

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing January 2016

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#### Gabon Summary 15 January 2016

*The Agence Gabonaise de Presse (AGP, Gabon press agency) and Convention Nationale des Syndicats du Secteur Éducation (Conasysed, National convention of education sector unions) declare strikes. The Organisation Nationale des Employées du Pétrole (ONEP, National organisation of oil employees), the largest union in the oil sector, threatens to do the same. Séraphin Akuré-Davin of the Alliance pour un Nouveau Gabon (ANG) calls for people to dress in black in protest against police violence and social injustice. The Gabon government secures a \$212m loan with the Banque de Développement des États de l'Afrique Centrale (Development bank of Central African states) for a mineral port extension in Owendo and the widening of the RN-1 motorway. The International Monetary Fund (IMF) publishes its Article IV review of the Gabonese economy, calling for more rapid economic diversification.*

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#### Major public media institution and teacher's union announce strikes

President **Ali Bongo Ondimba's** (2009-present) government has suffered several setbacks which may damage his re-election hopes as the **Agence Gabonaise de Presse (AGP, Gabon press agency)** and the **Convention Nationale des Syndicats du Secteur Éducation (Conasysed, National convention of education sector unions)** declare extended strikes. The labour action is related to – if not the direct consequence of – public fiscal constraints due to continued low oil prices. The largest union in the oil sector, the **Organisation Nationale des Employées du Pétrole (ONEP, National organisation of oil employees)**, also threatened to enter into an indefinite strike on 23 December but refrained from doing so for unspecified reasons.<sup>1</sup>

AGP announced its strike on 6 January because of alleged delays over its staff's salary payments, as employees claim disbursement backlogs have accumulated for over two months.<sup>2</sup> AGP is a public press agency established in Gabon's first year of independence in 1960,<sup>3</sup> and is also the parent company of **Gabon Matin**, the country's second most read daily newspaper.<sup>4</sup> Gabon Matin has accrued an "abyssal hole" of outstanding debt.<sup>5</sup> The debt – in the form of water, electricity and internet bills – amounts to a total of \$164,000 and dates back as far as 2014.<sup>6</sup> Gabon Matin had already suspended its editorial activity between September 2014 and July 2015, as it struggled to keep afloat.<sup>7</sup>

AGP's operational struggles continued in 2015 because of continuing financial troubles. On 5 January AGP was forced to cease all editorial activity until further notice.<sup>8</sup> This came as no surprise since AGP's stature had greatly dwindled in recent years. A telling factor has been the reduction of its government funding. In 2009 AGP benefitted from \$2.49m in state subsidies.<sup>9</sup> Bongo subsequently cut these subsidies considerably until, in 2015, AGP received approximately \$660,000 in subsidies.<sup>10</sup> The latest cut – which sparked the most recent outrage and strike – lowers this subsidy by 50% in the

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<sup>1</sup> Gabon Review, 28 Dec 2015.

<sup>2</sup> RFI, 6 Jan 2016.

<sup>3</sup> www.agpgabon.ga

<sup>4</sup> RFI, 6 Jan 2016.

<sup>5</sup> Gabon Review, 6 Jan 2016.

<sup>6</sup> Gabon Review, 6 Jan 2016.

<sup>7</sup> RFI, 6 Jan 2016.

<sup>8</sup> Gabon Review, 6 Jan 2016.

<sup>9</sup> RFI, 6 Jan 2016.

<sup>10</sup> RFI, 6 Jan 2016.

2016 budget, to \$330,000 or 13.2% of the 2009 figure.<sup>11</sup> Press sources claim that in 2016 employee salaries alone will cost \$445,000.<sup>12</sup>

AGP chairman of the board **Jacques Sima** declared in December 2015,

*“To compensate for this undeniable gap, we must contemplate and apply our creativity in order to restore the prestige of AGP... This is an opportunity for us to see how AGP personnel can be redeployed.”<sup>13</sup>*

Sima at the time said that AGP would explore the possibility of disassociating itself with its subsidiary, Gabon Matin.<sup>14</sup> Two months earlier, communication minister **Alain-Claude Bilie By Nzé** had promised to resolve these enduring financial troubles, pledging to devise a “*crisis exit plan*”.<sup>15</sup> Nzé reportedly delivered this exit plan to the government on 21 December, and said he would commit the government – if it accepted the plan – to tackle AGP’s debt problems by redeploying personnel and seeking complementary financing outside of government.<sup>16</sup>

*“This press [entity] is an indispensable tool for information and the visibility of government action.”<sup>17</sup>*

In parallel, Conasysed, the country’s only inter-syndicate teacher’s union that groups all six major nationally present unions, convened an extraordinary general assembly on 31 December.<sup>18</sup> The organisation has in recent years increased strike efforts, claiming the government has failed to meet its promises.<sup>19</sup> Conasysed claims the Bongo government failed to meet its commitment to pay teachers’ and performance incentive premiums (unpaid since May and August 2015 respectively), and teachers’ holidays (also unpaid), all part of a longer list of unmet demands.<sup>20</sup> These were reportedly promised by 25 December.<sup>21</sup> As the government did not meet these conditions, Conasysed claims it was left with no choice but to respond with a more combative stance – a one-month members’ strike, until 31 January.<sup>22</sup> Conasysed also demanded increased investment for the construction of schools in order to tackle overstaffing and high student-to-teacher ratios, which sources claim are as high as 80:1.<sup>23</sup> Conasysed also rallied non-members to participate in the strike as it stated extra pressure would be necessary to make the government fulfil its promises, especially in its current state of fiscal deterioration.<sup>24</sup>

*“The government is struggling to contain the overspill but could respond favourably to the teachers’ demands, especially in this period preceding the presidential elections.”<sup>25</sup>*

### **... and minor opposition leader organises protest against police violence**

Minor opposition party **Alliance pour un Nouveau Gabon (ANG)** has called for demonstrations in protest against police violence and social injustice, in an event named “*Black Monday*”.<sup>26</sup> Party leader **Séraphin Akuré-Davin** on 21 December called on protesters to dress in black and go about their

<sup>11</sup> RFI, 6 Jan 2016.

<sup>12</sup> Gabon Review, 6 Jan 2016.

<sup>13</sup> AGP, 16 Dec 2015.

<sup>14</sup> AGP, 16 Dec 2015.

<sup>15</sup> Gabon Review, 6 Jan 2016.

<sup>16</sup> Gabon Review, 6 Jan 2016.

<sup>17</sup> Gabon Review, 13 Jan 2016.

<sup>18</sup> InfosGabon, 4 Jan 2016.

<sup>19</sup> Source, journalist, Libreville

<sup>20</sup> InfosGabon, 4 Jan 2016.

<sup>21</sup> InfosGabon, 4 Jan 2016.

<sup>22</sup> InfosGabon, 4 Jan 2016.

<sup>23</sup> Source, journalist, Libreville

<sup>24</sup> Gabon Review, 5 Jan 2016.

<sup>25</sup> Source, journalist, Libreville.

<sup>26</sup> Gabon Review, 21 Dec 2015.

days normally, in silent protest against the ruling **Parti Démocratique Gabonais (PDG)** party.<sup>27</sup> Akuré-Davin managed to gather several hundred protestors outside the **Assemblée Nationale**, and claims the protests would eventually result in a change of government.<sup>28</sup>

*“Our objective was neither to paralyse the administration nor to convoke a vast street protest, but rather to invite the Gabonese to quietly go to work in black.”<sup>29</sup>*

*“The impact we seek is psychological, as protesting in this manner will prevent the police force and army from brutalising sympathisers and militants of our movement in their home or workplace.”<sup>30</sup>*

The protest was in direct response to two separate cases of police harassment in October 2015.<sup>31</sup> In the first case, policemen arrested several female merchants, stripping them of their clothes and filming them naked in the courtyard of the **Libreville** police prefecture.<sup>32</sup> One of the police officers later published this video online, causing outrage nationally.<sup>33</sup> In the second case, a young man immolated himself after suffering police harassment and allegedly unfair confiscation of his merchandise.<sup>34</sup>

Akuré-Davin has been one of the more vocal challengers against the Bongo family, and in particular, the long rule of the PDG. However, Akuré-Davin is not seen as a credible presidential election candidate, and for this reason struggles to be heard and rally larger groups of people together.<sup>35</sup> The PDG party dismissed Akuré-Davin and his ‘Black Monday’ protest, most likely because of the inability to rally greater support. Communications minister Nzé called the protest “*a flop*”, and called on Akuré-Davin “*to find something else to do*”.<sup>36</sup> Akuré-Davin’s protest is nonetheless a welcome boost for the opposition.<sup>37</sup>

As tensions heighten ahead of elections later this year, some fear that the situation may deteriorate, including a return to a police state.<sup>38</sup>

*“The police sometimes intervene during protests with force out of the ordinary, that is, not adapted to repress the population... There is permanent violence and human rights are not respected, namely the judiciary police who use any means available in order to make apprehended people speak.”<sup>39</sup>*

In 2015, the Bongo government demonstrated that it had no qualms increasing security measures to suppress protest, following the death of former opposition **Union Nationale (UN)** party leader **André Mba Obame** (see *ARC Briefing Gabon April 2015*). Demands for a change of power in 2016 elections may see a repeat performance:

*“The lead up period before presidential elections in 2016 will be rich in twists and surprises. It will be interesting to evaluate the conditions under which the elections will be organised... If elections are transparent, Bongo will not be the winner. This is practically a certainty.”<sup>40</sup>*

<sup>27</sup> Gabon Review, 21 Dec 2015

<sup>28</sup> RFI, 22 Dec 2015.

<sup>29</sup> GabonActu, 22 Dec 2015.

<sup>30</sup> Gabon Review, 21 Dec 2015.

<sup>31</sup> Gabon Actu, 22 Dec 2015.

<sup>32</sup> Gabon Review, 23 Dec 2015.

<sup>33</sup> Gabon Review, 23 Dec 2015.

<sup>34</sup> GabonActu, 22 Dec 2015.

<sup>35</sup> Source, journalist, Libreville

<sup>36</sup> RFI, 22 Dec 2015.

<sup>37</sup> Source, journalist, Libreville

<sup>38</sup> Source, journalist, Libreville

<sup>39</sup> Source, journalist, Libreville

<sup>40</sup> Source, journalist, Libreville

## Vital financing secured for mineral port and focal motorway artery

Gabon has locked in critical financing for its main infrastructure projects in 2016. The government has obtained a \$212m **Banque de Développement des États de l'Afrique Centrale (BDEAC**, Development bank of Central African states) loan for two major infrastructure projects.<sup>41</sup> This comes despite the government's inability to bolster public sector institutions due to international oil prices decreasing below \$30 a barrel, and with several reputable forecasts of **Brent** oil dropping as low as \$20 if the dollar continues to appreciate.<sup>42</sup>

The government will channel \$86m towards the construction of the **Gabon Special Economic Zone (GSEZ) Mineral Port**, an extension to Bongo's flagship **Port of Owendo** in the **Gabon Estuary**.<sup>43</sup> It is expected to be complete by mid-2016.<sup>44</sup> Bongo aims to ship primary agricultural, industrial and mineral exports from the port. Once completed, the port is expected to have a total capacity of 10 million tonnes.<sup>45</sup> The additional section will also comprise a shipyard. There are reportedly no shipyards between **Abidjan (Cote d'Ivoire)** and **Windhoek (Namibia)**.<sup>46</sup>

Bongo is seeking to challenge regional port competitors – **Douala and Kribi (Cameroon)** and **Pointe-Noire (Republic of Congo)** – which dominate trade links to landlocked countries in the interior such as **Chad** and **Central African Republic**, and to some extent the **Democratic Republic of the Congo** (whose main port **Matadi** is 148km inland along the **Congo River**).<sup>47</sup> Gabon's inferior port facilities have until now placed it at a competitive commercial disadvantage, limiting its market mainly to Gabon's almost 1.7 million population.<sup>48</sup> A port's competitiveness depends largely on its natural geographic location, docking and service charges, transit and storage capacity, and the speed of cargo and container processing. In terms of the factors within Gabon's control, the Port of Owendo was lagging in 2015.<sup>49</sup>

Bongo's aim is to exploit and cultivate the business and trade triangle between Libreville, Owendo and Nkok.<sup>50</sup> The new mineral port will be developed as a joint venture<sup>51</sup> between the Gabon government and **Singapore**-listed agro-industrial company **Olam International** (market capital \$4.76 billion).<sup>52</sup> The joint venture will directly link the port to the newly built and sister **Nkok Special Economic Zone (Nkok SEZ)**.<sup>53</sup> The Nkok SEZ aims to inject \$1.7 billion of foreign direct investment (FDI) into the Gabonese economy, providing 500 hectares of tax favourable industrial, commercial and residential space.<sup>54</sup> The Nkok SEZ will allow 0% tax on dividends, land properties and income for the first 10 years, as well as heavily subsidised electricity and other utilities.<sup>55</sup>

The remaining \$126m of the BDEAC loan will go towards the **Project Routier PK5-PK12**, which will widen the stretch of the **Route Nationale 1 (RN1)**<sup>56</sup> between the PK5 interchange and the PK12 roundabout in Libreville to a dual carriageway.<sup>57</sup> The government public works administrator, **Agence Nationale des Grands Travaux (ANGT)**, officially launched a tender for the project in

<sup>41</sup> Le Nouveau Gabon, 11 Jan 2016.

<sup>42</sup> Financial Times, 11 Jan 2016.

<sup>43</sup> Le Nouveau Gabon, 11 Jan 2016.

<sup>44</sup> Le Nouveau Gabon, 11 Jan 2016.

<sup>45</sup> Gabon Review, 7 Jan 2016.

<sup>46</sup> Gabon Review, 7 Jan 2016.

<sup>47</sup> Jeune Afrique, 12 Mar 2015.

<sup>48</sup> World Bank, 2014.

<sup>49</sup> Jeune Afrique, 12 Mar 2015.

<sup>50</sup> www.gsez.com

<sup>51</sup> Le Nouveau Gabon, 11 Jan 2016.

<sup>52</sup> Reuters, 13 Jan 2016.

<sup>53</sup> www.gsez.com

<sup>54</sup> www.gsez.com

<sup>55</sup> www.gsez.com

<sup>56</sup> The country's principal motorway, covering over 500km from Libreville to Republic of Congo border in the south.

<sup>57</sup> PK5-PK12 motorway project.

December 2013, which is solely state financed.<sup>58</sup> Pre-construction operations, which included the demolition of homes adjacent to the PK5-PK12 stretch, commenced in November 2014.<sup>59</sup> However, progress stalled until, on 1 September 2015, **France**-based transport, water and energy company **SPAC** announced it had won the tender.<sup>60</sup> SPAC, a subsidiary of **Colas**, and in turn a subsidiary of **Bouygues Group**, will carry out the project together with Colas and **Bouygues Energies Services**.<sup>61</sup> SPAC estimated that the project would take around two years to complete.<sup>62</sup> However, press sources indicate that construction work is likely to end before the end of 2016.<sup>63</sup>

*“The media has largely analysed the final appraisal of [Bongo’s] seven-year mandate... Major deficiencies have been identified, particularly in roads and housing, where everything remains to be done.”<sup>64</sup>*

### IMF review highlights Gabon’s struggles to boost its economy

The **International Monetary Foundation (IMF)** has issued a statement following the completion of its Article IV consultation, which took place between 30 November and 10 December 2015.<sup>65</sup>

**Montfort Mlachila**, adviser to the **African Department** at the IMF, led the mission as chief for both Gabon and **Equatorial Guinea**. The IMF press release expressed its concerns that Gabon is still too dependent on oil, as it still accounted for a third of GDP, 45% of government revenues, and 85% of exports in 2014 – especially as oil prices plunged 40% in the same year (in CFA franc<sup>66</sup> terms).<sup>67</sup>

The IMF review predicted growth rates would have stagnated to 4% by the end of 2015, down from nearly 6% during the 2010-2014 period.<sup>68</sup> The IMF said that the notable decrease in revenue would reverse the progress Gabon had made in the second half of 2014 with respect to fiscal adjustment.<sup>69</sup> Gabon had imposed on itself a 35% debt-to-GDP ratio but it exceeded this due to an ever-increasing need to borrow, which in turn drained government deposits and foreign reserves.<sup>70</sup> The IMF highlighted once again that Gabon will need to diversify its economy more effectively if it is to avoid the economic deterioration that a continuation of current low oil prices could cause.<sup>71</sup> It suggested that affirmative investment into the **Plan Stratégique Gabon Émergent (PSGE)**, the Bongo government’s economic blueprint, could push these growth rates back up to 5% over the 2016-2020 period.<sup>72</sup>

*“The government is prevented from developing a corrective budget in 2016. The constitutional court had denounced the unconstitutionality of not respecting the budget. In fact, even before promulgating the new 2016 budget, some PDG senators were already of this opinion as the 2015 budget debate ended. It is important to remember that the IMF has since 2013 called for fiscal stabilisation.”<sup>73</sup>*

<sup>58</sup> [www.angt.ga](http://www.angt.ga)

<sup>59</sup> Gabon Eco, 10 Nov 2014.

<sup>60</sup> [www.spac.fr](http://www.spac.fr)

<sup>61</sup> [www.spac.fr](http://www.spac.fr)

<sup>62</sup> [www.spac.fr](http://www.spac.fr)

<sup>63</sup> Jeune Afrique, 11 Jan 2016.

<sup>64</sup> Source, journalist, Libreville.

<sup>65</sup> IMF press release, 24 Dec 2015.

<sup>66</sup> CFA Franc, pegged against the Euro.

<sup>67</sup> IMF press release, 24 Dec 2015.

<sup>68</sup> IMF press release, 24 Dec 2015.

<sup>69</sup> IMF press release, 24 Dec 2015.

<sup>70</sup> IMF press release, 24 Dec 2015.

<sup>71</sup> IMF press release, 24 Dec 2015.

<sup>72</sup> IMF press release, 24 Dec 2015.

<sup>73</sup> Source, journalist, Libreville.

## Implications

Bongo is facing significant social challenges, as his budget capacity tightens further and he is forced to prioritise government expenditure. However, with pressure accumulating, he needs to be cautious not to alienate dissatisfied parties. Bongo will look to appease the public ahead of the elections.

Local media sources have criticised the lack of progress in infrastructure projects since the beginning of Bongo's mandate. To what extent international businesses will gravitate towards the GSEZ vision is unclear. Special economic zones and their favourable tax rates are becoming increasingly common across the region. For the GSEZ, its attractiveness depends on the competitiveness of Owendo Port, which still awaits important upgrades. Furthermore, the contradicting estimates of the SPAC and the press regarding the construction delay of the PK5-PK12 project is curious. It would appear to suggest that Bongo is either pushing to double completion time before elections, misleading the public as to its completion time, or that the SPAC estimated incorrectly in October 2015.

The IMF's Article IV review highlights the repercussions of declining oil prices on an oil-dependent African nation. In Gabon's case, the rising need to meet its mandate commitments will inevitably mean greater borrowing, with an additional \$212m this past month the latest example. The need for borrowing could become more pressing in the lead-up to elections, as oil prices continue to drop. The IMF may struggle to dissuade Bongo from seeking more finance to alleviate its fiscal worries.

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