

BUFF/07/178

December 20, 2007

**The Acting Chair's Summing Up
Gabon—First Review Under the Stand-By Arrangement and
Request for Waiver of Nonobservance of Performance Criteria and
Modification of Performance Criterion
Executive Board Meeting 07/111
December 19, 2007**

Executive Directors commended the authorities' implementation of sound policies, which, together with a favorable external environment, helped deliver high non-oil growth, moderate inflation and a strong external position. While noting that the short-term outlook is favorable, they stressed that, going forward, solid program implementation will be critical to mitigate risks to macroeconomic stability.

Directors emphasized that continued fiscal discipline will be crucial to maintaining macroeconomic stability, given the rapid depletion of oil reserves. They welcomed the improved performance of non-oil revenue, and agreed that tightened controls over current nonsocial spending will be critical to ensuring that the program fiscal objectives are met. A number of Directors expressed concern at the decision to delay the implementation of the automatic fuel prices adjustment mechanism, which is a key measure to contain subsidies. They encouraged the authorities to activate the mechanism as soon as possible, in order to help create fiscal space for better targeted social spending and outlays for infrastructure. Several other Directors suggested paying close attention to possible social tension and encouraged the authorities to consider further measures to mitigate the effects on the poor.

Directors noted that the 2008 draft budget submitted to Parliament is in line with the authorities' objective to move gradually towards long-term fiscal sustainability. Stepping up the pace of enhancements to public financial management through the implementation of the medium-term expenditure framework, and improving the quality of investment and social spending will support the achievement of fiscal sustainability, as will making oil revenue management more transparent. The authorities are encouraged to resolve methodological issues related to the reporting of data on oil revenue expeditiously.

Directors welcomed the authorities' decision to strengthen public debt and asset management, which is an important component of Gabon's strategy to achieve long-term fiscal sustainability. They congratulated the authorities for the debt buyback agreement reached with Paris Club creditors and for Gabon's first issue of an international bond. In order to keep debt at a sustainable level, a prudent borrowing policy should be followed.

Directors noted that improved competitiveness and economic diversification will be key to the achievement of long-term economic prosperity. They encouraged the authorities to avoid the use of ad-hoc tax incentives for settling disputes. Directors stressed the importance of promptly lifting the recently introduced temporary price controls, which run counter to the objective of promoting private sector development in the non-oil sector.