

AFRICA RISK CONSULTING

Gabon Monthly Briefing April 2020

Gabon Summary 17 April 2020

Gabon institutes a general lockdown of the capital, Libreville, and orders mass testing as a way to curb the spread and monitor the evolution of the Covid-19 outbreak. President Ali Bongo Ondimba (2009-present) announces the creation of a 250 billion FCFA (\$414.3m) financial assistance package, which aims to mitigate the socio-economic challenges that have emerged as a result of the pandemic. Despite confirmation of Covid-19 cases in Gabon and the resultant slowdown of economic activity, prominent actors in the extractives sectors, including France-based metallurgical firm Eramet, United States-based oil junior Vaalco Energy, and United Kingdom-based oil company Assala Energy, have continued operations in Gabon.

Gabon adopts further measures to curb Covid-19

Gabon has undertaken a host of measures to prevent the spread of the **Covid-19** pandemic since the confirmation of its first case on 12 March.¹ At time of writing, Gabon had registered 108 cases, seven recoveries and one death.² A general lockdown of the capital, **Libreville**, and the introduction of mass testing aim to curb the spread of the disease and allow Gabonese authorities to more accurately assess the number of confirmed cases in the country.

In a nationally televised address on 3 April, President **Ali Bongo Ondimba** (2009-present) outlined the health-related measures the government is implementing in order to mitigate the effects of the COVID-19 outbreak.³ Bongo announced the imminent creation of 60 Covid-19 testing centres across Gabon as well as free screening of individuals for the Covid-19 virus.⁴ Bongo noted that this directive was taken in line with recommendations made by the **World Health Organisation (WHO)** and encouraged Gabonese citizens and residents to be tested for their safety and that of their families.⁵

Bongo announced on 4 April that **Grand Libreville** would be placed under general lockdown.⁶ The **Cour Constitutionnelle** (constitutional court) on 7 April authorised President Bongo to declare a national state of emergency in accordance with Article 25 of the constitution.⁷ The **Senate** approved the measure on 8 April.⁸ Prime minister **Julien Nkoghe Bekale** said a 15-day lockdown of Grand Libreville would take effect from 12 April and could be renewed if circumstances required.⁹ The provisions of the lockdown include the prohibition of traffic circulation in Libreville and in the communes of **Akanda, Ntoum, Owendo** and **Pointe Denis** without special authorisation.¹⁰ Food markets may only open on Tuesdays, Thursdays and Saturdays.¹¹ Earlier in April, Libreville had

¹ Gabon Review, 12 Mar 2020

² Gabon Review, 18 Apr 2020

³ Direct Infos Gabon, 4 Apr 2020

⁴ Direct Infos Gabon, 4 Apr 2020

⁵ Direct Infos Gabon, 4 Apr 2020

⁶ Direct Infos Gabon, 4 Apr 2020

⁷ Gabon Review, 7 Apr 2020

⁸ Gabon Review, 8 Apr 2020

⁹ Direct Infos Gabon, 10 Apr 2020

¹⁰ Direct Infos Gabon, 10 Apr 2020

¹¹ Direct Infos Gabon, 10 Apr 2020

regulated market trading hours from 6 am to 3pm.¹² Nkoghe Bekale said the police and defence forces would strictly enforce the new restrictions.¹³ The prime minister warned that those who violate restrictions risked arrest and imprisonment of up to 10 years and a 5m FCFA (\$8,286) fine for “*endangering the health of others*” as prescribed by the **Code Penale**.¹⁴

Health minister **Max Limoukou** said mass testing for coronavirus would commence on 17 April.¹⁵ **Dr Guy-Patrick Obiang Ndong**, spokesperson of the **Comité du Pilotage de veille et de Riposte contre l’Epidemie (Copil)** (Covid-19-prevention steering committee), noted that Gabon has 700 hospital beds and 100 ventilators to treat critical Covid-19 cases.¹⁶ This includes three already functioning Covid-19 surveillance centres: the **Centre Hospitalier Universitaire de Libreville (CHUL)** (university teaching hospital Libreville), **Hopital d’Instruction des Armées d’Akanda (Libreville)** (Akanda military hospital) and the **Centre International des Recherches Medicales de Franceville (CIRMF)** (Franceville international medical research centre).¹⁷

Bongo launches assistance plan amidst looming recession

President Ali Bongo Ondimba announced on 3 April the creation of a 250 billion FCFA (\$414.3m) financial assistance package, which aims to mitigate the socio-economic challenges resulting from the Covid-19 outbreak.¹⁸ Bongo proposed a host of measures to assist businesses during this period of uncertainty, including:

- a moratorium on the maturity of bank debt repayments without penalties for businesses that have ceased activity or face difficulties in continuing operations;
- Tax rebates for corporate citizens who do not retrench employees;
- Support for small companies and personal service businesses, and the reduction of business licences and withholding tax by 50%.¹⁹

An emergency financing window of 225 billion FCFA (\$372.9m) to cater to the immediate cash needs of businesses is also part of Bongo’s plan.²⁰ Employees placed in temporary unemployment will receive an allowance equivalent to 50-70% of their gross income.²¹ The government will pay in full the salaries of individuals earning from 80,000 FCFA (\$132) to 150,000 FCFA (\$248) per month.²² The government has also set aside 6 billion FCFA (\$9.9m) for the monthly payment of electricity and water bills.²³ Roughly 248,000 households will receive 20,000 FCFA (\$33) monthly for electricity bills, while 150,000 households will be allocated 15,000 FCFA (\$24) per month for water utility payments.²⁴ Rent payment is suspended for two months, and landlords are requested not to demand payment from households with no income.²⁵ The government earmarked 2.5 billion (\$4.1m) to cover monthly rent equal to or below 250,000 FCFA (\$414).²⁶ The economic assistance package also includes the creation of a 5 billion FCFA (\$8.2m) food bank and free land public transport for low-income earners.²⁷

¹² Gabon Review, 24 Mar 2020

¹³ Direct Infos Gabon, 10 Apr 2020

¹⁴ Direct Infos Gabon, 10 Apr 2020

¹⁵ Direct Infos Gabon, 17 Apr 2020

¹⁶ Direct Infos Gabon, 7 Apr 2020

¹⁷ Gabon Review, 4 Mar 2020

¹⁸ Gabon Review, 4 Apr 2020

¹⁹ Gabon Review, 4 Apr 2020

²⁰ Direct Infos Gabon, 4 Apr 2020

²¹ Direct Infos Gabon, 4 Apr 2020

²² Direct Infos Gabon, 4 Apr 2020

²³ Gabon Review, 4 Apr 2020

²⁴ Direct Infos Gabon, 10 Apr 2020

²⁵ Gabon Review, 4 Apr 2020

²⁶ Gabon Review, 4 Apr 2020

²⁷ Direct Infos Gabon, 4 Apr 2020

Presidency spokesperson **Jessy Ella Ekogha** assured on 6 April that all civil servants would receive their salaries despite the current situation.²⁸ In addition, the **International Monetary Fund (IMF)** on 9 April approved a \$147m (88 billion FCFA) disbursement under the **Rapid Finance Instrument (RFI)** to help Gabon meet urgent balance of payment needs stemming from the Covid-19 outbreak.²⁹

Despite the government's efforts to shield citizens from the negative socio-economic impact of the Covid-19 outbreak, Gabon faces a host of challenges. The monetary policy committees of the **Banque des Etats de l'Afrique Centrale (BEAC)** (bank of central African states) noted on 29 March that member states should expect a sharp drop in growth, rise in inflationary pressure, and a deterioration in their budgets.³⁰

United States (US)-based credit ratings agency **Fitch Ratings** downgraded Gabon's sovereign credit rating from a "B" note to "CCC" on 3 April.³¹ According to Fitch, this decision was undertaken to prevent Gabon from defaulting on its debt repayments.³² Fitch said the accumulation of external debt arrears in the past and frequent delays in securing planned multilateral financing have limited Gabon's ability to honour debt repayments.³³ The recent sharp fall in oil prices has exacerbated the situation.³⁴ Fitch also suggests that due to poor management of Gabon's public finances, the budget deficit will fall to 4.6% of the budget in 2020 compared to 2019 when Gabon registered a budget surplus of 0.2%.³⁵ Fitch predicts that the debt to gross domestic product (GDP) ratio will increase from 60% currently to 73%.³⁶

A preliminary assessment by Gabon's economy and finance ministry indicates that economic growth may drop from 2.7% to 0.3% and revenue losses are estimated at 230 billion FCFA (\$380.5m) to 645 billion FCFA (\$1.06 billion).³⁷ Gabon was set to attain growth of 3.8% in 2020, a slight improvement from the 3.4% obtained in 2019, according to the IMF.³⁸ However, the ongoing global oil price shocks are likely to make this unattainable. Gabon generates 80% of its export revenue, 45% of GDP and 60% of budgetary receipts from oil production.³⁹ For 2020, Gabon had estimated it would receive 170 billion FCFA (\$277m) in tax revenue from oil companies and 514.3 billion FCFA (\$838m) in oil revenue.⁴⁰ Prime minister Julien Nkoghe Bekale said that President Bongo had instructed the government to draw up an amended finance law for 2020 as well as an economic and social support programme that will not require borrowing.⁴¹ Gabon is likely to experience a recession that may force the government to adopt an economic reform programme from one of the **Bretton Woods** institutions, similar to the IMF programme it has been on since 2017.

Extractive sector firms continue operations despite Covid-19 uncertainty

Despite the confirmation of Covid-19 cases in Gabon and the resultant slowdown of economic activity, some of Gabon's prominent actors in the extractives sectors are carrying out operations normally. In the hydrocarbons domain, **United Kingdom-based Assala Energy** CEO **David Roux** reports the company invested 41.8 billion FCFA (\$69.2m) during the first quarter of activities in Gabon from January to March 2020. Roux adds that daily production is around 55,000 barrels per day.⁴²

²⁸ Gabon Review, 7 Apr 2020

²⁹ IMF, 9 Apr 2020

³⁰ Gabon Review, 29 Mar 2020

³¹ Gabon Review, 5 Apr 2020

³² Gabon Review, 5 Apr 2020

³³ Gabon Review, 5 Apr 2020

³⁴ Gabon Review, 5 Apr 2020

³⁵ Gabon Review, 5 Apr 2020

³⁶ Gabon Review, 5 Apr 2020

³⁷ Direct Infos Gabon, 10 Apr 2020

³⁸ Jeune Afrique, 8 Apr 2020

³⁹ Jeune Afrique, 8 Apr 2020

⁴⁰ Gabon Media Time, 11 Mar 2020

⁴¹ Direct Infos Gabon, 10 Apr 2020

⁴² Gabon Review, 31 Mar 2020

US-based oil junior **Vaalco Energy** has also confirmed positive operational results despite the Covid-19 outbreak. Vaalco CEO **Cory Bounds** stated on 13 April that production stood at 4,944 barrels per day during the first quarter, compared with a target of 4,700 b/pd. Bounds said this is a 35% increase in output compared to the fourth quarter of 2019 and that “so far activities have not been disrupted by the global Covid-19 outbreak”.⁴³ Bounds said production would continue at this pace while assuring the safety of workers.⁴⁴

In the mining sector, **France**-based metallurgical firm **Eramet** announced that its Gabonese subsidiary, **Comilog**, will continue its manganese production activities. Eramet CEO **Christel Bories** noted that the health of employees and their families is of utmost importance and that the decision may change as the situation evolves.⁴⁵ In March, Eramet described its desire – shared with President Ali Bongo Ondimba – to see Gabon become the world’s largest manganese producers (see *ARC Briefing Gabon March 2020*).⁴⁶

Planner

2020 **(Gabon)** Legislative by-elections, scheduled for April, new date TBA
 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

17 Apr 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Gabon commences mass testing for **Covid-19** cases;

14 Apr 2020 **Libreville (Gabon)** *Gabon Review*. **United States**-based **Vaalco Energy** reports that it produced 4,944 barrels per day during the first semester of activities and that the **Covid -19** pandemic has not affected its production projections;

10 Apr 2020 **Libreville (Gabon)** *Direct Infos Gabon*. A preliminary investigation by the economy and finance ministry reports that the **Covid -19** pandemic will cause real growth to drop between 2.7% and 0.3 % in 2020 and state budget revenue losses will be between 230 billion FCFA (\$380.5m) and 645 billion FCFA (\$1.06 billion);

10 Apr 2020 **Libreville (Gabon)** *Gabon Review*. The **International Monetary Fund (IMF)** provides Gabon with an 88 billion FCFA (\$147m) disbursement under the Rapid Finance Instrument (RFI) to mitigate the effects of the **Covid -19** outbreak;

10 Apr 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Prime minister **Julien Nkoghe Bekale** announces Libreville will be under renewable lockdown for 15 days from 12 April;

8 Apr 2020 **Libreville (Gabon)** *Gabon Review*. The Senate authorises President **Ali Bongo Ondimba** to declare a state of emergency in the wake of the **Covid -19** outbreak;

7 Apr 2020 **Libreville (Gabon)** *Gabon Review*. The **Cour Constitutionnelle** (constitutional court) authorises President **Ali Bongo Ondimba** to declare a national state of emergency following a submission by prime minister **Julien Nkoghe Bekale**;

7 Apr 2020 **Libreville (Gabon)** *Jeune Afrique*. The **Fonds Gabonais d’Investissements Stratégiques (FGIS)** (Gabonese strategic investment fund) has purchased **France**-based **BNP Paribas** 47.03% share in Gabonese-based financial institution **BICIG** for a reported 30 billion FCFA (\$49.7m);

⁴³ Gabon Review, 14 Apr 2020

⁴⁴ Gabon Review, 14 Apr 2020

⁴⁵ Gabon Review, 3 Apr 2020

⁴⁶ Gabon Review, 3 Apr 2020

5 Apr 2020 **Libreville (Gabon)** *Gabon Review*. **United States**-based rating agency **Fitch Ratings** downgrades Gabon's credit rating from B to CCC, on the basis it believes Gabon will face difficulties servicing its debt to liquidity pressure stemming from the recent drop in oil prices;

4 Apr 2020 **Libreville (Gabon)** *Direct Infos Gabon*. President **Ali Bongo Ondimba** announces the establishment of a 250 billion FCFA (\$414.5m) aid fund, which will support the socio-economic challenges arising from the **COVID-19** outbreak, as well as the suspension of rent payments for low income brackets, the provision of free public land transport, and the creation of a 5 billion FCFA (\$8.2m) food bank;

3 Apr 2020 **Libreville (Gabon)** *Gabon Review*. **France**-based metallurgical firm **Eramet** announces that manganese mining operations of its Gabonese subsidiary, **Comilog**, will continue despite the **Covid -19** outbreak but the company will study whether to maintain its production target of 5m tonnes for 2020;

3 Apr 2020 **Libreville (Gabon)** *Direct Infos Gabon*. **Air France** is set to repatriate 443 **French** citizens to France who were stuck in Gabon as a result of the **COVID-19** border shutdown;

31 Mar 2020 **Libreville (Gabon)** *Gabon Review*. **United Kingdom**-based oil firm **Assala Energy** reports it has invested 41.3 billion FCFA (\$70.1m) in Gabon during the first semester of activities;

26 Mar 2020 **Libreville (Gabon)** *Direct Infos Gabon*. The permanent secretariat of the **Economic and Monetary Community of Central African States (CEMAC)** has recommended that member states revise their 2020 national budgets due to the impact of the **Covid -19** pandemic;

26 Mar 2020 **Libreville (Gabon)** *Gabon Review*. **Total Gabon**, a subsidiary of **France**-based **Total**, reports net profit of \$50m in 2019 compared to \$258m in 2018, and \$808m in revenue, an 11% drop from 2018 revenue;

26 Mar 2020 **Libreville (Gabon)** *Direct Infos Gabon*. Gabon receives 1 million masks and 200,000 rapid screening kits to fight the spread of **Coronavirus**;

25 Mar 2020 **Libreville (Gabon)** *Gabon Review*. **United States**-based **Vaalco Energy** reports net income of 21.5 billion CFA francs (\$35.6m) in 2019 resulting from the production of 3,476 barrels per day in Gabon;

25 Mar 2020 **Libreville (Gabon)** *Gabon Review*. The **Bank of Central African States (BEAC)** suspends its main weekly liquidity injection operation from 26 March to 2 April as a result of the **Covid -19** pandemic;

22 Mar 2020 **Libreville (Gabon)** *Gabon Review*. **Norway**-based oil firm **BW Energy** announces it will reduce its capital expenditure for its 2020 Gabon operations by 50% from \$250m to \$125m as a result of the ongoing oil price drop and **Covid -19** pandemic;

21 Mar 2020 **Libreville (Gabon)** *Gabon Review*. President **Ali Bongo Ondimba** announces that travel throughout the national territory between 7:30 pm and 6 am is prohibited from 22 March until further notice;

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