

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing June 2022

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#### Gabon Summary 10 June 2022

*The Conseil des Ministres (council of ministers) endorses a bill to amend the 2022 state budget by 359 billion FCFA (\$581m). The International Monetary Fund (IMF) completes a one-week assessment mission in Gabon to discuss growth projections for 2022 and reflect on future disbursements from the Extended Fund Facility. Gabon's main export sector, crude oil, sees several developments, with announcements from United States-based VAALCO, France-based Maurel & Prom, and Perenco Oil & Gas Gabon through the period May-June. India's vice-president, Venkaiah Naidu, leads a delegation of parliamentarians and entrepreneurs to Libreville in the first major visit by an Indian politician to Gabon in six years. The Caisse Nationale Sécurité Sociale (CNSS) (national social security fund) is facing challenges on several fronts including suspicions of embezzlement of funds, late payments to employees and recipients, and threats of permanent closure.*

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#### State budget adjusted to reflect global economic climate ...

The **Conseil des Ministres** (council of ministers) endorsed a bill on 7 June to amend the 2022 state budget by 359 billion FCFA (\$581m).<sup>1</sup> The amendment, to be submitted to a parliamentary vote, would adjust the 2022 budget from 2936,6 billion (\$4,75 billion) FCFA to 3295,6 billion FCFA (\$5,37 billion). The amendment reflects several factors, including:

- An increase in state revenue by 314,8 billion FCFA (\$508m), largely due to higher global oil prices;
- Increased revenues allocated to local communities, international organisations and public establishments;
- Increased budgetary support of 39.8 billion FCFA (\$39m) from the **International Monetary Fund (IMF)** and **African Development Bank (AfDB)** and the issuance of government securities;
- Increased expenditure on debt, operating and investment expenses by 109.7 billion FCFA (\$176m).<sup>2</sup>

The council of ministers has also considered the revision of some priorities given the increase in state revenue. Increasing coverage of health insurance, subsidising rising fuel and flour prices, working on the **Transgabonaise** highway and covering restructuring costs of public enterprises are issues that have increased in importance.<sup>3</sup> **Gabon** is not immune to the impacts of the ongoing **Ukraine-Russia** conflict. While as an oil producer and exporter, Gabon is reaping the benefits of the higher price of oil, which increased by 23.4% in the first quarter of 2022,<sup>4</sup> the country exports crude oil and has only one local refinery, which does not meet the demands of the local population. Gabonese are thus paying higher prices at petrol stations as well as for staples such as bread, wheat and oil. In April, the government announced it would subsidise the price of fuel and bread for a total amount of 47 billion FCFA (\$75m). The rise in inflation worldwide has also led to higher interest rates, making it more expensive for countries like Gabon to borrow on the international market.

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<sup>1</sup> Le Nouveau Gabon, 8 Jun 2022

<sup>2</sup> Direct Infos Gabon, 8 Jun 2022

<sup>3</sup> Gabon Media Time, 8 Jun 2022

<sup>4</sup> Le Nouveau Gabon, 6 Jun 2022

Increased spending planned for social benefits is a positive move on the government's side. Higher social spending ahead of the 2023 scheduled elections may buy the ruling **Parti Démocratique Gabonais (PDG)** political capital.

### ... as IMF reiterates disbursement conditions and growth projections

The IMF completed a one-week assessment mission in Gabon between 12 and 20 May to discuss growth projections for 2022 and reflect on future fund disbursements from the **Extended Fund Facility (EFF)**. The IMF and the Gabonese government reached a three-year agreement under the EFF in June 2021, for a total of \$553.2m (see *ARC Briefing Gabon Jun 2021*). Gabon has received \$115m to date, with the second disbursement of \$200m originally due to be discussed at the July scheduled review of the IMF board of directors.<sup>5</sup> However, the IMF delegation announced on 20 May that it would hold off its recommendation to go ahead with the disbursement to the board of directors.<sup>6</sup> IMF delegation head **Boileau Loko** said the government needs to publish a report on the management of funds it received from the IMF during the **Covid-19** pandemic to help the country's response.<sup>7</sup> Gabon has selected accounting firm **Deloitte** to audit the report.

The government has also delayed publishing a decree on the publication of the names and nationalities of beneficial owners of public contracts, as requested by the IMF, a measure used to improve transparency in the awarding of public tenders.<sup>8</sup> Until these two conditions are met, the delegation has agreed to not attend the meeting of the board of directors on behalf of Gabon, thus suspending disbursements from the EFF.<sup>9</sup> Loko noted:

*"The mission and the authorities agreed on the need to accelerate structural, public finance and governance reforms to strengthen domestic revenue and public finance management. This will help support the resumption of strong and inclusive growth and improve debt sustainability."<sup>10</sup>*

Loko used the IMF mission as an opportunity to advise the government on further changes it can make, claiming the incentives it has created through tax exemptions are not benefitting the economy. Loko suggested the government work on improving the business climate as a method to attract investors, rather than losing out on tax revenue that could be used to finance additional projects.<sup>11</sup>

The mission was also an opportunity for the IMF to confirm its growth projections for Gabon for 2022. The fund forecasts that growth will reach 2.8% in 2022, a sharp rise compared to the 1.5% growth achieved in 2021.<sup>12</sup> However, the figure is subject to change given the changing global market amid the ongoing Ukraine-Russia conflict.

### Oil developments continue with discoveries and other ambitions

Gabon's main export sector, crude oil, has seen several significant developments in the past month, with announcements from **United States (US)**-based **VAALCO**, **France**-based **Maurel & Prom** and **Perenco Oil & Gas Gabon**. Gabon is the fifth-largest oil producer in **Africa**. Between 2016 and 2021, oil accounted on average for 80% of exports, 45% of gross domestic profit (GDP) and 60% of fiscal revenue.<sup>13</sup> In 2020, oil exports amounted to \$2.36 billion.<sup>14</sup>

<sup>5</sup> Direct Infos, 23 May 2022

<sup>6</sup> Direct Infos, 23 May 2022

<sup>7</sup> Gabon Review, 3 Jun 2022

<sup>8</sup> Direct Infos, 23 May 2022

<sup>9</sup> Le Nouveau Gabon, 21 May 2022

<sup>10</sup> Direct Infos, 23 May 2022

<sup>11</sup> Gabon Review, 22 May 2022

<sup>12</sup> Direct Infos, 23 May 2022

<sup>13</sup> World Bank, accessed 11 May 2022

<sup>14</sup> Oec.world, accessed 11 May 2022

VAALCO announced on 2 June that it has successfully drilled the **South Tchibala 1HB-ST** well located offshore in the **Avouma** zone in the **Etame Marin** field.<sup>15</sup> VAALCO indicated that the well holds significant hydrocarbon columns and that it will begin production before the end of June.<sup>16</sup> VAALCO has been conducting a four-well offshore drilling campaign to increase its production from 7,000 barrels per day (bpd) to 8,000 bpd.

Maurel & Prom managing director **Olivier de Langavant** held a meeting with petroleum minister **Vincent de Paul Massassa** on 24 May to express the company's future ambitions for operations in Gabon. Maurel & Prom signed an agreement with the government in November in terms of which it will give the Gabonese state \$100m in two transactions (see *ARC Briefing Gabon Nov 2021*). The agreement also stipulates an amendment to the exploration of the **Ezenga** permit, production and sharing contract (CEPP) for the permit, extending the exploration period until 2026, and allows for the signing of CEPPs for the **Kari** and **Nyanga-Mayombe** zones. These offshore permits are 100% owned by Maurel & Prom, with their exploration periods valid until 2029.<sup>17</sup> De Langavant reiterated the company's commitment to Gabon and expressed the desire to develop its activities further, citing the November agreement as the beginning of this plan.<sup>18</sup>

In further good news for Gabon's oil sector, local media reported on 2 June that Perenco Oil & Gas Gabon, a subsidiary of **Franco-British** independent petroleum firm **Perenco**, will be re-drilling wells on the **Oba** field of its **Obena** permit.<sup>19</sup> The news comes against the background of the 300,000-barrel oil spill at the **Cap-Lopez Terminal** in **Port Gentil**, operated by Perenco Oil & Gas Gabon (see *ARC Briefing Gabon May 2022*). Concerns have been raised about the re-drilling of the field, as it falls in the **Étimboué** area, where residents near a petrol field documented several oil spills in 2020, among several accusations facing the company (see *ARC Briefing Gabon May 2022*). Local media source **Gabon Review** has reported that Perenco Oil & Gas Gabon filed an environmental and social impact assessment with the **Direction générale de l'Environnement et de la Protection de la nature (DGEPN)** (general directorate for the environment and nature protection) in January, however, the results have not been published.<sup>20</sup>

### India and Gabon expand bilateral cooperation

India's vice-president, **Venkaiah Naidu**, led a delegation of parliamentarians and entrepreneurs to **Libreville** from 30 May to 1 June, in the first major visit by an Indian politician to Gabon in six years. Indian government representatives said the trip would serve as an opportunity to discuss strengthening trade ties between the two countries across several sectors while establishing closer business ties. India imported products worth 477.7 billion FCFA (\$779m) from Gabon in 2021, making it the second-largest importer of Gabonese products behind **China**.<sup>21</sup>

Naidu met with President **Ali Bongo Ondimba** (2009-present) as well as national assembly president **Faustin Boukoubi**, agreeing to create parliamentary groups aimed at strengthening and consolidating interparliamentary diplomacy.<sup>22</sup> A Gabon/India business forum in Libreville on 1 June gave Indian businessmen the chance to scope potential investment opportunities. The visit ended with a memorandum of understanding signed between the **Confederation of Indian Industry** and **Agence Nationale de la promotion des Investissements** (national investment promotion agency) to facilitate investment between the two countries. On the education front, the **University of Jaipur** has agreed to provide 10 scholarships to Gabonese students, 100% funded by the Indian government.

<sup>15</sup> Le Nouveau Gabon, 2 Jun 2022

<sup>16</sup> Le Nouveau Gabon, 2 Jun 2022

<sup>17</sup> Gabon Review, 25 May 2022

<sup>18</sup> Gabon Review, 25 May 2022

<sup>19</sup> Gabon Review, 16 May 2022

<sup>20</sup> Gabon Review, 16 May 2022

<sup>21</sup> Gabon Review, 18 May 2022

<sup>22</sup> Gabon Review, 1 Jun 2022

During the visit, commerce minister **Hugues Mbadinga Madiya** expressed Gabon's desire to be India's gateway to **African** business. India and Gabon have maintained relations since before Gabon achieved independence in 1960, with relations focused largely on mining, higher education, research, agriculture, and transport. Madiya noted that foreign direct investment from India in Gabon has risen to close to \$2 billion.<sup>23</sup> Indian capital backs 101 companies in the **Nkok Special Economic Zone**, with 44 of these in operation.<sup>24</sup>

### National Social Security Fund in crisis

The **Caisse Nationale Sécurité Sociale (CNSS)** (national social security fund) is facing challenges on several fronts including suspicions of embezzlement of funds, late payments to both employees and recipients and threats of permanent closure. CNSS director general **Patrick Ossi Okori** has voiced concerns about the fund running out of money by July if it fails to implement certain reforms.<sup>25</sup> The **Syndicat des professionnels de la Caisse nationale de sécurité sociale (Sypross)** (union of national social security fund professionals) said on 24 May that the fund requires an investment of 500 billion FCFA (\$807m) to avoid bankruptcy.<sup>26</sup>

The survival and smooth running of the CNSS are important to maintaining social cohesion and trust in the state to provide for its citizens. The CNSS is responsible for providing social security to workers in the private sector, focused on family and maternity benefits, pensioners and providing funds to those who are unable to work due to occupational disease or accidents.<sup>27</sup> Individuals who fall into these categories are often reliant on their disbursements from the CNSS to support themselves and their families.

President Bongo, together with health minister **Guy Patrick Obiang Ndong**, held consultations with Okori and the director-general of the **Caisse Nationale d'assurance-maladie et de garantie sociale (CNAMGS)** (national health insurance and social guarantee fund) on 27 May to diffuse tensions after CNSS employees threatened to shut down branches countrywide.<sup>28</sup> The threats stemmed from the ongoing inability of the CNSS to pay employees' salaries on time. Although Bongo ordered salaries be paid by 30 May, no payments had been made by 3 June, leading to another threat of shutdowns by employees.<sup>29</sup>

On 7 June, Bongo and the council of ministers agreed to dissolve the board of directors and general management of the CNSS, placing it under provisional administration for 12 months.<sup>30</sup> The council of ministers justified the decision as part of necessary reforms to protect the *"government's mission of social protection and the preservation of the well-being of populations in general and of those insured by social security in particular"*.<sup>31</sup>

<sup>23</sup> Gabon Review, 1 Jun 2022

<sup>24</sup> Gabon Media Time, 3 Jun 2022

<sup>25</sup> Gabon Review, 19 May 2022

<sup>26</sup> Gabon Media Time, 3 Jun 2022

<sup>27</sup> [www.cnss.ga](http://www.cnss.ga), accessed 10 Jun 2022

<sup>28</sup> Le Nouveau Gabon, 27 May 2022

<sup>29</sup> Gabon Review, 2 Jun 2022

<sup>30</sup> Direct Infos Gabon, 7 Jun 2022

<sup>31</sup> Gabon Review, 8 Jun 2022

## Planner

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

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

## Chronology

9 Jun 2022 **Libreville (Gabon)** *Gabon Media Time*. In line with the amended finance bill, the government announces it will increase the price subsidy for fuel and flour;

9 Jun 2022 **Rabat (Morocco)** *Gabon Review*. **Gabon's** foreign minister, **Michaël Moussa Adamo**, meets with his **Moroccan** counterpart, **Nasser Bourita**, to arrange an economic forum for the diversification of the Gabonese economy;

8 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Elections for governance bodies of the **Chamber of Commerce, Agriculture, Industry, Mines and Crafts** are postponed to 11 November;

8 Jun 2022 **Libreville (Gabon)** *Direct Infos*. **TotalEnergies EP Gabon** closes the first quarter of 2022 with a turnover of \$188m, up 35% compared to the same period in 2021;

6 Jun 2022 **Port Gentil (Gabon)** *Gabon Review*. President **Ali Bongo Ondimba** announces his first trip to the economic capital of Gabon, **Port Gentil**, in five years;

3 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. Mines minister **Elvis Ossindji** receives a delegation from **Democratic Republic of the Congo (DRC)**-based **Société Minière du Katanga (SOMIKA)**, which is prospecting Gabon's mining sector;

3 Jun 2022 **Libreville (Gabon)** *Le Nouveau Gabon*. According to government's 2022-2024 macroeconomic and budgetary framework, Gabon plans to increase palm oil production by 84% in the next two years;

31 May 2022 **Libreville (Gabon)** *Upstream*. **France**-based independent oil and gas company **Perenco** restarts operations at its **Cap Lopez** oil storage terminal in **Gabon** following a 300,000-barrel spill last month;

30 May 2022 **Libreville (Gabon)** *India Today*. **India's** vice president, **Venkaiah Naidu**, arrives in **Gabon** on the first leg of his three-nation tour of Gabon, **Senegal** and **Qatar**;

29 May 2022 **Libreville (Gabon)** *Gabon Review*. Gabon commits 122m FCFA (\$200,000) to the **African Union (AU)**-backed **African Humanitarian Agency**;

27 May 2022 **Libreville (Gabon)** *Direct Infos Gabon*. **La Société gabonaise d'entreposage des produits pétroliers (SGEPP)** (petroleum products storage company) denies rumours of a fuel shortage following the **Cap Lopez** terminal oil spill;

26 May 2022 **Owendo (Gabon)** *Direct Infos Gabon*. **France**-based **Bureau Veritas** awards **Port of Owendo** operator **Owendo Container Terminal "Green Terminal"** accreditation in acknowledgement of its efforts to reduce its environmental impact;

25 May 2022 **Port Gentil (Gabon)** *Gabon Review*. **TotalEnergies Gabon** announces the resumption of production after pausing production on 28 April following the **Cap Lopez** terminal oil spill;

25 May 2022 **London (United Kingdom)** *Morning Star*. **United Kingdom**-headquartered oil and gas exploration company **Tullow Oil** CEO **Rahul Dhir** says at the company's annual general meeting that the company has seen strong operational performance in **Ghana** and **Gabon**;

23 May 2022 **Port Gentil (Gabon)** *Le Nouveau Gabon*. **TotalEnergies EP Gabon** continues its suspension of export and import operations in Gabon, citing the oil spill at the **Cap Lopez** terminal that occurred on 28 April;

23 May 2022 **Libreville (Gabon)** *Direct Infos Gabon*. The **International Monetary Fund (IMF)** forecasts that Gabon's economic growth will reach 2.8% in 2022;

23 May 2022 **Libreville (Gabon)** *Direct Infos Gabon*. The **International Monetary Fund (IMF)** threatens to suspend a second fund disbursement to Gabon if the government does not publish its audit report on expenditure linked to the **Covid-19** pandemic and finalise the decree on the publication of the names and nationalities of the beneficial owners of public contracts;

17 May 2022 **Ngounié (Gabon)** *Le Nouveau Gabon*. Government grants **Moroccan** mining company **Managem** an exploration and exploitation permit for the **Etéké** gold project in **Ngounié** province.

16 May 2022 **Libreville (Gabon)** *Sika Finance*. **Gabon** becomes the last of the **Central African Economic and Monetary Community (CEMAC)** countries to adopt the CEMAC biometric passport;

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

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