

Gabon



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Brief History:

Gabon became independent from France's colonialism in 1960. The first president of Gabon, elected in 1961, was Léon M'ba, with Omar Bongo Ondimba as his vice president. France used funds and influence to ensure that the elected person defend its interests in Gabon, therefore, contributed to electing Leon M'ba, pro France activist as Gabonese President. After it accession to power, President Leon M'ba modified the constitution to align it with French interests, curtailed the freedom of speech, prohibited public demonstration and instituted the one party rule in 1964 after dissolving the National Assembly.

In an attempt, to restore democracy, an army coup, failed to kill President Leon M'ba because French paratroopers flew in within 24 hours to restore M'ba to power, after a few days of fighting. Subsequently, the opposition was imprisoned, despite widespread protests and riots. Léon M'ba died in and was replaced by the current president Omar Bongo Ondimba. President Bongo brought back democracy to some extent by re-establishing the freedom of speech and allowing multiple political parties to speak up their thoughts. However, President Bongo has been, throughout his presidency, accused of corruption and dictatorship, and defending French interests.

At the beginning of the 1990s, President Bongo was accused of killing Joseph Redjambe. Gabonese population started violent protests, requesting President Bongo to resign. Thanks to another French intervention, President Bongo has succeeded in calming the public. Subsequently, Gabon has been prosperous because of its natural resources such as oil, wood, etc.

On the Economy:

With a small population of about 1.5 million and a density of 5.4/km², i.e. 13.5/sq mi, Gabon is one of the wealthiest country in Africa, mainly because of it natural resources. It has a nominal GDP per capita of \$8,100. Oil represents 52% of the GDP, even though Gabon has a variety of natural resources such as oil, forest, manganese, and timber. The below Table 1 provides a breakdown of GDP per sector:

Table 1: Gabon: GDP Break down by sector

% of GDP by sector (2006)

Oil	51.10%
Other Services	23.10%
Government Services	10.80%
Industry	4.50%
Forestry	1.40%
Agriculture, Livestock and Fisheries	3.50%
Mining	2.50%
Construction	1.80%
Forestry	1.40%
Water and Electricity	1.20%

Surprisingly, the unemployment rate in Gabon is 21% because of lack of education and lack of policies that promote job creation. Additionally, there is no effort from the government to encourage foreign companies that do business in Gabon to hire and train the Gabonese workforce.

OVERVIEW OF THE FINANCIAL SYSTEM:

For many years, Gabon’s financial system was under Gabonese government and French financial institutions’ control. Limited access to financing and high debt costs hampered the development of entrepreneurship in Gabon. However, in recent years, the Gabonese government has started privatization of many industries, including the financial industry, and opened the financial industry to foreign banks and investors. As a result, many foreign banks, e.g. ecobank, entered the Gabonese financial sector.

On December 5, 2007 JPMorgan was one of the book runners on supporting Gabon issue US\$1 billion 10-year bond. Gabon’s bond rating is BB-/BB-.

Banking system:

Gabon has about 9 banks that provide commercial services:

BICIG (Banque Internationale pour le Commerce et l'Industrie du Gabon) – Capital of \$43 million

BGFI (Banque Gabonaise et Française Internationale)- capital of \$138 million

UGB (Union Gabonaise de Banque) – Capital of \$23 million

Citibank Gabon, subsidiary of Citigroup – Capital of \$22 million

Alios Finance, subsidiary of the French bank Alios

BHG (Banque de l'habitat du Gabon)

SOGACA (Societe Gabonaise de Credit Automobile)

Banque National de Credit Rural

Banque Populaire du Gabon

The two largest banks, BGFI and BICIG control 70% of deposits and accounts.

Recently, other foreign banks have been exploring the opportunity to enter the Gabonese banking system, ecobank decided to enter the Gabonese financial industry at the beginning in 2009.

Because of restrictions on minimum deposits and minimum income, access to banking services was limited to few people in Gabon, thus further hampering the development of the banking sector in Gabon. With the intent to reduce its dependence on oil, the Gabonese government has encouraged banks to increase credit to the private sectors, hoping that this initiative will promote economic development in sectors such as agriculture and wood exploitation. The availability of funds in Gabon is highly correlated to the price of oil.

Between 2002 and 2005, financial institutions reduced their loan portfolios, from CFAF 430.0 billion (or 53.4 percent of total assets) to CFAF 390.7 billion (44.7 percent of total assets), thus, reducing the amount of credit to the private sector to below that of other countries in sub-Saharan Africa, as a share of GDP (See Table 2).

Table 2: Gabon: Commercial Bank Behavior

	Averages		Averages		Averages		Averages	
	2002-03	2004-05	2002-03	2004-05	2002-03	2004-05	2002-03	2004-05
	(Billions de CFAF)		(Percent of total Assets)		Percent of GDP		(Percent of non-oil GDP)	
Deposits	532.6	610	69.5	65.2	15.3	14.3	26.3	28.2
Net Foreign Assets	26.2	123.2	3.4	12.8	0.8	2.8	1.3	5.7
Credit to the Economy	430	390.7	56.1	42.2	12.3	9.2	21.2	18.1

Additionally, Banks are having difficulties managing their portfolio of loans, with an average of 14% of problem loans between 2003 and 2005 as described in the below Table 3. As a result, banks prefer short term lending with high rate to be compensated for the risk of default.

Table 3: Gabon: Commercial Banks' Credit Portfolio

	2002	2003	2004	2005
Credit (Gross)	553	503.8	463.1	473.2
Problem (Loans)	63	69.7	73	67.8
in percent of total credits	11.4	13.8	15.8	14.3
Provisions	41.9	54.9	57.2	54.4
Credit (net)	511.2	379.1	333	351
Credit (Gross)	553	503.8	463.1	473.2
Government	59.4	52.3	39.1	31.3
Public enterprises	14.2	9.5	16.6	7.7
Private Sector	466.5	431.2	376.2	424.7
in percent of total credits	84.4	85.6	81.2	89.8
Non Residents	3.5	6.1	25.6	3.3
Other	9.4	4.7	5.6	6.1
Credit to the Economy	100	100	100	100
Short Term	59	55.7	54.3	60.6
Medium Term	39.4	38.3	39.4	33.3
Long Term	1.5	6	6.3	6.1
Credit to the Economy	100	100	100	100
Primary sector	17.1	14.9	9.8	10
Of which: wheat, fruit, vegetables	0.3	0.4	0.7	1.1
Of Which: forestry	11.9	11.5	6.7	4.2
Of Which: mining	0	0.4	0.5	0.8
Secondary sector	13.6	10.5	12.1	15.7
Of which: non-furniture wood	2	0.8	5.9	6.9
Tertiary sector	69.3	74.6	78.1	74.4
Commerce	16.7	18.9	18.6	23
Of which: construction materials	0.4	0.3	0.3	3.2
Services	52.6	55.7	59.5	51.4
Of which: transport	1.3	1.4	2.2	3.1
Of which: telecommunications	1.4	1.9	3.6	2.5
Of which: enterprise support	8.2	9.2	13.1	14.1

As described in the above table, about 70% of the loans are made in the tertiary sector, and mainly in the services sub-sector.

Banks in Gabon offer the following commercial services (not exhaustive):

- Checking and saving accounts, credit card
- Money transfer
- Business Accounts
- Commercial Loans for cars. Homes, etc
- Business Loans
- Broker for government bond

Gabon was ranked, by the World Bank, as one of the most difficult place in the world to do business (118 out of 175). Even though there has been significant improvement in the banking sector in Gabon over the past years, there is still a significant lack of competition in the financial sector. Concentration in the banking sector is relatively high as per the below Herfindahl-Hirshman Index (H) table 4:

Table 4: CEMAC: Banking Concentration, 2002–05

	HH Index 2002	HH Index 2005
Cameroon	1,621	1,416
Central Africa Republic	3,673	3,421
Congo	3,098	2,689
Gabon	2,716	2,734
Equatorial Guinea	4,346	3,832
Chad	2,154	1,933

Note: 1,000 – 2,000 = moderate concentration; > 2,000 = high concentration. The index is calculated by summing up the squared relative market shares (in percentage points) of all the banks

Finally, the investment industry is pretty much inexistent in Gabon, besides investments in government bonds.

Insurance companies and other financial institutions:

After decades of insolvency of some Insurance companies and a total lack of confidence in the insurance, the insurance industry has found a new platform to operate successfully through the creation of the regional insurance regulator, Interprofessional Committee of the Insurance Market (Conférence Internationale des Marchésd’ Assurances or CIMA). CIMA has jurisdiction over insurance companies for the whole CFA Franc zone. It was established on July 10, 1992 in Yaounde (Republic of Cameroon) and includes the following countries: Benin, Burkina, Cameroon, Central Africa, the Comoros, Ivory Coast, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo.

The CIMA Treaty came into effect on February 15, 1995. The regulatory body of the CIMA, called the Regional Commission of Insurance Control (CRCA), is responsible for controlling the industry.

There are about 5 insurance companies in Gabon:

- OGAR
- AXA
- ASSINCO
- NSIA Gabon
- UAG Assurances

Today, the insurance market is growing; the coverage rate keeps increasing; reduction in delay to pay off insured people in case of accidents; Increased subscriptions from businesses and institutional investors. However, there are still some obstacles to the sustainability of such development, e.g. lack of understanding, from population, of what the insurance brings in terms of value. People need to be educated more to see the benefits of being insured.

Due to limited data availability, a quantitative analysis of the insurance sector is not possible.

Central Bank and its Role in the economy:

Gabon does not have its own Central Bank. It shares a common central bank and a common currency with other francophone neighboring countries; Cameroon, Central African Republic, Congo, Guinea Equatorial and Chad. This common central bank is called **Bank of Central African States (BEAC)**

Since the BEAC does not have any supervisory authority over banks, The Central African Economic and Monetary Community (CEMAC) created a Banking Commission – COBAC – in 1993 to administer, regulate, supervise and sanction over banks that are part of the BEAC region and that were given a license with the Central Bank. According to World Bank reports, there is a close relationship between the Central Bank and COBAC (the regulating agency) which makes for a weakened enforcement capacity. The Governor of the BEAC presides over the Board of COBAC as well as the Vice-Governor of the BEAC which leaves the organization as partially independent from the BEAC.

The BEAC offers some form of Deposit Insurance. FOGADAC is a regional deposit insurance fund that was created in 1994 and is managed by the national banking association with a monitoring role by COBAC. The mission considers correcting for weaknesses within the system (ex. Exercises of sanctioning powers) before implementation of FOGADAC (according to the World Bank Report in 2006)

Capital Markets:

Gabon does not have stock exchange. As in the case of the CFA West Africa zone which has a common stock Valeurs Mobilières-BRVM), the Central African Region also sought to establish a common stock exchange. However, plans for these were temporarily shelved, as agreement could not be reached between the member countries on a host country.

Gabon decided to create its own exchange, the Central African Stock Exchange (BVMAC), whilst a separate stock exchange was established in Cameroon, the Douala Stock Exchange (DSX). Efforts are currently underway to integrate both exchanges.

Foreign Exchange:

The CFA Franc is the common currency of 14 countries located in West Africa (WAMU) and Central Africa (CEMAC), and has a fixed parity with the Euro at XAF 655.957/1 EUR. The French treasury guarantees the convertibility and stability of the XAF. Payments and transfers of capital within the CEMAC region and current account transactions with all countries are unrestricted. However, restrictions on transactions of capital accounts apply for outflows to countries outside the CEMAC.

Other Financial Institutions: Microfinance

The microfinance sector comprises many microfinance institutions that are mostly concentrated around big cities. The microfinance in rural areas is not very well represented, and as a result it is very difficult for entrepreneurs in rural areas to undertake small businesses. Here are some of the prominent micro-finance institutions in Gabon:

- BGD (Banque Gabonaise De Development)
- FNAM (La Financiere Africaine de Micro-Projets)
- ETS Finatra

There are no Gabonese private equity companies; however, many private equity firms do invest in firms that operate in Gabon. Emerging Capital Partners (ECP), a Washington DC based private equity company, has invested in many companies in Gabon, including Celtel Gabon.

Due to limited data availability, a quantitative analysis of the insurance sector is not possible.

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