

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing May 2015

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#### Gabon Summary 21 May 2015

*President Ali Bongo Ondimba's (2009 - present) security crackdown continues, restricting opposition activity after the death of opposition figurehead André Mba Obame. Opposition and other sources claim the government is staging security incidents as a pretext for the security operation. Fitch Ratings downgrades Gabon, highlighting the deteriorating government debt position. Bongo hosts Morocco's King Mohammed VI and visits Turkey to increase investment ties. British oil companies Royal Dutch Shell and Tullow Oil face tax and contract disputes.*

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#### Security crackdown halts opposition momentum

President **Ali Bongo Ondimba's** (2009- present) security crackdown continues and aims to restrict opposition activity following the death of opposition figurehead **André Mba Obame** on 11 April. The government announced that it had found a weapons cache on a small uninhabited island north of **Libreville** on 22 April.<sup>1</sup> Security forces displayed the cache to the interior and justice ministers with the media present. The government claims that informants had said unidentified men in boats had placed the cache on the island.<sup>2</sup>

The announcement came two days after the government launched an extensive security operation, claiming to have received information on a “*possible attempt to destabilise the country*”.<sup>3</sup> The interior ministry reported that it had intelligence “*of the presence of weapons crates at our borders whose recipients are not yet identified ...*”<sup>4</sup>

The opposition rejected the government's claims regarding the weapons cache. **Jean de Dieu Moukagni-Iwangou**, president of the **Front** opposition grouping, denounced the manoeuvre to “*distract*” the Gabonese from the problems facing the country.<sup>5</sup> He said he would show that the weapons belonged to the army.

*“The weapons were ‘discovered’ in a military zone on an island which is closed to the public. The area is well known as a site used by the army and some **French** soldiers during joint training exercises. The timing comes days after opponent Andre Mba Obame’s death and the recipients and authors (of the alleged threat) are yet to be identified.*

*There is no evidence the opposition was involved in these cases (the weapons cache and the above interior ministry statement on weapons crates at the border). This was actually a set up by the **Garde Républicaine** to increase pressure and fear among opponents and Libreville’s population. The Garde Républicaine has also been entrusted with the investigation instead of the judicial police. There was other clumsiness in the plan, such as the prosecutor publicly announcing the contents of the weapons cache before they had been ‘discovered’! This poorly executed staging shows the authoritarian face of the Ali Bongo regime.”<sup>6</sup>*

A local journalist confirmed that security checks remain around Libreville.

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<sup>1</sup> RFI, 22 Apr 2015.

<sup>2</sup> RFI, 22 Apr 2015.

<sup>3</sup> RFI, 21 Apr 2015.

<sup>4</sup> Interior ministry statement, 20 Apr 2015.

<sup>5</sup> RFI, 25 Apr 2015.

<sup>6</sup> Source, journalist, Libreville

*“We have lived for several weeks in a city besieged by the army, police and gendarmerie under the pretext of the rising insecurity in Libreville. To date, checks by the police and the army continue day and night in Libreville.”<sup>7</sup>*

The security operation minimised the risk of unrest and the opposition's ability to galvanise support around the return of Obame's body to Gabon and his funeral. Obame's death in **Cameroon** after a prolonged illness triggered violent unrest in the Libreville from 12 to 14 April. Obame's supporters gathered at the **Leon M'ba International Airport** for the arrival of Obame's body on 28 April. A procession in the streets of the capital and a ceremony at **Nzeng-Ayong** stadium followed, although there were no reports of violence during the events.<sup>8</sup> Obame's funeral also passed without further protests. Obame's relatives and supporters held a burial service on 4 May in his home village, **Medouneu**, in the north of the country close to the border with **Equatorial Guinea**.<sup>9</sup> According to an Obame political supporter, around 1,000 people attended the service, including several opposition figures, notably the ex-**African Union** commission president, **Jean Ping**.<sup>10</sup>

*“The government quickly deployed the army and even the Garde Républicaine (which generally operates as the president's personal guard) throughout the city. There is a massive presence of the defence forces including army, gendarmerie and police throughout the entire national territory after Obame's return up around his funeral. During this time government ceased to function. Schools also.”<sup>11</sup>*

Following the funeral several opposition figures claimed that they would appoint a single consensus candidate in September 2015 to compete against Bongo in the 2016 presidential election. Obame's **Union Nationale (UN)** has yet to appoint a successor.

*“A single (opposition) candidate will be difficult; since 1990 (introduction of multiparty politics) careerist individualism has always prevailed and as elections approach divisions usually appear, which benefits the presidential majority.”<sup>12</sup>*

### Another ratings downgrade for Gabon highlights economic concerns

**Fitch Ratings** downgraded Gabon's long-term foreign and local currency **Issuer Default Ratings (IDRs)** to 'B+' from 'BB-' ('highly speculative investment' grade) on 8 May.<sup>13</sup> The outlook is classed as stable. It also downgraded senior unsecured foreign currency bonds to 'B+' from 'BB-'.

Fitch said the key driver of the downgrade was the expected decline in oil production, which increases oil volatility. It pointed to onshore oil fields maturing, and offshore exploration still at an early stage. Fitch also noted that “*lower oil prices and an uncertain regulatory and fiscal environment*” would also weigh on the oil sector outlook. It said that the government's economic diversification efforts were “*slow*” and scaling back of the public investment programme would also negatively affect these efforts.

Fitch also views public financial management as a key weakness. It expects a fiscal deficit of around 3.5% in 2015. It noted that the government had not developed a significant sovereign wealth fund, like many other oil producers, and its deposits at the **Banque des États de l'Afrique Centrale** are low (around 5% of GDP). According to its forecast average price per barrel of oil of \$65 in 2015 and \$75 in 2016, Fitch expects gross public debt to climb to 34% of GDP in 2015. Net external debt remains relatively low at 16.2% of GDP in 2015, but may increase above 20% of GDP by 2016.

The Fitch downgrade comes three months after ratings agency **Standard & Poor's** downgraded Gabon to 'B+' from 'BB-'. In December 2014 major ratings agency **Moody's** graded Gabon Ba3 ('speculative' grade) with a stable outlook, its first credit rating for Gabon.<sup>14</sup>

<sup>7</sup> Source, journalist, Libreville

<sup>8</sup> RFI, 29 Apr 2015.

<sup>9</sup> AFP, 4 May 2015.

<sup>10</sup> AFP, 4 May 2015.

<sup>11</sup> Source, journalist, Libreville

<sup>12</sup> Source, journalist, Libreville

<sup>13</sup> Fitch Ratings, 8 May 2015.

<sup>14</sup> Jeune Afrique, 11 May 2015.

## Bongo strengthens investment ties with Morocco and Turkey

**Morocco's King Mohammed VI** scheduled a visit to Gabon in the third week of May as part of his four-nation Africa tour.<sup>15</sup> His tour started in **Senegal** on 19 May and included **Cote d'Ivoire** and **Guinea Bissau** in the itinerary. The official visit aims to strengthen Morocco's geopolitical role in Africa.<sup>16</sup> Moroccan investments in Gabon and long-standing relationships between the ruling Bongo family and the Moroccan royal family drive strengthening relations between Gabonese and Moroccan officials. King Mohammed VI also visited Gabon on his last Africa tour in March 2014. During the 2014 visit Gabon's state-owned **Société Équatoriale des Mines (SEM)** and Morocco's state-owned phosphate group **Office Chérien des Phosphates (OCP Group)** signed a \$2.3 billion agreement in which OCP Group will provide technical assistance to develop a fertiliser plant in **Port-Gentil**.<sup>17</sup> During the visit Bongo Ondimba and King Mohammed IV also reportedly signed 24 strategic agreements covering the agriculture, health, housing, vocational training, finance and banking, technology, transport and tourism sectors.<sup>18</sup> The two countries regularly host bilateral forums. The first **Morocco-Gabon Business Forum** was held in **Rabat** (Morocco) from 21-22 April 2014.<sup>19</sup>

In addition, during a visit to **Ankara** (Turkey) on 12 May Bongo announced that Gabon would open an embassy in Turkey within a year.<sup>20</sup> Gabon currently has honourable consulates in Ankara and **Istanbul**.<sup>21</sup> On 6 to 8 January 2013 Turkish Prime Minister **Recep Tayyip Erdogan** visited Gabon for the **Gabon-Turkey Investment Forum** and to open a new Turkish embassy in Libreville.<sup>22</sup> Activity between Turkey and Gabon as well as other African countries increased following the **Summit of Cooperation between Turkey and Africa** in Istanbul in 2008.

## British oil companies face ongoing disputes with the government

**British** oil companies are facing similar tax and contract disputes as other key players in the sector. On 9 April oil minister **Etienne Ngoubou** confirmed the government was conducting an audit of **Royal Dutch Shell**, which may result in demands for back taxes.<sup>23</sup> He said this could amount to up to \$100m but said the audit was not finished.

The *Wall Street Journal (WSJ)* claims that the British **Foreign and Commonwealth Office (FCO)** sent a request to the Gabonese government in late March "to provide a transparent and attractive environment for British businesses" following the notification of the audit.<sup>24</sup> However, Ngoubou denied that the British government had approached the Gabonese government on behalf of Royal Dutch Shell. According to the *WSJ*, the British government also mentioned a dispute between the government and London-listed **Tullow Oil**. In early 2014 Gabon withdrew from negotiations with Tullow over the renewal of a licence on the onshore **Onal** field, "in effect expropriating the [United Kingdom] UK company's 7.5% stake".<sup>25</sup> Tullow claims it has offered better terms to win back the stake and reached an agreement with Ngoubou, but it has not gained final approval. Tullow said: "We have been assured by the government that our contract will be honoured... However, we are very concerned by the delay."<sup>26</sup> Ngoubou said "discussions are continuing" on this issue.<sup>27</sup>

According to the *Financial Times*, British Prime Minister **David Cameron** (2010- present) also wrote to Bongo over the past year after the FCO interventions failed to resolve the disputes. In a letter Cameron

<sup>15</sup> APA, 19 May 2015.

<sup>16</sup> Les Afriques, 19 May 2015.

<sup>17</sup> Mining Weekly, 11 Jul 2014.

<sup>18</sup> Tele Geography, 10 Mar 2014.

<sup>19</sup> Gabon Review, 18 Apr 2014.

<sup>20</sup> www.news.videonews.us

<sup>21</sup> www.news.videonews.us

<sup>22</sup> Cocom Gabon, 8 January 2013

<sup>23</sup> Wall Street Journal, 9 Apr 2015.

<sup>24</sup> Wall Street Journal, 9 Apr 2015.

<sup>25</sup> FT, 19 Apr 2015.

<sup>26</sup> FT, 19 Apr 2015.

<sup>27</sup> Wall Street Journal, 9 Apr 2015.

promised aid for the fight against wildlife poachers and added that he hoped “*companies concerned and the Gabonese government can come to an agreement*” soon.<sup>28</sup>

Since 2014 the government has targeted key players in the oil sector with tax audits to raise revenue. France-based **Total** said that it had settled a dispute over tax arrears with the government for an undisclosed amount in November 2014. The government had demanded \$805m in tax arrears from Total in February 2014 following an audit.

### Implications

Bongo’s security operation has successfully nullified the opposition at a time when it could have galvanised support following Obame’s death. The operation may set the tone leading up to the 2016 elections. However, the opposition will seek to organise large and violent protests and align itself with powerful unions, to take advantage of declining government support amid increasing economic hardships.

The Fitch Ratings downgrade consolidates the trend of the economic downturn, particularly due to dependence on the oil sector and the sector’s volatility. However, it also highlights an emerging trend of a deterioration in the government’s debt position.

The strengthening links with Morocco and Turkey is part of the government’s plans to form investment and trade links with emerging countries and diversify sources of investment away from traditional partners such as France.

The Royal Dutch Shell and Tullow disputes with the government follow a trend of increasing contract and regulatory risks in Gabon’s oil sector. The government aims to raise revenues from the sector, but has significantly undermined investor confidence in the process.

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<sup>28</sup> FT, 19 Apr 2015.