PA17(ii)** supported the adoption of a decree in March 2018 that targeted eligibility for social assistance benefits to those identified through the GEF database, with GEF status being conferred by the CNMAGS. PA17(ii) was an extension to the improvements in poverty measurement under PA17(i) as it required that social protection benefits be targeted toward the individuals identified through the GEF database.

PA18 sought to improve the targeting of GEFs and establish a multisectoral commission mandated to draft and adopt the roadmap to implement the new targeting mechanism and update the GEF database. PA18 supported achievement of the objective to protect the poor as it shifted to a new poverty-based targeting framework for the distribution of social safety and welfare benefits.

The relevance of PA17 and PA18 is rated **Satisfactory**, as they aimed to target social assistance benefits to those individuals identified through the GEF database, which was based on an improved measure of poverty and needs. **(Relevance of PA17=S; Relevance of PA18=S)**

PA19 sought to increase financial autonomy and accountability for the delivery of safety nets and non-contributory health insurance by the CNAGMS.

- **PA19(i)** introduced performance contracts for the Minister responsible for social development and the CNAMGS to commit to a set of objectives to be achieved each fiscal year and to ensure that each entity had the financial resources at its disposal to achieve these objectives. These objectives consisted of improving the governance of health insurance by enhancing the collection of contributions and the regular payment of healthcare providers, enrolling individuals who were not yet enrolled in the CNAMGS, and strengthening controls to ensure the quality of services delivered to the poor. The management of the CNAMGS could be removed by the government if the organization failed to meet the established objectives. Prior to the implementation of this measure, the responsibility was shared between CNAMGS and the line ministry, and the government did not routinely disburse the budget allocated to the CNAMGS, which was based on civil servants' contributions from their salaries. This was adversely affecting the quality of services delivered to poor people, as healthcare providers were being reimbursed with significant delays.
- **PA19(ii)** provided the funding required for the CNMAGS to deliver health services to GEFs. Until 2017, the Special Solidarity Contribution was financed through a special tax levied on mobile phone companies and on remittances from abroad. The revenue that was collected through this scheme was insufficient to meet health service needs provided by the CNAMGS, and the mobile telephony sector had to bear the brunt of the financing. Through the new contribution mechanism introduced through this PA in March 2017, a 1 percent tax is applied to all transactions subject to the VAT, with a few exceptions, such as on international travel and on local transformation of wood. This provided a more stable source of revenue.

The relevance of PA19 is rated **Satisfactory,** given the clear contribution of the actions toward the objective of protecting the poor. **(Relevance of PA19=S)**

PA20 sought to improve effectiveness and efficiency in administering health insurance and delivering social safety nets programs through the CNAGMS.

- **PA20(i)** allowed for the digitalization of services provided by the CNAGMS, which was important to improving the institution's efficiency.
- **PA20(ii)** allowed the CNAGMS to reach the ISO 9000 certification for quality management, which was an important step to improving the organization's management procedures; this was one of the recommendations and reform areas identified through the audit of the CNAMGS.
- **PA20(iii)** required a major CNAMGS expenditure area (purchase of cars) to be subject to competitive bidding, ultimately improving spending efficiency.

The relevance of PA20 is rated **Satisfactory,** given its likely impact on improved CNAGMS cash flow and operational efficiency, enabling it to provide better services protecting the poor. **(Relevance of PA20=S)**

Rating

Moderately Satisfactory

4. Relevance of Results Indicators

Rationale

Rationale

The program included 10 Results Indicators (RIs). Objective 1 (Increasing revenue mobilization, stabilizing the wage bill, and improving procurement practices) included four RIs. Objective 2 (Improving the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness) included three RIs. Objective 3 (Improving the efficiency of healthcare delivery and social protection services in order to protect the poor) included three RIs. (Table 2)

RI1 (associated with PA1, PA2, PA3) measured the improvement in non-oil revenue as a share of non-oil GDP. While the achievement of PA1, PA2, and PA3 was expected to lead to an improvement in non-oil revenue as a share of GDP, the RI was too broadly defined to capture the impacts associated with the reduction in custom duties and taxes on products related strictly to the *La vie chère* program and the introduction of excise taxes on luxury products. RI1 could have better captured the impact of the PAs by measuring the reduction in tax expenditures as a share of government revenues **(Relevance of RI1=MU)**.

RI2 (associated with PA4, PA5, PA6) measured the proportion of pilot ministries having adopted workforce and skills and performance evaluation systems. RI2 did not capture the expected impacts of PA4, PA5, or PA6, which related to the implementation of public sector hiring and automatic promotion freezes and the clean-up of human resource records (unrelated to the adoption of a workforce and skills plan or performance evaluation systems) **(Relevance of RI2=U)**.

RI3 (associated with PA4, PA5, PA6) measured the change in the public sector wage bill in real terms. It measured the achievement of PA4, PA5, and PA6 through a credible results chain, with freeze in public sector hiring and automatic promotion expected to lead to a zero percent increase in the public sector wage bill measured in real terms. RI3 was well defined and had a clear target, and data were available to measure the achievement of this RI over time **(Relevance of RI3=S)**.

RI4 (associated with PA7, PA8) measured the proportion of public sector contracts above CFAF 100 million that have been awarded through a competitive process. It measured the achievement of PA7 and PA8 through a credible results chain, with the new procurement law and annual reporting on public procurement expected to lead to increased transparency and competitiveness in the public procurement process. The task team indicated during the ICR Review that the threshold was established at CFAF 100 million based on a recommendation of World Bank procurement specialists, taking into consideration the comparable threshold established in other CEMAC countries. RI4 was well defined and had a clear target, and data were available to measure the achievement of this RI over time **(Relevance of RI4=S)**.

RI5 (associated with PA9, PA10) measured the average number of days required to start a business before and after the establishment of the one-stop shop window for businesses. The relevance of RI5 is rated Satisfactory **(Relevance of RI5=S)**.

RI6 (associated with PA11) measured the number of inquiries and expressions of interest received by the ANPI from potential foreign investors considering investing in Gabon. There is no credible results chain linking an inquiry or an expression of interest from a foreign investor to the PA's creation of a working group to assess a proposed new investment code and incentive regimes. The impact of an improved investment code would have been better captured through a measure of direct investment, not of inquiries. **(Relevance of RI6=U)**

RI7 (associated with PA12, PA13) measured access to internet and telephony services in Gabon. While RI7 was well defined and had a clear target, and data were available to measure achievement over time, the corresponding PA was limited to one rural area, and a more accurate measure of the impact of the PA would have been restricted to the rural area of implementation. The overall growth in telephony services could not be attributed to the PA, but was likely impacted by many other factors influencing demand (and potentially supply). **(Relevance of RI7=MU)**

RI8 (associated with PA14, PA15, PA16) measured the proportion of PHC facilities in selected health regions receiving performance payments through PBF allocations. While the RI captured the main aspect of the PA’s intent (an increase in the units rolling out PBF schemes), which was the key element of the results chain, it did not capture whether PBF allocations resulted in improved service delivery in PHC facilities, which would lead to improved health outcomes for the poor or vulnerable and support the overarching objective of protecting the poor. **(Relevance of RI8=MS)**

RI9 (associated with PA17, PA18) measured whether eligibility for social safety and welfare benefits was determined based on the new GEF database derived under the new poverty-based targeting measure. It represented a key step along the results chain toward assessing whether or not eligibility for social safety and welfare benefits was based on an improved measure of poverty, thereby supporting the overarching objective of protecting the poor. **(Relevance of RI9=S)**

RI10 (associated with PA19, PA20) measured the number of key performance indicators developed by CNAMGS related to service quality in the health and social protection sectors. The RI did not specify the performance indicators of the CNAMGS that would be included in the measurement of this indicator, which constitutes a major shortcoming. **(Relevance of RI10=U)**

Table 2: Results Indicators

RIs	**Associated PA(s)**	**RI Relevance**	**Baseline (including date)**	**Target (including date)**	**Actual value as of target date**	**Actual change in RI relative to targeted change**	**RI achievement rating**
Objective 1: Increasing revenue mobilization, stabilizing the wage bill, and improving procurement practices							
Objective 1(a): Increase revenues mobilization and improve transparency							

RI1: Non-oil revenue (as a percentage of non-oil GDP)	PA1, PA2, PA3	MU	17.0% (2016)	17.1% (2019)	17.8% (2019)	Over 100 percent of targeted change	Substantial
Objective 1(b): Stabilize the wage bill and improve workers' performance							
RI2: Share of pilot ministries/institutions having developed their (i) workforce and skill plans, and (ii) performance evaluation systems	PA4, PA5, PA6	U	0% (2016)	80% (2019)	0% (2019)	Nil	Negligible
RI3: Wage bill increase in real terms	PA4, PA5, PA6	S	12% (2012-2015)	0% (2016-2019)	-15% (2019)	Over 100 percent of targeted change	High
Objective 1(c): Improve efficiency and transparency in procurement practices							
RI4: Percentage of contracts (in value, for contracts above CFAF 100 million) allocated through competitive process	PA7, PA8	S	29% of contracts (2015)	70% of contracts (2019)	11% of contracts (2019) 67% of contracts (2020)	93 percent of targeted change by 2020	Substantial
Objective 2: Improving the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness							
Objective 2(a): Improve the business climate							
RI5: Number of days necessary for business registration	PA9, PA10	S	50 (2016)	35 (2019)	10 (2019)	More than 100 percent of targeted change	High
RI6: Number of inquiries expressions of interest received by ANPI from foreign investors showing interest in investing in Gabon.	PA11	U	6 (2016)	15 (2019)	35 (2019)	More than 100 percent of targeted change	Modest
Objective 2(b): Strengthen ICT services							
RI7: (i) Access to Internet services* (number of Internet subscribers - fixed plus mobile - per 100 individuals); ii) Access to telephony	PA12, PA13	MU	(i) 98% (ii) 175% (2016)	(i) 110% (ii) 180% (2019)	(i) 114% (ii) 169% (2019)	More than 100 percent of targeted change on (i),	Modest

services* (number of telephony subscribers – fixed plus mobile - per 100 individuals)						regression from baseline for (ii)	
Objective 3: Improving the efficiency of healthcare delivery and social protection services in order to protect the poor							
Objective 3(a): Improve the efficiency of health care delivery							
RI8: Share of PHC facilities in selected health regions receiving performance payments	PA14, PA15, PA16	MS	0% (2016)	40% (2019)	0% (2019)	Nil	Negligible
Objective 3(b): Increase the efficiency of social protection services							
RI9: Eligibility to GEF database based on the new poverty-based targeting mechanism.	PA17, PA18	S	Eligibility to GEF database based on self-reported individual income (2016)	The recertification process based on the new poverty-based targeting mechanism is completed for at least 50% of households in GEF database (Dec. 2019)	No households covered (2019)	Nil	Negligible
RI10: Key performance indicators on service quality developed and used by CNAMGS	PA19, PA20	U	No (2016)	Yes (Dec. 2019)	No indicators	Nil	Negligible

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Increase revenue mobilization, stabilize the wage bill, and improve procurement practices

Rationale

Outcomes. The programmatic series met one of the two outcome targets related to the overarching objective of stabilizing the wage bill. While the target for revenue mobilization was achieved, the RI was not sufficiently focused to capture the impact of the PA. The outcome target related to the overarching objective of improving procurement practices was not met in 2019 (the percentage of contracts by value allocated through a competitive bidding process fell below the baseline), but it was substantially achieved in 2020.

- The target for RI1 on raising non-oil revenue as a percentage of non-oil GDP from 17.0 percent in 2016 to a revised target of 16.9 percent in 2019 (the target was revised at DPO2 with the ratio falling to 14.1 percent in 2017) was achieved, with RI1 rising to 17.8 percent in 2019. While the target for RI1 was achieved, the achievement of the RI1 target is downgraded given that RI1 was too broadly based and could not measure the achievement of PA1, PA2, and PA3, as elaborated in the Relevance of Results Indicators section **(Rating of RI1=Substantial)**.
- The target for RI2 on the share of pilot ministries/institutions having developed their workforce and skill plans and performance evaluation systems was not achieved, with an actual achievement of 0 percent in 2019 against a target of 80 percent in 2019. Furthermore, RI2 did not measure the achievement of PA4 and PA5, as elaborated in the Relevance of Results Indicators section **(Rating of RI2=Negligible)**.
- The target for RI3 on the wage bill increasing in real terms was achieved, with the public sector wage bill declining by 15 percent in real terms by 2019 against a target of no change over the 2016-2019 period. This was achieved through the combination of the hiring freeze, as well as the census of civil servants which facilitated cleaning up of the civil service database **(Rating of RI3=High)**.
- The target for RI4 on the percentage of contracts (in value, for contracts above CFAF 100 million) allocated through a competitive process was not achieved by 2019, with only 11 percent of contracts subject to a competitive process against a target of 70 percent of contracts. However, there was more substantial progress by 2020, when 67 percent of contracts above the threshold were awarded competitively **(Rating of RI4=Substantial)**.

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

Improve the investment climate and strengthen information and communication technology (ICT) services to enhance competitiveness

Rationale

Outcomes. While two of the three outcome indicators were achieved for the objective of enhancing competitiveness, one of the RIs (RI6) was downgraded to Modest given that it failed to provide evidence of impact and achievement.

- The target for RI5 on the reduction in the number of days required to register a business was achieved, with the number of days falling to 10 in 2019 against a target of 35 in 2019 **(Rating of RI5= High)**.
- The target for RI6 on the number of inquiries and expressions of interest received by the ANPI from foreign investors showing interest in investing in Gabon was achieved, at 35 in 2019 against a target of 15 in 2019. Efficacy is downgraded because the indicator did not provide relevant evidence of impact or progress toward the objective **(Rating of RI6=Modest)**.
- The target for RI7 on access to Internet services and access to telephony services (number of telephony subscribers, fixed plus mobile, per 100 individuals) was not achieved. The target on access to Internet services (number of Internet subscribers, fixed plus mobile, per 100 individuals) was met, with an actual achievement of 114 in 2019 against a target of 110 in 2019. Achievement of access to telephony services went in the opposite direction of the target, with achievement of 169 in 2019 against a target of 180 in 2019 and a baseline of 175. Efficacy is also downgraded due to the relatively low relevance of the RI **(Rating of RI7=Modest)**.

Rating

Moderately Satisfactory

OBJECTIVE 3

Objective

Improve the efficiency of healthcare delivery and social protection services in order to protect the poor

Rationale

Outcomes. The operations made no progress toward any of the three outcome targets for the objective of improving efficiency of service delivery in order to protect the poor. The PBF system was not introduced as planned in 2019, as resources could not be effectively administered in a decentralized manner; a policy priority to centralize all Treasury resources in one single account prevented the deployment of funds to decentralized accounts (ICR, p. 21). Financing issues delayed until early 2021 the launch of a pilot survey intended to test the criteria for identifying GEFs; GEFs continue to be identified through self-declaration.

- The target for RI8 on the share of PHC facilities in selected health regions receiving performance payments was not achieved, with 0 percent of PHC facilities receiving performance payments by 2019 against a target of 40 percent and a baseline of 0 percent. Furthermore, RI8 did not measure progress toward achievement of the objective, as elaborated in the Relevance of Results Indicators section **(Rating of RI8=Negligible)**.
- The target for RI9 on use of the GEF database based on the new poverty-based targeting mechanism was not achieved, with no households covered based on the new poverty-based targeting mechanism by 2019 against a target of at least 50 percent of households and a baseline of 0 percent **(Rating of RI9=Negligible)**.

- The target for RI10 on key performance indicators on service quality developed and used by CNAMGS was not achieved, with no indicator having been assessed by 2019 against a target calling for indicators to have been developed **(Rating of RI10=Negligible)**.

Rating

Highly Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The efficacy of the first objective to increase revenue mobilization, stabilize the wage bill, and improve procurement practices is rated Moderately Satisfactory. The efficacy of the second objective to improve the investment climate and strengthening information and communication technology (ICT) services to enhance competitiveness is rated Moderately Satisfactory. The efficacy of the third objective to improve the efficiency of healthcare delivery and social protection services in order to protect the poor is rated Highly Unsatisfactory. Overall efficacy is consequently rated Moderately Unsatisfactory.

Overall Efficacy Rating

Moderately Unsatisfactory

6. Outcome

Rationale

With the relevance of PAs rated Moderately Satisfactory and efficacy rated Moderately Unsatisfactory, the outcome of this DPO series is rated Moderately Unsatisfactory.

a. Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The main risks to sustaining development outcomes consist of:

Although there were significant increases in non-oil revenues associated with the operations' tax policy measures, these gains were reversed in 2020 due to the economic impact of the COVID-19 pandemic. However, that reversal appears to have been temporary, with partial correction having taken place in 2021. The mandates and functions of the Inter-Ministerial Committee for the Macroeconomic and Fiscal Framework to coordinate and oversee tax expenditure management could be weakened through a political change, which could reduce the government's oversight on tax expenditures; frequent government reshuffles have hampered administrative consistency in pursuing reforms. Furthermore, the reforms to the *La Vie Chere* program could be reversed if economic conditions deteriorate and/or if social protection transfers to the GEF are insufficient and/or not well targeted to the needs of the most vulnerable segments of the population.

Wage bill containment was sustained in 2020 and 2021. However, the government could be pressured to engage in extensive public sector hiring following the public sector hiring freeze of four years if the poverty and/or the unemployment rates deteriorate. Similarly, the government may be pressured to resume automatic promotion of public sector workers, though the ICR (p. 33) states that meaningful steps have been taken toward preparation of work and skill plans for the civil service and adoption of performance evaluation plans.

The National Investment Promotion Agency, a new, single coordinating body in Gabon, now facilitates engagement between the government and private entrepreneurs, creating an institutional basis for further improvements in the business climate. However, a number of critical areas remain under addressed, including reform to the Investment Law, ensuring of contract enforcement, efficiency of the legal framework for settling disputes, establishment of norms for safeguarding shareholders' rights, improvements in the infrastructure for promoting exports, and gender equality in accessing jobs and economic opportunities (ICR, p. 33).

The operations did not produce results in health management or reform to the targeting methodology for GEFs. Moving forward, resources for PBF in primary health facilities, slated for introduction on a pilot basis in 2022, could be inadequate, and access to primary healthcare units in underserved areas could be lower than envisaged under PBF if these areas are unable to attract qualified medical personnel. Recertification of GEFs based on a new poverty-based targeting mechanism, scheduled for 2023 following a piloting exercise and census of the rural population, could face continued delays, and the targeting of social safety nets to the GEF could fail to materialize without sufficient political support for the reform.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The Bank relied on relatively sound analytical underpinnings for the various areas of reform as presented in Table 5 of the ICR. Several of the PAs and many of the RIs, however, were not relevant to the achievement and/or to the measurement of achievement of the operations' objectives. PA4 and PA5 sought to freeze the public sector wage bill rather than to reverse its upward trend. PA11 established an inter-ministerial working group to review and to agree on the contents of a new investment code and incentive regimes rather than approve the investment code or establish the content of the new investment code. RI2 and RI6 did not capture the impact of the associated PAs, and RI10 did not specify the performance indicators of the CNAMGS that would be included in the measurement of the indicator.

Further, some of the PAs, such as PA1 and PA2, were not based on a rigorous *ex ante* and *ex post* analysis of the anticipated reduction in tax expenditures, and a distributional impact assessment was not conducted to understand the impact of the measures across income groups. Further, the operations did not include social protection reforms that would compensate the most vulnerable segments of the population affected by reduced subsidies on essential goods as a result of the implementation of PA1 and PA2. Moreover, the Bank underestimated the institutional barriers related to introducing a decentralized PBF system for health facilities, explaining that achievement of this reform was hindered by the incompatibility of the allocation of government resources to separate accounts outside the Treasury with the rules of the Treasury Single Account, as well as a lack of common vision on the benefits of this reform by authorities, but that this reform may be launched later on with new modalities for flows of funds. Finally, the Bank did not consider the risks to sustaining development outcomes as elaborated above, and consequently did not take measures to mitigate against those risks.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

Dialogue with the Bank was key to reforms on improving the business climate, including support through the Bank-financed Investment Promotion and Competitiveness project. The ICR also describes “intense” dialogue between the Bank and the government on procurement reform and strengthening ARMP (ICR, p. 31). However, the Bank incurred significant delays in mobilizing technical assistance with regards to reforms related to Objective 3. While the Bank scaled down the RI targets for Objective 3 between the two operations as a result of these delays, the achievement of RI8, RI9 and RI10 is rated Negligible due to the complete lack of achievement on these RIs. This outcome reflects the poor identification of mitigating measures to address technical capacity constraints and ownership concerns not only at the design stage, but during the implementation stage of this programmatic series. Some of these risks may have been averted as well through improved stakeholder and donor coordination, which appears to have been lacking.

Rating

Moderately Satisfactory

c. Overall Bank Performance

Rationale

The overall Bank performance is rated Moderately Satisfactory, with Bank performance at design and implementation stages each rated Moderately Satisfactory.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

None noted.

b. Environmental

None noted.

c. Gender

None noted.

d. Other

None noted.

10. Quality of ICR

Rationale

The quality of the ICR is rated **Modest**. First, the quality of evidence could have been strengthened with more robust evidence on achievement, including in cases where results indicators did not adequately measure progress toward the overarching objectives. Second, the quality of analysis could have been improved by presentation of the policy actions through a credible results chain and further elaboration on the shortcomings in relevance of some of the results indicators. Third, the outcome orientation of the ICR could have been improved through a more critical discussion of the relevance of results indicators and of efficacy, as well as more meaningful analysis of other impacts. Fourth, the ICR was not entirely consistent with guidelines; for example, the section on the relevance of the policy actions did not provide a clear description of the actions and their relevance through a credible results chain, and in some instances, outcomes were not clearly assessed.

a. Rating

Modest

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	Five out the 10 RIs were rated Satisfactory or Moderately Satisfactory, with the remaining RIs rated Unsatisfactory or Moderately Unsatisfactory.
Quality of ICR	---	Modest	The quality of the ICR is rated Modest. First, the quality of evidence could have been strengthened with more robust evidence on achievement, including in cases where results indicators did not adequately measure achievement toward the overarching objective. Second, the quality of analysis could have been improved by presentation of the policy actions through a credible results chain and further elaboration on the shortcomings in relevance of some of the results indicators. Third, the outcome orientation of the ICR could have been improved through a more critical discussion of the relevance of results indicators and of efficacy, as well as more meaningful analysis of other impacts. Fourth, the ICR was not entirely consistent with guidelines; for example, the section on the relevance of the policy actions did not provide a

	clear description of the actions and their relevance through a credible results chain, and in some instances, outcomes were not clearly assessed.

12. Lessons

The ICR Review identifies three key lessons:

1. The identification of PAs and RIs should be carefully considered to ensure that they are relevant to the achievement and/or to the measurement of achievement of the operations' objectives. The identification of PAs should be grounded in sound analytical underpinnings;
2. The relevance of a PA that leads to a fiscal impact should be supported by a rigorous *ex ante* and *ex post* analysis of the anticipated additional government revenues generated or the anticipated reduction in government expenditures; and
3. Triggers, targets, and RIs should be appropriately adapted to lessons learned or changes in underlying conditions and risks.

13. Project Performance Assessment Report (PPAR) Recommended?

No