

AFRICA RISK CONSULTING

Gabon Monthly Briefing February 2020

Gabon Summary 18 February 2020

*Gabonese intelligence bodies, the **Direction Générale de la Contre-Ingérence et de la Sécurité Militaire** (“B2”) (directorate general for counter interference and military security) and **Direction Générale des Recherches (DGR)**, continue to carry out arrests under the second phase of the government’s anti-corruption campaign, “**Operation Scorpion**”. Gabon signs three exploration and production sharing contracts (CEPPs) with Anglo-French independent oil company Perenco. Perenco will exploit the Ezila G4-260, Onembe G4-261 and Evaro G4-262 offshore oil fields for eight years and invest \$90m. Gabon raises \$1.75 billion on international financial markets through a \$1 billion Eurobond issue and repurchase of a previously issued debt. Gabon improves marginally from 124 out of 180 countries to 123 out of 180 countries in Germany-based NGO Transparency International’s 2019 Corruption Perceptions Index (CPI), its first improvement since 2016.*

Arrests continue under Operation Scorpion

Gabonese intelligence bodies, namely the **Direction Générale de la Contre-Ingérence et de la Sécurité Militaire** (known locally as **B2**) (directorate general for counter interference and military security) and **Direction Générale des Recherches (DGR)**, continue to carry out arrests under the second phase of the government’s anti-corruption campaign, “**Operation Scorpion**”. The fight against corruption is a welcome initiative, as Gabon has seen an increase in corruption over the years (see below); however, the initiative may be tainted by accusations that the campaign is meant to eliminate President **Ali Bongo Ondimba**’s (2009-present) political rivals.

Bruno Minko-mi-Ngwa, former director general of public transport company **Société Gabonaise de Transport (Sogara)**, was placed in provisional detention on 13 February following the issue of an arrest warrant.¹ Minko-mi-Ngwa was removed from his position on 31 January following a cabinet meeting.² Gabonese daily **L’Union** subsequently revealed that Minko-mi-Ngwa would be charged with crimes related to public embezzlement of seven months of salary arrears that the national treasury had allocated for Sogara employees.³ Minko-mi-Ngwa was at the helm of Sogara from March 2019 until January 2020, and claims he reduced the company’s debt from 26.5 billion FCFA (\$43.7m) when he took up his position as director general, to 7.5 billion FCFA (\$12.3m) by the time he was fired.⁴ However, during his term of office, Sogara experienced non-payment of salaries, employee strikes, a reduced transport fleet and support of an annual state subsidy of 4 billion FCFA (\$6.6m).⁵

The B2 arrested **Sonia Minko**, partner of former presidential chief of cabinet **Brice Laccruche Alihanga**, on 27 January.⁶ Minko allegedly has information regarding the financial transactions that Laccruche Alihanga carried out and which led to his arrest in November on various charges of embezzlement of public funds (see *ARC Briefing Gabon December 2019*).⁷ An international arrest

¹ Gabon Review, 13 Feb 2020

² Gabon Review, 13 Feb 2020

³ Direct Infos Gabon, 16 Feb 2020

⁴ Gabon Review, 13 Feb 2020

⁵ Gabon Review, 13 Feb 2020

⁶ Gabon Review, 30 Jan 2020

⁷ Gabon Review, 30 Jan 2020

warrant was issued for Minko's elder brother, **Raphael Nze Minko**, in January, after two safes containing 350m FCFA (\$588,383) were discovered at Minko's residence during a search on 6 December (see *ARC Briefing Gabon January 2020*).⁸ Laccruche Alihanga's lawyer, **Anges Kevin Nzigou**, has refuted the claims against his client's partner, calling them an "escalation of the violation of her rights".⁹

From all indications, the anti-corruption drive that was initiated in November and which has led to the arrest of more than 30 high-ranking officials, will not end soon, although the number of high-profile arrests has significantly reduced compared to those made during November and December (see *ARC Briefing Gabon November and December 2019*). As most of those arrested were allies of Laccruche Alihanga, there have been accusations that the arrests have been politically motivated. However, the presidency has denied Operation Scorpion is a political witch-hunt.¹⁰ Nonetheless, Laccruche Alihanga and his brother, **Gregory Laccruche Alihanga**, who is also imprisoned, have lodged a complaint in **France** that they have been arbitrarily detained and their rights are being violated as a result.¹¹ The Laccruche Alihangas were born in France and possess French nationality, and argue that for these reasons, they should be judged under the French penal code.¹² They also accuse director of presidential affairs **Noureddin Valentin Bongo**, President Bongo's son, of orchestrating Operation Scorpion.¹³

Gabon signs three exploration and sharing contracts

Gabon signed three exploration and production sharing contracts (CEPP's) with **Anglo-French** independent oil company **Perenco** on 14 February.¹⁴ This was the 12th CEPP signed since the promulgation of the new petroleum code in July 2019 and is a sign of increasing investor interest in Gabon's hydrocarbons sector, which is a pillar of the country's economy. The CEPP was signed between the Gabonese government and Perenco's subsidiary, **Perenco Exploitation Gabon SA**.¹⁵ Perenco will exploit the **Ezila G4-260**, **Onembe G4-261** and **Evaro G4-262** offshore oil fields, located off **Ogooue Maritime** in an area that spans 5,161 square kilometres.¹⁶ The ministry of petroleum, gas, hydrocarbons and mines said in terms of the CEPP the exploration period will last eight years and necessitate an investment of at least \$90m in search of hydrocarbons.¹⁷ Present at the contract signing ceremony were economy and finance minister **Jean-Marie Ogandaga** and petroleum minister **Vincent de Paul Massassa**.¹⁸ Massassa said the contract was signed after "direct consultations" with Perenco, which is a standard procedure for sites considered marginal.¹⁹

*"This event should make us more than optimistic, because the crossing of the desert has stopped since last year with the discoveries recorded in our sedimentary basin... this should reassure all other operators during this period of upgrading our basin. This revaluation also involves the sale of the 35 onshore and offshore blocks as part of the 12th tender call for tenders still in progress."*²⁰

The signing of the CEPPs with Perenco is a further indication of the revival of Gabon's hydrocarbons sector since 2019. The main reason behind increased investor confidence is the introduction of the new hydrocarbons code.²¹ The new framework eliminated corporate tax and lowered the percentage

⁸ Jeune Afrique, 6 Jan 2020

⁹ Gabon Review, 30 Jan 2020

¹⁰ Jeune Afrique, 1 Dec 2019

¹¹ Jeune Afrique, 22 Jan 2020

¹² Jeune Afrique, 22 Jan 2020

¹³ Jeune Afrique, 22 Jan 2020

¹⁴ Jeune Afrique, 17 Feb 2020

¹⁵ Gabon Review, 16 Feb 2020

¹⁶ Jeune Afrique, 17 Feb 2020

¹⁷ Jeune Afrique, 17 Feb 2020

¹⁸ Gabon Review, 16 Feb 2020

¹⁹ Jeune Afrique, 17 Feb 2020

²⁰ Petroleum minister Vincent de Paul Massassa quoted in Gabon Review, 16 Feb 2020

²¹ Jeune Afrique, 17 Feb 2020

of the proportional mining royalties, which is the government's share of oil exploration revenue.²² Massassa noted that the new hydrocarbons code is very attractive because of lower taxes.²³ No exploitation contracts were signed under the old framework that was adopted in 2014.

Gabon's economy depends significantly on its oil sector, as it contributes to 50% of gross domestic product (GDP).²⁴ However the fall in global oil prices from 2014 led to an economic recession that resulted in Gabon's adoption of a three-year \$642m **International Monetary Fund (IMF)**-administered economic reform programme in July 2017.²⁵ The oil sector saw reduced activity as a result and longstanding players in the Gabonese hydrocarbons industry such as France-based **Total** and **Anglo-Dutch** consortium **Royal Dutch Shell** sold off some of their Gabonese assets as a result.²⁶ Nonetheless, the **Direction Générale des Hydrocarbures (DGH)** (general directorate of hydrocarbons) reported that petroleum production increased by 11% from 2018-2019.²⁷ With the increasing interest and the sale of petroleum blocks, Gabon intends to increase oil production to 300,000 barrels per day (bpd) by 2021, compared to 194,000 bpd in 2018.²⁸

Gabon raises \$1.75 billion on international markets

Gabon successfully raised \$1.75 billion on international financial markets through the issue of a \$1 billion **Eurobond** and repurchase of a previously issued debt on 3 February.²⁹ The Gabonese government said the operation was a success and is indicative of the improving state of Gabon's economy and its attractiveness to foreign investors, while local economists believe it will only increase public debt.

The Eurobond issue was the first organised by an **African** country in 2020 and saw investors offer \$3.5 billion, of which \$1 billion was retained, with a maturity rate of 10 years and interest rate of 6.625%.³⁰ In addition, Gabon was able to repurchase \$750m of debt from a \$1.5 billion Eurobond that it launched in December 2013.³¹ The bond, which was set to mature in 2024, following the expiry of a 10-year maturity (2014-2024) and with an interest rate of 6.375%, was obtained in order to finance projects under the **Plan Stratégique Gabon Emergent (PSGE)**.³² The government expressed its satisfaction with the procedure by noting it was a sign that Gabon was an attractive credit risk environment for international investors.³³

Although the government did not outline what it would use the money for, it mentioned that funds raised would work positively towards supporting government efforts to diversify the economy, which is dominated by petroleum and manganese production, and build economic resilience.³⁴ The government said the successful financial operation indicates that the reforms undertaken by Gabon under the **International Monetary Fund (IMF)** economic recovery programme have been successful.³⁵

*"The success of this operation is appreciable in view of the impact on the markets of the coronavirus epidemic as well as the negative appreciation of the Gabonese economy by **United States-based ratings agency Moody's**."*³⁶

²² Jeune Afrique, 17 Feb 2020

²³ Jeune Afrique, 17 Feb 2020

²⁴ Jeune Afrique, 17 Feb 2020

²⁵ Jeune Afrique, 17 Feb 2020

²⁶ Jeune Afrique, 20 Dec 2019

²⁷ Jeune Afrique, 17 Feb 2020

²⁸ Jeune Afrique, 20 Dec 2019

²⁹ Jeune Afrique, 4 Feb 2020

³⁰ Bloomberg, 14 Feb 2020

³¹ Jeune Afrique, 4 Feb 2020

³² Jeune Afrique, 4 Feb 2020

³³ Direct Infos Gabon, 4 Feb 2020

³⁴ Direct Infos Gabon, 4 Feb 2020

³⁵ Gabon Review, 4 Feb 2020

³⁶ Jeune Afrique, 4 Feb 2020

Despite the government's optimism, there has been criticism about the overall impact of the secured funding. Gabon-based economist **Mays Mouissi** called on the government to pay more attention to controlling the indebtedness of the country and making good use of the money.³⁷ Mouissi suggested that utilising the money from the current bond issue to repay the debt incurred from the 2013 bond will only increase the burden of debt repayment on future generations.³⁸ **Jean Valentin Leyama**, a Gabon-based economist and former chief of cabinet for President Bongo, questioned the impact of the 2013 Eurobond, as few projects outlined in the PSGE were actually completed. Leyama also questioned why the \$1 billion Eurobond was obtained at a more expensive rate, and said it will significantly raise Gabon's debt stock.³⁹ Gabon's public debt currently stands at 5,532 billion FCFA (\$9.1 billion),⁴⁰ 62.2% of the gross domestic product (GDP), according to the **African Development Bank (AfDB)**.⁴¹

Despite the criticism, economy and finance minister Jean-Marie Ogandaga believes Gabon's economy is doing well and could attain 5% economic growth in 2020, if global economic conditions remain stable despite the coronavirus scare.⁴² Ogandaga also expressed the government's intention to launch another Eurobond issue.⁴³

Gabon improves one position in 2019 Corruption Perceptions Index

Gabon improved from 124 out of 180 countries to 123 out of 180 countries in **Germany**-based NGO **Transparency International's 2019 Corruption Perceptions Index (CPI)**. This is the first improvement Gabon has made since the 2016 ranking and is a positive sign for the government, which has recently taken steps to tackle high-profile cases of corruption (see above). The CPI is an annual barometer designed to give a sense of public sector corruption and rates countries on a scale of zero (highly corrupt) to 100 (very clean). Gabon maintained its 2018 points total of 31 out of 100. This is short of its high mark of 37 out of 100, which it attained in 2014 (see *ARC Briefing Gabon February 2019*).

	2019 TI CPI Rankings for Gabon ⁴⁴					
	2019	2018	2017	2016	2015	2014
Ranking	123/180	124/180	117/180	101/176	98/168	94/175
Score (out of 100)	31	31	32	35	34	37

Gabon launched its "**Operation Mamba**" campaign in 2017 to address corruption.⁴⁵ Through "Operation Mamba", the government has arrested high-ranking officials such as former petroleum minister **Etienne Ngoubou** and former public works minister **Magloire Ngambia** on charges of committing corrupt acts.⁴⁶ The government also created the **Commission Nationale de Lutte Contre l'Enrichissement Illicite (CNLCEI)** (national commission against undue enrichment) to address corruption.⁴⁷ In May, Gabon was rocked by the **Kezavingogate** saga, which led to the dismissal of vice-president **Pierre Claver Moussavou** in relation to the disappearance of 335 containers of precious hardwood worth \$250m (see *ARC Gabon Briefing May 2019*). The second phase of Gabon's anti-corruption drive, dubbed "Operation Scorpion", was launched in November and has seen the

³⁷ Gabon Media Time, 7 Feb 2020

³⁸ Gabon Media Time, 7 Feb 2020

³⁹ Gabon Media Time, 7 Feb 2020

⁴⁰ Jeune Afrique, 4 Feb 2020

⁴¹ African Economic Outlook, 30 Jan 2020

⁴² Bloomberg, 14 Feb 2020

⁴³ Bloomberg, 14 Feb 2020

⁴⁴ www.transparency.org

⁴⁵ Direct Infos Gabon, 30 Jan 2019

⁴⁶ Jeune Afrique, 19 Mar 2018

⁴⁷ Direct Infos Gabon, 30 Jan 2019

arrest of more than 30 high-profile government officials (see *ARC Briefing Gabon November-December 2019 and January 2020*). Despite its marginal gains, Gabon still remains the best CPI performer in the **Communauté économique et Monétaire de l'Afrique Centrale (CEMAC)** (economic and monetary union of **Central Africa**), a situation it has maintained since 2012.⁴⁸ This scenario as well as increased efforts to deal with corruption could boost investor confidence and attract more investors to Gabon.

TI CPI Rankings 2019: Regional comparison (CEMAC)					
	Gabon	Cameroon	Central African Republic	Congo Republic	DRC
Ranking	123/180	153/180	153/180	165/180	168/180
Score	31	25	25	19	18

Planner

30 Apr 2020 **(Gabon)** Deadline for tender submissions for 12th round of petroleum licences
 Late 2020/early 2021 **(Gabon)** Senate elections
 2023 **(Gabon)** Local and national assembly elections

Chronology

16 Feb 2020 **Libreville (Gabon)** *Gabon Review*. Gabon has signed three exploration and production sharing contracts (CEPPs) with **Anglo-French** independent oil company **Perenco**;

16 Feb 2020 **Libreville (Gabon)** *Gabon Review*. **France**-based **Total** announces it generated a turnover of \$808m in 2019, for its Gabon operations, an 11% drop from 2018;

13 Feb 2020 **Libreville (Gabon)** *Gabon Review*. Former director general of public transport company **Société Gabonaise de Transport (Sogatra)** **Bruno Minko-mi-Ngwa** is placed in preventive detention on charges of embezzlement of public funds;

12 Feb 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Gabon falls from 26th to 33rd place in **South Africa**-based **Rand Merchant Bank Global** “*Where to invest in Africa in 2020*” report;

10 Feb 2020 **Libreville (Gabon)** *Agence Ecofin*. Gabonese government announces it will not allow any persons travelling from **China** onto national territory in light of the on-going coronavirus crisis;

7 Feb 2020 **Libreville (Gabon)** *Gabon Review*. **France**-based oil firm **Manuel & Prom** reports it posted revenue of \$504m in 2019, an increase of 14% compared to 2018;

4 Feb 2020 **Libreville (Gabon)** *Jeune Afrique*. Gabon raises \$1.75 billion from international financial markets;

3 Feb 2020 **Libreville (Gabon)** *Gabon Review*. Ruling **Parti Démocratique Gabonais (PDG)** secretary general **Eric Dodo Bounguendza** states that all party members arrested in connection with **Operation Scorpion** will be dismissed from party positions;

2 Feb 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The **African Development Bank (AfDB)** will provide a 64.6 billion FCFA (\$108.8m) loan to the Gabonese government to support agricultural development through the AfDB’s **Seed Project** programme;

⁴⁸ Corruption Perceptions Index, 23 Jan 20202

2 Feb 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Singapore-based agro-industrial firm **Olam** announces it has sold 10% of its shares in the **Gabon Special Economic Zone (GSEZ)** to Nigeria-based **Africa Finance Corporation (AFC)** for \$59m;

2 Feb 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Forestry and environment minister **Lee White** declares his intention for the timber sector to employ 50,000 people by 2025;

30 Jan 2020 **Libreville (Gabon)** *Gabon Review*. **Sonia Minko**, the partner of imprisoned former minister and presidential chief of cabinet **Brice Laccruche Alihanga**, is arrested in line with accusations of corruption related to the on-going **Operation Scorpion** anti-corruption campaign;

22 Jan 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Twenty-five Gabonese trade unions begin a strike in opposition to the newly proposed **Code du Travail** (labour code);

21 Jan 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Imprisoned former director of cabinet **Brice Laccruche Alihanga** has lodged a complaint in **France**, accusing the Gabonese government of arbitrarily detaining him;

16 Jan 2020 **Libreville (Gabon)** *Gabon Review*. **Angola's** President **Joao Lourenco** undertakes a state visit to Gabon;

About Africa Risk Consulting:

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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