

AFRICA RISK CONSULTING

Gabon Monthly Briefing October 2018

Gabon Summary 17 October 2018

The ruling Parti Démocratique Gabonais (PDG) obtains an absolute majority in the first round of the legislative elections, winning 80 out of 143 seats in the national assembly. United States-based Fitch Ratings improves Gabon's economic outlook from B negative to B stable. Hydrocarbons minister Pascal Houangni Ambouroué engages with stakeholders with respect to establishing a new hydrocarbons code.

PDG registers landslide victory

The **Centre Gabonais des Élections (CGE)** published electoral results on 12 October for Gabon's departmental and municipal elections. The ruling **Parti Démocratique Gabonais (PDG)** obtained 80 out of 143 **Assemblée Nationale** (national assembly) seats in the first round of the legislative elections.¹ The 6 October elections were the first in Gabon since the August 2016 presidential elections.² The departmental and municipal elections were previously scheduled for 4 December 2016, 29 July 2017 and 3 April 2018.³ Interior minister **Lambert Noel Mbatha** declared in June that elections would take place in October (see *ARC Briefing Gabon June 2018*).⁴

According to the **Haute Autorité de la Communication** (higher communication authority), voting went smoothly without any major incidents.⁵ **African Union** observer mission head **Mamedi Sibide** said he was satisfied with the calm and peaceful atmosphere in which the elections took place, despite some "organisational shortcomings".⁶ However, **Union Nationale (UN)** executive bureau member **Franck Ndjimbi** criticised presidential spokesperson **Ike Ngouoni**'s announcement on 7 October that the PDG had emerged victorious, since it is the CGE's mandate to publish electoral results, which the constitutional court must then validate.⁷ Ndjimbi also accused the PDG of trying to manipulate results.⁸

The PDG went into the elections as favourites and were unexpectedly victorious in the opposition stronghold of **Port Gentil**.⁹ However, both higher education minister **Jean de Dieu Moukagni-Iwangou** and housing minister **Michel Menga** lost in their respective constituencies.¹⁰ Going into the second round of legislative elections on 27 October, the PDG still has 54 eligible candidate lists and could end up with 120-125 MPs when electoral proceedings end.¹¹

¹ RFI, 13 Oct 2018

² RFI, 6 Oct 2018

³ Gabon Review, 25 May 2018

⁴ Gabon Review, 25 May 2018

⁵ RFI, 7 Oct 2018

⁶ Gabon Review, 10 Oct 2018

⁷ RFI, 8 Oct 2018

⁸ RFI, 8 Oct 2018

⁹ Gabon Review, 13 Oct 2018

¹⁰ Gabon Review, 13 Oct 2018

¹¹ Gabon Review, 15 Oct 2018

Prior to the elections, there was uncertainty whether parties belonging to the opposition **Coalition pour la Nouvelle République (CNR)** would participate (see *ARC Briefing Gabon September 2018*). Although 2016 presidential candidate **Jean Ping** announced he would not be involved in the proceedings, most opposition parties presented candidates for the elections.¹² These included the **Rassemblement Heritage et Modernité (RHM)** and the UN, which established an alliance for the elections.¹³ **Les Democratés (LD)**, another leading opposition party, decided to participate but did not join the RHM-UN coalition.¹⁴

Despite establishing a coalition and dismissing Ping's call for an electoral boycott, the opposition did poorly. The RHM/UN alliance was an electoral disappointment, with the two parties failing to win any seats outright in the first round.¹⁵ RHM president **Alexandre Barro Chambrier** acknowledged after the first round of elections that the opposition had not lived up to expectations.¹⁶ Chambrier cited divisions surrounding the call to boycott and Ping's silence as factors that negatively affected the opposition.¹⁷ Going into the second round, the RHM/UN alliance will have seven eligible candidates, including Chambrier. Chambrier has called for the opposition to reorganise itself while accusing the PDG of carrying out electoral fraud.¹⁸ Les Democratés had the best results among the opposition, winning three legislative seats, with nine candidates qualified to run in the second round of voting.¹⁹ However, Les Democratés party head and former national assembly president **Guy Nzouba Ndama** was defeated.²⁰ The CNR claimed there was a 90% voter abstention, but the CGE has not yet released official voter participation figures.²¹

The PDG has been in power uninterrupted since 1968 and the landslide first round victory confirms its dominance.²² A multitude of factors had the potential to work against the PDG in the lead up to the elections. Recent austerity measures have met with criticism from civil society and the opposition and were predicted to work against the PDG. Moreover, despite not being as united as it was during the 2016 presidential elections, the opposition appeared to be strong enough to challenge the PDG.

President **Ali Bongo Ondimba** (2009-present) will have greater credibility despite the low voter turnout and will be able to exercise greater autonomy in decision-making, especially with the PDG having an absolute majority in the national assembly. A cabinet reshuffle is expected after the elections, with a reduced executive.²³

Fitch Ratings projects positive outlook for Gabon's economy

United States (US)-based Fitch Ratings revised Gabon's outlook from B negative to B stable on 5 October, a significant improvement from Fitch's previous rating in October 2017.²⁴ In its previous evaluation, Fitch downgraded Gabon from a B to B+ negative outlook, due to a sharp

¹² RFI, 6 Oct 2018

¹³ Jeune Afrique, 10 Sep 2018

¹⁴ Gabon Review, 6 Sep 2018

¹⁵ RFI, 13 Oct 2018

¹⁶ Jeune Afrique, 15 Oct 2018

¹⁷ Jeune Afrique, 15 Oct 2018

¹⁸ Jeune Afrique, 15 Oct 2018

¹⁹ RFI, 13 Oct 2018

²⁰ Jeune Afrique, 15 Oct 2018

²¹ Gabon Review, 11 Oct 2018

²² RFI, 13 Oct 2018

²³ Gabon Review, 3 Oct 2018

²⁴ Jeune Afrique, 10 Oct 2018

deterioration of the country's fiscal and external position, and an accumulation of large domestic and external arrears.²⁵ The sharp fall in petroleum prices experienced since 2014 and the rise in internal and external public debt equally contributed to this outlook.²⁶

Fitch accorded the more positive outlook on the basis of comprehensive reforms undertaken by the government in line with **International Monetary Fund (IMF)** directives.²⁷ These reforms are related to the Extended Credit Facility (ECF) approved by the IMF in June 2017, and will provide \$642m in budget support for Gabon.²⁸ Fitch noted the adoption of a revised 2018 budget as a positive sign.²⁹ Measures implemented include reducing the public payroll and eliminating tax breaks.³⁰ These will help to bring down public expenditure by 1.5% and increase public revenue by 1.4%.³¹ The budget deficit is expected to fall from 3.4% in 2017 to 2.7% in 2018. The public debt will fall from 62.7% in 2017 to 59.8% in 2018.³²

Fitch was also encouraged by the government's promise to resolve domestic arrears by the end of the year.³³ The positive performance registered by the agro-industrial, mining and timber sectors as well as the recent rise in petroleum prices will help Gabon's economic recovery after falling into recession in 2017.³⁴ Gabon expects to register gross domestic product (GDP) economic growth of 3.7% in 2019, compared to 1.5% in 2018.³⁵

Despite its positive outlook, Fitch warns that Gabon's dependence on primary resources such as manganese and petroleum may be detrimental towards attaining full economic recovery.³⁶ Fitch also said that Gabon needs to improve its poor governance, particularly with respect to its business climate, in order to maintain this positive economic outlook.³⁷ Gabon is ranked 167 out of 180 in the **World Bank's Doing Business** rankings.³⁸

The US-based **Heritage Foundation** think-tank also released its annual economic freedom report, in which Gabon ranked 109 out of 180 countries and 15 out of 51 African countries.³⁹ While the report praises Gabon for improvements in economic freedom, it cites corruption and judicial impunity as areas that are preventing Gabon from realising its full economic potential.⁴⁰

The positive outlook expressed by Fitch Ratings will be a welcome sign for Gabonese authorities and investors alike. Gabon has experienced a difficult economic downturn since the oil price shocks of 2014. Nonetheless, the Gabonese government's structural economic reforms are bearing fruit. With the end of the socio-political impasse that started after the August 2016 presidential elections, greater political stability will make potential investors more willing to pursue interests in Gabon. Nonetheless, the Gabonese government must take

²⁵ Reuters 13 Oct 2017

²⁶ Reuters 13 Oct 2017

²⁷ Jeune Afrique, 10 Oct 2018

²⁸ IMF Press Release, 20 June 2018

²⁹ Direct Infos Gabon, 10 Oct 2018

³⁰ Jeune Afrique, 10 Oct 2018

³¹ Jeune Afrique, 10 Oct 2018

³² Jeune Afrique, 10 Oct 2018

³³ Direct Infos Gabon, 10 Oct 2018

³⁴ Jeune Afrique, 10 Oct 2018

³⁵ Jeune Afrique, 10 Oct 2018

³⁶ Jeune Afrique, 10 Oct 2018

³⁷ Jeune Afrique, 10 Oct 2018

³⁸ Jeune Afrique, 10 Oct 2018

³⁹ Gabon Review, 24 Sep 2018

⁴⁰ Gabon Review, 24 Sep 2018

more steps towards remedying issues pertaining to corruption and governance, which might deter potential investors.

Consultations underway to implement new hydrocarbons law

Petroleum and hydrocarbons minister **Pascal Houangni Ambouroué** met with international stakeholders and experts from different local administrations from 24-25 September to discuss a new hydrocarbons code.⁴¹ The minister wanted to obtain a broad-based opinion from various parties before submitting a final version to the government.⁴² The aim of the consultations is to make the new framework attractive to investors.⁴³ Contributions from international partners came from the IMF, **University of Houston** (US) and **France**-based advisory firm **Poulain-Cren**.⁴⁴ Ambouroué believes the new code will enable the petroleum sector to be in line with international standards and enable investors and government to attain their mutual ambitions.⁴⁵

The government first announced the intention to establish a new hydrocarbons code in March (see *ARC Briefing Gabon March 2018*).⁴⁶ **BW Energy**, a branch of **Norway**-based **BW Offshore**, announced on 24 September its desire to increase its oil production capacity to 15,000 barrels per day.⁴⁷ US-based **Vaalco Energy** also extended its contract with the Gabonese government to continue exploration in the **Etame Marin Permit**.⁴⁸ This indicates that there is still significant interest in the Gabonese hydrocarbons industry and thus a need to create legislation that will make the industry more attractive. Furthermore, with oil prices hitting \$83 per barrel on 2 October, it would be ideal for Gabonese authorities to produce a legal framework that will enable the government and firms to mutually benefit from this scenario.⁴⁹

⁴¹ Direct Infos Gabon, 25 Sep 2018

⁴² Direct Infos Gabon, 25 Sep 2018

⁴³ Direct Infos Gabon, 25 Sep 2018

⁴⁴ Direct Infos Gabon, 25 Sep 2018

⁴⁵ Direct Infos Gabon, 25 Sep 2018

⁴⁶ Direct Infos Gabon, 25 Sep 2018

⁴⁷ Direct Infos Gabon, 26 Sep 2018

⁴⁸ Vaalco Energy Press Release, 25 Sep 2018

⁴⁹ Gabon Review, 2 Oct 2018

Planner

27 Oct 2018 **(Gabon)** *RFI*, Second round of legislative elections

Chronology

13 Oct 2018 **Libreville (Gabon)** *RFI*. Ruling **Parti Démocratique Gabonais (PDG)** wins 80 out of 143 legislative seats in the **Assemblée Nationale** during the first round of legislative elections;

10 Oct **Libreville (Gabon)** *Jeune Afrique*. **United States (US)**-based **Fitch Ratings** revises Gabon's outlook from B negative to B stable;

6 Oct 2018 **Libreville (Gabon)** *RFI*. Local elections held across Gabon;

25 Sep 2018 **Libreville (Gabon)** *Direct Infos Gabon*. Government holds consultations held with stakeholders with regard to developing a new hydrocarbons code;

25 Sep 2018 **Houston (United States)** *Vaalco Energy*. **US**-based **Vaalco** energy extends contract to continue exploration in the **Etame Marin Permit** for 10 years;

24 Sep 2018 **Libreville (Gabon)** *Direct Infos Gabon*. **Norway**-based **BW Offshore** announces its aim to increase oil production in Gabon to 15,000 barrels per day through its Gabonese subsidiary, **BW Energy**