

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing November 2018

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#### Gabon Summary 19 November 2018

*President Ali Bongo Ondimba (2009-present) is admitted to hospital in Saudi Arabia after reportedly suffering a heart attack. His continued absence from Gabon causes uncertainty with respect to the execution of presidential functions. The cabinet accepts the \$4.7 billion 2019 budget and submits it to the newly elected parliament for examination. Gabon drops two places in the 2019 World Bank Doing Business rankings from 167 to 169 out of 190 countries.*

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#### Political uncertainty as President Bongo falls ill in Saudi Arabia

President **Ali Bongo Ondimba** (2009-present) was admitted to the **King Faisal Hospital in Riyadh (Saudi Arabia)** on 24 October where he remains at time of writing.<sup>1</sup> Bongo's continued absence from Gabon is causing uncertainty with respect to the carrying out of his presidential functions. Bongo fell ill upon his arrival in Saudi Arabia to attend the **Future Investment Initiative**.<sup>2</sup> Gabonese authorities were slow to provide an update on the state of President Bongo's health, leading to wide circulation of rumours, including **Cameroon**-based television station **Vision 4** announcing that he had passed away.<sup>3</sup> The Gabonese presidency issued a communiqué about Bongo's health on 28 October.<sup>4</sup> Presidential spokesperson **Ike Nguoni** stated that President Bongo was suffering from severe fatigue, which had necessitated his admission to hospital on 24 October.<sup>5</sup> Government spokesperson **Guy Bertand Mapangou** also announced on 28 October that President Bongo was recuperating from severe fatigue.<sup>6</sup>

Prime minister **Emmanuel Issoze-Ngondet** gave a public assurance on 28 October that President Bongo was doing well and that state institutions were functioning at all levels.<sup>7</sup> However, **United Kingdom (UK)**-based news agency **Reuters** reported on 29 October that Bongo had experienced a heart attack.<sup>8</sup> Despite Nguoni's promise to provide timely updates on Bongo's health,<sup>9</sup> the presidency only issued the next official statement on 11 November, stating that Bongo was recuperating and carrying out his presidential duties.<sup>10</sup> It appears the presidency issued the statement in order to avoid the need to apply Article 13 of the constitution, which relates to presidential vacancy of power. Article 13 provides that in the event the head of state cannot carry out his or her presidential duties, a vacancy of office will

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<sup>1</sup> RFI, 27 Oct 2018

<sup>2</sup> RFI, 27 Oct 2018

<sup>3</sup> Jeune Afrique, 29 Oct 2018

<sup>4</sup> Jeune Afrique, 29 Oct 2018

<sup>5</sup> Jeune Afrique, 29 Oct 2018

<sup>6</sup> RFI, 3 Nov 2018

<sup>7</sup> Jeune Afrique, 29 Oct 2018

<sup>8</sup> Reuters, 29 Oct 2018

<sup>9</sup> RFI, 3 Nov 2018

<sup>10</sup> RFI, 11 Nov 2018

be declared and the president of the **Senate** will perform these duties.<sup>11</sup> The Senate president will pursue these functions for 60 days until elections are organised.<sup>12</sup>

Despite occasional government assurances, it has been difficult to obtain information about Bongo's health.<sup>13</sup> First lady **Sylvie Bongo Ondimba** has closely guarded the release of any information concerning President Bongo throughout his hospitalisation in Saudi Arabia.<sup>14</sup> The **Saudi Press Agency** reported that crown prince **Mohamed Bin Salman** (2017-present) paid a visit to Bongo in hospital on 25 October.<sup>15</sup> Morocco's **King Mohamed VI** (1999-present) has sent a security contingent to look after Bongo,<sup>16</sup> and Moroccan authorities have indicated Bongo is recovering.<sup>17</sup> Sources at the presidency indicated that Bongo had a mini stroke, aggravated by hypertension, as a result of which he was in an artificially induced coma and under respiratory assistance until 9 November.<sup>18</sup>

Bongo's absence has affected the carrying out of various government activities. Prime minister Issoze-Ngondet presided over an inter-ministerial council on 1 November in Bongo's absence.<sup>19</sup> Issoze-Ngondet approached the **Cour Constitutionnelle** (constitutional court) on 14 November to request the court to designate an official to preside over the monthly cabinet meeting in the president's absence.<sup>20</sup> The constitutional court acknowledged President Bongo's temporary unavailability but noted that Article 13 of the constitution does not expressly mention temporary unavailability. In an unprecedented ruling that attracted considerable criticism from opposition and civil society, constitutional court judge **François de Paul Adiwa-Antony** added a paragraph to Article 13 to allow the prime minister or vice president to carry out certain presidential functions upon authorisation of the constitutional court.<sup>21</sup> The decision would allow vice president **Pierre Claver Maganga Moussavou** to coordinate cabinet meetings.<sup>22</sup> Adiwa-Antony said the decision was in the interest of ensuring the continuity of state activities.<sup>23</sup>

The judicial directive to enable the vice president to carry out presidential duties has attracted criticism from many sources. Non-governmental organisation (NGO) **Brainforest** spokesperson **Noel Bertrand Boumdzanga** described the directive as "*a constitutional coup d'état*" since "*temporary unavailability*" did not exist in the constitution.<sup>24</sup> The opposition **Coalition pour la Nouvelle République (CNR)** also described the move on 14 November as "*a constitutional coup*".<sup>25</sup> The sixth vice president of the Senate, **Jean Christophe Owono Nguema**, claims the constitutional court had no right to alter the constitution.<sup>26</sup> Constitutional court president **Marie-Madeleine Mborantsuo** has brushed aside the criticism, stating that Article 83 of the constitution designates the constitutional court as the

<sup>11</sup> RFI, 11 Nov 2018

<sup>12</sup> RFI, 12 Nov 2018

<sup>13</sup> Jeune Afrique, 8 Nov 2018

<sup>14</sup> Jeune Afrique, 8 Nov 2018

<sup>15</sup> Jeune Afrique, 8 Nov 2018

<sup>16</sup> Jeune Afrique, 9 Nov 2018

<sup>17</sup> Jeune Afrique, 9 Nov 2018

<sup>18</sup> Jeune Afrique, 9 Nov 2018

<sup>19</sup> RFI, 3 Nov 2018

<sup>20</sup> RFI, 15 Nov 2018

<sup>21</sup> RFI, 15 Nov 2018

<sup>22</sup> RFI, 15 Nov 2018

<sup>23</sup> RFI, 15 Nov 2018

<sup>24</sup> RFI, 16 Nov 2018

<sup>25</sup> Gabon Review, 14 Nov 2018

<sup>26</sup> RFI, 16 Nov 2018

organ that regulates the functions of all of institutions.<sup>27</sup> It was thus the prerogative of the constitutional court to make the temporary amendment.<sup>28</sup>

Although the constitutional court's ruling has empowered vice president Maganga Moussavou to assume certain presidential functions, the power vacuum and uncertainty surrounding President Bongo's health have serious ramifications for Gabonese political affairs. The lack of clarity with respect to Bongo's health is reminiscent of when President Bongo's father, former President **Omar Bongo Ondimba** (1967-2009), died in office in 2009.<sup>29</sup> The lack of clear communication has not only hampered the smooth functioning of state institutions and the handling of urgent matters, but has also given rise to speculation about Bongo's ability to carry out responsibilities in future. If he does not fully recover, Article 13 of the constitution states that the president of the Senate should hold the position of interim president for 60 days until elections are held.<sup>30</sup> This scenario occurred after the death of Omar Ondimba Bongo in 2009. Such a scenario could create a climate of political instability similar to the aftermath of Omar Ondimba Bongo's death. However, even if Bongo is able to recover fully, his health may prevent him from fully carrying out his duties.

The situation in Gabon has elicited international reaction. The **African Union (AU)** has expressed concern about Bongo's health; **AU Commission** president **Moussa Faki** announced that the AU would deploy a fact-finding mission to Gabon in the shortest timeframe possible to fully understand the situation.<sup>31</sup>

### Gabon adopts 2019 finance law and budget

Budget minister **Jean Fidele Otandault** presented the 2019 law finance law and budget to President Bongo and his cabinet on 15 October.<sup>32</sup> The cabinet adopted the proposed 2019 budget at the same meeting.<sup>33</sup> The €4.28 billion (\$4.79 billion) budget outlines the socio-economic objectives which the government intends to undertake for the financial year. The newly elected Gabonese parliament will examine the finance law and proposed budget at a yet to be confirmed date. The 2019 budget sees a 3.8% reduction compared to the 2018 revised budget presented in June.<sup>34</sup> The budget reduction is due to a decline in funding resources amounting to FCFA 219.8 billion (\$319m).<sup>35</sup> However, budget revenue increases by FCFA 108.1 billion (\$188m) due to a greater ability to mobilise fiscal and customs revenue.<sup>36</sup>

The government expects to have better control of expenditure in 2019.<sup>37</sup> Expenditure on goods and services, transfers and miscellaneous purchases drops from FCFA 21.8 billion (\$37.9m) to FCFA 20.3 billion (\$35.3m).<sup>38</sup> The amount allocated towards public investment will increase by 20% from FCFA 352.9 billion (\$614.1m) in 2018 to FCFA 423.9 billion

<sup>27</sup> RFI, 16 Nov 2018

<sup>28</sup> RFI, 16 Nov 2018

<sup>29</sup> Gabon Review, 16 Nov 2018

<sup>30</sup> RFI, 16 Nov 2018

<sup>31</sup> Jeune Afrique, 18 Nov 2018

<sup>32</sup> Jeune Afrique, 19 Oct 2018

<sup>33</sup> Jeune Afrique, 19 Oct 2018

<sup>34</sup> La Tribune Afrique, 17 Oct 2018

<sup>35</sup> La Tribune Afrique, 17 Oct 2018

<sup>36</sup> La Tribune Afrique, 17 Oct 2018

<sup>37</sup> Jeune Afrique, 19 Oct 2018

<sup>38</sup> Gabon Review, 16 Oct 2018

(\$737.7m) in 2019.<sup>39</sup> These funds will be allocated towards suspended projects, improving the education system and access to healthcare, as well as reducing poverty and equality.<sup>40</sup>

Otandault said the 2019 finance law and proposed budget are in line with the **Plan de Rélançage de l'Economie** (economic recovery plan) and the intention to consolidate public finances.<sup>41</sup> Otandault reiterated that the 2019 finance law and budget intend to focus on optimising revenue, reducing state expenditure, restructuring internal debt and reducing state payroll.<sup>42</sup> The 2019 finance law and budget are in line with the 14 austerity measures the government adopted in June, at the same time as the revised budget.<sup>43</sup> Some of these resolutions included reducing the number of personnel at the presidency and prime minister's office, freezing public sector recruitment for three years, and reducing civil servant salaries amongst others (see *ARC Gabon Briefing July 2018*).<sup>44</sup> However, the budget envisages a 5% increase in personnel expenditure due to delays in applying measures to reduce the state payroll, which were adopted in 2018.<sup>45</sup>

Gabon has been experiencing an economic downturn since 2014, when global oil prices experienced a significant drop.<sup>46</sup> Oil contributes to 40% of Gabon's gross domestic product (GDP) and accounts for 68% of Gabon's budget.<sup>47</sup> Due to its economic difficulties, Gabon signed an extended arrangement under the Extended Fund Facility (EFF) with the **International Monetary Fund (IMF)** in June 2017.<sup>48</sup> The agreement with the IMF contains a \$642m loan package, which intends to help Gabon restore macroeconomic stability.<sup>49</sup> It also intends to establish a foundation upon which Gabon can pursue inclusive and sustainable growth.<sup>50</sup> The IMF assistance has necessitated the application of a wide range of economic reforms and cost-cutting measures, which are reflected in the 2019 finance law and budget. The IMF initially expressed its disappointment at Gabon's inability to pursue economic reform directives.<sup>51</sup> However, in June it projected a positive medium-term economic outlook for Gabon.<sup>52</sup> The IMF estimates Gabon's gross domestic product (GDP) growth rate for 2019 will be 3.4%.<sup>53</sup> This is an improvement from 0.5% and 2% growth rates registered in 2017 and 2018 respectively.<sup>54</sup>

In response to the government's application of economic reforms, **United States (US)**-based **Fitch Ratings** revised Gabon's outlook from B negative to B stable on 5 October (see *ARC Briefing Gabon October 2018*).<sup>55</sup> In its October 2017 evaluation, Fitch downgraded Gabon

<sup>39</sup> La Tribune Afrique, 17 Oct 2018

<sup>40</sup> Jeune Afrique, 19 Oct 2018

<sup>41</sup> Gabon Eco, 16 Oct 2018

<sup>42</sup> La Tribune Afrique, 17 Oct 2018

<sup>43</sup> Jeune Afrique, 19 Oct 2018

<sup>44</sup> Gabon Review, 24 June 2018

<sup>45</sup> Jeune Afrique, 19 Oct 2018

<sup>46</sup> Jeune Afrique, 19 Oct 2018

<sup>47</sup> Jeune Afrique, 19 Oct 2018

<sup>48</sup> IMF, 25 Jun 2018

<sup>49</sup> IMF, 25 Jun 2018

<sup>50</sup> IMF, 25 Jun 2018

<sup>51</sup> IMF, 25 Jun 2018

<sup>52</sup> IMF, 25 Jun 2018

<sup>53</sup> Jeune Afrique, 19 Oct 2018

<sup>54</sup> Jeune Afrique, 19 Oct 2018

<sup>55</sup> Jeune Afrique, 10 Oct 2018

from a B to B+ negative outlook, due to a sharp deterioration of the country's fiscal and external position, and an accumulation of large domestic and external arrears.<sup>56</sup>

The increase in global oil and manganese prices should enable Gabon to climb out of its economic slump.<sup>57</sup> The 2019 finance law and budget reflect the improving state of Gabon's economy. The increase in the amount dedicated to public investment is a particularly good sign. This will enable investment in high growth potential sectors such as agriculture, timber and transport infrastructure, which will be of interest to potential local and foreign investors.

### Gabon falls two places 9 in World Bank Doing Business rankings

Gabon fell two places from 167 to 169 out of 190 countries in the **2019 World Bank Doing Business** rankings.<sup>58</sup> As a result, Gabon has failed to surpass regional counterpart **Cameroon** as the most attractive business climate in the **Central African** sub-region for the third straight year (see below). The rankings use a variety of indicators to assess the business environments of World Bank member states. These indicators include starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.<sup>59</sup> Gabon experienced a 0.23 point drop to 45.58 in its overall Doing Business score for 2019.<sup>60</sup> This score puts Gabon below the **sub-Saharan African** average score of 51.61.<sup>61</sup>

	2017 Ranking	2018 Ranking	2019 Ranking
<b>Cameroon</b>	166	163	166
<b>Gabon</b>	164	167	169
<b>Chad</b>	180	180	181
<b>Congo-Brazzaville</b>	177	179	180
<b>Equatorial Guinea</b>	178	173	177
<b>Central African Republic</b>	185	184	183

The Doing Business rankings note that Gabon has carried out reforms in five domains: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts.<sup>62</sup> Some of these key improvements were the creation a one-stop-shop ("*guichet unique*") to set up a business.<sup>63</sup> This has enabled the creation a business within 30 days (sub-Saharan African average is 24 days), with a working capital of FCFA 100,000 (\$174).<sup>64</sup> In addition, Gabon now facilitates the registration of goods and

<sup>56</sup> Reuters 13 Oct 2017

<sup>57</sup> Jeune Afrique, 19 Oct 2018

<sup>58</sup> World Bank, 31 Oct 2018

<sup>59</sup> World Bank, 31 Oct 2018

<sup>60</sup> Direct Infos Gabon, 4 Nov 2018

<sup>61</sup> World Bank, 31 Oct 2018

<sup>62</sup> Gabon Review, 2 Nov 2018

<sup>63</sup> Gabon Review, 2 Nov 2018

<sup>64</sup> Gabon Review, 2 Nov 2018

makes relevant information available to the public for administrative services.<sup>65</sup> Despite the multitude of reforms pursued by Gabonese authorities, Gabon's performance in the area of paying taxes is likely what brought down its overall score: Gabon is ranked 183 with respect to paying taxes and has a score of 35.92.<sup>66</sup>

Gabon has fallen in the Doing Business rankings for the second consecutive year, dropping from 164 in 2017 to 167 in 2018.<sup>67</sup> Fitch Ratings noted on 5 October that Gabon's shortcomings in the domain of governance have stifled its economic development.<sup>68</sup> This highlights the need for the Gabonese government and specialised agencies such as the **Agence Nationale de Promotion des Investissements Privés du Gabon (ANPI-Gabon)** to make greater effort to improve the business climate.<sup>69</sup> Failure to do so will make Gabon lose out to its regional counterparts in the **Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC)** (economic and monetary community of Central African states). However, none of Gabon's regional counterparts progressed in the latest Doing Business rankings, giving Gabon a chance to make up for lost ground in the 2020 rankings.

### Planner

Dec 2018 **(Gabon)** New hydrocarbons code to be deliberated in parliament

### Chronology

18 Nov 2018 **Libreville (Gabon)** *Gabon Review*. **African Union** commission president **Moussa Faki** expresses concern about President Bongo's health and will dispatch a fact-finding mission to Libreville;

11 Nov 2018 **Libreville (Gabon)** *Direct Infos Gabon*. Petroleum ministry announces sale of 34 petroleum blocks;

1 Nov 2018 **Libreville (Gabon)** *Direct Infos Gabon*. **Russia**-based oil producer **Rosneft** expresses interest in carrying out oil operations in Gabon;

31 Oct 2018 **Washington D.C (United States)** *World Bank*. Gabon drops two places from 167 to 169 out of 190 countries in the **2019 World Bank Doing Business** rankings;

29 Oct 2018 **Libreville (Gabon)** *RFI*. The **Centre Gabonais des Elections (CGE)** declares the ruling **Parti Démocratique Gabonais (PDG)** winner of the second round of legislative elections, with the opposition obtaining on 13 out of 143 seats in parliament;

27 Oct 2018 **Riyadh (Saudi Arabia)** *RFI*. Presidential spokesperson **Ike Ngouoni** states that President **Ali Bongo Ondimba** was admitted to hospital in Saudi Arabia on 24 October after reportedly suffering a heart attack;

19 Oct 2018 **Libreville (Gabon)** *Jeune Afrique*. Gabon adopts 2019 finance law and budget which amounts to \$4.7 billion, a 3.8% budget reduction compared to 2018;

<sup>65</sup> Gabon Review, 2 Nov 2018

<sup>66</sup> Direct Infos Gabon, 4 Nov 2018

<sup>67</sup> Jeune Afrique, 31 Oct 2018

<sup>68</sup> Jeune Afrique, 10 Oct 2018

<sup>69</sup> Direct Infos Gabon, 4 Nov 2018