

## AFRICA RISK CONSULTING Gabon Monthly Briefing June 2015

### Gabon Summary 23 June 2015

*Former African Union (AU) head Jean Ping states his aim to run as a consensus opposition candidate against President Ali Bongo Ondimba (2009- present) in the 2016 presidential election. Pings appears the best-placed opposition figure to contest Bongo, however the opposition remains fractured. The government successfully issues an international bond to help finance infrastructure. Strong interest in the bond sale and a 2015 budget amendment to cut expenses due to declining oil revenue improve the economic outlook but investor concerns over rising debt levels remain. The government plans further audits on oil companies to raise revenues. Central African bloc Communauté Economique des Etats de l'Afrique Centrale (CEEAC) appoints Bongo as its president, but regional integration still lags in central Africa.*

### Jean Ping kickstarts 2016 presidential election manoeuvres

**Jean Ping**, the former **African Union** commission president, has stated his aim to run as a consensus opposition candidate against President **Ali Bongo Ondimba** (2009- present) in the presidential election scheduled for 2016. On 10 June Ping said that he hopes to run against Bongo as a candidate for the opposition grouping **Front de l'Opposition pour l'Alternance (FOPA)**.<sup>1</sup> Ping and other opposition members formed the FOPA in July 2014 as an anti-Bongo coalition. At the time Ping claimed the grouping would unite the fractured opposition around a single candidate to contest the 2016 election. Ping, a former stalwart of the ruling **Parti Démocratique Gabonais (PDG)** and foreign minister under Bongo's father, ex-president **Omar Bongo Ondimba** (1967-2009), joined the opposition in 2014. On 16 June Ping said "...it is time for the Gabonese opposition to play its role and for opposition leaders to speak with one voice".<sup>2</sup>

*"Ping has the best chance (out of the opposition figures) of winning the election. He will seek to use the discontent (against Bongo) and bring together a broad new political family. Ping is also the only candidate who could find a voice among the current presidential majority."*<sup>3</sup>

Following Ping's announcement, **Jean Eyeghe Ndong**, another PDG defector and the last prime minister under Bongo's father, pledged his support for Ping to challenge Bongo in the 2016 election.<sup>4</sup> On 13 June Ndong said Ping was the best candidate for the opposition, who would achieve both "*national and international consensus*".<sup>5</sup> The same day, **Pierre Amoughe Mba**, another FOPA member, said the death in April of **André Mba Obame**, former leader of another opposition grouping, **Union Nationale (UN)**, had "*left a void that only Ping can fill*".<sup>6</sup>

The UN is calling for wide-ranging electoral reform before the party commits to participation in the 2016 election.<sup>7</sup> **Jean de Dieu Moukagni**, leader of the opposition **Union du peuple gabonais (UPG)**, said the opposition "*must first coordinate its actions to create the necessary conditions for change, in particular the organisation of free, fair, transparent and credible elections*".<sup>8</sup>

<sup>1</sup> Mail & Guardian, 10 Jun 2015.

<sup>2</sup> Infosplusgabon.com, 16 Jun 2015

<sup>3</sup> Source, journalist, Gabon

<sup>4</sup> RFI, 14 Jun 2015.

<sup>5</sup> RFI, 14 Jun 2015.

<sup>6</sup> RFI, 14 Jun 2015.

<sup>7</sup> Jeune Afrique, 10 Jun 2015.

<sup>8</sup> Infosgabon.com. 17 Jun 2015

*“This initial support for Ping comes as the paramount issue of electoral transparency and voter registration remains unresolved with the government. The opposition leaders have requested dialogue.”<sup>9</sup>*

However, the opposition has not committed to fielding a single candidate against Bongo in the 2016 election and fractures remain. Several prominent opposition figures have previously dismissed Ping’s candidature as a consensus opposition leader, or his chances to lead the UN.<sup>10</sup> Another unnamed opposition source told the press that Ping sought a “*forced passage*” to become the single opposition candidate.<sup>11</sup> Currently there are three main opposition groupings: the FOPA, the UN and the **Union des Forces pour l’Alternance (UFA)**.

*“The road is still difficult before Ping can speak for a unified Gabonese opposition. The UN wants to appoint a candidate internally, and it does not share the same choice as FOPA. Another disagreement would come from the UFA.”<sup>12</sup>*

*“If the opposition continues with its divisions the presidential majority is sure to win the next presidential election.”<sup>13</sup>*

### The government raises funds in bond issue

The government has successfully raised funding for infrastructure from the international markets. It started marketing a \$500m 10-year Eurobond at a yield of 6.95% on 9 June.<sup>14</sup> The Eurobond generated significant interest from international investors, raising \$2.75 billion. The government appointed **Deutsche Bank, JP Morgan and Standard Chartered** as lead managers, and **Lazard** as financial adviser, for the bond sale.<sup>15</sup> Investor meetings for the bond sale in **New York (United States, US), Boston (US) and London (United Kingdom)** were reportedly “*packed*”.<sup>16</sup> Fund managers were the main buyers, accounting for 92% of the bond sale. Economy minister **Regis Immongault** said:

*“Pricing a \$500m 10-year bond in a difficult environment characterised by US Treasury rate and oil volatility sends a strong signal about confidence in our economic policies...It is critical that we accelerate structural reforms that are necessary to maintain the stability of our public debt and the viability of Gabon public finances.”<sup>17</sup>*

The bond sale was Gabon’s second in 18 months. The government issued a \$1.5 billion 10-year bond in late 2013, which was auctioned at an initial yield of 6.375%.<sup>18</sup> The yield for the 9 June sale was higher than recent African bond sales in **Ethiopia** and **Cote d’Ivoire** in December 2014 (6.625%).<sup>19</sup>

The successful bond sale represents a much-needed boost for the economy. In May **Fitch Ratings** downgraded Gabon to 'B+' from 'BB-'.<sup>20</sup> This came three months after ratings agency **Standard & Poor's** also downgraded Gabon to 'B+' from 'BB-'.<sup>21</sup> In addition, Fitch downgraded the long term default rating for state-owned and run development bank, **Banque Gabonaise de Developpement (GBD)**, to 'B' from 'B+' on 27 May.<sup>22</sup> The downgrades followed significantly reduced government revenues due to the fall in international oil prices in 2014 and 2015, which has reduced oil revenues.

<sup>9</sup> Source, journalist, Gabon

<sup>10</sup> Source, journalist, Libreville

<sup>11</sup> RFI, 14 Jun 2015.

<sup>12</sup> Source, journalist, Gabon

<sup>13</sup> Source, journalist, Gabon

<sup>14</sup> Reuters, 8 Jun 2015.

<sup>15</sup> Reuters, 10 Jun 2015.

<sup>16</sup> Reuters, 10 Jun 2015.

<sup>17</sup> Reuters, 10 Jun 2015.

<sup>18</sup> Financial Times, 9 Jun 2015.

<sup>19</sup> Jeune Afrique, 7 Jun 2015.

<sup>20</sup> Fitch Ratings, 8 May 2015.

<sup>21</sup> Jeune Afrique, 11 May 2015.

<sup>22</sup> Fitch Ratings, 27 May 2015.

Ratings agency **Moody's** claims that oil accounted for 44% of government revenue in 2014, highlighting the economy's continuing dependence on the oil sector.<sup>23</sup>

According to the **African Economic Outlook** report released in May, Gabon's budget deficit in 2015 is forecast to reach 13.2% of gross domestic product (GDP), increasing substantially from 6.6% in 2014. However, according to Moody's the external debt-to-GDP ratio remains relatively low at 27.3%.<sup>24</sup>

In this context, the **Assemblée Nationale** adopted the amended 2015 budget, now awaiting the approval of the presidency and the senate, on 21 May.<sup>25</sup> The amended budget reduced expenditure to CFA 2,651 billion (\$4.4 billion) from CFA 3,037 billion (\$5.1 billion).<sup>26</sup> During the same session the finance, budget and public accounting parliamentary committee made several recommendations. It called on the government to control operating expenses, including those related to staff, and focus on investment projects vital to stimulate economic growth.<sup>27</sup> Members of parliament (MPs) urged the government to make available the budgets of public institutions.<sup>28</sup> They also called for more collaboration between ministries and the state major projects agency, **Agence Nationale des Grands Travaux et des Infrastructures**.<sup>29</sup>

Immongault has defended the government's financial management, saying that since October the government has amended the budget based on a conservative oil price and the euro/US dollar exchange rate, as well as reduced operating expenses.<sup>30</sup>

*"Gabon was one of the first oil producing countries to have reacted to falling prices and it took the necessary measures to ensure the sustainability of its public finances."*<sup>31</sup>

Immongault said the government had established a stabilisation fund of oil and mining revenues to buffer periods of low commodity prices, following advice from the **International Monetary Fund (IMF)**.<sup>32</sup> He said the government established the fund in May and aims to reach \$500m over the next four years.

The African Economic Outlook forecasts the economy to reach 4.6% growth in 2015, down from 5.1% in 2014. Without providing specific details, Immongault said the government would direct the funding from the bond sale to infrastructure projects in the energy, water, education and health sector.<sup>33</sup>

*"The Eurobond is not enough to solve the social problems, pay the salaries of civil servants and to revive the major projects that have been suspended for nearly three months across the country. The funds allocated in the budget have not yet been fully unblocked. There remain deep problems in the treasury."*<sup>34</sup>

The government will reportedly turn to oil companies to raise further finance. In April, oil minister **Etienne Ngoubou** confirmed the government was conducting an audit of **Royal Dutch Shell**, which follows audits on **France**-based **Total** and **China**-based, **Sinopec**-owned **Addax Petroleum** in 2014.<sup>35</sup> Other targeted companies include **Anglo-French** oil and gas company **Perenco** and **Paris** stock exchange-listed **Maurel et Prom**.

*"Gabon is not yet safe from a financial crisis. To overcome the challenges the government has launched these audits. The findings will be made public soon and fines will be imposed for misreporting of oil production."*<sup>36</sup>

<sup>23</sup> Reuters, 10 Jun 2015.

<sup>24</sup> Reuters, 10 Jun 2015.

<sup>25</sup> Infos Gabon, 23 May 2015.

<sup>26</sup> Infos Gabon, 23 May 2015.

<sup>27</sup> Infos Gabon, 23 May 2015.

<sup>28</sup> Infos Gabon, 23 May 2015.

<sup>29</sup> Infos Gabon, 23 May 2015.

<sup>30</sup> Jeune Afrique, 20 May 2015.

<sup>31</sup> Jeune Afrique, 20 May 2015.

<sup>32</sup> Jeune Afrique, 20 May 2015.

<sup>33</sup> Jeune Afrique, 7 Jun 2015.

<sup>34</sup> Source, journalist, Gabon

<sup>35</sup> See ARC Gabon May 2015 Briefing

<sup>36</sup> Source, journalist, Gabon

## CEEAC appoints Bongo its president, but regional integration remains slow

The Central African bloc **Communauté Economique des Etats de l'Afrique Centrale (CEEAC)** appointed Bongo to its rotating presidency on 26 May at its heads of state and government summit in **N'Djamena (Chad)**.<sup>37</sup> Bongo succeeded Chadian president **Idriss Deby** (1990- present), who served in the role for six years. Regional leaders present at the conference included Deby, **Republic of Congo's** president **Denis Sassou-Nguesso** (1979-1992; 1997- present), **Equatorial Guinea's** **Teodoro Obiang Nguema Mbasogo** (1992- present) and **Central African Republic (CAR)** interim president **Catherine Samba-Panza** (2014- present). **Cameroon, Burundi, Democratic Republic of Congo (DRC)** and **Angola** sent government delegations.<sup>38</sup> **Libreville** (Gabon) will host the next CEEAC meeting in May 2016.<sup>39</sup>

Bongo will reportedly focus on regional integration as well as peace and security issues during his term.<sup>40</sup> On the sidelines of the conference CEEAC members inaugurated the headquarters of the **Force Mixte Multinationale (FMM)** to combat the threat from **Nigeria**-based Islamist group **Boko Haram**, although Gabon has not yet contributed to the force.<sup>41</sup>

The move consolidates Bongo as an influential player in the sub-region. In 2014, the **Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)** temporarily relocated to Libreville from **Bangui** (CAR), due to the security crisis in CAR.<sup>42</sup> The Gabonese government hosted a CEMAC heads of state summit from 5 to 6 May.<sup>43</sup>

Regional integration in the sub-region is lagging behind the rest of the continent. CEMAC members<sup>44</sup> voted in favour of freedom of movement, removing visa requirements for its citizens within the bloc, at the May summit in Libreville. However, press reports have confirmed long waits and demands for visas at border crossings, including at **Kye-Ossi** in southern Cameroon that borders Gabon and Equatorial Guinea, since the announcement.<sup>45</sup>

The 2015 Africa Economic Outlook claimed that importing cargo containers was more time-consuming and costly in central Africa than in any other region in the world. The IMF claims that intra-regional trade in CEMAC was just 3% of the bloc's total trade. Intra-trade impediments include a lack of quality transport infrastructure. Highways connect only two of CEMAC's six capital cities.<sup>46</sup>

In addition, regional economic integration has historically lacked political will among the region's key oil exporters, Gabon and Equatorial Guinea. However, the need for regional trade – and economic diversification – has recently increased due to the current drop in international oil prices. Regional diplomats have claimed that Gabonese and Equatorial Guinean officials have raised concerns that increased freedom of movement will lead to more migrant and security issues in their countries.<sup>47</sup> Gabonese and Equatorial Guinean officials have called for modernised passports and other travel documents to better monitor movements before they agree to a visa-free rule.<sup>48</sup>

<sup>37</sup> APA, 26 May 2015.

<sup>38</sup> APA, 26 May 2015.

<sup>39</sup> Les Afriques, 5 Jun 2015.

<sup>40</sup> Koaci, 26 May 2015.

<sup>41</sup> Koaci, 26 May 2015.

<sup>42</sup> APA, 4 May 2015.

<sup>43</sup> APA, 4 May 2015.

<sup>44</sup> Cameroon, Central Africa Republic, Chad, Republic of Congo (ROC), Malabo (Equatorial Guinea) and Libreville.

<sup>45</sup> Reuters, 12 Jun 2015.

<sup>46</sup> Yaoundé (Cameroon), Bangui (CAR), N'Djamena (Chad), Brazzaville (ROC), and Libreville; Reuters, 12 Jun 2015.

<sup>47</sup> Reuters, 12 Jun 2015.

<sup>48</sup> Reuters, 12 Jun 2015.

## Implications

Ping has gained some momentum in his 2016 presidential election bid. Notably, he has gained the support of other PDG defectors. However, he has failed to gain support from more established opposition figures, such as the leaders of the UN grouping. Bongo allowed the lifting of the ban on the UN in February with the aim of further dividing the opposition in the lead up to the vote. This will make it difficult for Ping to unite the entire opposition behind him.

The Eurobond sale improves the economic outlook and may help to revive some projects, which aim to remove bottlenecks in the non-oil economy. The budget amendment and the stabilisation fund also represent positive developments. However, the recent fall in oil revenues has exposed the economy's dependence on the oil sector. As a result, debt levels are increasing, and a projected doubling of the budget deficit in 2015 has alarmed investors and international partners. The lack of financing for key infrastructure will probably see the growth forecast fall further through 2015.

Bongo's appointment as CEEAC head will strengthen his standing in the region, and improve his clout among western partners. Due to the need for regional trade to diversify the economy, Bongo may give more support to moves towards free movement of goods and services in the sub-region.

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