

AFRICA RISK CONSULTING

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A presidential task team uncovers 440 billion FCFA (\$797.2m) in unjustified claims against the government by small and medium-sized enterprises (SMEs) following an audit of 526 businesses. Presidential special adviser and spokesperson Jessye Ella Ekogha says all individuals implicated in the scandal will face legal proceedings. United States-based financial services company Goldman Sachs claims Gabon has a high probability of defaulting on its external debt obligations and could experience prolonged debt distress as a result of the country's high debt ratio, which the Covid-19 pandemic and falling oil prices have exacerbated. Economy and recovery minister Jean-Marie Ogandaga and budget minister Sostehne Ossougou Ndibangoye present Gabon's draft finance law for the 2021 budget, which sees a reduction from 3,047.1 billion FCFA (\$5.5 billion) in 2020 to 2,681.5 billion FCFA (\$4.86 billion) for 2021. Total Gabon chairman Nicolas Terraz affirms that France-based Total SA will not cease its activities in Gabon, following rumours of the company's imminent departure.

Government audit continues to uncover unverified debts ...

Presidential special adviser and spokesperson **Jessye Ella Ekogha** revealed on 13 November that the presidential audit team had uncovered 440 billion FCFA (\$797.2m) in unverified debt claims against the government by small and medium-sized enterprises (SMEs) and state service providers.¹ President **Ali Bongo Ondimba** (2009-present) appointed a presidential task force in June to carry out an audit of domestic debt that the government owes to SMEs and service providers. Bongo's son, presidential affairs coordinator **Nourredin Valentin Bongo**, heads the task force (see *ARC Briefing Gabon October 2020*).² So far, a total of 650 billion FCFA (\$1.17 billion) has been audited.³

Ella Ekogha suggested, during an interview with the government-run daily news outlet **L'Union**, that the alleged fraud could not have occurred without collusion between business people, service providers and public administration officials, pledging that the government will institute judicial proceedings against those implicated in the false debt claims.⁴ Ella Ekogha cited officials from the budget, treasury and public contracts departments as individuals who could have facilitated the fraud.⁵ As an example of the extent of fraud uncovered by the audit, Ella Ekogha described how one service provider initially claimed 800m FCFA (\$1.4m) from the government, but eventually received 8 billion FCFA (\$14.4m).⁶

Ella Ekogha subsequently revealed a number of measures that the government plans to undertake in order to prevent a repeat of such wide-scale fraud.⁷ These include the re-establishment of the **Direction Générale des Marchés Publics** (general directorate for public contracts), the **Agence Nationale d'Investigation Financière** (national agency for financial investigations) and the **Agence Nationale de Vérification d'Audit** (national audit verification agency).⁸ The **Commission Nationale**

¹ Financial Afrik, 15 Nov 2020

² Jeune Afrique, 21 Oct 2020

³ Financial Afrik, 15 Nov 2020

⁴ Financial Afrik, 15 Nov 2020

⁵ Direct Infos Gabon, 13 Nov 2020

⁶ Financial Afrik, 15 Nov 2020

⁷ Financial Afrik, 15 Nov 2020

⁸ La Libreville, 13 Nov 2020

de Lutte Contre l'Enrichissement Illicite (CNLCEI) (national commission against illicit enrichment) is likely to inherit the unverified debt dossier, as the council of ministers on 20 November adopted two draft laws granting more powers to the CNLCEI, including the authority to investigate private firms.⁹

Ella Ekogha has suggested that the audit undertaken by the presidential task force is an indication of the government's desire to foster good governance and transparency, and should be a positive sign for potential investors and Gabon's donor partners.¹⁰ Ella Ekogha said the audit and debt verification process has enabled the government to pay all debts below 70m FCFA (\$126,266), with the total operation amounting to 4 billion FCFA (\$7.2m).¹¹ The presidential task force intervention will provide Gabon with significant debt relief; it settled 197.3 billion FCFA (\$355.7m) in domestic debt during the first half of 2020, a 67.2% increase compared to 2019 (see *ARC Briefing Gabon October 2020*).¹²

Despite Ella Ekogha's optimism, Gabon clearly needs to review its public contracts and public procurement processes.¹³ Local media reports suggest that most of the contracts in question were concluded by mutual agreement or what is known locally as "*gré à gré*", in contravention of the **Code des Marchés** (public procurement framework).

... as Goldman Sachs sounds alarm for potential Gabon debt default

United States (US)-based financial services company **Goldman Sachs** claims that Gabon has a high probability of defaulting on its external debt obligations and could experience prolonged debt distress as a result of its high debt ratio, which the **Covid-19** pandemic has exacerbated.¹⁴ Despite previous assurances provided by Gabon's finance ministry, Goldman Sachs' warning follows similar declarations made by US-based credit ratings agencies **Fitch Ratings** and **Moody's** in relation to the country's debt.

Goldman Sachs reported on 27 October that the probability of Gabon's sovereign default has increased as a result of debt contracted to finance the country's Covid-19 response plan.¹⁵ Gabon has borrowed 400 billion FCFA (\$724.8m) from bilateral and multilateral partners to address the health pandemic.¹⁶ Goldman Sachs noted that the continuing oil price crisis has created a scenario in which Gabon could experience economic distress, high credit risk and external debt default.¹⁷ Goldman Sachs added that Gabon's debt to gross domestic product (GDP) ratio is set to increase to 75% in 2020 and 2021.¹⁸ The **Comité National Economique et Financier (CNEF)** (national economic and financial committee) reported that, at the end of March, Gabon's debt stood at 5,400 billion FCFA (\$9.7 billion), putting its debt to gross domestic product (GDP) ratio at 54% (see *ARC Briefing Gabon August 2020*).¹⁹ However, the **Direction Générale de l'Economie et Politique Fiscale (DGEPF)** (director general of economic and tax policy) reported that, at the end of June, Gabon's public debt had increased to 5,700 billion FCFA (\$10.3 billion).²⁰ Economy and recovery minister **Jean-Marie Ogodaga**²¹ and prime minister **Rose Christiane Ossouka Raponda** have downplayed the debt situation, with the latter declaring in September that "*all countries need to contract debt in order to foster development*" (see *ARC Briefing Gabon September 2020*).²²

⁹ Gabon Review, 23 Nov 2020

¹⁰ La Libreville, 13 Nov 2020

¹¹ La Libreville, 13 Nov 2020

¹² Direct Infos Gabon, 14 Oct 2020

¹³ La Libreville, 13 Nov 2020

¹⁴ Reuters, 27 Oct 2020

¹⁵ Reuters, 27 Oct 2020

¹⁶ Direct Infos Gabon, 17 Nov 2020

¹⁷ Reuters, 27 Oct 2020

¹⁸ Reuters, 27 Oct 2020

¹⁹ Direct Infos Gabon, 28 Jul 2020

²⁰ Direct Infos Gabon, 17 Nov 2020

²¹ Direct Infos Gabon, 28 Jul 2020

²² TV5, 9 Sep 2020

Private and multilateral stakeholders share a less optimistic view of Gabon's current debt situation. In April, Fitch downgraded Gabon from B to CCC on the basis of its debt accumulation (*see ARC Briefing Gabon April 2020*).²³ In its 30 June report on Gabon, Fitch said the country risked a medium-term downgrade to a CCC credit rating, due to its status as an oil producer, as the continuing oil price crisis could lead to higher budget deficits and public debt.²⁴ In July, following its periodic review of Gabon, Moody's gave Gabon a Caa3 rating for its institutional strength, which Moody's said is characterised by bad governance, poor budgeting and liquidity management, particularly with respect to payment of credit arrears.²⁵ Moody's gave Gabon a B2 rating for its fiscal solidity, saying the country is set to experience a weaker balance sheet due to the oil price crisis. Moody's said it would not downgrade Gabon's credit from its Caa1 rating, and encouraged the government to continue efforts to restore the public finance balance and debt servicing (*see ARC Briefing Gabon July 2020*).²⁶

The **International Monetary Fund (IMF)** forecasts Gabon's public debt will exceed the high-risk benchmark of 70% for **Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)** (economic and monetary community of **Central Africa**) member states and reach 74.7% of GDP in the 2020/21 financial year²⁷ (*see ARC Briefing Gabon September 2020*), echoing the projections made by Goldman Sachs. The recurring theme of Gabon's debt situation is poor governance and fiscal management. Despite Gabon's adherence to the IMF's **Extended Credit Facility (ECF)** economic reform programme in June 2017, which saw the IMF allocate \$642m in budget support until 2019, Gabon still finds itself in a precarious debt management situation. IMF Gabon representative **Marcos Ribeiro**, during a meeting with budget minister **Sostehne Ossougou Ndibangoye**, suggested that Gabon may be compelled to adopt another IMF support programme, if its debt trajectory continues.²⁸

Gabon tables budget for 2021

Economy and recovery minister Jean-Marie Ogandaga and budget minister Sostehne Ossougou Ndibangoye on 27 October presented Gabon's draft finance law for 2021, which will see a reduction of the budget from 3,047.1 billion FCFA (\$5.5 billion) in 2020 to 2,681.5 billion FCFA (\$4.86 billion) for 2021.²⁹ The finance law forecasts 2.6% economic growth in 2021, an improvement from the 1.7% contraction experienced in 2020.³⁰ While the investment budget has increased significantly, there are doubts that Gabon will be able to mobilise the necessary financial resources to undertake the obligations stipulated in the 2021 draft budget, given the on-going oil crisis and Gabon's spiraling debt (*see above*).³¹

The 2021 budget allocates 483.4 billion FCFA (\$877.3m) towards public investment, a 27% increase compared to the 2020 figure of 380 billion FCFA (\$689.6m),³² and underlines the government's aim to use the 2021 budget to accelerate Gabon's economic recovery.³³ The draft law provides for 232.7 billion FCFA (\$422.3m) of the investment budget to come from external funders, while 231.6 billion (\$420.3m) will be obtained from Gabon's own resources.³⁴ Public-private partnership (PPP) funds to finance the investment budget will drop from 30 billion FCFA (\$54.4m) in 2020 to 2 billion FCFA (\$3.6m).³⁵ The draft law suggests that both the investment budget and PPP funds will finance large-

²³ Gabon Review, 5 Apr 2020

²⁴ Gabon Review, 3 Jul 2020

²⁵ Gabon Review, 6 Jul 2020

²⁶ Gabon Review, 6 Jul 2020

²⁷ Gabon Review, 31 Aug 2020

²⁸ Gabon Media Time, 18 Nov 2020

²⁹ La Libreville, 27 Oct 2020

³⁰ Direct Infos Gabon, 18 Nov 2020

³¹ Jeune Afrique, 23 Oct 2020

³² Agence Ecofin, 3 Nov 2020

³³ Agence Ecofin, 3 Nov 2020

³⁴ Agence Ecofin, 3 Nov 2020

³⁵ Agence Ecofin, 3 Nov 2020

scale projects including the construction of the **Transgabonaise** highway and **Projet Graines**, which aims to boost agricultural production at the **Gabon Special Economic Zone** at **Nkok**.³⁶

Gabon-based economist **Mays Mouissi** claims the government will find it difficult to adhere to the obligations it has set out in the budget, due to lower financial resources.³⁷ **Université d'Omar Bongo** economics lecturer **Jean Louis Nkoulou** says the government's reliance on PPPs to carry out development projects is not advantageous to local firms, but instead benefits foreign companies.³⁸ **Conseil Gabonais du Patronat (CGP)** (Gabonese entrepreneurs' council) president **Francis Evouna** agrees that the 2021 budget will not help SMEs.³⁹

The 2021 budget aims to increase tax revenue collection, with government planning to raise 1,961.3 billion FCFA (\$3.5 billion) in budgetary revenue, a 3,96.3 billion FCFA (\$715.7m) or 25% increase compared to the 2020 figure of 1,565 billion FCFA (\$2.8 billion) through taxes.⁴⁰ The non-petroleum sector is expected to grow by 2.8% in 2021, while the petroleum sector is predicted to enjoy 1.4% growth.⁴¹

Gabon's 2021 budget aims to focus on boosting economic activity and growth through an increased public investment budget. However, the IMF⁴² and the **United Nations Development Programme (UNDP)**⁴³ have on separate occasions highlighted the past ineffectiveness of public investment budgetary allocations, especially from 2010 to 2019. Poor planning in public investment allocation and execution have seen poor results in Gabon's previous two economic recovery plans, the **Plan Stratégique Gabon Emergent (PSGE)** (strategic emergence plan) and the **Plan de Relance Economique (PRE)** (economic recovery plan), despite support for the latter from the IMF, **African Development Bank (AfDB)** and **World Bank**.⁴⁴

Total set to maintain Gabon operations

Total Gabon chairman **Nicolas Terraz** affirmed on 12 November that **France**-based **Total SA** will not cease activities in Gabon, following rumours of the company's departure.⁴⁵ Terraz, who is also Total's director of exploration and production for Africa, made the announcement during a meeting with petroleum, gas and mines minister **Vincent de Paul Massasa**.⁴⁶ Terraz indicated that Total had sold its seven maturing offshore oil fields, as well as its interests and role as main operator of the **Cap Lopez (Port Gentil)** oil terminal, to **Anglo-French** independent petroleum firm **Perenco** in July (see *ARC Briefing Gabon August 2020*),⁴⁷ in order to make the assets economically viable over the long-term. Terraz said Total Gabon plans to continue to operate the **Arguille** and **Torpille** oil fields and aims to contribute positively to Gabon's economic development.⁴⁸

Despite Total's assurances of continued involvement in Gabon's hydrocarbons sector, Gabon is clearly no longer a priority market in **Africa** for the company.⁴⁹ Total's role in Gabon's hydrocarbons sector has dropped significantly in the past years. In the wake of the 2014-2016 oil price crisis, Total sold its assets to Perenco in 2018 and 2020.⁵⁰ As of January, Perenco was Gabon's largest petroleum producer, averaging output of 50,000 barrels per day (b/pd), followed by **United Kingdom**-based

³⁶ Jeune Afrique, 23 Oct 2020

³⁷ Jeune Afrique, 23 Oct 2020

³⁸ Jeune Afrique, 23 Oct 2020

³⁹ Jeune Afrique, 23 Oct 2020

⁴⁰ Direct Infos Gabon, 18 Nov 2020

⁴¹ Direct Infos Gabon, 18 Nov 2020

⁴² Agence Ecofin, 3 Nov 2020

⁴³ Gabon Media Time, 13 Nov 2020

⁴⁴ Gabon Media Time, 18 Nov 2020

⁴⁵ Direct Infos Gabon, 16 Nov 2020

⁴⁶ Direct Infos Gabon, 16 Nov 2020

⁴⁷ Energy Voice, 30 Jul 2020

⁴⁸ Direct Infos Gabon, 16 Nov 2020

⁴⁹ Source, Gabon analyst

⁵⁰ Jeune Afrique, 28 Oct 2020

Assala Energy at 40,000 b/pd, and **Addax Petroleum**, a branch of **China**-based **Sinopec**, rounding off the top three at 25,000 b/pd.⁵¹ Total's current production in Gabon stands at 20,000 b/pd, making Gabon its sixth largest market in Africa, after **Nigeria**, **Angola**, **Congo-Brazzaville**, **Libya** and **Algeria**.⁵² Total's operations in Gabon may become less important for the oil major, as it allocates more resources towards the discovery of new oil fields in **Angola**, **Namibia** and **South Africa**.⁵³

Planner

2020 **(Gabon)** Deadline for tender submissions for 12th round of petroleum licences, scheduled for April, new date TBA

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

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

Chronology

24 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The **Organized Crime and Corruption Reporting Project** publishes a report indicating that the **Bongo Ondimba** family owns several properties in the **United States**;

24 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. President **Ali Bongo Ondimba**'s younger brother, **Alex Bernard Bongo Ondimba** is removed as director general of the **Agence Nationale des Infrastructures Numériques et des Fréquences (ANINM)** (national agency for digital infrastructure and frequencies);

18 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. According to the 2021 draft finance bill, the government plans to raise 1,961.3 billion FCFA (\$3.5 billion) in budgetary revenue, a 3,96.3 billion FCFA (\$715.7m) or 25% increase compared to the 2020 figure of 1,565 billion FCFA (\$2.8 billion);

17 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. According to the 2021 draft finance bill, Gabon is projected to generate 2.1% economic growth in 2021;

17 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The 2021 draft finance bill predicts that Gabon's manganese production will reach 9.68 million tonnes in 2021, a 9.8% increase compared to 2020;

13 Nov 2020 **Libreville (Gabon)** *Gabon Review*. Presidential spokesperson **Jessye Ella Ekogha** says civil servants implicated in the "false debt" scandal will be arrested;

13 Nov 2020 **Libreville (Gabon)** *Gabon Media Time*. **Nicolas Terraz**, board chairman of **Total Gabon**, subsidiary of **France**-based Total, refutes rumours that Total intends to stop operations in Gabon;

13 Nov 2020 **Libreville (Gabon)** *Gabon Media Time*. The presidential audit task force has uncovered a total of 440 billion FCFA (\$795.2m) in "false debt", which was supposed to be paid to local service providers, since its creation in June;

12 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. President **Ali Bongo Ondimba** commissions the largest pharmaceutical production factory in the **Communauté Economique Monétaire de l'Afrique Centrale (CEMAC)** (economic and monetary community of central African states) built by **India**-based **La Santé Pharmaceutique (LSP)** and located at the **Gabon Special Economic Zone (GSEZ)** at **Nkok**;

10 Nov 2020 **Libreville (Gabon)** *Gabon Review*. **United States**-based **Vaalco Energy** records net income of \$7.6m (4.2 billion CFA francs) during the third quarter 2020 compared to \$3.9m for the same period in 2019;

⁵¹ Jeune Afrique, 28 Oct 2020

⁵² Jeune Afrique, 28 Oct 2020

⁵³ Jeune Afrique, 28 Oct 2020

5 Nov 2020 **Libreville (Gabon)** *Gabon Review*. Agriculture minister **Biendi Maganga Moussavou** estimates that the government will save 225 billion FCFA (\$405.6m) per year if it reduces agriculture imports by 50% from 2022;

4 Nov 2020 **Libreville (Gabon)** *Gabon Review*. State-owned utilities firm **Société d'Énergie et d'Eau du Gabon (SEEG)** will invest 8 billion FCFA (\$14.4m) to reinforce its operations in **Ngounié** province;

3 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The **Direction Générale de l'Économie et de la Politique Fiscale (DGEPPF)** (general directorate of economy and fiscal policy) says turnover in the trade sector increased by 2.5% to 1,066.4 billion FCFA (\$1.9 billion) in 2019, while investments reduced by 17.3%;

3 Nov 2020 **Libreville (Gabon)** *Direct Infos Gabon*. State-owned utilities firm **Société d'Énergie et d'Eau du Gabon (SEEG)** launches the 7 billion FCFA (\$12.6m) rehabilitation of the **Bongolo** hydroelectric power station;

30 Oct 2020 **Libreville (Gabon)** *Gabon Review*. Agriculture minister **Biendi Maganga Moussavou** says Gabon intends to reduce its agriculture imports by 50% by 2022;

27 Oct 2020 **Libreville (Gabon)** *Gabon Review*. **Gabon**-based **Asohna Énergie** and **China**-based **Sinohydro** sign a supply and construction engineering contract (EPC) for the construction of the 80 billion FCFA (\$143.1m) **Kinguélé Aval** hydroelectric dam, which will produce 57.9 MW;

27 Oct 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The **African Development Bank (AfDB)** will invest 132 billion FCFA (\$236.2m) in two water and education projects, notably the construction of 17 high schools and professional training centres as well as the extension of the water supply network in Libreville;

27 Oct 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Presidential spokesperson **Jessye Ella Ekogha** says the presidential task force undertaking an audit on internal debt reports that 370 billion FCFA (\$662.2m) of the 559 billion FCFA (\$1 billion) amount audited is fictitious debt;

23 Oct 2020 **Libreville (Gabon)** *Gabon Review*. **France**-based hydrocarbons firm **Maurel & Prom** generates \$212m turnover from January-September 2020, a 43% increase compared to the same period in 2019;

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