

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing March 2019

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#### Gabon Summary 22 March 2019

*President Ali Bongo Ondimba (2009-present) makes changes at the presidency and various ministerial departments after returning to Gabon for a brief visit for the second time since suffering a stroke in October. The World Bank approves a \$200m loan to the Gabonese government, which will provide budget support and help foster inclusive growth. The council of ministers authorises the adoption of the draft bill for the new hydrocarbons code.*

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#### Bongo oversees cabinet changes in brief return to work

President **Ali Bongo Ondimba** (2009-present) attended a cabinet meeting on 26 February, his first in 2019, after returning to **Gabon** from **Morocco** for the second time since he suffered a stroke in **Saudi Arabia** in October.<sup>1</sup> Despite his return, there is still widespread uncertainty about his health and his ability to undertake presidential duties. Bongo's two-day return to Gabon may have been an attempt to counter accusations that he no longer has the capacity to continue as president. On 23 February, opposition **Union Nationale (UN)** party leader **Zacharie Myboto** had called for a vacancy of power to be declared in line with article 13 of the constitution.<sup>2</sup> Sources indicate Bongo returned to fulfil certain presidential duties that the constitution obliges him to undertake, including presiding over the council of ministers and the return of the **Cour Constitutionnelle** (constitutional court).<sup>3</sup>

President Bongo had a busy schedule during his short stay in Gabon. On 25 February he received a host of state dignitaries including constitutional court president **Marie Madeleine Mborantsuo**, **Assemblée Nationale** (national assembly) president **Faustin Boukoubi**, and **Senate** president **Lucie Milebou-Aubusson**.<sup>4</sup> The following day he attended his first cabinet meeting in 2019, which was the first coordinated by prime minister **Julien Nkoghe Bekale** since his appointment to the position in January.<sup>5</sup>

The conclusion of the cabinet meeting saw the announcement of a wave of appointments in various ministerial departments and at the presidency.<sup>6</sup> The most notable decision was the removal of **South Korea**-born **Park-Sang Chul** as head of President Bongo's personal security.<sup>7</sup> Sang Chul had been in charge of Bongo's personal security since 1984, when Bongo was a student in **France**.<sup>8</sup> Sang Chul continued to protect President Bongo alongside Moroccan bodyguards while Bongo was hospitalised in Morocco.<sup>9</sup> In another notable change, **Liban Soleman** lost his position as coordinator of the **Plan Stratégique Gabon Emergent (PSGE)** (Gabon's strategy plan).<sup>10</sup> Soleman was President Bongo's chief of cabinet during his first presidential mandate and head of the PSGE since 2016.<sup>11</sup> Soleman is

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<sup>1</sup> Jeune Afrique, 27 Feb 2019

<sup>2</sup> Gabon Review, 23 Feb 2019

<sup>3</sup> Gabon Review, 25 Feb 2019

<sup>4</sup> RFI, 25 Feb 2019

<sup>5</sup> Jeune Afrique, 27 Feb 2019

<sup>6</sup> Jeune Afrique, 27 Feb 2019

<sup>7</sup> Jeune Afrique, 27 Feb 2019

<sup>8</sup> Jeune Afrique, 27 Feb 2019

<sup>9</sup> Jeune Afrique, 27 Feb 2019

<sup>10</sup> Jeune Afrique, 27 Feb 2019

<sup>11</sup> Jeune Afrique, 27 Feb 2019

slated to become Gabon's ambassador to Saudi Arabia. The head of presidential travel, **Steed Rey**, was also removed from his position.<sup>12</sup>

Although President Bongo is reported to have made the various appointments himself, there is widespread speculation that the changes are as a result of the ongoing infighting in the presidential establishment.<sup>13</sup> Since Bongo's prolonged absence, his chief of cabinet, **Brice Laccruche Alihanga** has increasingly asserted his control over Gabon's day-to-day affairs (see *ARC Gabon Briefing February 2019*).<sup>14</sup> Alihanga appears to be behind Sang Chul's removal as the two men had been at loggerheads over access to President Bongo during his recovery and rehabilitation.<sup>15</sup> Alihanga is also believed to be behind the sacking of former prime minister **Emmanuel Issoze Ngondet** and defence minister **Etienne Massard** in January,<sup>16</sup> and influential in the appointment of Bekale as prime minister.<sup>17</sup> Alihanga reportedly influenced the appointment of presidential spokesperson **Ike Ngouoni** and energy minister **Tony Ondo** to their respective positions.<sup>18</sup> Both were his colleagues at the Gabonese branch of **United Kingdom (UK)-based Price Waterhouse Coopers** and Gabon-based **Banque Gabonaise et Francaise Internationale (BGFI)**.<sup>19</sup> Alihanga enjoys the support and protection of first lady **Sylvia Ondimba Bongo** and also established an alliance with President Bongo's elder sister, **Pascaline Bongo**.<sup>20</sup> Constitutional court president Marie Madeleine Mborantsuo has emerged as a figure that is trying to protect the interests of the old guard from the influence of Alihanga's apparent purge.<sup>21</sup> However, it appears Alihanga will continue to have an overriding influence over Gabonese affairs while Bongo is still recuperating.<sup>22</sup> Alihanga has the advantage of having access to all important files submitted to the president.<sup>23</sup> In addition to being Bongo's chief of cabinet at the presidency, he is also Bongo's chief of cabinet for the ruling **Parti Democratique Gabonais (PDG)**.<sup>24</sup>

Bongo's return to **Libreville** was not enough to quell rumours about the state of his health.<sup>25</sup> No official photos were taken upon his arrival and the only images obtained were from amateur videos.<sup>26</sup> This continues the trend of opacity surrounding communication about the president's health since his stroke in October (see *ARC Briefing Gabon Nov 2018-Feb 2019*).<sup>27</sup> Former deputy prime minister **Bruno Ben Mouamba** accused President Bongo of using a body double to represent him at his few public appearances since he was hospitalised.<sup>28</sup> Presidential spokesperson Ike Ngouoni held a press conference on 8 March to refute the rumours and implored the public not to worry about the management of state affairs.<sup>29</sup> Ngouoni gave no date for Bongo's eventual return.<sup>30</sup>

### World Bank provides \$200m loan to Gabon's government

The **World Bank** has approved a loan of \$200m to the Gabonese government. The funds will go towards supporting budget consolidation, diversifying the economy and ensuring the implementation

<sup>12</sup> Jeune Afrique, 27 Feb 2019

<sup>13</sup> Jeune Afrique, 4 Mar 2019

<sup>14</sup> Jeune Afrique, 12 Mar 2019

<sup>15</sup> Jeune Afrique, 4 Mar 2019

<sup>16</sup> Jeune Afrique, 4 Mar 2019

<sup>17</sup> Jeune Afrique, 12 Mar 2019

<sup>18</sup> Jeune Afrique, 12 Mar 2019

<sup>19</sup> Jeune Afrique, 12 Mar 2019

<sup>20</sup> Jeune Afrique, 12 Mar 2019

<sup>21</sup> Jeune Afrique, 12 Mar 2019

<sup>22</sup> Jeune Afrique, 12 Mar 2019

<sup>23</sup> Jeune Afrique, 12 Mar 2019

<sup>24</sup> Jeune Afrique, 12 Mar 2019

<sup>25</sup> Jeune Afrique, 8 Mar 2019

<sup>26</sup> Gabon Review, 25 Feb 2019

<sup>27</sup> Gabon Review, 25 Feb 2019

<sup>28</sup> Jeune Afrique, 8 Mar 2019

<sup>29</sup> Jeune Afrique, 8 Mar 2019

<sup>30</sup> Jeune Afrique, 8 Mar 2019

of the **Plan de Rélanche Economique** (economic recovery plan).<sup>31</sup> The PRE was created in January 2017 to address the country's economic slowdown and runs until 2019.<sup>32</sup> The loan agreement was signed on 25 February with the director of operations for **Central Africa, Elizabeth Huybens**, representing the World Bank and economy minister **Jean Ogandaga** representing the Gabonese government.<sup>33</sup> The loan is the second in a series of two financial aid streams in support of developing policies for fiscal consolidation and inclusive growth for Gabon.<sup>34</sup> The first credit, worth \$190m, was granted in 2017 and intended to provide budget support and foster inclusive growth.<sup>35</sup>

The current financial operation is organised around three strategic areas.<sup>36</sup> The first axis concerns the reinforcement of financial sustainability and effectiveness of public financial management.<sup>37</sup> In particular, it aims to improve efficiency and transparency of revenue collection.<sup>38</sup> It also intends to monitor the evolution of the wage bill, upgrade the performance of public employees and the efficiency and transparency of spending. The second axis aims to strengthen Gabon's competitiveness by improving the business climate and strengthening information technology services.<sup>39</sup> The final axis targets economically disadvantaged Gabonese.<sup>40</sup> The focus of the budget support is to provide a foundation for improving the effectiveness of healthcare delivery, including primary health care, while making social safety nets more effective.<sup>41</sup> The World Bank's assistance is similar to what it has provided other members of the **Communauté Economique et Monétaire des Etats de l'Afrique Centrale (CEMAC)** (economic and monetary community of Central Africa).<sup>42</sup> CEMAC countries have experienced increasing economic difficulties since 2014 due to a fall in global oil prices.<sup>43</sup> The World Bank aid follows similar **International Monetary Fund (IMF)** support, which includes a \$642m loan package that was approved in June 2017.<sup>44</sup> This support was granted with the aim of providing budget support and ensuring sustainable and inclusive economic growth.<sup>45</sup>

The World Bank's assistance comes at a time of improving economic fortunes in Gabon. In November, the IMF projected that Gabon would have growth of 3.1% in gross domestic product (GDP) and estimates that Gabon will have a 5% growth rate in the medium-term (*ARC Gabon Briefing December 2018*).<sup>46</sup> This is a significant improvement from the 0.5% growth rate registered by Gabon in 2017.<sup>47</sup> The World Bank loan will help the Gabonese government to carry out necessary reforms such as economic diversification and improved financial management.

### Government approves new hydrocarbons code

The Gabonese council of ministers adopted the new draft bill regulating the hydrocarbons sector on 26 February.<sup>48</sup> The new bill will reduce corporate taxes, lower state participation in private ventures, and increase the exploration period granted.<sup>49</sup> The previous hydrocarbons bill, enacted in 2014, was

<sup>31</sup> Direct Infos Gabon, 25 Feb 2019

<sup>32</sup> IMF, 25 Jun 2018

<sup>33</sup> Direct Infos Gabon, 25 Feb 2019

<sup>34</sup> Direct Infos Gabon, 25 Feb 2019

<sup>35</sup> Gabon Review, 27 Feb 2019

<sup>36</sup> Direct Infos Gabon, 25 Feb 2019

<sup>37</sup> Direct Infos Gabon, 25 Feb 2019

<sup>38</sup> Direct Infos Gabon, 25 Feb 2019

<sup>39</sup> Direct Infos Gabon, 25 Feb 2019

<sup>40</sup> Direct Infos Gabon, 25 Feb 2019

<sup>41</sup> Direct Infos Gabon, 25 Feb 2019

<sup>42</sup> Gabon Review, 25 Feb 2019

<sup>43</sup> Gabon Review, 25 Feb 2019

<sup>44</sup> African Economic Outlook, 2018

<sup>45</sup> African Economic Outlook, 2018

<sup>46</sup> Direct Infos Gabon, 19 Nov 2018

<sup>47</sup> Direct Infos Gabon, 19 Nov 2018

<sup>48</sup> Direct Infos Gabon, 27 Feb 2019

<sup>49</sup> RFI, 8 Mar 2019

not considered conducive to attracting investment.<sup>50</sup> Hydrocarbons director general **Bernard Mve Assoumou** said the previous legislation had inhibited the signing of a major oil contract in the past four years.<sup>51</sup> According to former **Shell Gabon** CEO **Charles Tchen**, the 2014 hydrocarbons code was “counterproductive”.<sup>52</sup> The Gabonese government was under pressure from the IMF and the World Bank to formulate a new bill, which would be more flexible and attractive to investors.<sup>53</sup>

The petroleum, gas and hydrocarbons ministry began the process to establish a new hydrocarbons bill in March 2018 (see *ARC Gabon Briefing March 2018*). The new code resulted from several consultations with international partners and industry stakeholders.<sup>54</sup> Some of the bodies that provided counsel and technical assistance include the IMF, World Bank, France-based advisory firm **Poulain-Cren** and the **University of Houston (Texas, United States)** (see *ARC Gabon Briefing October 2018*). The bill takes into account the reality of the sub-regional and international oil industry.<sup>55</sup>

Petroleum, gas and hydrocarbons minister **Pascal Houamgni Ambouroué** said the adoption of the new hydrocarbons code will increase foreign direct investment (FDI) and boost economic growth.<sup>56</sup> Ambouroué said he will embark on a road show to several countries as part of the plan to make potential investors aware of the merits of the new hydrocarbons code.<sup>57</sup> The new framework allows companies to carry out exploration activities in an area of operation, which was prohibited under the previous law.<sup>58</sup> A common taxation law will enable exemption from the tax on capital gains from the sale of oil interests, resulting from a hydrocarbon contract during the first phase of exploration.<sup>59</sup> The new bill also provides a 35% reduction in corporate tax<sup>60</sup> and allows the possibility of renegotiating contractual terms in case of marginal discoveries.<sup>61</sup> The extensive exploration licence has been increased to eight years, while the exclusive development and production licence has increased to 30 years for crude oil and 35 years for natural gas.<sup>62</sup> In addition, compulsory state participation in operations is reduced from 20% to 10%.<sup>63</sup> The new code also regulates corporate social responsibility obligations, local content, as well as best practices on transparency and good governance.<sup>64</sup> Tchen believes the new hydrocarbons code is a bold step, but issues pertaining to administration, such as customs and taxation, still need improvement.<sup>65</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>66</sup> Since Gabon hit its peak production of 18m barrels in 1997, it has experienced decreased output and declining reserves.<sup>67</sup> This has been compounded by the fall in global oil prices since 2014 and the lack of investment by private operators.<sup>68</sup> Given the strategic importance of oil to Gabon’s economic development, the steps that the government is taking to improve the industry’s climate will help to facilitate sustainable economic growth.

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<sup>50</sup> RFI, 8 Mar 2019

<sup>51</sup> Direct Infos Gabon, 5 Mar 2019

<sup>52</sup> RFI, 8 Mar 2019

<sup>53</sup> RFI, 8 Mar 2019

<sup>54</sup> Direct Infos Gabon, 5 Mar 2019

<sup>55</sup> Direct Infos Gabon, 27 Feb 2019

<sup>56</sup> Direct Infos Gabon, 27 Feb 2019

<sup>57</sup> Direct Infos Gabon, 12 Mar 2019

<sup>58</sup> Direct Infos Gabon, 5 Mar 2019

<sup>59</sup> Direct Infos Gabon, 5 Mar 2019

<sup>60</sup> RFI, 8 Mar 2019

<sup>61</sup> Direct Infos Gabon, 5 Mar 2019

<sup>62</sup> Direct Infos Gabon, 5 Mar 2019

<sup>63</sup> Direct Infos Gabon, 5 Mar 2019

<sup>64</sup> Direct Infos Gabon, 5 Mar 2019

<sup>65</sup> RFI, 8 Mar 2019

<sup>66</sup> World Bank, Mar 2018

<sup>67</sup> World Bank, Mar 2018

<sup>68</sup> World Bank, Mar 2018

## Planner

30 Sep 2019 **Libreville (Gabon)** *Direct Infos Gabon*. Deadline for tender submissions for the 12<sup>th</sup> round of petroleum licences

2019 **Libreville(Gabon)** Gabon set to adopt new hydrocarbons code

## Chronology

21 Mar 2019 **Libreville (Gabon)** *RFI*. The presidency announces the definitive return of President **Ali Bongo Ondimba** on 23 March, following his recuperation in **Morocco** after suffering a heart attack in October;

19 Mar 2019 **Libreville (Gabon)** *Agence Ecofin*. State-owned **Gabon Oil Company (GOC)** concludes an agreement with **BW Energy Gabon** to acquire a 10% stake in the **Dussafu** production sharing contract;

14 Mar **Libreville (Gabon)** *Gabon Review*. **Agence Nationale de l'Aviation Civile** (national civil aviation authority) bans the **Boeing Max 737** from flying over its airspace and landing on Gabonese territory;

11 Mar 2019 **Libreville (Gabon)** *Direct Infos Gabon*. **French** imports to **Gabon** amounted to \$515.8m in 2018;

11 Mar 2019 **Libreville (Gabon)** *Gabon Review*. The **International Monetary Fund** advises the government to sell its 26.2% stake in Gabon's third largest bank, **Banque internationale pour le commerce et l'industrie du Gabon (BICIG)**;

8 Mar 2019 **Libreville (Gabon)** *Jeune Afrique*. Presidential spokesperson **Ike Ngouoni** denies that a clone is acting as head of state in the absence of President **Ali Bongo Ondimba**;

27 Feb 2019 **Libreville (Gabon)** *Direct Infos Gabon*. The council of ministers approves the draft bill of the new hydrocarbons code;

26 Feb 2019 **Libreville (Gabon)** *Jeune Afrique*. President **Ali Bongo Ondimba** presides over the first cabinet meeting in 2018 and removes his head of personal security, **Park-Sang Chul**;

25 Feb 2019 **Libreville (Gabon)** *Direct Infos Gabon*. The **World Bank** approves a \$200m loan which will go towards supporting budget consolidation and fostering inclusive economic growth;

25 Feb 2019 **Libreville (Gabon)** *RFI*. President **Ali Bongo Ondimba** returns to Gabon for a second time after suffering a stroke in October;

23 Feb 2019 **Libreville (Gabon)** *Gabon Review*. Opposition **Union Nationale (UN)** president **Zacharie Myboto** calls for a vacancy of power to be declared due to the prolonged absence of President **Ali Bongo Ondimba**;