



Project Proposal for

GABON

January 2025

Component: Revenue

Module: RM I – Tax Policy



PROJECT SUMMARY

COUNTRY: Gabon

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY25-27

FUNDING PROGRAM TITLE: Gabon – GPFP Revenue Module I&II

PROJECT MANAGERS: Sébastien Leduc (Tax Policy, FADT1, Lead)

ESTIMATED BUDGET \$ 504,130

CONTENTS

I. Project Purpose	4
II. Background.....	5
Macro-fiscal situation	5
Country engagement and alignment to reform priorities	5
III. Project Modules - Description.....	6
Table 1. Summary of Objectives covered by the Proposal	6
A. RM I – Tax Policy.....	6
Scope	6
Program Objectives	6
Expected Results (outcomes).....	7
IV. Organizational Arrangements	7
A. Country Engagement.....	7
B. Delivery Modalities.....	7
C. Coordination / Cooperation.....	8
V. Risk Assessment and Mitigation	9
VI. CD Delivery Plan.....	10
Table 2. Summary of Indicative CD Delivery.....	10
Table 3. First year workplan	10
VII. Program Financials	10
VIII. Targeted Logical Framework	11
A. RM I – Tax Policy.....	11

I. PROJECT PURPOSE

Country request and relevance/importance

Gabonese authorities have expressed keen interest in receiving capacity development (CD) to strengthen revenue mobilization. Gabon is in a precarious fiscal position, causing liquidity pressures and the building up of arrears. The non-oil primary deficit widened from 7 percent of non-oil GDP in 2021 to 14 percent in 2022-23 and the country is now at high risk of debt distress. Substantial fiscal adjustments—particularly in the area of revenue mobilization—are imperative to ensure sustainability of the country’s fiscal position. Moreover, non-oil tax revenues are low at just 8 percent of GDP. CD will be important to build capacity and assist the authorities in identifying suitable areas for reform.

Description of Modules

Plans for medium-term engagement on tax policy were discussed as part of a GPFP-funded scoping tax policy mission, which visited Libreville in October 2024. The new project will focus on providing CD to the Ministry of Economy and participants, with the key underlying objectives being to improve the quantity and quality of public revenues raised through taxes and help build capacity in the area of tax policymaking. In doing so, consideration will be given to the tax system’s impact on economic efficiency, fairness across various taxpayer, transparency, and ease of administration and compliance. The project will help Gabon improve tax policy design incrementally through sound and coherent reforms that can be implemented over the medium term.

The estimated budget for this project is \$ 504,130 and endorsement is requested for the full amount through FY27.

II. BACKGROUND

Macro-fiscal situation

Gabon is experiencing severe fiscal imbalances that must be addressed to reduce liquidity risks and avoid unsustainable debt dynamics. The country's high deficit (14 percent non-oil primary deficit in 2022-23) reflects spending overruns and lack of adjustment efforts, including within the country's tax policy framework. Gabon's deficits are increasingly financed by arrears, whose stock reached an estimated 12.6 percent of GDP. Public debt also soared and breached the Central African Economic and Monetary Community (CEMAC) ceiling set at 70 percent of GDP.

With limited fiscal tightening measures planned for 2024 and beyond, non-oil deficits are expected to remain elevated in years to come. Combined with tight financing conditions amid scarce official financing and high global interest rates, this would lead to notable financing gaps and result in further arrear accumulation. Even if financed, such deficits would likely keep public debt on an unsustainable upward path.

Significant action is needed to correct the course. IMF staff recently estimated that the debt dynamics would stabilize and then reverse to more manageable levels under an adjustment roughly equivalent to 6-7 percent of GDP. Tax policy reforms will likely need to play an important role given the size of the adjustment and Gabon's low tax ratio (9.9 percent, as compared to an average of 15.1 percent for sub-Saharan Africa countries). Given limited resources and capacity within the country (e.g., there is no dedicated tax policy function within government institutions), capacity development can provide much needed assistance to identify, prioritize, and implement desirable reforms.

Country engagement and alignment to reform priorities

N/A.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Gabon in the area of tax policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Improve Tax Policy Design - Strengthen Policy Monitoring, Evaluation and Institutions

A. RM I – Tax Policy

Scope

Gabon has limited analytical capacity in tax policymaking and would greatly benefit from receiving CD in this area. Recent Article IV missions and staff visits have consistently identified domestic revenue mobilization as a key priority for the country. While authorities are cognizant of the need to mobilize additional tax revenue, they struggle to identify suitable reform options and implement meaningful changes to the country's tax policy framework, as evidenced by a tax ratio which is at best stagnant at a low level (i.e. around 10 percent of GDP). Part of the challenge resides in political economy dynamics. The new project would allow FAD to help build capacity in Gabon on tax policy analysis—including international aspects, which would promote informed decision-making consistent with the dual objectives of improving the quantity and quality of tax revenue.

Program Objectives

The tax policy module will build on a recently conducted GPFP funded scoping and previous CD engagements, and closely support Gabonese authorities in identifying suitable options for tax policy reform. Authorities expressed interest in receiving tax policy CD in several different areas, including hands-on training (e.g., modeling or workshop-like missions) and policy analysis with specific recommendations for reforms. The new project will provide tailored capacity development in these areas, in support of various objectives including strengthening institutional settings, building capacity among technical staff, and motivating changes to existing tax policies among senior staff. Our approach to CD delivery—for example, in terms of topics, modalities and outputs—will remain flexible to ensure that the project meets authorities' needs and expectations on an ongoing basis.

Expected Results (outcomes)

The project will assist authorities in identifying and prioritizing tax policy reforms by conducting analyses and building capacity. Some of the expected outcomes from the project include:

- Adoption of legislative amendments consistent with our recommendations. The expectation is that our recommendations will be debated internally and that some will eventually be retained and implemented through the annual Budget;
- Increase in tax revenue, which is a key priority for the country;
- Improved coherence within the tax policy framework to ensure that public policy objectives are being achieved in an efficient manner;
- A more equitable tax system, where horizontal and vertical equity is improved; and
- Sound fiscal regimes for the mining and petroleum sectors to ensure that these regimes strike an appropriate balance between raising revenues and making investments attractive and viable.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

After a few productive CD engagements between FY18 and FY20 (covering areas such as a general diagnostic, tax expenditures, property taxation, and petroleum fiscal regime), cooperation paused for a couple of years and resumed in end-FY22 with a remote mission which initiated the review of Gabon's income tax system to identify reforms that would be necessary for the country to comply with a new CEMAC income tax directive. Subsequently, an in-person mission was delivered during Summer 2023 to share the analysis and recommendations with country officials. This mission proved highly productive and was much appreciated by country officials. This was followed by a remote follow-up mission during late-Summer 2023, which undertook some quantitative analysis and reviewed potential measures for inclusion in the 2024 Budget. Engagement was halted shortly after the coup d'état, mostly due to the depletion of own financial resources.

B. Delivery Modalities

The program will prioritize in-person activities due to the country's limited capacity and the need for a more hands-on approach. This also aligns with preferences expressed by country officials. Virtual deliveries may nonetheless be considered where they could increase the efficiency of in-person mission (e.g., as pre-mission preparatory work) or when travel is either impossible (e.g., conflict in schedule) or

unjustified given task at hand (e.g., where a mere desk review would suffice given the nature of the work at hand).

The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's area department and resident representative	Sharing of information, insights, and recommendations	Tax policy – priorities, recommendations, and status of reforms	Regular

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	World economy, security in the region, etc.	Medium	Factor authorities' priorities into our work program and remain flexible in delivering the workplan.
POLITICAL SUPPORT			
RM I - Tax Policy	Obtain needed leadership from Budget and/or Finance Ministers and sufficient buy-in from the whole government to enact meaningful reforms in the National Assembly.	Very High	Engage constructively with high-level officials to ensure that they appropriate themselves of proposed reform options and that their views are considered and reflected into our analysis and recommendations. Work closely with country team.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Buy-in and commitment by our direct counterparts at the Budget Ministry.	High	Engage constructively with counterparts to ensure that they appropriate themselves of reform options and that their views are considered in the analysis and recommendations. Remain agile and build the CD program based on their needs and preferences.
RESOURCE ADEQUACY			
RM I - Tax Policy	Resource adequacy in Budget ministry, including number of staff and skillset.	Medium	Sequence CD and reform proposals to align with country capacity. Offer complementary CD in the form of follow-up engagements or support in legal drafting. Coordinate closely with the revenue administration division.
OTHER RISKS			
RM I - Tax Policy	None identified.	N/A	N/A

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
HQ led CD mission	1	1	1	-	-	3
STX visits	-	1	1	-	-	2

Note:

- In-person delivery was chosen in all instances because of low capacity, authorities' preferences for such a modality, and the need to build and maintain relationships.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II - Revenue Administration		
Q4/FY25	Field-Based work - FB	Tax treaties
Q1/FY26	Field-Based work - FB	Follow up on personal income tax and corporate income tax reforms
Q2/FY26	Field-Based work - FB	Modeling of the mining sector and review of the mining code

VII. PROGRAM FINANCIALS

Module	FY 25	FY26	FY27	TOTAL (USD)
Direct Delivery				
RM I - Tax Policy	\$85,364	\$145,781	\$240,005	\$471,150
Subtotal				
Trust Fund Management Fee (7%)	\$5,975	\$10,205	\$16,800	\$32,980
TOTAL	\$91,339	\$155,986	\$256,805	\$504,130

Note: The estimated budget for this project is \$504,130, and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective	
Improve Tax Policy Design - TPD	
Outcome(s)	Indicator(s)
Increased/decreased revenue quantity	Laws implementing amendments to raise revenues are passed
	Revenue change
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	Adopt legislation that reduces economic distortions.
Improved distributional fairness across taxpayers due to amended tax rates or base	Laws implementing amendments aimed at greater horizontal equity are passed
	Laws implementing amendments aimed at greater vertical equity are passed
Objective	
Strengthen Policy Monitoring, Evaluation, and Institutions - TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Improved models to design and evaluation fiscal regimes and forecast revenue in the extractive industry adopted
	Models or tools developed or improved