

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing March 2017

#### Gabon Summary 17 March 2017

*President Ali Ben Bongo Ondimba (2009-present) announces that the national political reconciliation dialogue will start on 28 March. The main opposition is likely to boycott the event, while deputy prime minister Bruno Ben Moubamba says that he will only participate in the dialogue if it is truly inclusive. France-based Véolia wins a new five-year contract for the Société d'Énergie et d'Eau de Gabon (SEEG) water and energy distribution concession. The International Monetary Fund (IMF) begins discussions with government for a possible extended fund facility (EFF). The Communauté Économique et Monétaire des États de l'Afrique Centrale (CEMAC) (economic community of Central African states) elects former prime minister Daniel Ona Ondo president of the commission.*

#### Government to begin national dialogue on 28 March

President **Ali Ben Bongo Ondimba** (2009-present) announced on 10 March that the national political reconciliation dialogue will start on 28 March.<sup>1</sup> The main opposition is likely to boycott the process. The discussions will reportedly last 21 days, covering institutional reform, strengthening of rule of law, electoral reform, modernisation of public life, and the consolidation of peace and social cohesion.<sup>2</sup> The government's objective is to,

*"Allow those sons and daughters of this country, including civil society, to bring their contribution to search for permanent solutions to strengthen our young democracy."<sup>3</sup>*

Opposition members, including main opposition leader and defeated presidential candidate in the August 2016 elections **Jean Ping**, are calling for a boycott of the event.<sup>4</sup> Ping had already organised an opposition dialogue critical of Bongo – the **Dialogue National pour l'Alternance** (national dialogue for political changeover) – at the end of December. Ping has called Bongo's political dialogue initiative a "*masquerade*".<sup>5</sup> Deputy prime minister **Bruno Ben Moubamba** said in February that Bongo's proposed national dialogue committee is "*ridiculous*".<sup>6</sup> The statement indicated an increase in tensions within the Bongo government. Moubamba said that he is "*stupefied by the colonisation of the national debate by [the ruling] Parti Démocratique Gabonais (PDG) barons*"<sup>7</sup>, referring to the proposed members of the national dialogue committee. Moubamba appeared to criticise Bongo,

*"At the moment, we have the impression that we are taking part in a PDG central committee meeting ... I am not satisfied with the start of the national dialogue. I wish to see more young people next to the presidential majority and the opposition."<sup>8</sup>*

Moubamba is not officially a member of the PDG but calls himself part of the "*reforming opposition*" – the **Union du Peuple Gabonais (UPG)**. In the aftermath of the highly contested August 2016 presidential election, opposition members criticised Moubamba for agreeing to join Bongo's government (see *ARC Briefing Gabon September 2016*). Moubamba was a UPG candidate during the

<sup>1</sup> Gabon Review, 10 Mar 2017.

<sup>2</sup> Gabon Review, 10 Mar 2017.

<sup>3</sup> Gabon Review, 10 Mar 2017.

<sup>4</sup> Gabon Review, 10 Mar 2017.

<sup>5</sup> Reuters, 11 Mar 2017.

<sup>6</sup> Gabon Review, 17 Feb 2017.

<sup>7</sup> Gabon Review, 17 Feb 2017.

<sup>8</sup> Gabon Review, 17 Feb 2017.

August elections. Moubamba sought to reaffirm his position as an opposition member of Bongo's government,

*"If this dialogue is only there to please those that supported the candidate who is safe from fear and need [Bongo]... I will not go to this dialogue, if this is nothing more than an arrangement between PDG members."*<sup>9</sup>

Local sources claim that the apparent tension between Moubamba and Bongo is not genuine,

*"There really is no tension between Moubamba and Bongo. On the contrary, Bongo uses Moubamba to show that the government accepts members of the opposition. This is an example of openness that convinces neither the international community nor institutional representatives in Libreville."*<sup>10</sup>

The tensions surrounding the PDG-led political dialogue initiative are leading to a flare-up in tension among the opposition, who continue to dispute the manner in which Bongo obtained his re-election. Many opposition members continue to push for foreign sanctions against Bongo and members of his party and government (see *ARC Briefing Gabon February 2017*). Bongo will seek to placate more the aggressive opposition, while attempting to entice more moderate opposition voices, with the aim of legitimising his power.

### Véolia secures a further five-year power & water distribution contract

Water and energy minister **Guy-Bertrand Mapangou** confirmed on 6 March that **France-based Véolia S.A.** has secured a five-year concession to operate a 49% stake in water and electricity utility, the **Société d'Énergie et d'Eau de Gabon (SEEG)**.<sup>11</sup> Economy minister **Régis Immongault** confirmed the new concession.<sup>12</sup> Although Mapangou's and Immongault's statements indicate the deal is final, tension between the government and Véolia persists due to government allegations that Véolia mismanaged the concession in the past two decades. Many commentators believed that, due to tension between the two parties, the government would not renew the 20-year concession it signed with Véolia in 1997. Mapangou specified that the new five-year contract was:

*"neither an extension of the current concession, nor a renewal of the concession".*<sup>13</sup>

Hostility between the two parties has increased in recent months. Véolia made an inflammatory public statement in December 2016 claiming that the government, which holds 51% interest in the SEEG, owed over \$198m to suppliers and the SEEG. The government responded with criticism of the quality of SEEG's water and electricity provision. Mapangou criticised Véolia's contribution to the concession, even after announcing the new contract. He claimed that tariffs had increased 75.2% for energy and 48.2% for water during the previous 19 years of the concession.<sup>14</sup>

*"The commitments made by the concessionaire were not [met] ... these 20 years of concession were almost a catastrophe."*<sup>15</sup>

Local sources claim there has been tension between the two parties since the beginning of the concession,

*"The relations between the state and SEEG have been tumultuous since June 1997, when both parties signed the first concession agreement ... The current tensions principally have to do with*

<sup>9</sup> Gabon Review, 10 Mar 2017.

<sup>10</sup> Source, journalist, Libreville

<sup>11</sup> L'Union, 6 Mar 2017.

<sup>12</sup> Jeune Afrique, 6 Mar 2017.

<sup>13</sup> RFI, 10 Mar 2017.

<sup>14</sup> RFI, 10 Mar 2017.

<sup>15</sup> L'Union, 6 Mar 2017.

*the government's payment arrears, to the point where it has debilitated the SEEG, which in turn has limited its many necessary investments."*<sup>16</sup>

The concession's objectives were to:

- provide the lowest possible drinking water and energy rates;
- implement financial self-sufficiency and balance between services;
- respect tariffs;
- ensure fair remuneration of the concessionaire (Véolia).<sup>17</sup>

Neither SEEG nor Véolia has officially confirmed the new contract. At the time of writing neither has made any public communication about the new concession.<sup>18</sup> **Africa** and **Middle East** director for Véolia, **Patrice Fonlladosa**, however, did express its disappointment with Mapangou's statement,

*"We have firstly been somewhat surprised and obviously disappointed with the minister's statement. We have learned of the creation of a ministerial commission [for the SEEG] through this article [in the press] and we have never been consulted during this process."*<sup>19</sup>

This is not the first time the government has threatened to revisit Véolia's award of the concession. In 2009 the **Omar Bongo Ondimba** (1967-2009) government sought to open up the sector for competition by calling on a **Chinese** conglomerate to invest in the water and energy sector.<sup>20</sup> However, Véolia threatened to leave the concession, claiming this would be breach of contract.<sup>21</sup>

Tension between Véolia and the government remains high. SEEG management is reportedly preparing a press conference to remove doubt surrounding the terms of the new contract.<sup>22</sup> The government has communicated in a way that conveys the impression it has not found a valid replacement for Véolia in the short term, but is actively looking for a more responsive concessionaire in the longer term. Meanwhile, Véolia is similarly attacking the government, highlighting its poor payment record. It appears unlikely that both parties' stances will change in the current climate, and could even worsen if either party were to escalate current accusations. The saga also reveals the fractious nature of the government, maintaining a poor relationship with a major international investor across a 20-year period. Ultimately the Gabonese public has suffered the most from this public dispute, as access to energy and water remains substandard.

### IMF begins discussions with government for a possible EFF

The **International Monetary Fund (IMF)**, on 28 February, completed a two-week visit to Gabon to discuss a possible extended fund facility (EFF) agreement.<sup>23</sup> The announcement indicates the significant fiscal pressures that continuing low international oil prices are having on government revenues. IMF Gabon mission head **Alex Segura-Ubierno** noted that,

*"After the sharp decline in oil prices starting in 2014, Gabon has suffered a significant decline in income. Short-term economic prospects remain challenging due to the negative performance of the oil sector and the sharp decline in oil revenues, which has triggered a need to adjust government spending and has reduced the capacity of the government to support economic activity, especially through public investment."*<sup>24</sup>

Segura-Ubierno commended Gabon on its diversification efforts, which he believes will secure medium-term economic security,

<sup>16</sup> Source, journalist, Libreville

<sup>17</sup> Gabon Review, 6 Mar 2017.

<sup>18</sup> www.veolia.fr

<sup>19</sup> Jeune Afrique, 9 Mar 2017.

<sup>20</sup> Source, journalist, Libreville

<sup>21</sup> Source, journalist, Libreville

<sup>22</sup> RFI, 10 Mar 2017.

<sup>23</sup> www.imf.org

<sup>24</sup> www.imf.org

*“Gabon’s medium-term economic prospects remain strong thanks to recent efforts to diversify the economy and attract investment in new strategic sectors, especially mining, forestry, and agribusiness. The team encouraged the authorities to continue to pursue this strategy, which would help the economy become more resilient to shocks and less dependent on its oil sector.”<sup>25</sup>*

The IMF team will continue discussions with Gabonese officials, calling for authorities to “act expeditiously”.<sup>26</sup> While in Gabon, the IMF team met with prime minister **Emmanuel Isoze-Ngondet**, economy minister Immongault, several other ministers, and the national director of the **Banque des États de l’Afrique Centrale (BEAC)** (bank of central African states), **Denis Meporewa**.<sup>27</sup>

The government is under pressure to meet its budget targets, with ordinary revenues depleted due to the sustained low oil prices. In order to avoid continued economic stagnation and attract investment outside the oil and gas sector, Gabon must enhance the speed of its diversification efforts.

### Former prime minister elected president of CEMAC commission

The **Communauté Économique et Monétaire des États de l’Afrique Centrale (CEMAC)** (economic community of Central African states) on 19 February elected former Gabonese prime minister **Daniel Ona Ondo** president of the CEMAC commission.<sup>28</sup> As a result, Bongo could have more influence in CEMAC’s decision-making and operations. Ondo was prime minister under Bongo from 2014 to 2016 and vice president of the **Assemblée Nationale** (parliament) between 2007 and 2014.<sup>29</sup> Ondo is a PDG loyalist and also served in several minor ministerial positions under former late president Omar Bongo. Ondo will reportedly seek to implement the CEMAC’s target of free movement of people and goods.<sup>30</sup> Ona Ondo will assume office in August.<sup>31</sup>

It is uncertain how Ona Ondo will act as president of the CEMAC commission. However, it is clear that Bongo will have more influence in high-level decision-making in the organisation. The CEMAC has for several years flirted with the idea of a CEMAC passport – allowing for free movement of people across the region. However, this idea collapsed due to a lack of political will, even though the organisation’s original mission was to establish a common market with free movement of people, goods, capital and services.<sup>32</sup> More reformist voices also call for establishment of a new regional currency to replace the Central African franc (pegged to the euro), which can lead to uncompetitive labour market and investment costs. However, reforming the franc implies serious economic volatility, which few Central African leaders are willing to risk, especially in the current low commodity price climate. The current CEMAC seeks to implement a regional economic diversification agenda, though the majority of its constituents remain highly dependent on a single resource – including Gabon, **Cameroon, Republic of Congo and Equatorial Guinea**.<sup>33</sup>

<sup>25</sup> [www.imf.org](http://www.imf.org)

<sup>26</sup> [www.imf.org](http://www.imf.org)

<sup>27</sup> [www.imf.org](http://www.imf.org)

<sup>28</sup> Agence Ecofin, 20 Feb 2017.

<sup>29</sup> [www.primature.gouv.ci](http://www.primature.gouv.ci)

<sup>30</sup> Agence Ecofin, 20 Feb 2017.

<sup>31</sup> Gabon Actu, 20 Feb 2017.

<sup>32</sup> Multiple sources: Source, journalist, Libreville; [www.cemac.int](http://www.cemac.int).

<sup>33</sup> [www.cemac.int](http://www.cemac.int)

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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