

AFRICA RISK CONSULTING

Gabon Monthly Briefing September 2022

Gabon Summary 9 September 2022

United States-based credit rating agency Fitch Ratings revises Gabon's Long-Term Foreign-Currency Issuer Default Rating (IDR) to positive from stable and affirms the IDR at 'B-' on 26 August. The revision reflects an improved fiscal trajectory for Gabon in addition to an improvement in its debt to gross domestic product (GDP) ratio. Rumours of a government reshuffle emerge after President Ali Bongo Ondimba (2009-present) reportedly expresses his discontent with his cabinet's implementation of the Plan d'accélération de la transformation (PAT) (transformation acceleration plan). However, the rumours are shut down after Bongo makes a minor ministerial change, but a reshuffle cannot be ruled out. Mines minister Elvis Ossindji represents Gabon at the Africa Down Under conference held in Australia from 31 August to 2 September, presenting Gabon's mining investment opportunities as the sector continues to grow. The sector is diversifying away from manganese to iron-ore and even gold, in turn diversifying Gabon's revenue sources.

Fitch revises Gabon's outlook to positive

United States-based credit rating agency **Fitch Ratings** revised **Gabon's Long-Term Foreign-Currency Issuer Default Rating (IDR)** to positive from stable and affirmed the IDR at 'B-' on 26 August.¹ The revision reflects an improved fiscal trajectory for Gabon in addition to an improvement in Gabon's debt to gross domestic product (GDP) ratio.

Fitch Ratings highlighted that higher oil revenue is the key driver behind the improved fiscal trajectory.² The higher oil revenue will offset the higher food and fuel subsidies driven by inflation, which will help create a budget surplus in 2022 of 0.9% of GDP. A budget surplus given the current global economic climate is an achievement for Gabon. A budget surplus is also forecast for 2023 at 1.8% of GDP, with a decline to 1.1% of GDP in 2024 as Fitch Ratings expects lower oil production and prices.

Gabon has also chosen to focus on diversifying revenue sources, as suggested by the **International Monetary Fund (IMF)** under its programme with Gabon, agreed upon in July 2021.³ Diversification will allow Gabon to be more resilient to oil price shocks and prepare the country for the eventual decline in oil production and reserves. Fitch Ratings expects non-oil sector growth to reach 3.5% in 2024 from 2.5% in 2021.⁴ The IMF's representative to Gabon, **Gomez Agou Gbedia**, met with President **Ali Bongo Ondimba** (2009-present) on 8 August to congratulate him on Gabon's successful implementation of suggested reforms, and his continued desire to implement further reforms.⁵

Fitch Ratings also expects Gabon's public debt to continue declining. In 2021, public debt fell to 67% of GDP, down from 76.2% in 2020. Fitch Ratings projects that public debt will decline to 53.6% in 2024, assisted by budget surpluses, continued GDP growth and repayments of loans. Gabon has planned to use part of its \$155m **Special Drawing Rights (SDR)** disbursement from the IMF, completed in June (see *ARC Briefing Gabon July 2022*).

¹ Fitch Ratings, 26 Aug 2022

² Fitch Ratings, 26 Aug 2022

³ Fitch Ratings, 26 Aug 2022

⁴ Fitch Ratings, 26 Aug 2022

⁵ Gabon Review, 10 Aug 2022

Despite Gabon's positive growth and debt outlook, Fitch outlines risks that weigh on its rating. The ongoing war in **Ukraine** has created global uncertainty, impacted global growth and increased inflation rates. Gabon's main trading partner, **China**, has also seen an economic slowdown, which could impact two of Gabon's main commodities – oil and manganese.⁶

Fitch Ratings also indicated that should public debt increase, or arrears accumulate, a negative rating action could take place.⁷ On the other hand, a positive rating action could result if non-oil revenue collection continues to increase, building up fiscal buffers and continuing to reduce public debt. Stronger economic growth could be measured as a result of diversification of the economy.

Fitch Ratings highlighted the possible impact of the 2023 presidential and legislative elections. The elections will be a test for candidates who need to address the higher cost of living, increased unemployment, and poverty levels facing citizens.⁸ These issues are often the centre of social discontent, especially in tense election environments. However, Fitch Ratings anticipates that Bongo will win a third term, as the opposition is divided. Bongo has thus far not declared that he will run for a third term, but it is the most probable scenario. Fitch noted that it expects Gabon to continue complying with IMF conditionalities.

Bongo shuts down rumours of government reshuffle

Rumours of a looming government reshuffle by Bongo emerged on 11 August. Sources close to the presidency reported that Bongo had expressed dissatisfaction with his government's implementation of the **Plan d'accélération de la transformation (PAT)** (transformation acceleration plan) during the 10 August Conseil des Ministres (council of ministers) meeting.⁹

Prime minister **Rose Christiane Ossouka Raponda** presented Gabon's **Plan d'Accélération de la Transformation (PAT)** (transformation acceleration plan) in January 2021. The PAT was intended to serve as Gabon's national economic agenda from 2021-2023.¹⁰ Ossouka Raponda said the PAT would be a three-pronged strategy aiming to catalyse national economic development.¹¹ The PAT targets the development of the timber, forestry and agriculture sectors.¹² The second pillar entails a review of the investment policy for major public works, notably in road, water and electricity infrastructure. The third pillar will focus on the social base and strengthen the efficiency of public service, particularly the employability and empowerment of young people.

Although the council of ministers met again on 1 September, Bongo made only one appointment, shutting down the rumours of a complete reshuffle.¹³ Bongo appointed **Herman Immongault** as minister delegate to the foreign affairs ministry, responsible for Gabon's membership in the **Commonwealth**. Immongault is the younger brother of **Régis Immongault**, who served in government until 2019, in portfolios including foreign affairs and the economy.¹⁴

A government reshuffle is still a possibility. With the presidential elections approximately a year away, Bongo will want to reassure citizens that he is working to address the issues facing them, including the higher cost of living and unemployment. Bongo could reshuffle his cabinet to prove that he is serious about faster implementation of the PAT, hoping to win favour with the electorate.¹⁵

⁶ Fitch Ratings, 26 Aug 2022

⁷ Fitch Ratings, 26 Aug 2022

⁸ Fitch Ratings, 26 Aug 2022

⁹ Gabon Review, 11 Aug 2022

¹⁰ Gabon Review, 20 Jan 2021

¹¹ Gabon Review, 20 Jan 2021

¹² Gabon Review, 20 Jan 2021

¹³ Gabon Review, 2 Sep 2022

¹⁴ Gabon Review, 2 Sep 2022

¹⁵ ARC Gabon analyst

Mining sector sees successful diversification plans

Mines minister **Elvis Ossindji** represented Gabon at the **Africa Down Under** conference held in **Australia** between 31 August and 2 September, presenting Gabon's mining investment opportunities as the sector continues to grow. The conference also served as an opportunity for companies involved in the sector to announce their planned investments and projects.

Australia-based **Genmin** CEO **Joe Ariti** indicated at the conference that the pre-feasibility study of the **Baniaka** iron-ore mine would be carried out before the end of October. The first production of iron ore from the mine is expected by mid-2024.¹⁶ Genmin has previously conducted studies indicating that Baniaka holds 257.9 million tonnes of iron ore. Ariti noted that Genmin initially plans to export five million tonnes per year before increasing to ten million tonnes per year.¹⁷ In August 2021, the government agreed to extend Genmin's two exploration licences, for Baniaka and **Bakoumba**, for an additional six years until 2028.

Prior to the conference, Ossindji signed an agreement with two companies on 19 August, **United Arab Emirates**-headquartered investment firm **African Transformation and Industrialisation Fund (ATIF)** and Australia's **Fortescue Metals Group**, for research of the **Belinga** iron ore deposit located in **Ogooué -Ivindo**.¹⁸ ATIF and Fortescue have a joint venture, **Ivindo Iron SA**, in which Fortescue holds 80%. Fortescue for its part will invest \$90m over the next three years exploring the deposit.¹⁹ The Gabonese government will hold a 10% free stake in Ivindo Iron SA, in compliance with Gabon's mining code.

Fortescue CEO **Elizabeth Gaines** believes the Belinga iron ore deposit is one of the largest unmined, high-grade deposits in the world.²⁰ The project's approval and the negotiations between Ossindji and Ivindo Iron SA have been accelerated, as the project forms part of the government's transformation and economic diversification plans.²¹

The increased focus on iron ore is an indication of diversification within Gabon's mining sector. Gabon is currently the second largest producer of manganese in the world but has recently pivoted towards iron ore. It is estimated that Gabon holds 1 billion tonnes of untapped iron ore reserves.²² The government approved an exploration and exploitation permit to **Moroccan** mining group **Managem** for the **Etéké** gold project in May, hoping to move into gold exports too.²³

The government has also ended its negotiations with **Compagnie minière de l'Ogooué (COMILOG)**, a subsidiary of **France**-headquartered **Eramet**, updating a tax agreement between the two on 8 September.²⁴ The initial agreement signed in 2004 made provision for the Gabonese state to collect a tax on manganese exports produced by COMILOG; however, the amount of tax has not been updated since. The revenues currently collected equate approximately 12 billion FCFA (\$18m), but under the updated agreement this figure is expected to double.²⁵

The government aims to boost production and make Gabon the largest manganese producer by 2025. The budgetary framework for 2023-2025 has set a goal of producing 13.5 million tonnes of manganese by 2025. In 2021, manganese production stood at 9.6 million tonnes.²⁶ Overall, mining contributes approximately 6% of Gabon's GDP. The development of the mining sector forms part of

¹⁶ Gabon Review, 2 Sep 2022

¹⁷ Gabon Review, 2 Sep 2022

¹⁸ Gabon Review, 19 Aug 2022

¹⁹ Mining Weekly, 22 Aug 2022

²⁰ Mining Weekly, 22 Aug 2022

²¹ Mining Weekly, 22 Aug 2022

²² Mining Review 23 May 2022

²³ Le Nouveau Gabon, 5 Sep 2022

²⁴ Direct Infos Gabon, 9 Sep 2022

²⁵ Direct Infos Gabon, 9 Sep 2022

²⁶ Le Nouveau Gabon, 26 Aug 2022

the PAT and will be key in moving Gabon's reliance on revenue away from oil and into diversified sectors.

Planner

11 Nov 2022 **(Gabon)** Elections for governance bodies of **Chamber of Commerce, Agriculture, Industry, Mines and Crafts**

29 Aug – 1 Sep 2022 **Libreville (Gabon)** African Climate Week 2022

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

Chronology

7 Sep 2022 **Libreville (Gabon)** *Gabon Review*. Oil minister **Vincent de Paul Massassa** hosts a delegation from **India Oil** which has expressed interest in carrying out tests on the **Ezanga** oil field;

6 Sep 2022 **Libreville (Gabon)** *Direct Infos Gabon*. Economy ministry announces that Gabon imported 97.2 billion FCFA (\$148m) worth of food products in the first quarter of 2022, up 22% compared to the same period in 2021;

5 Sep 2022 **Libreville (Gabon)** *Direct Infos Gabon*. General directorate of customs reports that oil revenue in the first quarter of 2022 increased 145%, from 389.1 billion FCFA (\$591m) to 935.5 billion FCFA (\$1.42 billion);

5 Sep 2022 **Libreville (Gabon)** *Gabon Review*. Economy and recovery minister **Nicole Jeanine Lydie Roboty** presents a new price index that will regulate the prices of necessities as a way to combat increasing prices;

31 Aug 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. **TotalEnergies EP Gabon** reports an 86% decrease in its net profit for the second quarter of 2022 following the oil spill at the **Cap Lopez Terminal** in April;

31 Aug 2022 **Perth (Australia)** *Le Nouveau Gabon*. **Gabon's** mining minister, **Elvis Ossindji**, attends the **Africa Down Under** conference, promoting the Gabonese mining sector as open to investment from **Australia**;

30 Aug 2022 **Libreville (Gabon)** *Gabon Review*. **Singapore**-based **BW Energy** announces its aim to step up oil production to 30,000 barrels per day in 2023;

29 Aug 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **Gabon** hosts the "African Climate Week" event until 2 September, in partnership with the **United Nations Climate Change Organisation**;

26 Aug 2022 **Libreville (Gabon)** *Fitch Ratings*. **United States**-based global rating agency **Fitch Ratings** revises **Gabon's** long-term foreign-currency issuer default rating to positive from stable and affirmed the issuer default rating at 'B-';

26 Aug 2022 **Libreville (Gabon)** *Gabon Media Time*. Economy ministry indicates that tourism turnover increased 187.5% between January and June 2022;

26 Aug 2022 **Tunis (Tunisia)** *Gabon Review*. **Japan** donates \$3m to **Gabon** for vaccine support, on the sidelines of the **Tokyo International Conference in African Development (TICAD)**;

23 Aug 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **Australia**-headquartered **Fortescue Metal Groups Ltd** announces it will invest \$90m over the next three years in the exploration of the **Belinga** iron deposit;

21 Aug 2022 **Libreville (Gabon)** *Gabon Review*. **Togo's** President **Faure Gnassingbé** visits **Gabon**, urging for a revitalisation of cooperation between the two counties through a joint commission;

16 Aug 2022 **Libreville (Gabon) *Le Nouveau Gabon*. Solen**, a subsidiary of **Solen Renewables Dubai**, has begun construction on the **Ayemé Plaine** solar power plant, which Solen will operate and maintain for the next 25 years;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

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

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)