

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing August 2018

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#### Gabon Summary 21 August 2018

*The Centre Gabonais des Élections (CGE) (Gabonese election centre) announces the dates for legislative and local elections in October. Prime minister Emmanuel Issoze Ngondet carries out the third cabinet reshuffle for 2018 amidst increasing criticism of government austerity plans. The International Monetary Fund (IMF) provides a \$100.2m loan to the Gabonese government to support short- to medium-term economic recovery.*

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#### CGE announces dates for legislative and local elections

Gabon's legislative and local elections will take place simultaneously on 6 October and the second round on 26 October.<sup>1</sup> **Centre Gabonais des Élections (CGE)** (Gabonese election centre) president **Moïse Bibalou Koumba** announced the election dates at the CGE's plenary session on 6 August.<sup>2</sup> The legislative and local elections were initially set to take place on 4 December 2016, 29 July 2017, and 30 April 2018.<sup>3</sup> However, the Gabonese government has failed to organise them on each occasion.

The most recent failure to host elections in April prompted the **Cour Constitutionnelle** (constitutional court) to order prime minister **Emmanuel Issoze-Ngondet** to dissolve his cabinet and resign on the basis that the government had not taken sufficient steps to organise the elections (see *ARC Briefing Gabon May 2018*).<sup>4</sup> These steps include commencing the electoral list revision exercise and establishing the CGE, Gabon's election management body.<sup>5</sup> The same constitutional court decision led to the dissolution of the **Assemblée Nationale** (national assembly).<sup>6</sup>

The CGE outlined the timeline and processes for the elections. All candidates have until 25 August to confirm their candidature for the elections.<sup>7</sup> Campaigning for the first round of elections will run from 25 September until 5 October, while campaigning for the second round will be from 13-25 October.<sup>8</sup> The CGE also appointed the local electoral commissioners.<sup>9</sup> Interior minister **Lambert Noel Mbatha** announced the second phase of the electoral list revision exercise would take place from 8-10 August.<sup>10</sup> This phase would enable persons who turned 18, the age of majority in Gabon, after 29 June to register for elections.<sup>11</sup> People whose names did not appear on the electoral register but have proof of registration

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<sup>1</sup> Jeune Afrique, 7 Aug 2018

<sup>2</sup> Gabon Review, 6 Aug 2018

<sup>3</sup> Gabon Review, 25 May 2018

<sup>4</sup> Gabon Review, 30 Apr 2018

<sup>5</sup> Jeune Afrique, 1 May 2018

<sup>6</sup> Jeune Afrique, 1 May 2018

<sup>7</sup> Gabon Review, 6 Aug 2018

<sup>8</sup> Gabon Review, 6 Aug 2018

<sup>9</sup> Gabon Review, 6 Aug 2018

<sup>10</sup> Gabon Review, 8 Aug 2018

<sup>11</sup> Gabon Review, 6 Aug 2018

will be able to rectify those issues.<sup>12</sup> The first phase of the electoral list revision exercise occurred from 15-29 June.<sup>13</sup>

The announcement of a date for legislative and local elections is an important step towards ending the socio-political impasse that has plagued Gabon since the aftermath of the August 2016 presidential elections. The Constitutional Court's decision to dissolve cabinet in April appeared to create a sense of urgency on the part of government to organise elections. The government has fully established the CGE, which was one of the resolutions of the May 2017 **Accords du Dialogue Politique** (see *ARC Briefing Gabon June 2017*).<sup>14</sup> The interior ministry then undertook the electoral list revision exercise.

Despite these positive steps, the hosting of free, fair and transparent elections will be the major factor in ensuring that the impasse is resolved. The coalition of 42 opposition parties, the **Coalition pour la Nouvelle République (CNR)**, has complained that the appointed heads of the local electoral commissioners are the same people responsible for the 2016 post-electoral crisis. According to the CNR, this will have a negative effect on the electoral process.<sup>15</sup> The Gabonese government and the CGE need to take steps to allay the opposition's concerns. Failure to address these issues will provide a rationale for opposition grievances if they are dissatisfied with election results.

### Prime minister Emmanuel Issoze-Ngondet carries out cabinet shuffle

Prime minister **Emmanuel Issoze-Ngondet** reshuffled his cabinet on 23 July. This is Gabon's third cabinet shake-up in 2018 and saw the appointment of the following individuals:<sup>16</sup>

Appointed minister	Cabinet position
<b>Julien Nkoghe Bekale</b>	Labour, employment and professional training
<b>Carment Ndaot</b>	Small- and medium-sized enterprises and handicrafts
<b>Estelle Ondo</b>	Industry and national entrepreneurship
<b>Arnaud Calixte Alandji</b>	Equality, youth and Gabonese in the diaspora

The reshuffle directly concerns departments related to the economy and is in line with the government's desire to improve Gabon's current economic situation. Gabon has experienced an economic downturn since 2015 resulting from the drop in global oil prices.<sup>17</sup> The cabinet change followed the implementation of 14 cost-cutting measures, which presidential spokesperson **Ike Nguoni Oyoumi** outlined in June (see *ARC Briefing Gabon July 2018*).<sup>18</sup> Some of the key decisions include public sector salary reductions, suspension of government recruitment for three years, and the eventual reduction of the number of cabinet ministers.<sup>19</sup> The plan was developed after an **International Monetary Fund (IMF)** mission visit to Gabon

<sup>12</sup> Gabon Review, 6 Aug 2018

<sup>13</sup> Gabon Review, 6 Aug 2018

<sup>14</sup> Jeune Afrique, 25 May 2017

<sup>15</sup> Gabon Review, 6 Aug 2018

<sup>16</sup> Jeune Afrique, 23 Jul 2018

<sup>17</sup> Jeune Afrique, 2 Aug 2018

<sup>18</sup> Jeune Afrique, 25 Jul 2018

<sup>19</sup> Jeune Afrique, 25 Jul 2018

in June.<sup>20</sup> The IMF expressed its disappointment at the Gabonese government's inability to enact structural economic reforms.<sup>21</sup> There was an expectation that there would be fewer ministers in the new cabinet, but Issoze-Ngondet has maintained the same number for now.<sup>22</sup>

The application of the austerity plan continues to spark controversy and opposition. Gabon's largest trade union, **Dynamique Unique (DU)**, called for a protest march on 13 August against the proposed measures.<sup>23</sup> DU president **Jean-Remi Yama** said the union had not considered protest action as an option until the government failed to engage with the DU about the cost-cutting plan.<sup>24</sup> Yama said "*the people will not pay for government excesses*".<sup>25</sup> Interior minister **Lambert Noel Mbatha** notified the public on 11 August that the government had cancelled the march.<sup>26</sup> In giving reasons for withholding permission for the protest, Mbatha said the DU had brought a case before the constitutional court in July, contesting the legality of the austerity plan.<sup>27</sup> Since the matter was still before the courts, the protest could not proceed.<sup>28</sup>

Although IMF pressure appears to have played a significant role in the adoption of these measures, President **Ali Bongo Ondimba** (2009-present) appears willing to follow through with much needed reforms, irrespective of the political ramifications they may have. Bongo made a public statement on Gabon's national day, 17 August, that he assumes full responsibility for the decision to undertake cost-cutting measures and repeated his willingness to pursue unpopular reforms.<sup>29</sup> Bongo said the reforms directly affect him, as they called for a 30-40% reduction in presidency staff.<sup>30</sup>

The government's decision to implement wide-ranging cost cutting measures has received significant criticism and will have significant short-term implications. **United States (US)**-based **Fitch Solutions** (a branch of **Fitch Ratings**) recently increased Gabon's political risk rating from 58.8/100 to 57.5/100.<sup>31</sup> The lower a country's score, the higher its political risk. Fitch Solutions is of the opinion that the austerity plan will encourage the opposition and unions to unite in protest against this government directive.<sup>32</sup> In the lead up to the recently announced legislative and local elections, this could spell trouble for Bongo especially if the protests are frequent. Furthermore, the salary reduction of civil servants, many of whom are members of the ruling **Parti Démocratique Gabonais (PDG)**, may encourage these erstwhile PDG supporters to vote for the opposition.<sup>33</sup> The cost-cutting measures will also mean fewer resources for the government to distribute as a way to garner popular support.

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<sup>20</sup> Jeune Afrique, 25 Jul 2018

<sup>21</sup> Jeune Afrique, 25 Jul 2018

<sup>22</sup> Gabon Review, 23 Jul 2018

<sup>23</sup> Jeune Afrique, 3 Aug 2018

<sup>24</sup> Jeune Afrique, 3 Aug 2018

<sup>25</sup> Jeune Afrique, 3 Aug 2018

<sup>26</sup> Jeune Afrique, 11 Aug 2018

<sup>27</sup> Jeune Afrique, 11 Aug 2018

<sup>28</sup> Jeune Afrique, 11 Aug 2018

<sup>29</sup> RFI, 17 Aug 2018

<sup>30</sup> RFI, 17 Aug 2018

<sup>31</sup> Gabon Review, 9 Aug 2018

<sup>32</sup> Gabon Review, 9 Aug 2018

<sup>33</sup> Gabon Review, 9 Aug 2018

## IMF provides \$100.2m loan to Gabonese government

The IMF completed the second review of Gabon's extended arrangement under the Extended Fund Facility (EFF) on 1 August and approved a \$100.2m disbursement.<sup>34</sup> This brings to \$300.7m the total amount of funding provided to Gabon under this arrangement.<sup>35</sup> Gabon currently has a three-year extended arrangement worth \$642m, approved on 19 June 2017.<sup>36</sup> The first disbursement totaled \$98.8m while the subsequent disbursement granted in December amounted to \$101.1m.<sup>37</sup> Both disbursements were intended to support medium-term economic recovery.<sup>38</sup>

Gabon's performance under the EFF has been mixed. The government has adopted an IMF-supported reform programme to ensure macroeconomic stability and lay the basis for sustainable growth.<sup>39</sup> The government has taken important steps to curb the wage bill (see above) and other non-priority spending. The implementation of a supplementary budget in June was a signal that the government has put fiscal consolidation on track.<sup>40</sup> IMF first deputy managing director **David Lipton** believes Gabon's macroeconomic conditions are improving but recovery remains fragile.<sup>41</sup> The IMF projected Gabon's economic growth rate for 2018 at 2%.<sup>42</sup> Lipton notes overall economic growth is weakened by declining oil production and the stronger-than-expected impact of fiscal consolidation on sectors linked to government expenditure.<sup>43</sup> Nonetheless, these weaknesses were moderated by robust growth of the mineral extraction, agriculture and timber sectors.<sup>44</sup> The IMF expects higher oil prices, new investments in the oil sector and export processing zones as well as increasing manganese production to boost economic growth and recovery in 2018.<sup>45</sup> The long overdue holding of legislative and local elections (see above) may boost the oil sector: The dissolution of the national assembly has delayed legislative reform of the hydrocarbons sector, announced in March (see *ARC Briefing Gabon March 2018*) and scheduled for June. Now that the government has established the political calendar, this may help to improve investment prospects in a domain that has historically been the heart of the Gabonese economy. However, the IMF recommended that the Gabonese government increase non-oil revenue collection and increase social spending for the most vulnerable.<sup>46</sup>

The most recent IMF loan complements \$640m that the **African Development Bank (AfDB)** and the **Agence Française de Développement (AFD)** provided to support the **Plan de Rélançe Economique (PRE)** (economic recovery plan). The AfDB support was approved in September 2017,<sup>47</sup> while the AFD confirmed its contribution on 1 December 2017.<sup>48</sup> It would be wise for the Gabonese authorities to channel resources from the PRE to the high-growth potential areas that the IMF has identified. If the government is able to provide a stimulus in

<sup>34</sup> IMF, 1 Aug 2018

<sup>35</sup> IMF, 1 Aug 2018

<sup>36</sup> IMF, 1 Aug 2018

<sup>37</sup> Jeune Afrique, 2 Aug 2018

<sup>38</sup> IMF, 1 Aug 2018

<sup>39</sup> IMF, 1 Aug 2018

<sup>40</sup> IMF, 1 Aug 2018

<sup>41</sup> IMF, 1 Aug 2018

<sup>42</sup> IMF, 25 Jun 2018

<sup>43</sup> IMF, 1 Aug 2018

<sup>44</sup> IMF, 1 Aug 2018

<sup>45</sup> IMF, 1 Aug 2018

<sup>46</sup> IMF, 1 Aug 2018

<sup>47</sup> Agence EcoFin, 20 Sep 2017

<sup>48</sup> La Tribune Afrique, 2 Dec 2017

these sectors, it will encourage the private sector investment that is needed to invigorate Gabon's struggling economy.

### Planner

5, 26 Oct 2018 **(Gabon)** First and second round of legislative and elections;

### Chronology

17 Aug 2018 **Libreville (Gabon)** *Gabon Review* 58<sup>th</sup> anniversary of Gabonese independence;

7 Aug 2018 **Libreville (Gabon)** *Jeune Afrique* **Centre Gabonais des Élections (CGE)** sets dates for first and second rounds of Gabonese legislative and local elections as 6 and 25 October;

1 Aug 2018 **Washington D.C (United States)** *Press Release*. **International Monetary Fund** provides \$100.2m loan to the Gabonese government;

31 Jul 2018 **Libreville (Gabon)** *Gabon Review*. **United Kingdom**-based **Assala Energy** buys **France**-based **Total**'s stake in the **Rabi-Kounga Block** for \$100m;

25 Jul 2018 **Libreville (Gabon)** *Jeune Afrique*. Prime minister **Emmanuel Issoze Ngondet** reshuffles the cabinet;

20 Jul 2018 **Libreville (Gabon)** *Gabon Review*. Oil workers' strike for employees of **France**-based **Total** comes to an end;