

AFRICA RISK CONSULTING

Gabon Monthly Briefing July 2022

Gabon Summary 8 July 2022

Gabon is officially admitted to the Commonwealth during the 26th Summit of Commonwealth Heads of State and Government held in Kigali (Rwanda) between 20 and 26 June. The admission marks the end of an 18-month admission process, making Gabon the 55th member country. The government, after facing increased pressure from the International Monetary Fund (IMF), has published two audit reports on the management of Covid-19 funds to which the institution contributed. The IMF board of directors has completed its first and second reviews under the extended arrangement of the Extended Credit Facility (ECF), enabling an immediate disbursement of \$155m to Gabon. With the help of the United Nations REDD+ (Reducing Emissions from Deforestation and forest Degradation, plus the sustainable management of forests) Mechanism, the government plans to create 187 million carbon credits with the aim of selling half of these on the offset market. If successful, it would be the largest issuance of carbon credits in history.

Gabon joins the Commonwealth

Gabon was officially admitted to the **Commonwealth** during the **26th Summit of Commonwealth Heads of State and Government** held in **Kigali (Rwanda)** between 20 and 26 June.¹ The admission marks the end of an 18-month admission process, making Gabon the 55th member country. Gabon's neighbour **Togo**, was also admitted during the summit, bringing the political association's membership to 56 countries.

President **Ali Ondimba Bongo** (2009-present) has praised Gabon's Commonwealth membership, declaring it a "*major diplomatic victory*":

*"Gabon's membership in the Commonwealth in recognition of the increasingly important role played by Gabon on the international scene, in particular on the issue of climate where our country is on the front line."*²

Gabon's desire to join the Commonwealth was as a surprise to some. The historically **French**-speaking nation has no historical ties to the **United Kingdom (UK)**, whose former colonies mainly make up the Commonwealth.³ However, admission is viewed as an opportunity for economic, diplomatic and cultural development. Foreign minister **Moussa Adamo** further noted that Gabon's desire to join the Commonwealth is motivated by its wish to diversify its international trade partners and improve cooperation with fellow member countries.⁴

Alongside Gabon's commitment to the environment and sustainable development, it has undergone recent reforms on gender equality as part of its work towards admission. Most notably, in June 2020 the government reversed its ban on homosexuality.⁵ Gabon has also focussed on increasing the use of the English language and will adopt English as its second official language, becoming a bilingual nation.⁶ Bongo believes membership in the predominantly English-speaking Commonwealth will

¹ Direct Infos Gabon, 26 Jun 2022

² Direct Infos Gabon, 26 Jun 2022

³ Gabon Review, 26 Jun 2022

⁴ Gabon Review, 26 Jun 2022

⁵ The Spectator, 4 Jul 2022

⁶ Le Nouveau Gabon, 29 Jun 2022

create opportunities for students to pursue degrees at English-speaking universities and attract international investors.⁷

A press release from the Commonwealth on Togo and Gabon's admission, dated 25 June, references the criteria a country must meet in order to join. These include, among other things, commitment to democratic processes, free and fair elections, independence of the judiciary, good governance, transparent public accounts, and the protection of human rights.⁸ The Commonwealth claims that it helps member countries build democratic institutions, strengthen governance, and promote justice and human rights.⁹ The association represents a marketplace of 2.5 billion consumers, an attractive offering to Gabon's economy, which is focusing on diversifying beyond oil.

Government publishes Covid-19 fund's audit...

The government, after facing increased pressure from the **International Monetary Fund (IMF)**, has published two audit reports on the management of **Covid-19** funds, to which the institution contributed. The audits, carried out by UK-based **Deloitte Touche Tohmatsu Limited**, covered the 2020 and 2021 financial years.¹⁰ The reports indicate that the government spent a total of 53.5 billion FCFA (\$83m) in 17 months – 36.9 billion FCFA (\$57.4m) between 31 March and 31 December 2020 and 16.5 billion FCFA (\$25.6m) between January and August 2021.¹¹

The audit pointed to inconsistencies in the management of the funds. Deloitte found a lack of supporting documents for certain expenses in 2020, such as the purchase of medical supplies from a supplier, worth 15.9 billion FCFA. (\$24m).¹² In another case, a purchase agreement between the government and a supplier for an amount of 1.8 billion FCFA (\$2.7m) is missing. Deloitte is quoted in the report as being *“unable to express a favorable opinion on the financial statements of the special fund to fight the epidemic”* for the 2020 audit.¹³ Finally, the audit firm noted a large discrepancy between the Covid-19 vaccines ordered in May 2021 (800,000) and those delivered (622,242).

The audit report drew criticism from civil society with several non-governmental organisation (NGO) leaders accusing members of the government of embezzling some of the funds.¹⁴ The collective of trade unionists and activists known as **COFIL Citoyen** carried out its own audit in March 2022, noting invoices for services not carried out and overbilling.¹⁵ The collective's audit did not lead to action against the government, but it has maintained after the Deloitte audit that it will enter court processes to have several ministers expose their accounts.¹⁶

Despite the discrepancies, the audit appears to have satisfied the IMF, which states that it had only stipulated that the audit should be published, a condition that the government has now fulfilled.¹⁷

...leading IMF to disburse \$155m despite discrepancies

The publication of the audit of Covid-19 funds was one of two criteria established by the IMF to enable disbursement under the extended arrangement of its **Extended Credit Facility (ECF)** (see *ARC Briefing Gabon Jun 2022*). The IMF board of directors has completed its first and second reviews under the ECF, enabling an immediate disbursement of \$155m to Gabon.¹⁸ The Gabonese government

⁷ Le Nouveau Gabon, 29 Jun 2022

⁸ The Commonwealth, 25 Jun 2022

⁹ Gabon Review, 26 Jun 2022

¹⁰ Le Nouveau Gabon, 24 Jun 2022

¹¹ Le Nouveau Gabon, 24 Jun 2022

¹² Le Nouveau Gabon, 24 Jun 2022

¹³ Le Nouveau Gabon, 24 Jun 2022

¹⁴ RFI, 25 Jun 2022

¹⁵ RFI, 28 Mar 2022

¹⁶ RFI, 25 Jun 2022

¹⁷ Gabon Media Time, 30 Jun 2022

¹⁸ IMG, 27 Jun 2022

had also delayed publishing a decree on the publication of the names and nationalities of beneficial owners of public contracts, a measure to improve transparency in the awarding of public tenders.¹⁹

The IMF, in its press release from 27 June regarding the disbursement, maintains a positive outlook for Gabon, anticipating gross domestic product (GDP) to grow by 2.4% in 2022 and 3.7% in 2023. This growth will largely be driven by the timber, construction and services sectors.²⁰ The cost of subsidies and higher fuel prices will add to inflationary pressures, but Gabon is expected to offset these with higher oil revenues.²¹ IMF deputy director-general **Kenji Okamura** noted:

*“The outlook is broadly positive but remains subject to various risks, including from the spillovers from **Russia’s** war in **Ukraine**, a possible sharper slowdown in **China**, and a potential resurgence of the COVID-19 pandemic.”²²*

The IMF ended the review with recommendations ahead of the next meeting, which is pending scheduling. These include an audit of Gabon’s oil sector, mainly of the four major oil companies: **France**-headquartered **TotalEnergies**, and **Maurel&Pro** and UK-headquartered **Perenco** and **Assala**, as well as reduction of domestic debt and not accumulating further external debt. The IMF projects external debt to be 31.5% of GDP in 2022.²³ **United States (US)**-based credit rating agency **Fitch Solutions** forecast in June 2021 that Gabon’s domestic debt repayments would reach 3.5% of GDP in 2022.²⁴

The IMF disbursement will assist Gabon in continuing to carry out economic and financial reforms. These include reducing fiscal and public debt vulnerabilities and laying the foundation for green and inclusive private sector-led growth. The IMF also aims for the ECF to prioritise social spending and public investment while strengthening transparency and governance in order to enhance domestic revenue (*see ARC Briefing Gabon Jun 2021*).

Gabon plans carbon credits issue

The government, with the help of the **United Nations REDD+** (Reducing Emissions from Deforestation and forest Degradation, plus the sustainable management of forests) **Mechanism**, plans to create 187 million carbon credits, with the aim of selling half of these on the offset market. If the plan is successful, it would be the largest issuance of carbon credits in history.²⁵ UK-based carbon offset data provider **Allied Offset** has valued the carbon credits at \$291m.²⁶

A carbon credit is a unit of measure equal to one ton of carbon dioxide that has been absorbed or not released into the atmosphere.²⁷ Companies wishing to offset their emissions can acquire carbon credits, creating a balance. Carbon funds, banks and companies operating in the energy sector are the main buyers of carbon credits.

Environment minister **Lee White** believes the credits are likely to come onto the market before the **United Nations Climate Change Conference 2022 (COP27)**, scheduled to take place in November. While attending the **Tropical Forest Forum** organised by the **Norwegian Agency for Development Cooperation** in June, White invited policy makers and donors to invest in Gabon’s carbon credits. White said Gabon produces 35,000 tons of carbon dioxide but absorbs 140,000 tons, creating a large deficit on which others can capitalise.²⁸

¹⁹ Direct Infos, 23 May 2022

²⁰ IMF, 27 Jun 2022

²¹ IMF, 27 Jun 2022

²² IMF, 27 Jun 2022

²³ IMF, 27 Jun 2022

²⁴ Fitch Ratings, 15 Jun 2022

²⁵ Bloomberg, 30 Jun 2022

²⁶ The Africa Report, 4 Jul 2022

²⁷ Le Nouveau Gabon, 1 Jul 2022

²⁸ Le Nouveau Gabon, 24 Jun 2022

Environmental protection has remained a priority for the government, with 88% of the country covered in tropical rainforest. In 2021 Gabon became the first **African** country to receive funding for its efforts in reducing deforestation (*see ARC Briefing Gabon Jul 2021*).²⁹ The IMF additionally praised Gabon during its ECF review for efforts made in environmental sustainability, noting the economic rebound in the timber sector.³⁰

While the offset market has seen limited success, with regulations remaining unclear and the perception of corporate buyers unknown, White and the government remain convinced of the potential behind Gabon's carbon credits. If successful, the proposed sale could positively impact Gabon's economy and assist in the government's plans to diversify the economy away from oil. Gabon is the fifth-largest oil producer in Africa. Between 2016 and 2021, on average, oil accounted for 80% of exports, 45% of gross domestic product (GDP) and 60% of fiscal revenue.³¹ In 2020, oil exports amounted to \$2.36 billion.³² Gabon's overreliance on oil makes it susceptible to oil price shocks while the country is facing a decline in reserves. These two issues have pushed the government to explore other options to keep the economy afloat.³³

²⁹ The Africa Report, 4 Jul 2022

³⁰ IMF, 27 Jun 2022

³¹ World Bank, accessed 11 May 2022

³² Oec.world, accessed 11 May 2022

³³ ARC Gabon analyst

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

8 Jul 2022 **Komo River (Gabon)** *Le Nouveau Gabon*. **Asokh Energy**, owned by **France**-headquartered **Erano Group** and **Fonds gabonais d'investissements stratégiques (FGIS)** (Gabonese strategic investment fund), announces that work on the **Ngoulmendjim** hydroelectric dam will begin in March 2023;

7 Jul 2022 **Libreville (Gabon)** *Gabon Review*. **Libreville** hosts the economic and commercial mission of **Organisation internationale de la Francophonie**, bringing together local businesses, companies and economic partners from 30 countries;

7 Jul 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **United States**-based consulting firm **Mercer Human** ranks **Libreville** as the second most expensive African city for expatriates to live in;

6 Jul 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Several grocery store owners announce a shortage of wheat flour and bread in the capital, **Libreville**;

4 Jul 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Investment promotion minister **Hugues Mbadinga Madiya** announces 32 reforms aimed at improving the business climate in Gabon;

3 Jul 2022 **Brussels (Belgium)** *Gabon Review*. Energy minister **Alain-Claude Bilie-By-Nze** presents Gabon's plans to introduce renewable energy at the **33rd Crans Montana Forum**;

3 July 2022 **Libreville (Gabon)** *Gabon Review*. Former 2005 presidential candidate **Jean Donga** announces his candidacy for the 2023 presidential election;

2 Jul 2022 **Mbei River (Gabon)** *Le Nouveau Gabon*. **France**-headquartered company **Meridiam** and **Gabon Power Company** have released €32m (\$32,5m) to begin construction of the **Kinguélé** hydroelectric power station, constructed by their joint-subsiary **Asonha Energie**;

1 Jul 2022 **Libreville (Gabon)** *Gabon Review*. The petroleum ministry announces the price of petrol for July, keeping it at 605 FCFA (\$0.95) for households; however, manufacturers will pay 835 FCFA (\$1.31);

30 Jun 2022 **Libreville (Gabon)** *Gabon Review*. Gabon announces plans to relaunch the process of the **African Peer Review Mechanism**, a voluntary arrangement amongst **African** states to systematically assess and review governance at Head of State peer level to promote political stability, and economic growth among other goals;

30 Jun 2022 **Libreville (Gabon)** *Gabon Media Time*. The **World Bank** designates the port of **Owendo** as the best performing port in the **Commission of the Economic Monetary Community of Central African States (CEMAC)** zone;

29 Jun 2022 **Libreville (Gabon)** *Sika Finance*. The **International Monetary Fund (IMF)** disburses \$155m after completing its first and second reviews of the arrangements supported by **Extended Credit Facility** for **Gabon**;

29 Jun 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **Fonds Gabonais d'Investissements Stratégiques** (Gabonese fund for strategic investments) becomes the first **African** sovereign wealth fund to join the **Net-Zero Asset Owner Alliance**, created by the **United Nations**;

27 Jun 2022 **Libreville (Gabon)** *Gabon Review*. The **World Bank** publishes its latest Energy Progress Report, indicating that Gabon has an electrification rate of 91.6%, ranking it fifth on the **African** continent;

24 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Government publishes the long-awaited audit on the management of **Covid-19** funds, completed by **Deloitte**, which notes inconsistencies and lack of supporting documents;

23 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. **Czech Republic** secretary of state **Miloslav Stasek** meets with Gabon's oil minister, **Vincent de Paul Massassa**, to discuss investment;

23 Jun 2022 **Port-Gentil (Gabon)** *Le Nouveau Gabon*. President **Ali Bongo** cancels his trip to **Port-Gentil** amid a surge of **Covid-19** cases;

23 Jun 2022 **Libreville (Gabon)** *Gabon Media Time*. **Dr Reverend Désiré Mounanga**, representing the political formation **l'Union pour le Progrès National**, announces his candidacy for the 2023 presidential election;

20 Jun 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **Assemblée Nationale** (National Assembly) has voted to approve the 2022 amending finance bill;

16 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. **Commission of the Economic Monetary Community of Central African States (CEMAC)** president **Daniel Ona Ondo** asks for police barriers to be lifted on the **Yaoundé-Libreville** corridor to allow for increased free flowing trade;

15 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. **United Nations (UN)** announces it has chosen Gabon to host the **African Climate Week 2022** between 29 August and 1 September;

15 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. **TotalEnergies** acquires a 49% stake in forestry company **Compagnie des Bois du Gabon (CBG)**, diversifying its activities in Gabon;

14 Jun 2022 **Libreville (Gabon)** *Direct Infos Gabon*. National petroleum storage company **Société gabonaise d'entreposage de produits pétroliers** announces deliveries of diesel after a two-day shortage;

14 Jun 2022 **Libreville (Gabon)** *Direct Infos Gabon*. Government announces an oil target production of 10.7 million metric tons for 2022, with 2021 production totalling 10.04 million metric tons;

14 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Energy minister **Alain-Claude Bilie-By-Nze** announces government is considering banning the export of raw manganese and ore to encourage local processing;

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