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IMF Executive Board Completes the Second and Third Reviews under Gabon's Stand-By Arrangement

The Executive Board of the International Monetary Fund (IMF) today completed the second and third reviews of Gabon's economic performance under the three-year Stand-by Arrangement. The approval enables Gabon to purchase immediately a cumulative amount equivalent to SDR 40 million from the IMF (about US$58.9 million). However, Gabon has not made any drawings under the arrangement so far, and the authorities have indicated that they will continue to treat it as precautionary.

The Executive Board also granted waivers for the nonobservance of the performance criteria related to the imposition of restrictions on payments and transfers for current international transactions and to the adjustment of petroleum products. The Executive Board also approved the modification of the performance criterion related to the implementation of the fuel price adjustment formula.

The Stand-By Arrangement for Gabon in an amount equivalent to (about US$113.6 million) was approved on May 7, 2007 to support the country's economic program (See Press Release No 07/88).

Following the Executive Board discussion, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"Gabon achieved robust economic growth in the first half of 2008, underpinned by favorable international oil and commodity markets. Since then, growth has slowed substantially, as Gabon's three main industries—oil, timber, and manganese—have been hard hit by the global downturn. As a result, the short-term outlook has deteriorated markedly. It will be important to reduce the non-oil fiscal deficit over time in order to mitigate risks to macroeconomic stability and to prepare Gabon's transition to the post-oil era. The global crisis has also underscored the need to diversify the economy. The authorities have initiated welcome steps to strengthen program implementation, including actions to reduce the non-oil fiscal deficit.

"The 2009 budget is consistent with the authorities' objective to bring the fiscal deficit to a sustainable level, albeit at a more gradual pace than previously anticipated in light of the weakening foreign demand. A tightening of current spending will create fiscal space for better targeted social spending and priority projects. The authorities have liberalized the prices of two oil products and adopted an automatic fuel price adjustment mechanism for all other oil products, effective January 2009, to ensure the reduction of oil product subsidies. In addition, the authorities have committed to revising the budget as necessary should revenues decline more than currently anticipated.

"Good progress has been made on public financial management reforms, particularly in the area of oil revenue administration. Efforts are also ongoing to develop sectoral medium term expenditure plans, reflecting Poverty Reduction Strategy Paper priorities; to raise the quality and efficiency of public spending; to improve budget execution and coverage; and to reduce tax exemptions.

"Gabon's external position improved substantially following the prepayment, at a discount, of Paris Club debt in January 2008. The authorities recognize the need to develop a comprehensive debt management strategy and follow a prudent borrowing policy to keep external debt at a sustainable level.

"The authorities see further structural reforms as essential to improving the business climate, in order to encourage private sector development and to diversify the economy. The creation of the National Diversification Commission and the accelerated spending on infrastructure are steps in the right direction. It will also be important to pursue plans to promote an enabling environment for the financial sector development, to strengthen governance and increase transparency, and to take measures for ensuring the commercial viability of the oil refinery, SOGARA," Mr. Portugal said.