



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 25-Sep-2020 | Report No: PIDC29355



BASIC INFORMATION

A. Basic Project Data

Country Gabon	Project ID P174043	Project Name GABON - COVID-19 FISCAL RESPONSE DEVELOPMENT POLICY LOAN (P174043)	Parent Project ID (if any)
Region AFRICA WEST	Estimated Board Date Oct 29, 2020	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency Ministry of Finance		

Proposed Development Objective(s)

The Program Development Objectives (PDOs) of the proposed stand-alone operation are to: (i) assist in the response to the COVID-19 pandemic through improved monitoring and reporting, and (ii) lay the ground for the economic recovery through stronger public investment management and a more transparent investment climate.

Financing (in US\$, Millions)

SUMMARY

Total Financing	150.00
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DETAILS

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **This stand-alone DPF aims to support Gabon’s efforts to respond to the COVID-19 pandemic and lay the ground for a prompt economic recovery.** The outbreak of the coronavirus disease (COVID-19) has been spreading rapidly across the world. The number of COVID-19 cases has continued to rise steadily in Gabon and, as of September 15, 2020, there were 8,654 confirmed cases of COVID-19 in the country. The proposed amount of this stand-alone operation is US\$150 million. The pandemic and the decline in oil revenues have adversely impacted economic activity in Gabon, causing a



substantial decline in government revenues accompanied by an increase in expenditure to respond to the potential spread of the virus, which have created an unanticipated financing gap. If not filled, the gap could increase the human cost of the pandemic and jeopardize the hard-won achievements in stabilizing the country's macro-fiscal situation and its reform momentum.

2. **The Government of Gabon has acted swiftly to contain and mitigate the spread of the COVID-19 pandemic.** An early response plan called "the COVID-19 Emergency Preparedness and Response Plan" (EPRP) has been prepared on March 16 in coordination with the WHO, intending to cover the immediate health-related needs from the COVID-19 pandemic. A more comprehensive plan was completed on March 28. The Government has taken a number of actions with respect to COVID-19 prevention, case detection and care, including the closure of borders, a ban on flights except for cargo, the closure of all restaurants, bars, cafes, and pastry shops, and a two-week lockdown in Libreville and its suburbs. In addition, an action plan to limit the negative impact of the crisis on the economy is being implemented.

3. **The proposed operation is part of an international effort.** The IMF Executive Board has approved two Rapid Financing Instruments (RFI) and the African Development Bank (AfDB) has also approved additional budget support. The program is supported by Technical Assistance (TA) and project financing from the World Bank and other development partners. The operational design has been informed by lessons from the previous DPF series (P159508 and P164201) and the World Bank Group's experience in the country through ongoing operations. The scope of the engagement is also aligned with the Bank's Approach Paper to respond to the pandemic and with the priorities identified in the Systematic Country Diagnostics and was defined following a series of consultations with the Government.

4. **The operation supports the Government's response while selectively supporting policy measures to support a rapid and sustained economic recovery.** The program will contribute in improved monitoring and reporting of COVID-19 related spending, ensuring that the allocated budgetary resources to fight the pandemic are appropriately used. The improved transparency should also contribute in alleviating the growing popular concerns stemming from the perceived mismanagement of the COVID-19 crisis by the authorities. The country's longer-term development challenges should, however, not be forgotten. While contributing to the response to the COVID-19 outbreak, this operation also contributes in avoiding any new accumulation of payment arrears, burdening in previous fiscal adjustments the balance sheets of enterprises and banks, hampering the economic recovery. It also aims at improving the management of public investments and the investment climate, aiming at increasing the growth dividend of future investments.

5. **Prudent macroeconomic policies have helped stabilize the economy and contributed to Gabon's economic recovery.** Following the sharp decline in oil prices in 2014, the authorities carried adjustments efforts, supported by the international community. As a result, growth picked up, the fiscal and external positions improved, public debt started to decline, and Gabon contributed to the rebuilding of regional international reserves. Challenges remained, though, as the level of public debt remained high and domestic arrears continued to weigh on the economy. Deep-rooted institutional and structural weaknesses also continued to constraint growth and poverty reduction. Almost one-third of the population still lives below the poverty line.

6. **The COVID-19 outbreak and lower oil revenues threaten these gains.** The situation is still evolving rapidly and there are major uncertainties on the pace and the spread of the pandemic. As a result, economic activity in Gabon is now projected to contract by 2.4 percent in 2020, against an expansion of 3.4 percent anticipated before the pandemic. Combined with unanticipated public expenditures, lower fiscal revenues are expected to lead to a fiscal deficit of 5.4 percent of GDP in 2020, against a pre-COVID-19 crisis anticipated surplus of 1.3 percent of GDP. Additional support from the IMF and the AfDB combined with the proposed operation would reduce the financing gap to 0.8 percent of GDP.



7. **The negative impact on the most vulnerable, including women, would be significant.** The lack of resources in public primary health facilities in rural areas and poor road networks constrain access to quality healthcare in rural areas. Efforts to stem the spread of the virus will severely impact employment in Gabon which is concentrated in services and largely characterized by informality. These workers are unlikely to receive labor protection and any compensation if they lose their jobs. These new poor are more likely to be living in urban areas, be self-employed in service or sales occupations (where women are mainly present in Gabon) and live in a female headed household.¹ Furthermore, remittances – on which many households in Gabon rely to smooth income shocks – are expected to decline. The country is also highly dependent on food imports. Disruptions in the supply chain could lead to food shortages and upward pressure on prices, eroding the purchasing power of households, affecting particularly nursing women and children in a country where malnutrition and stunting are still prevalent. Social protection is already underfinanced in Gabon and tighter fiscal constraints may worsen the situation.

Relationship to World Bank Group Strategy

8. **The program aims at helping Gabon face the short-term challenges of the COVID-19 pandemic in line with the Bank's COVID-19 Crisis Response Approach.** A four-pillar framework has been proposed for responding to the COVID19 pandemic and the global economic crisis: (i) saving lives; (ii) protecting the poor and vulnerable people; (iii) ensuring sustainable business growth and job creation; (iv) strengthening policies, institutions and investments for rebuilding better. Against this backdrop, the proposed DPF (a) supports urgent fiscal measures to allocate and spent effectively the needed resources to protect lives (Pillar 1); (b) protects the poor and vulnerable with measures to safeguard the cash positions of firms and food security of vulnerable households (Pillar 2); and (c) lays the foundations for a more robust post-COVID-19 recovery, with measures to boost investor confidence and avoid disruptions in public investment (Pillars 3 and 4).

9. **The proposed operation also supports a set of reforms aimed at addressing the overarching binding constraints to sustainable inclusive growth as identified in the recent Systematic Country Diagnostic (SCD).** The SCD identified two critical pathways toward sustained inclusive growth and shared prosperity in Gabon: (i) economic diversification would drive the necessary transformations to revamp growth, increase productivity and strengthen resilience to the fluctuations of commodity markets; and (ii) equalizing opportunities and expanding human capabilities would ensure a more equitable access to economic opportunities and promote convergence of welfare. Two foundational policy areas will help Gabon along these identified pathways, namely i) robust fiscal framework and sound macroeconomic policies will foster macroeconomic stability and more effective management of resources; and ii) improved investment climate and economic governance will create a conducive environment to private sector development. The proposed measures under the three pillars reflect these foundational priorities.

C. Proposed Development Objective(s)

The Program Development Objectives (PDOs) of the proposed stand-alone operation are to: (i) assist in the response to the COVID-19 pandemic through improved monitoring and reporting, and (ii) lay the ground for the economic recovery through stronger public investment management and a more transparent investment climate.

Key Results

¹ “How Much will Poverty Rise in Sub-Saharan Africa in 2020?”, World Bank, April 29, 2020. Internal Document.



Indicator Name	Baseline	Target
COVID-19 spending reporting	NO (Quarterly report on budget execution has no COVID-19 spending)	YES (Quarterly publication on the MOF's website of the report on budget execution including COVID-19)
Audit of COVID-19 spending	No audit	Audit carried out on COVID-19 related spending
Accumulation of domestic payment arrears	TBD	No new accumulation of domestic payment arrears
Clearance of identified stock of domestic payment arrears	CFAF [10] billion outstanding and audited small bills	0 outstanding and audited small bills, of which [xx] percent of cleared payment arrears are to women-led enterprises
Percentage of PIP investment projects in Budget	No Public Investment Program 0 percent of PIP investment projects are in investment budget	A Public Investment Program has been prepared. [60 percent/all] of the new projects in 2021 budget are from the PIP.
Number of expressions of interest from foreign investors received by ANPI	15 (2019)	21 (2021)

D. Concept Description

10. **The proposed operation supports the Government's priorities.** The Program Development Objectives (PDOs) of the proposed stand-alone operation are to: (i) assist in the response to the COVID-19 pandemic through improved monitoring and reporting, and (ii) lay the ground for the economic recovery through stronger public investment management and a more transparent investment climate. The stand-alone DPF is aligned with Gabon's objectives as reflected in the 2020 supplemental budget and its responses to the COVID-19 pandemic. The supported actions aim at a sound and transparent execution of the authorities' COVID-19 response plan and are in line with the President's announced plan to protect businesses and the most vulnerable. They also support the country's longer-term development agenda as spelled out in its Strategic Plan for an Emerging Gabon (*Plan Stratégique Gabon Emergent*, PSGE). The PSGE is the centerpiece of the Government's policy platform. It aims at modernizing the country and turning it into an emerging



economy by 2025, with focus on three Pillars: addressing the foundations of competitiveness, developing priority sectors with strong growth potential, and promoting inclusive growth.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

11. **Most prior actions supported by this operation are expected to have positive effects on poverty reduction.** The COVID-19 pandemic is expected to increase poverty in Gabon, and the prior actions supported by the proposed operation are expected to attenuate the impact on poor and vulnerable groups. Re-allocating spending to respond to the COVID-19 crisis and ensuring that these resources are appropriately spent (PA#1) will directly protect lives and the most vulnerable segments of the population, including women. Accumulation of arrears hampers growth of small enterprises (and their contribution to employment), public investment and outlays to social sectors. Actions PA#2 and #3 will thus help contain the adverse effects of arrears on the poor. Prior actions aimed at improving public investment management and enhancing the investment climate (PA#4 and #5) will contribute to overall economic diversification, protect private sector development, and thus job creation, which would contribute to economic mobility and poverty reduction.

Environmental, Forests, and Other Natural Resource Aspects

12. **While overall the measures aimed at diversifying the country's economy away from extractives should be positive for the environment, some prior actions could have negative effects.** Prior actions supported by this operation under Pillar 1 are unlikely to have a significant environmental impact. Laying the ground for the economic recovery should be overall positive for the environment since these Pillars aim at maintaining the momentum of moving Gabon's economy away from extractives towards cleaner economic activities and reduce the risks stemming from stranded assets. Moreover, actions to improve public investment management and the investment climate will imply that (i) environmental and social assessment reports are part of feasibility and cost-benefit studies; and (ii) budgetary resources will be available to ensure a better environmental compliance monitoring and positive environmental outcomes. Nevertheless, some prior actions under Pillar 2 could imply some negative effects, if they improve the cash flow of small and medium-sized enterprises (PA#2 and #3) that may not have appropriate environmental and occupational health and safety plans or encourage new investments without the appropriate safeguards (PA# 5).

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APPROVAL

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25-Sep-2020