

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing November 2019

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#### Gabon Summary 22 November 2019

*A minor cabinet shuffle removes Brice Laccruche Alihanga as President Ali Bongo Ondimba's (2009-present) director of cabinet. Several high-ranking Laccruche Alihanga supporters are arrested. Gabon signs seven exploration, exploitation and production sharing contracts (CEPPs) with four foreign oil companies, taking to nine the number of CEPPs that have been signed under the new hydrocarbons code since its inception in July. France-based asset manager Meridiam signs two Public-Private Partnerships (PPPs) with the Gabonese government to finance the Kinguele hydroelectric dam and the Transgabonaise highway to the value of €300m (\$331m). The World Bank's 2020 Doing Business Report ranks Gabon 169<sup>th</sup> out of 190 countries, unchanged from its 2019 position.*

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#### President Bongo removes cabinet director in minor cabinet shuffle

A presidential decree on 7 November announced a minor cabinet shuffle that saw the dismissal of **Brice Laccruche Alihanga** as President **Ali Bongo Ondimba's** (2009-present) director of cabinet.<sup>1</sup> Laccruche Alihanga's demotion is seen as a move to curtail his power and influence, which increased significantly in the aftermath of President Bongo's stroke in October 2018 and during his extended absence from Gabon until his return in March. During Bongo's recovery period, Laccruche Alihanga orchestrated the removal of members of government such as former prime minister **Emmanuel Issoze Ngondet**, former defence minister **Etienne Massard**, former interior minister **Lambert Mbatha**, former environment minister **Guy Bertrand Mapangou**, former housing and urbanisation minister **Régis Immongault**, former petroleum and hydrocarbons minister **Pascal Ambourouet**, former infrastructure minister **Jean-Pierre Oyiba**, former agriculture minister **Ali Akbar Onanga** and former social protection minister **Ali Guy-Maixent Mamiaka**.<sup>2</sup> There had also been complaints within the ruling **Parti Democratique Gabonaise (PDG)** that Laccruche Alihanga was over-reaching the scope of his responsibilities, particularly during his national tour across Gabon's nine provinces on behalf of President Bongo from August to October (see *ARC Briefing Gabon October 2019*).<sup>3</sup> Laccruche Alihanga was also accused of using the **Association des Jeune Volontaires Emergents (AJVE)** (association of young emerging volunteers) network to promote his supporters.<sup>4</sup> Laccruche Alihanga created the organisation in 2016 as a vehicle to support President Bongo's 2016 bid for re-election.<sup>5</sup>

President Bongo had tasked his eldest son, **Noureddine Bongo**, over the past weeks to supervise Laccruche Alihanga's.<sup>6</sup> Laccruche Alihanga was replaced by **Theophile Ogangaga**, who was previously assistant director general at **Olam Gabon**, a branch of **Singapore**-based agribusiness firm **Olam**.<sup>7</sup> Ogangaga replaced Noureddine Bongo as assistant director general at Olam Gabon in 2018.<sup>8</sup> **Mohamed Ali Sallou** was appointed as deputy chief of cabinet in October.

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<sup>1</sup> Gabon Review, 7 Nov 2019

<sup>2</sup> Jeune Afrique, 7 Nov 2019

<sup>3</sup> Jeune Afrique, 7 Nov 2019

<sup>4</sup> Gabon Review, 7 Nov 2019

<sup>5</sup> Gabon Review, 7 Nov 2019

<sup>6</sup> Jeune Afrique, 12 Nov 2019

<sup>7</sup> Jeune Afrique, 12 Nov 2019

<sup>8</sup> Jeune Afrique, 12 Nov 2019

Laccruche Alihanga becomes minister in charge of monitoring human investment strategy and sustainable development goals.<sup>9</sup> Other notable appointments made in consultation with prime minister **Julien Nkoghe Bekale** include **Noel Mboumba** as mines, petroleum, hydrocarbons and gas minister, **Tony Ondo Mba** as energy and hydraulic resources minister, and **Hugues Mbadinga Madiga** as transport, equipment, infrastructure and public works minister, replacing **Justin Ndoundangoye** just over a month after his position was confirmed in the executive shake-up in October.<sup>10</sup>

While Laccruche Alihanga is still an active member of government, Gabon's intelligence agency, the **Direction Générale des Services Spéciales (DGSS)** (director general of special services), has proceeded to arrest his erstwhile supporters. Presidential spokesperson **Ike Nguouoni** was arrested on 21 November, as well as **Ismaël Ondias Souna**, former director general of the **Caisse de Stabilisation et de Péréquatation (Caistab)** (hydrocarbons price stabilisation fund), and **Renaud Allogho Akoue**, director general of the **Caisse Nationale d'Assurance Maladie et de Garantie Sociale (CNAMGS)** (nation health insurance and social welfare fund) earlier in November.<sup>11</sup>

President Bongo appears eager to reassert his control over Gabonese affairs and has been increasingly active on the public scene since October. The five cabinet shuffles that have taken place since January (see *ARC Briefing Gabon January to March, June and October 2019*) are an indication of the factional battles within government. However, this will probably not be Bongo's last cabinet shuffle in the near future.

### Meridiam commits \$331m to two large projects

France-based asset manager **Meridiam** has signed two Public-Private Partnerships (PPP) with the Gabonese government to finance the **Kinguele** hydroelectric dam and the **Transgabonaise** highway to the value of €300m (\$331m).<sup>12</sup> The agreements are a sign that foreign investors are interested in being involved in large infrastructure projects in Gabon and the PPP model could be a mechanism that will attract more investors.

The agreement was signed on 24 October in the presence of President Bongo, members of cabinet, representatives of Meridiam, and the French ambassador to Gabon, **Philippe Autie**.<sup>13</sup> According to the terms of the agreement, Meridiam, which is specialised in financing public infrastructure, will fund the 34 megawatt (MW) Kinguele hydroelectric project, which will cost €150m (\$165.8m).<sup>14</sup> Meridiam will also obtain funding from multilateral institutions such as the **African Development Bank (AfDB)**, **Development Bank of Southern Africa (DBSA)**, **International Finance Corporation (IFC)** and the **Islamic Development Bank (IDB)**.<sup>15</sup> Meridiam will hold a 60% ownership stake in Kinguele while its partner, the **Fonds Gabonais d'Investissement Stratégique (FGIS)**, the state sovereign wealth fund, will own the remaining 40%.<sup>16</sup>

Kinguele is located 100km east of the capital, **Libreville**, and will supply 13% of the city's electricity needs.<sup>17</sup> Energy and hydraulic services minister Tony Ondo Mba said the construction phase would last three years and the project is expected to be commissioned in 2023.<sup>18</sup> Ondo Mba also said that the objective of the scheme is to diversify Gabon's electricity production, which is currently dominated by thermal energy generation.<sup>19</sup> Gabon currently has an electricity production capacity of 452 MW and

<sup>9</sup> Gabon Review, 7 Nov 2019

<sup>10</sup> Gabon Review, 7 Nov 2019

<sup>11</sup> Jeune Afrique, 12 Nov 2019

<sup>12</sup> Jeune Afrique, 28 Oct 2019

<sup>13</sup> Direct Infos Gabon, 24 Oct 2019

<sup>14</sup> Jeune Afrique, 28 Oct 2019

<sup>15</sup> Jeune Afrique, 28 Oct 2019

<sup>16</sup> Jeune Afrique, 28 Oct 2019

<sup>17</sup> Jeune Afrique, 28 Oct 2019

<sup>18</sup> Jeune Afrique, 28 Oct 2019

<sup>19</sup> Gabon Review, 24 Oct 2019

increasing the output will have a significant effect on improving access to electricity in order to improve livelihoods.<sup>20</sup>

This is not the first transaction of this kind. In February 2018 the FGIS signed a protocol with **China**-based energy firm **Tebian Electric Apparatus Stock Ltd (TEBA)** to construct the €180m (\$198m) **FE2** hydroelectric project which will produce 36 MW.<sup>21</sup>

The second part of the PPP concerns financing the construction of the 780km Transgabonaise highway.<sup>22</sup> The road network, which links Libreville in the east with **Franceville** in the west of Gabon, will cost an estimated 700 billion FCFA (\$1.06 billion) according to Meridiam's Gabonese branch, **Société Autoroutière du Gabon (SAG)**, and its partner, **Arise**.<sup>23</sup> The highway will improve the movement of people, goods and services; at present, transport between these cities is primarily by air and rail.<sup>24</sup> The road will connect five of Gabon's nine provinces with each other and generate 3,000 direct and indirect jobs during the construction phase, also providing access to the manganese rich **Haut-Ogooué** province where Franceville is located.<sup>25</sup>

Meridiam's commitment to these two large projects is good news for Gabon. Meridiam is already a significant player in Gabon's economy since it owns 25% of the **Owendo Port**.<sup>26</sup> The use of the PPP financing model is new to Gabon and follows the directive of the economy ministry for its adoption in order to reduce public debt and give private firms more autonomy in running projects.<sup>27</sup> Meridiam's participation also sends a positive message to French firms, which are gradually reconsidering Gabon as a viable investment destination, after the withdrawal of some French firms and the growing prominence of **China** in Gabonese economic affairs (see *ARC Briefing Gabon September 2019*).

### Gabon signs seven CEPP contracts with foreign oil and gas firms

Gabon signed seven exploration, exploitation and production sharing contracts (CEPPs) with four foreign oil companies on 28 October.<sup>28</sup> This takes to nine the number of CEPPs that have been signed under the new hydrocarbons code since its inception in July, and is a sign of the growing interest that investors have in Gabon's hydrocarbons sector. The government signed CEPPs with **Assala Upstream Gabon** and **Assala Gabon SA**, both branches of **United Kingdom (UK)**-based **Assala Energy**, as well as **Franco-British** consortium **Perenco Oil & Gas** and **China**-based **Sinopec Overseas & Gas Ltd**.<sup>29</sup> All the parties to the CEPP are already present in Gabon. Assala took over the assets of **Netherlands**-based **Royal Dutch Shell** in 2017 and hopes its investment will cement its position as Gabon's second largest oil producer.<sup>30</sup>

The CEPPs are 25-year contracts that entail a minimum investment of 148 billion FCFA (\$225.6m) for the research and exploitation of hydrocarbons in the Gabonese sedimentary basin.<sup>31</sup> The contracts will ensure the development of the **Rabi Kinga** oil field, which petroleum, gas and hydrocarbons minister Noel Mboumba describes as "*the most important field for onshore exploration in the southern hemisphere in 1987*".<sup>32</sup> Mboumba said he hoped that newly available technology will enable the

<sup>20</sup> Direct Infos Gabon, 24 Oct 2019

<sup>21</sup> Gabon Review, 2 Sep 2018

<sup>22</sup> Jeune Afrique, 28 Oct 2019

<sup>23</sup> Direct Infos Gabon, 25 Oct 2019

<sup>24</sup> Gabon Review, 24 Oct 2019

<sup>25</sup> Gabon Review, 24 Oct 2019

<sup>26</sup> Jeune Afrique, 28 Oct 2019

<sup>27</sup> Jeune Afrique, 28 Oct 2019

<sup>28</sup> Direct Infos Gabon, 29 Oct 2019

<sup>29</sup> Direct Infos Gabon, 29 Oct 2019

<sup>30</sup> Direct Infos Gabon, 29 Oct 2019

<sup>31</sup> Direct Infos Gabon, 29 Oct 2019

<sup>32</sup> Gabon Review, 29 Oct 2019

signatory companies to develop the concession and increase the level of production as well as the amount of reserves and revenue generated from oil production.<sup>33</sup>

The number of CEPPs signed since the new hydrocarbons code came into effect is a testament to its attractiveness. The legal framework was drafted following consultation with local industry stakeholders as well as the **International Monetary Fund (IMF)**, France-based advisory firm **Poulain Cren**, and the **University of Houston (United States)** (see *ARC Briefing Gabon October 2018*).<sup>34</sup> The previous code, established in 2014, was less attractive to investors – no foreign firms signed any exploration contracts during its period of implementation.<sup>35</sup>

The new legislation has removed some of the most highly contested aspects of the code related to state participation in CEPPs and corporate taxes.<sup>36</sup> The most notable changes include a reduction in state shareholding in oil and gas concessions as well as a decrease in taxes. The old framework allowed the state to own 20% of the share capital of concessions.<sup>37</sup> The new framework stipulates that the state is allowed a maximum of 10% of share capital in any oil and gas concession.<sup>38</sup> The national oil company, **Gabon Oil Company (GOC)**, will manage the state's interest in oil contracts.<sup>39</sup> Corporate tax, which amounted to 35%, has been scrapped and the proportional mining royalty clause has also been significantly reduced (see *ARC Briefing Gabon August 2019*).<sup>40</sup>

Mboumba highlighted the growing attractiveness of Gabon's hydrocarbons industry at the **Africa Oil Week at Cape Town (South Africa)** from 5 to 7 November.<sup>41</sup> Mboumba noted that now is the best time to consider investing in the sector as the auction of 35 onshore and offshore oil and gas blocks is taking place under the 12<sup>th</sup> round of petroleum licensing.<sup>42</sup>

Gabon's hydrocarbons industry appears to be undergoing a renaissance after petroleum production fell and oil majors such as Shell and France-based **Total** withdrew from Gabon or sold off significant portions of their assets due to the global oil price shocks starting in 2014.<sup>43</sup> In 2017, production stood at 198,000 barrels per day but fell by 6% in 2018 to 187,000 barrels.<sup>44</sup>

Oil companies are making new discoveries in Gabon.<sup>45</sup> Malaysia-based **Petrolian Nasional Bhd (Petronas)** announced it has seen preliminary "*positive indications*" from its appraisal well on the deep-water **Boudji** deposit. Petronas indicated it will carry out further tests and drilling by December 2020.<sup>46</sup> US-based **Vaalco Energy** has reported that it will start drilling at the **Etame 9H** horizontal development well.<sup>47</sup> This follows Vaalco's discovery of 2.5m-10.5m barrels of oil in **Gamba** reserve in October.<sup>48</sup> Gabon is the fifth largest oil producer in Africa with oil accounting for 80% of its exports, 60% of fiscal revenue, and 45% of its GDP.<sup>49</sup> Gabon is also a member of the **Organization of Petroleum Exporting Countries (OPEC)**.<sup>50</sup>

<sup>33</sup> Gabon Review, 29 Oct 2019

<sup>34</sup> Direct Infos Gabon, 25 Sep 2018

<sup>35</sup> La Tribune Afrique, 1 Nov 2019

<sup>36</sup> La Tribune Afrique, 1 Nov 2019

<sup>37</sup> Jeune Afrique, 25 Jul 2019

<sup>38</sup> Jeune Afrique, 25 Jul 2019

<sup>39</sup> Jeune Afrique, 25 Jul 2019

<sup>40</sup> Jeune Afrique, 25 Jul 2019

<sup>41</sup> Gabon Review, 6 Nov 2019

<sup>42</sup> Gabon Review, 6 Nov 2019

<sup>43</sup> La Tribune Afrique, 1 Nov 2019

<sup>44</sup> Gabon Eco, 5 Apr 2019

<sup>45</sup> La Tribune Afrique, 1 Nov 2019

<sup>46</sup> La Tribune Afrique, 1 Nov 2019

<sup>47</sup> Direct Infos Gabon, 2 Nov 2019

<sup>48</sup> Agence Ecofin, 18 Oct 2019

<sup>49</sup> World Bank, Mar 2018

<sup>50</sup> World Oil, 4 Aug 2019

### World Bank 2020 Doing Business Report ranks Gabon 169<sup>th</sup> out of 190 countries

The **World Bank's 2020 Doing Business Report** ranked Gabon 169<sup>th</sup> out of 190 countries, unchanged from its 2019 position.<sup>51</sup> The rankings are an annual barometer that uses a variety of indicators to assess the business environments of World Bank member states.<sup>52</sup> 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>53</sup> Gabon registered an overall score of 45.0<sup>54</sup>, which is a slight drop from its score of 45.8 in 2019.<sup>55</sup> Gabon has maintained the second best performance amongst the members of the **Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)** (Central African economic and monetary community).<sup>56</sup> However, none of the countries improved in their rankings while some stagnated.

World Bank Doing Business Rankings				
	2017	2018	2019	2020
Cameroon	166	163	166	167
Gabon	164	167	169	169
Chad	180	180	181	182
Congo-Brazzaville	177	179	180	180
Equatorial Guinea	178	173	177	178
Central African Republic	185	184	183	184

Gabon registered some improvements, notably in the domain of starting a business where its score improved from 82.5, with a global ranking of 124 in 2019 to 87.0, and moved up to 96<sup>th</sup> globally.<sup>57</sup> This puts Gabon well above the **sub-Saharan African** average of 80.1.<sup>58</sup> Marginal progress was also made in the category of registering property, in which Gabon moved from 37.0 in 2019 to 41.1, however, still well below the regional average of 53.6.<sup>59</sup> Gabon continues to perform poorly with respect to paying taxes, in which it scored 35.9, the same as in 2019. The regional average is 57.8 and Gabon is ranked 182<sup>nd</sup> globally in this domain.<sup>60</sup> The IMF, in line with the economic reform package adopted by Gabon in 2017, has regularly asked Gabonese authorities to improve their tax revenue generation and revenue collection mechanisms (see *ARC Briefing Gabon October 2019*). In the area of protecting minority investors, Gabon dropped from a score of 38.3 in 2019 to 24.0 in 2020, below the regional average of 38.3.<sup>61</sup>

<sup>51</sup> World Bank, 24 Oct 2019

<sup>52</sup> World Bank, 24 Oct 2019

<sup>53</sup> World Bank, 24 Oct 2019

<sup>54</sup> World Bank, 24 Oct 2019

<sup>55</sup> World Bank, 31 Oct 2018

<sup>56</sup> World Bank, 24 Oct 2019

<sup>57</sup> World Bank, 24 Oct 2019

<sup>58</sup> World Bank, 24 Oct 2019

<sup>59</sup> World Bank, 24 Oct 2019

<sup>60</sup> World Bank, 24 Oct 2019

<sup>61</sup> World Bank, 24 Oct 2019

<b>World Bank Doing Business Scores</b>			
	<b>Gabon 2019</b>	<b>Gabon 2020</b>	<b>Sub-Saharan Africa Average 2020</b>
Starting a Business	82.5	87.0	80.1
Dealing with Construction Permits	59.2	59.8	58.5
Getting Electricity	49.5	49.8	50.4
Registering Property	37.0	41.1	53.6
Getting Credit	40.0	40.0	45.2
Paying Taxes	35.9	35.9	57.8

Gabon is slowly recovering from an economic downturn that resulted from the global oil price shock in 2014 and its failure to diversify its economy. The IMF projects Gabon will generate economic growth of 3.4% in 2019, compared to 0.8% in 2018.<sup>62</sup> This growth will not be sustainable or inclusive unless the Gabonese government takes steps to improve the business climate to attract local and foreign investors.

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<sup>62</sup> IMF, 11 Oct 2019

## Planner

10 Jan 2020 **(Gabon)** Deadline for tender submissions for 12<sup>th</sup> round of petroleum licences

Late 2020/early 2021 **(Gabon)** Senate elections

2023 **(Gabon)** Local and national assembly elections

## Chronology

19 Nov 2019 **Paris (France)** *Gabon Review*. The **International Court of Arbitration of the International Chamber of Commerce** rules that the Gabonese state must pay 90 billion CFA (\$151.6m) to **France**-based **Groupe Santullo** for work that Santullo undertook without being paid;

14 Nov 2019 **Libreville (Gabon)** *Direct Infos Gabon*. Newly appointed director general of hydrocarbons **Jean-Félix Obamba** says he wants to increase Gabon's current petroleum production as well as oil reserves;

13 Nov 2019 **Yaounde (Cameroon)** *Gabon Review*. **Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)** is expected to register 2.7% growth in 2019 compared to 1.8% in 2018 according to the **Banque des États de l'Afrique Centrale (BEAC)** (bank of **Central African** states);

13 Nov 2019 **Libreville (Gabon)** *Direct Infos Gabon*. **PC Gabon Upstream SA**, a branch of **Malaysia**-based **Petronas**, has made two offshore oil discoveries at **F-12** and **F-13** near **Boudji**;

12 Nov 2019 **Libreville (Gabon)** *Direct Infos Gabon*. Prime minister **Julien Bekale Nkoghe** announces that all members of cabinet will declare their assets at the **Commission Nationale de Lutte contre l'Enrichissement Illicite (CNLCEI)** (national commission against illicit enrichment);

7 Nov 2019 **Libreville (Gabon)** *Gabon Review*. Prime minister **Julien Nkoghe Bekale** undertakes a minor cabinet shuffle, removing **Brice Laccruche Alihanga** from his influential position as President **Ali Bongo Ondimba's** chief of cabinet;

7 Nov 2019 **Libreville (Gabon)** *Gabon Review*. **PC Gabon Upstream SA**, a branch of **Malaysia**-based oil company **Petronas**, has made an offshore oil and pre-salted gas discovery at the **Budji-2** evaluation well on the **Likuale** block (F14);

30 Oct 2019 **Libreville (Gabon)** *Gabon Review*. **France**-based publication **Jeune Afrique** alleges that several foreign oil companies based in **Port Gentil** are involved in fuel trafficking operations;

29 Oct 2019 **Libreville (Gabon)** *Agence Ecofin*. **France**-based petroleum firm **Maurel & Prom** announces that it generated 93.5% of company revenue (\$347m) in 2019 from Gabon operations;

28 Oct 2019 **Libreville (Gabon)** *Gabon Review*. The government signs seven **Exploration, Exploitation and Production Sharing Contracts (CEPPs)** for 25 years with four foreign oil firms, which will generate 148 billion FCFA (\$251.9m) in investments;

28 Oct 2019 **Libreville (Gabon)** *Jeune Afrique*. **France**-based investment fund **Stoa Infra & Energie** has acquired a 10% stake in **GSEZ Ports**;

25 Oct 2019 **Libreville (Gabon)** *Direct Infos Gabon*. The **Société Autoroutière du Gabon**, a branch of **France**-based asset manager **Meridiam** has signed a public-private partnership to construct the 780 km **Transgabonaise** highway from **Libreville** to **Franceville** at a cost of 700 billion FCFA (\$1.1 billion);

25 Oct 2019 **Libreville (Gabon)** *Direct Infos Gabon*. **France**-based asset manager **Meridiam** signs partnership with Gabonese government to build 28 to 35 MW **Kinguele Aval** hydroelectric dam;

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