

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing September 2021

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#### Gabon Summary 16 September 2021

*United States-based credit ratings agency Fitch Ratings raises its assessment of Gabon's creditworthiness to B- from CCC and awards the country a "stable" economic outlook. The Gabonese government has signed a framework investment agreement with Turkey-based Desiba Energy for the construction of a 17.7 billion FCFA (\$31.7m) 20-MW photovoltaic solar plant at Douba, near the town of Mouila in Gabon's southern Ngounié province. Health minister Guy Patrick Ndong says Gabon is experiencing the first effects of a third wave of Covid-19 infections amid concern about low turnout for Covid-19 vaccination.*

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#### Fitch Ratings raises Gabon's credit rating ...

In positive news for **Gabon's** government, **United States (US)**-based credit ratings agency **Fitch Ratings** has raised its assessment of the country's creditworthiness. Fitch issued Gabon's new credit rating on 24 August, raising the indication of the "*possibility of defaulting*" on debt repayments to B- from CCC with a "*stable*" outlook.<sup>1</sup> The new rating suggests Gabon has "*the capacity to honour financial commitments, but remains vulnerable to the deterioration of the economic environment*".<sup>2</sup>

Fitch attributed the upgrade to the recent easing in liquidity pressures as a result of higher petroleum prices and approval of a three-year **Extended Fund Facility (EFF)** for Gabon by the **International Monetary Fund (IMF)** in July, which will enable the country to access the equivalent of \$553.2m (see *ARC Briefing Gabon August 2021*).<sup>3</sup> Fitch suggested a rebound in non-oil revenues, a decrease in pandemic-related spending and restraint in other public expenditure will help to improve Gabon's underlying fiscal position.<sup>4</sup>

Fitch's rating also took into consideration Gabon's high gross domestic product (GDP) per capita, relative to its peers, long-term uncertainties with respect to oil production capacity, recurring difficulties in securing external funding and poor public financial management.<sup>5</sup> Fitch estimates that the fiscal deficit will rise to 3.3% of GDP in 2021, from 2.5% in 2020, due to the impact of lower oil production on fiscal revenue.<sup>6</sup> Nevertheless, the moderate rise in public investment spending and improvement in non-oil revenue, as well as the easing of **Covid-19**-related restrictive measures will boost economic activity and support Gabon's economic recovery.<sup>7</sup> The budget deficit is projected to fall to 1.4% in 2022 and to 0.7% in 2023.<sup>8</sup> Oil production is set to fall by 14% in 2021 to 185,000 b/pd but will see an increase to 201,000 b/pd by 2023.<sup>9</sup>

However, Fitch warned that poor management of public finances and the accumulation of debt arrears remain a concern for Gabon, with total financing needs for 2021 and 2022 equivalent to 14% and 7% of GDP respectively.<sup>10</sup> Gabon is likely to contract additional debt to repay its **Eurobond**, due

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<sup>1</sup> Fitch Ratings, 24 Aug 2021

<sup>2</sup> Fitch Ratings, 24 Aug 2021

<sup>3</sup> IMF, 28 Jul 2021

<sup>4</sup> Fitch Ratings, 24 Aug 2021

<sup>5</sup> Fitch Ratings, 24 Aug 2021

<sup>6</sup> Fitch Ratings, 24 Aug 2021

<sup>7</sup> Gabon Review, 25 Aug 2021

<sup>8</sup> Gabon Review, 25 Aug 2021

<sup>9</sup> Gabon Review, 25 Aug 2021

<sup>10</sup> Gabon Media Time, 25 Aug 2021

in 2024, which could see the debt-to-GDP ratio increase to 75%.<sup>11</sup> This scenario could place Gabon's "stable outlook" in jeopardy if medium and long-term adjustments are not made with respect to improving public finance management.<sup>12</sup>

Gabon currently has the second-highest debt-to-GDP ratio among member states of the **Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)** (Central African Economic and Monetary Community), currently at 71% behind **Congo-Brazzaville**, which has a 91% debt-to-GDP ratio.<sup>13</sup> CEMAC has set a public debt ceiling of 70%. At the end of the first quarter (Q1), Gabon had an estimated 6,426 billion FCFA (\$11.5 billion) in public debt. Since the end of August, this has increased to 7,000 billion FCFA (\$12.5 billion), following the IMF approval of the economic assistance programme.<sup>14</sup> However, budget and public accounts minister **Sosthène Ossoungou Ndibanganye** assured on 18 August that, in a bid to stem the growing debt, no further loans would be contracted in 2021.<sup>15</sup> Ndibanganye stressed the need for the government to save money, reduce indebtedness and free up financial resources in order to invest in projects over the next three years in conjunction with Gabon's 2021-2023 national economic agenda, the **Plan d'Accélération de la Transformation (PAT)**.<sup>16</sup>

The IMF has echoed Ndibanganye's call to rationalise debt contraction and public expenditure.<sup>17</sup> **Severin Yves Kamgna** of the IMF's **Regional Technical Assistance Centre** suggested the government further optimise resources by controlling budgetary risks, paying attention to the wage bill and limiting tax exemptions granted to private sector companies.<sup>18</sup> The IMF hopes the government can keep the wage bill below 700 billion FCFA (\$1.25 billion) annually, as stipulated in the PAT, and close underperforming state entities.<sup>19</sup> Prime minister **Rose Christiane Ossouka Raponda** has reportedly established a working group that will compile by the end of September a list of state-owned bodies that will be liquidated.<sup>20</sup> Three state-owned banks, including **Poste Bank, Gabon Poste** and **Banque Gabonaise de Développement (BGD)**, have already been identified for closure.<sup>21</sup> Poste Bank and Gabon Poste will cease operations by the end of 2021 while BGD will stop operations in 2022.<sup>22</sup>

### ... as renewable energy gets a further boost

The Gabonese state has signed a framework investment agreement with **Turkey-based Desiba Energy** for the construction of a 20-MW photovoltaic (solar plant) at **Douba**, near the town of **Mouila** in **Ngounié** province in southern Gabon.<sup>23</sup> Investment promotion and public-private partnerships (PPP) minister **Carmen Ndaot** has hailed the agreement as evidence of Gabon's ability to mobilise foreign direct investment.<sup>24</sup> Upon completion, the Ngounié solar plant will provide 15 MW of its output to state-owned utilities firm, **Société d'Énergie et d'Eau du Gabon (SEEG)**, in terms of a purchase agreement signed between Desiba and SEEG in February.<sup>25</sup>

The modalities for the 17.7 billion FCFA (\$31.7m) investment were finalised on 23 August.<sup>26</sup> Ndaot signed the agreement on behalf of the Gabonese state, while Desiba Energy director general **Mustafa**

<sup>11</sup> Gabon Media Time, 25 Aug 2021

<sup>12</sup> Gabon Media Time, 26 Aug 2021

<sup>13</sup> Gabon Review, 24 Aug 2021

<sup>14</sup> Gabon Review, 24 Aug 2021

<sup>15</sup> Gabon Review, 18 Aug 2021

<sup>16</sup> Gabon Review, 18 Aug 2021

<sup>17</sup> Gabon Media Time, 6 Sep 2021

<sup>18</sup> Gabon Media Time, 6 Sep 2021

<sup>19</sup> Gabon Review, 30 Aug 2021

<sup>20</sup> Gabon Review, 29 Aug 2021

<sup>21</sup> Nouveau Gabon, 10 Sep 2021

<sup>22</sup> Direct Infos Gabon, 14 Sep 2021

<sup>23</sup> La Tribune Afrique, 25 Aug 2021

<sup>24</sup> Gabon Review, 25 Aug 2021

<sup>25</sup> Gabon Media Time, 25 Aug 2021

<sup>26</sup> Direct Infos Gabon, 25 Aug 2021

**Ulkan Deliken** represented his firm.<sup>27</sup> Also present at the ceremony were energy and water resources minister **Alain Claude Bilie-By-Nze** and economy and recovery minister **Nicole Roboty Mbou**.<sup>28</sup> Ndaot noted that the solar plant will help to meet increasing demand from consumers, including entrepreneurs carrying out industrial activity.<sup>29</sup> Roboty Mbou said the project addresses the objectives of Gabon's 2021-2023 national economic agenda, the PAT, which aims to increase national electricity output by 250 MW by 2023. This is also an objective cited in the government's long-term economic development programme, the **Plan Stratégique Gabon Émergent (PSGE)** (2010-2025), which has prioritised the development of an abundant and reliable supply of energy to the population.<sup>30</sup>

Work at the Ngounié solar project is expected to last 12 months; however, provisions have been made for a timeline extension in the event of operational difficulties.<sup>31</sup> Roboty Mbou noted that the project will help to create jobs and provide greater access to clean and affordable energy.<sup>32</sup> Government assistant secretary general and executive secretary of the PAT, **Yves Sylvain Moussavou** described the solar project as "*a foreign direct investment which promotes clean energy*".<sup>33</sup>

The **Agence Nationale de la Promotion des Investissements du Gabon (ANPI-Gabon)** (investment promotion agency) facilitated Desiba's request to establish a subsidiary in Gabon.<sup>34</sup> Deliken said the investment commitment was due in large part to the positive bilateral relations between Gabon and Turkey, and that Desiba may expand its interest to also invest in Gabon's underexploited agricultural sector.<sup>35</sup>

The PAT and PSGE articulate the government's aim for most of its energy to derive from renewable sources. Recent developments indicate that it is making progress in achieving this goal.<sup>36</sup> In July, a memorandum of understanding (MOU) was signed between the Gabonese state and **Total Eren**, a subsidiary of France-based renewable energy firm **Groupe Eren**, for the construction of a 50-MW photovoltaic (solar) plant in **Grand Libreville** (Greater Libreville) (see *ARC Briefing Gabon July 2021*).<sup>37</sup> In the same month, state-owned **Gabon Power Company (GBC)**, a subsidiary of the **Fonds Gabonais d'Investissements Stratégiques (FGIS)** (Gabonese strategic investment fund) and France-based private equity investment fund **Meridiam**, signed a financial closing agreement to finance construction of the 35-MW **Kinguéle Aval** hydroelectric power station (see *ARC Briefing Gabon July 2021*).<sup>38</sup> These commitments demonstrate strong investor interest in Gabon's renewable energy prospects. According to a 2019 **World Bank** report, 90.7% of Gabonese have access to electricity.<sup>39</sup> This creates the opportunity for Gabon to export surplus electricity supply to neighbouring countries belonging to the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC) and the **Economic Community of Central African States (ECCAS)**.

### Gabon sees first signs of third wave of Covid amid low vaccination turnout

After several months characterised by low rates of infection, hospitalisation and death, Gabon is experiencing the first signs of a third wave of **Covid-19**, after recording more than 200 new cases daily since 8 September.<sup>40</sup>

<sup>27</sup> Gabon Review, 25 Aug 2021

<sup>28</sup> Gabon Review, 25 Aug 2021

<sup>29</sup> Gabon Review, 25 Aug 2021

<sup>30</sup> La Tribune Afrique, 25 Aug 2021

<sup>31</sup> Gabon Media Time, 25 Aug 2021

<sup>32</sup> Direct Infos Gabon, 25 Aug 2021

<sup>33</sup> Tribune Afrique, 25 Aug 2021

<sup>34</sup> Direct Infos Gabon, 25 Aug 2021

<sup>35</sup> Gabon Review, 25 Aug 2021

<sup>36</sup> ARC Gabon analyst

<sup>37</sup> Gabon Review, 12 Jul 2021

<sup>38</sup> La Tribune Afrique, 4 Jul 2021

<sup>39</sup> Sika Finance, 12 Jul 2021

<sup>40</sup> infocovid.ga

During a 16 August televised broadcast of the **State of the Nation Address** to commemorate the 61<sup>st</sup> anniversary of Gabon's independence, President **Ali Bongo Ondimba** (2009-present) declared that all Covid-19-related precautionary measures would only be lifted when 60% of the population, equivalent to 1.2 million people, have been vaccinated.<sup>41</sup> President Bongo reiterated the importance of receiving the Covid vaccine, describing it as a "*civic and patriotic act*" that protects vaccinated individuals and others, and will help to preserve the economy.<sup>42</sup> Bongo said Gabon has a sufficient supply of vaccines, as the government has procured the **Russian**-manufactured **Sputnik V**, **Chinese**-manufactured **Sinopharm** and **US**-manufactured **Johnson & Johnson** vaccines for its nationwide campaign.<sup>43</sup>

Health minister **Guy Patrick Ndong** has decried the low uptake of Covid vaccination in Gabon. As of 16 August, only 71,000 people had received at least one dose of the Covid-19.<sup>44</sup> At a meeting of the **Comité National de Vaccination** (national vaccination committee) on 21 August, Ndong announced the launch of a vaccination awareness campaign.<sup>45</sup> In collaboration with the **Comité de Pilotage de Veille et de riposte contre l'Epidémie à Coronavirus (Copil-Coronavirus)** (coronavirus steering committee) and support of civil society organisations, the health ministry on 27 August launched a mobile vaccination campaign in Grand Libreville (Greater Libreville), which includes Libreville and the surrounding communes of **Akanda** and **Owendo**.<sup>46</sup> Despite the government's concern about the country's low vaccination rate, **United Kingdom**-based **Economic Intelligence Unit (EIU)** in a 25 August report cited Gabon as one of seven **African** countries that could vaccinate its total population by the end of 2022.<sup>47</sup>

Ndong announced during a cabinet meeting on 7 September that the government had secured 100,620 doses of the **US**-manufactured **Pfizer** Covid-19 vaccine and 168,000 doses of the **Johnson & Johnson Janssen** Covid-19 vaccine through the **World Health Organisation (WHO)**-coordinated **Covax** vaccine procurement mechanism.<sup>48</sup> In a press conference on 8 September, Ndong said Gabon was experiencing the first effects of a third wave of Covid-19 infections.<sup>49</sup> The health minister attributed the surge in cases to non-adherence to the restrictive measures outlined by the government, as well as the presence of the so-called "*Delta*" variant in Gabon.<sup>50</sup> Ndong noted that 60% of international travelers to Gabon had tested positive for Covid-19.<sup>51</sup>

As of 15 September, Gabon had recorded 27,291 cases of Covid-19 in its population of 2.28 million, with 174 Covid-19-related deaths and 26,027 recoveries, while 78,668 individuals had received at least one dose of a Covid-19 vaccine as of 2 September.<sup>52</sup>

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<sup>41</sup> Direct Infos Gabon, 18 Aug 2021

<sup>42</sup> Gabonews, 18 Aug 2021

<sup>43</sup> Gabonews, 18 Aug 2021

<sup>44</sup> Gabonews, 18 Aug 2021

<sup>45</sup> Gabonews, 21 Aug 2021

<sup>46</sup> Gabonews, 27 Aug 2021

<sup>47</sup> Nouveau Gabon, 27 Aug 2021

<sup>48</sup> Direct Infos Gabon, 7 Sep 2021

<sup>49</sup> Nouveau Gabon, 9 Sep 2021

<sup>50</sup> Nouveau Gabon, 9 Sep 2021

<sup>51</sup> Nouveau Gabon, 9 Sep 2021

<sup>52</sup> infocovid.ga

## Planner

21-22 Oct 2021 **Istanbul (Turkey)** Turkey-Africa summit  
 Oct 2021 **Montpellier (France)** France-Afrique summit  
 2023 **(Gabon)** Local and national assembly elections

## Chronology

16 Sep 2021 **Paris (France)** *Jeune Afrique*. Former prime minister and ex-governor of the **Banque des États de l'Afrique Centrale (BEAC)** (Bank for Central African States) **Casimir Oyé Mba** passes away in Paris, aged 79, from **Covid-19**-related complications;

15 Sep 2021 **Libreville (Gabon)** *Al Jazeera*. The **United Nations** has withdrawn 450 Gabonese soldiers who formed part of the **Mission multidimensionnelle intégrée des Nations Unies pour la Stabilisation en Centrafrique (Minusca)** (United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic) based on allegations that soldiers were engaged in acts of sexual abuse and misconduct;

13 Sep 2021 **Libreville (Gabon)** *Gabon Review*. President **Ali Bongo Ondimba** removes his son **Noureddin Bongo Valentin** from his position as director of presidential affairs;

13 Sep 2021 **Libreville (Gabon)** *Direct Infos Gabon*. Latest government statistics reveal that 12,000 private sector jobs have been lost since February 2021;

13 Sep 2021 **Libreville (Gabon)** *Direct Infos Gabon*. Investment promotion minister **Carmen Ndaot** unveils 32 business reforms that the government intends to undertake as part of its short-term economic development agenda, the **Plan d'Accélération de Transformation (PAT) 2021-23**;

10 Sep 2021 **Libreville (Gabon)** *Nouveau Gabon*. The **International Monetary Fund (IMF)** orders Gabonese authorities to complete the liquidation of three public banks by mid-2022;

8 Sep 2021 **Libreville (Gabon)** *Direct Infos Gabon*. The government projects economic growth will average 2.9% during the period 2021-2023

8 Sep 2021 **Libreville (Gabon)** *Nouveau Gabon*. **France**-based private equity firm **Meridiam** has acquired a 40% share for 19.7 billion FCFA (\$35.m) in logistics firm **Société d'Exploitation du Transgabonais (Setrag)**, a subsidiary of **France**-based miner **Eramet**, while the Gabonese state has acquired 9% of shares in the company

7 Sep 2021 **Libreville (Gabon)** *Direct Infos Gabon*. President **Ali Bongo Ondimba** announces that Gabon will receive 268,620 doses of the **United States**-manufactured **Johnson & Johnson** and **Pfizer Covid-19** vaccines

6 Sep 2021 **Libreville (Gabon)** *Nouveau Gabon*. Gabon is targeting manganese production of just over 11.6 million tonnes per year by 2024, according to the 2022-2024 **Document de Cadrage Macroéconomique et Budgétaire** (macroeconomic and budgetary framework document), an increase of 38.6% compared to 2020, when Gabon produced 8.4 million tonnes;

5 Sep 2021 **Libreville (Gabon)** *Gabon Review*. According to the 2022-2024 **Document de Cadrage Macroéconomique et Budgétaire** (macroeconomic and fiscal framework document), Gabon signed 12 over-the-counter contracts with investors during the 12th bidding round for the allocation of offshore and onshore oil blocks in June;

3 Sep 2021 **Libreville (Gabon)** *Gabon Media Time*. **Franco-British** oil company **Perenco** says it aims to produce 10,000 tonnes of domestic gas in Gabon, which will necessitate the construction of a Liquefied Petroleum Gas (LPG) production plant;

30 Aug 2021 **Libreville (Gabon)** *Nouveau Gabon*. Good governance promotion minister **Francis Nkea Ndzigue** says judicial proceedings will soon be launched against corrupt state officials;

27 Aug 2021 **Libreville (Gabon)** *Nouveau Gabon*. The **United Kingdom**-based **Economist Intelligence Unit (EIU)** research centre reports Gabon is one of seven **African** countries projected to have fully vaccinated its population with the **Covid-19** vaccine by the end of 2022;

27 Aug 2021 **Libreville (Gabon)** *Nouveau Gabon*. The **International Monetary Fund (IMF)** has reportedly instructed the Gabonese government to provide a list of state-owned enterprises that will close down as part of Gabon's IMF-coordinated economic reform programme;

27 Aug 2021 **Libreville (Gabon)** *Direct Infos Gabon*. State-owned utilities firm **Société d'Energie et d'Eau du Gabon (SEEG)** announces it will carry out load shedding in **Grand Libreville** (Greater Libreville) from 27-31 August;

26 Aug 2021 **Libreville (Gabon)** *Gabon Media Time*. **Norway**-based **Panaro Energy** announces the discovery of oil deposits at the **Hibiscus North** exploration well (DHBNM-1) about 13.5 metres from the oil reservoir in **Haute Gamba**;

25 Aug 2021 **Libreville (Gabon)** *Direct Infos Gabon*. The economy and recovery ministry reports that public debt is currently at nearly 7,000 billion FCFA, (\$12.6 billion), equivalent to 71% of public debt as a share of gross domestic product (GDP), making Gabon the second most indebted country in the **Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC)** (Central African Economic and Monetary Community) region after the **Republic of Congo (Congo-Brazzaville)**;

25 Aug 2021 **Libreville (Gabon)** *Direct Infos Gabon*. **United States**-based credit ratings agency **Fitch Ratings** has raised Gabon's default rating from "CCC" to a "B-" grade;

23 Aug 2021 **Libreville (Gabon)** *Gabon Review*. **Turkey**-based **Desiba Energy** signs framework investment agreement with the Gabonese State to build a 20-megawatt solar power plant in **Ngounié** province, which will cost 17.71 billion FCFA (\$31.7m)

18 Aug 2021 **Libreville (Gabon)** *Gabon Media Time*. Gabon is set to reduce its annual budget to 2,769.3 billion FCFA (\$4.9 billion) from 3,127.9 billion FCFA (\$5.6 billion) in 2021;

17 Aug 2021 **Libreville (Gabon)** *Gabon Review*. President **Ali Bongo Ondimba** stipulates that 60% of the population, equivalent to 1.2 million people, must receive vaccination against **Covid-19** before restrictive measures can be lifted;

14 Aug 2021 **Libreville (Gabon)** *Nouveau Gabon*. Tourism minister **Pascal Houangni Ambouroué** states Gabon could withhold the passports of international travelers in the event of non-presentation of a negative **Covid-19** test and proof of their quarantine arrangements;

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