

# Gabon Rising: Realizing the Nation's Potential



## Investor Presentation

June 2015 | Strictly Private and Confidential

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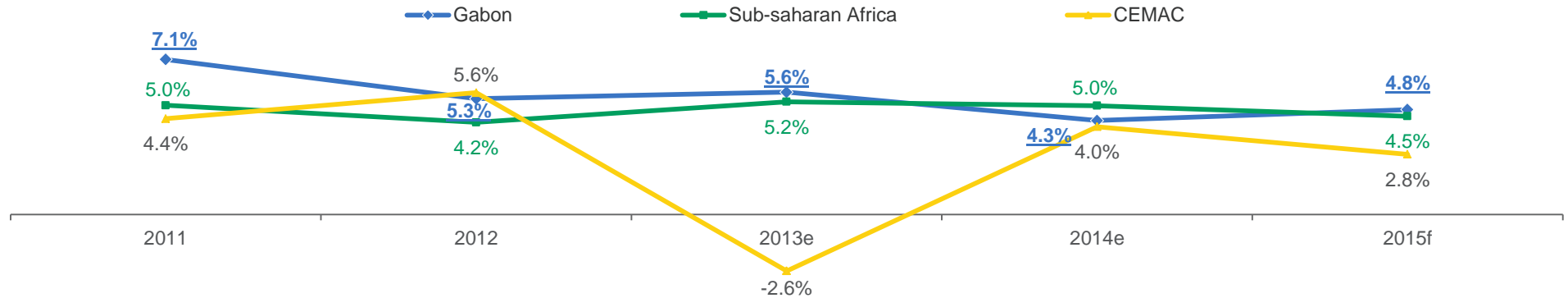
# I. Satisfactory Macroeconomic & Fiscal Situation Despite Oil Price Shock

# Solid Economic Growth Despite Exogenous Shocks

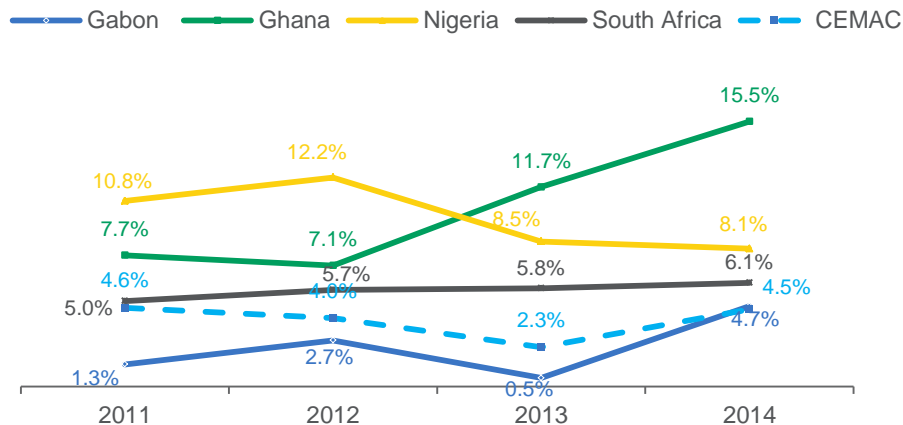


**Gabon has outperformed regional peers despite exogenous shocks. Growth is projected at 4.8% in 2015 in the Revised Budget Law 2015**

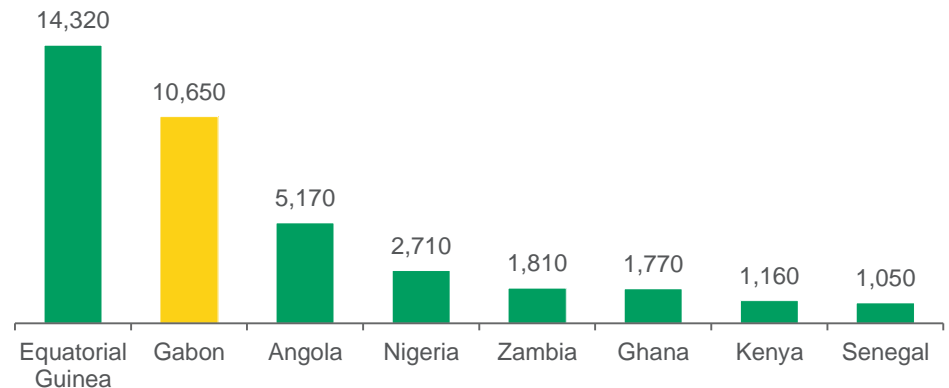
## Continued Positive Real GDP Growth (% p.a.)



## Low Inflation (yearly average, %)



## GNI per capita, Atlas method (2013, current US\$)



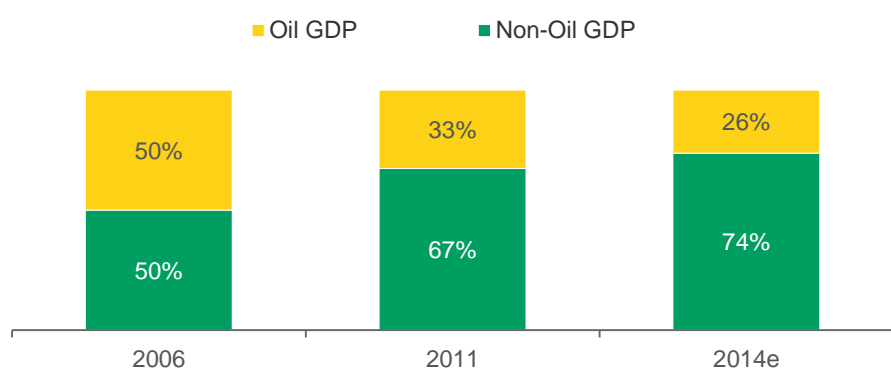
Sources: World Bank databank 2013 figures

# Growth is Now Mainly Driven by the Non-Oil Sector

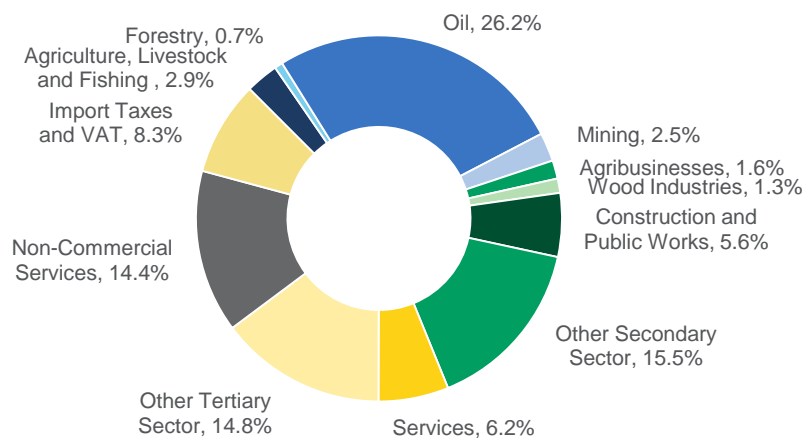


The Emerging Gabon Strategic Plan has been a strong driver of diversification for the economy. The share of the non-oil GDP in total nominal GDP increased from 67% in 2011 to 74% in 2014. Overall growth remained high in 2014 despite the negative growth of the oil sector

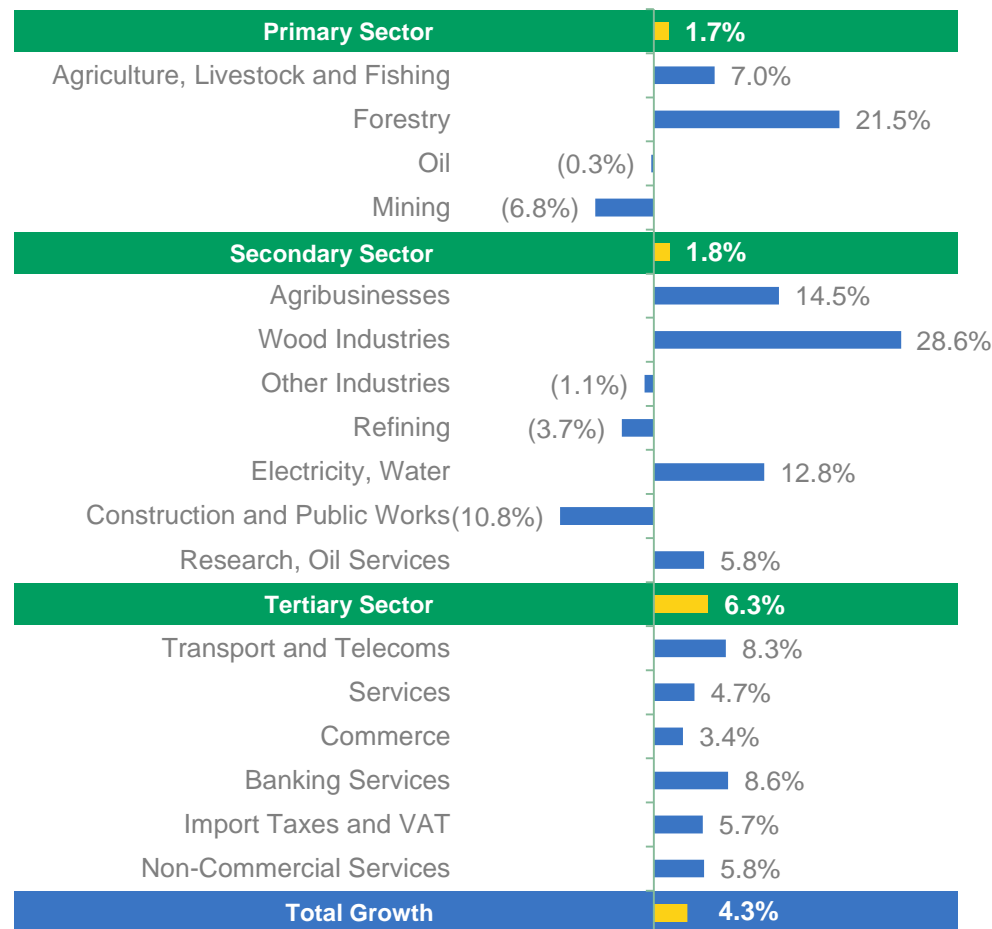
Oil GDP and Non-Oil GDP (% of nominal GDP)



Nominal GDP Contribution by Sector (2014e)



Y-o-Y Real GDP Growth by Sector (2014e)



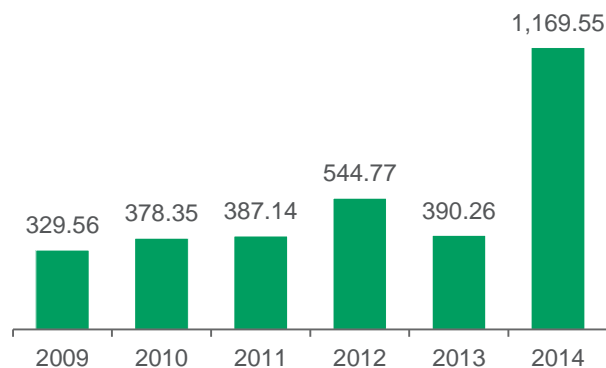


The decline in production in maturing fields is being compensated by the introduction of new extraction techniques, new explorations and an improved regulatory framework

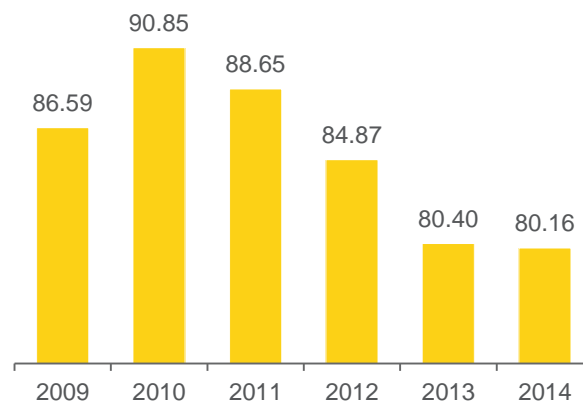
## The Oil Sector Today and the New Oil Code

- Gabon's proven reserves are estimated at **3.6 billion barrels**
- The Government's strategy is to encourage **investment in exploration as well as in production enhancement in mature fields, in order to curb the decline in oil production**
  - In June 2011, **Gabon Oil Company**, a state-owned company, was created to **increase the Government's involvement in oil production**
  - In 2014 Gabon adopted a new oil code with the objective of **levelling the playing field among operators, fostering transparency and attracting new operators with a favorable tax regime**
- Investment in exploration by oil companies has increased four times in 2014 compared to 2013
- 15 blocks in 2013 and 9 blocks in 2014 were awarded in the deep and ultra-deep waters to revive the sector

### Investment in Oil Exploration (USD million)

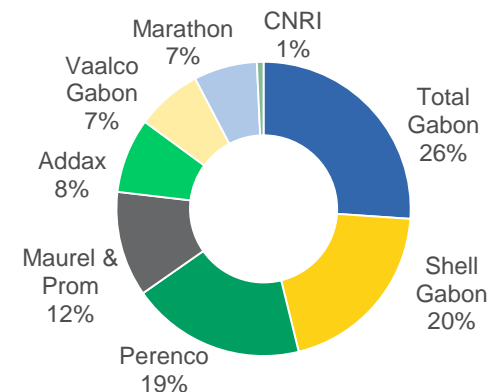


### Oil Production (million of barrels)



### Oil Companies in Gabon (% of 2014 total oil production)

Total oil production in 2014: 80.16 million barrels

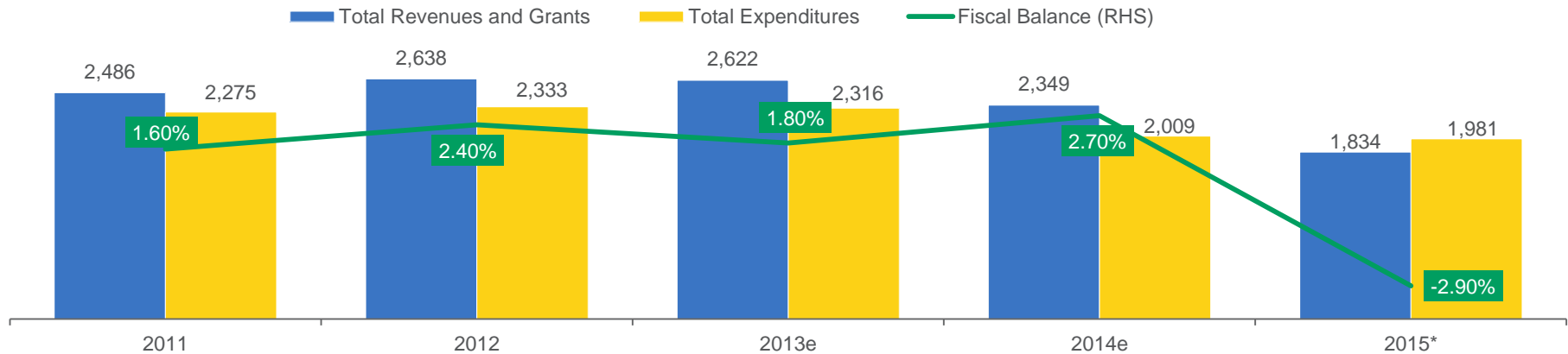




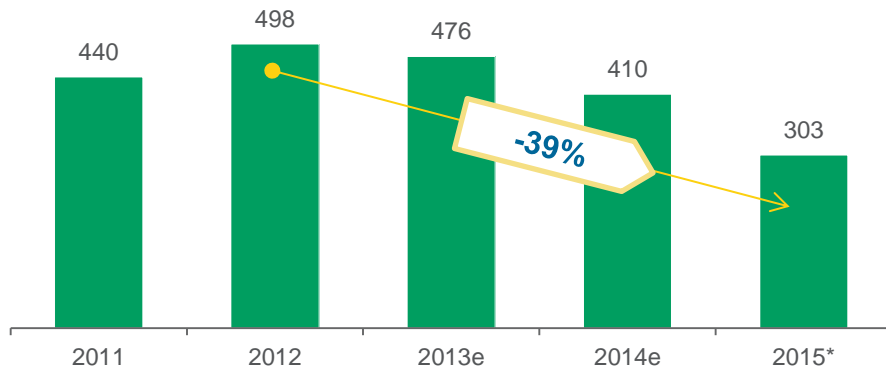


Despite a significant increase in public investments since 2010, the Authorities have always maintained Gabon's public finances in surplus or close to balance

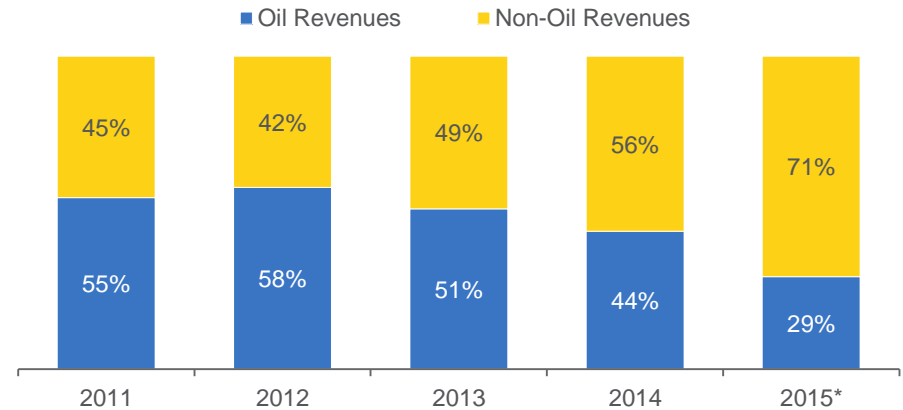
Expenditures vs. Revenues (CFA billion) and Fiscal Surplus / Deficit (% of GDP)



Subsidies (CFA billion)



Revenues Breakdown (% of total revenues)

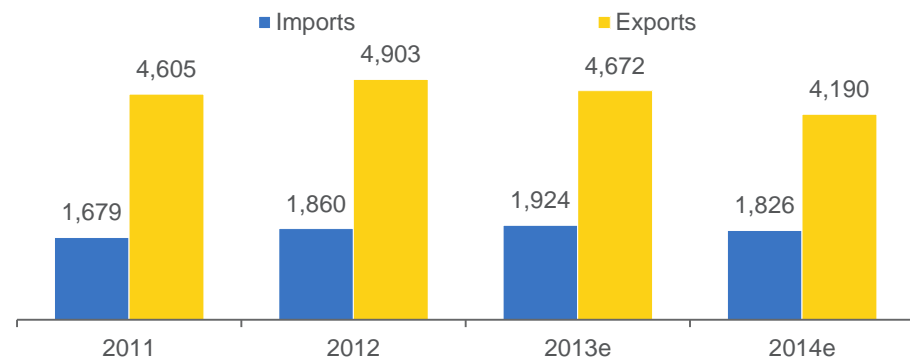


# Gabon's Strong External Position Is A Protection Against External Shocks



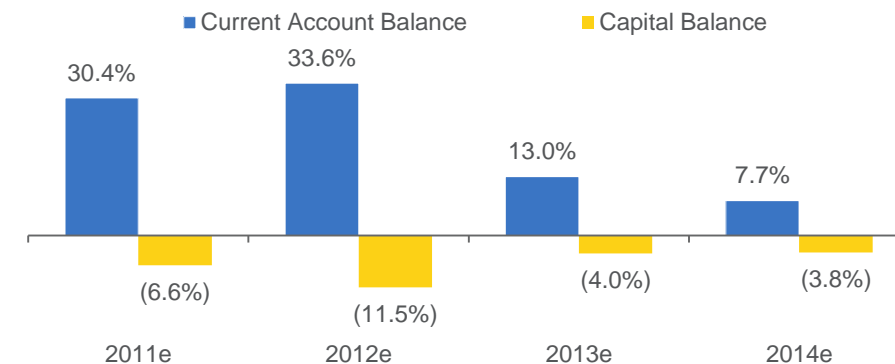
Despite the drop in oil export revenues, Gabon has maintained a current account surplus due to the country's export profile

## Imports and Exports Profile (CFA billion)



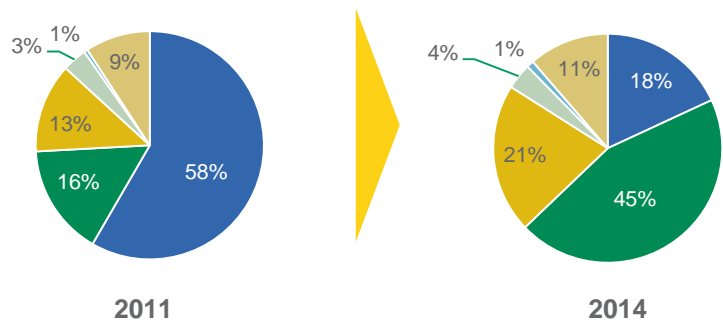
Sources: Rapport du commerce extérieur et résultats de la fiscalité douanière 2014

## Current Account and Capital Balances (% of nominal GDP)



Sources: BEAC

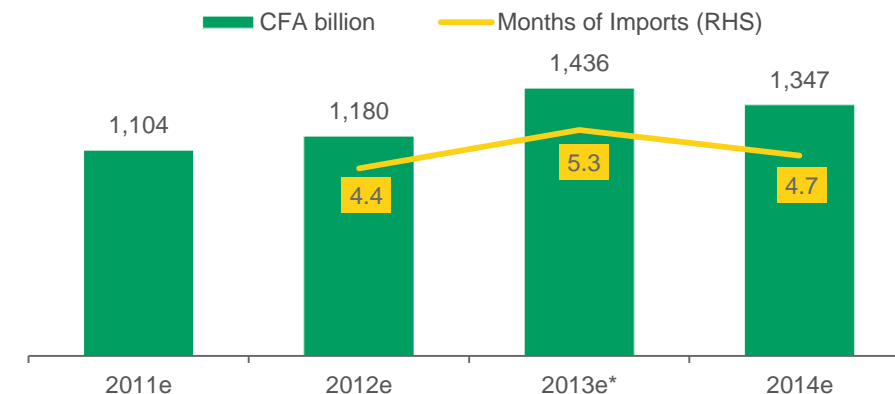
## Exports by Continent (% of total exports)



■ Americas ■ Asia ■ Europe ■ Africa ■ CEMAC ■ Oceania

Sources: Rapport du commerce extérieur et résultats de la fiscalité douanière 2014

## Foreign Reserves (CFA billion and in Months of Imports)



\* The 2013 increase is due to the bond issue

Sources: BEAC

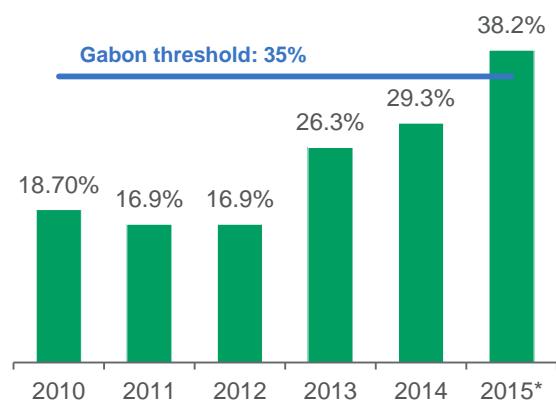


# A Prudent Approach to Debt Management (1/2)

**Gabon is committed to prudent debt management with the objective of maintaining a 35% debt-to-GDP threshold privileging long-term fixed-rate borrowings**

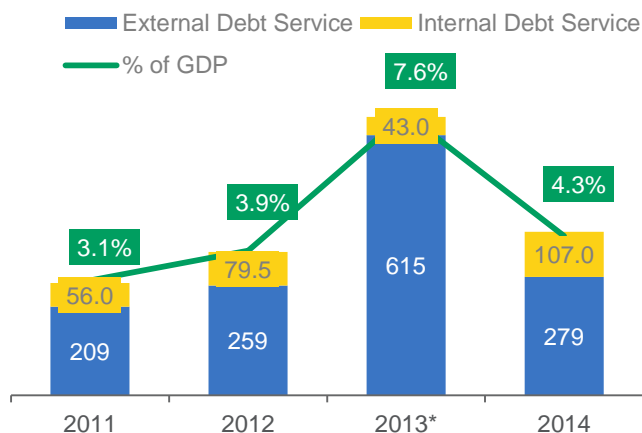
- Although debt-to-GDP increased from 18.7% in 2010 to an expected level of 38.2% in 2015 due to an exceptional decline in nominal GDP, the government is determined to stabilize this ratio below the 35% threshold in the coming years
- Debt levels remain well below the CEMAC's recommended threshold of 70%
- Gabon's debt level compares very favorably to comparable peers

**Outstanding Debt / GDP**  
(% of nominal GDP)



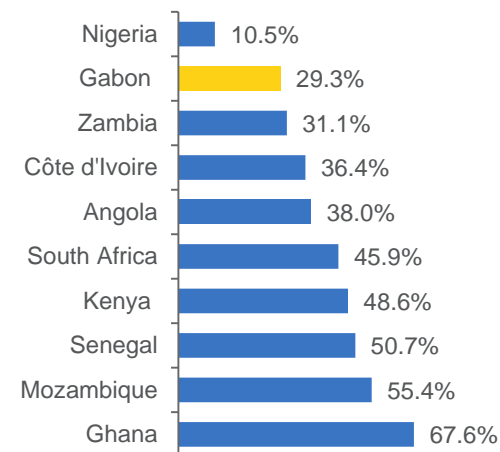
\* The 2015 increase is due to an exceptional decline in nominal GDP

**Debt Service**  
(CFA billions and % of nominal GDP)



\* The 2013 increase is due to the bond issue and related Liability Management exercise

**2014 Outstanding Government Debt**  
(% nominal GDP)

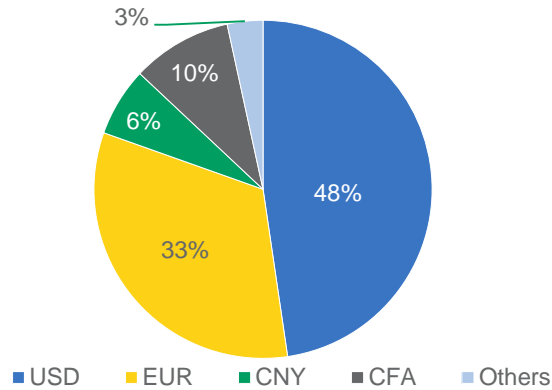


**One of the lowest level of indebtedness compared to selected sub-Saharan Africa peers**



**The currency mix is balanced between USD and EUR/CFA. The debt mix reflects a higher but manageable share of international capital markets debt.**

**Currency Breakdown (% of 2014 outstanding public debt)**

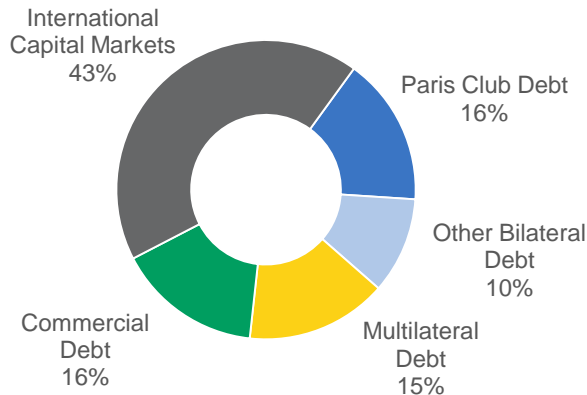


**Yearly Interest Rate (%) and Maturity in Years**

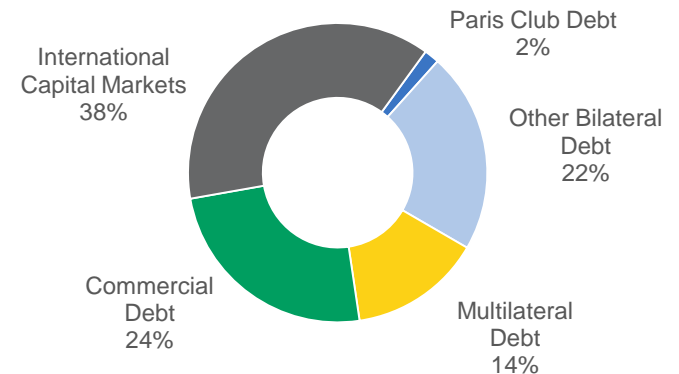
	2011		2012		2013		2014	
	Maturity in Years	Interest Rate in %	Maturity in Years	Interest Rate in %	Maturity in Years	Interest Rate in %	Maturity in Years	Interest Rate in %
Total Debt	7.88	4.48%	3.95	7.74%	9.02	3.79%	8.68	3.74%
External Debt	8.11	4.62%	7.96	4.09%	9.87	3.91%	9.2	3.83%
Internal Debt	2.32	1.16%	2.32	1.16%	1.95	2.8%	1.71	2.69%

**External Debt 2008 vs. 2014 (% external debt)**

2008



2014







## II. Gabon Has Taken Fiscal Measures to Adapt to a Lower Oil Price Environment

# The 2015 Revised Budget Law Reflects Gabon's Fiscal Consolidation Efforts in Response to the New Oil Price Environment



In an endeavor to lay the ground for a balanced fiscal trajectory in 2015, the Government adopted a conservative approach and adjusted the budget

<i>CFA millions, unless otherwise stated</i>	2014 Executed	2015 Initial Budget Law	2015 Revised Budget Law
<b>Revised Budget</b>			
<b>Revenues</b>	<b>2,349</b>	<b>2,290</b>	<b>1,834</b>
Oil revenues	1,035	929	541
Non-oil revenues	1,315	1,361	1,293
<b>Expenditures</b>	<b>2,009</b>	<b>2,190</b>	<b>1,943</b>
<b>Current Expenditures</b>	<b>1,366</b>	<b>1,536</b>	<b>1,334</b>
Salaries	691	733	733
Good and Services	265	380	299
Transfers and interventions	410	424	303
<b>Capital expenditures</b>	<b>606</b>	<b>644</b>	<b>597</b>
Public investment	350	437	319
External project financing	256	207	278
<b>Other</b>	<b>37</b>	<b>10</b>	<b>12</b>
<b>Primary balance</b>	<b>340</b>	<b>100</b>	<b>(109)</b>
<b>Interest on debt</b>	<b>111</b>	<b>141</b>	<b>125</b>
<b>Overall balance (commitment basis)</b>	<b>229</b>	<b>(41)</b>	<b>(235)</b>
<b>Overall balance as a % of GDP</b>	<b>2.7%</b>	<b>-</b>	<b>(2.9%)</b>

Conservative Revenue Assumptions

Adjusted Expenditures Levels

## Additional Buffers



### Stabilization Fund

- Aimed at absorbing short-term shocks on revenues from commodity price volatility and ensure continuous funding of capital expenditures



### Unexecuted Provisions

- Unexecuted provisions on goods and services, transfers and investments amounting to CFA 93 billion



### EUR/USD exchange rate

- The Revised Budget Law assumes a 1.24 EUR/USD exchange rate, compared to the current level of 1.1 EUR/USD and an average of 1.12 EUR/USD YTD

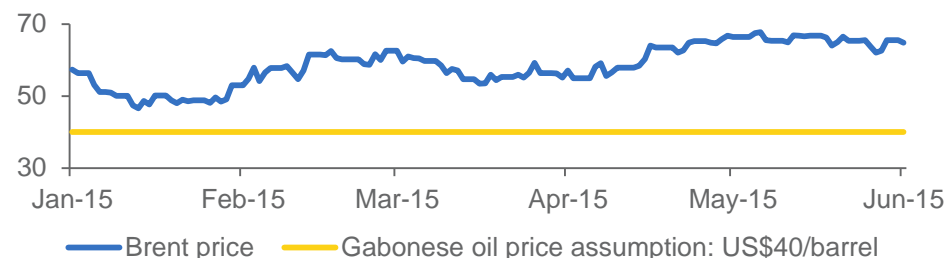
# On the Revenue Side, the Authorities Have Retained Conservative Assumptions for 2015



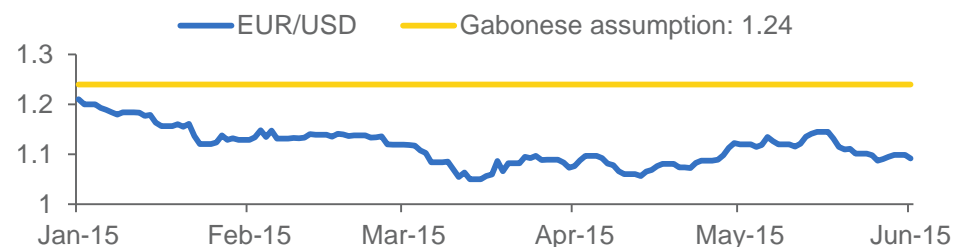
## Conservative Assumptions in 2015 Revised Budget Law

	2014 Revised Budget Law	2015 Initial Budget Law	2015 Revised Budget Law
<b>Oil Assumptions</b>			
Oil production (in millions of barrels)	78.8	74.8	73.1
Gabonese oil price (US\$ per barrel)	100.0	80.0	40.0
<b>Exchange Rate Assumptions</b>			
Exchange rate (EUR / US\$)	1.32	1.34	1.24
Exchange rate (US\$ / CFA)	493	490	530
<b>Total Oil Revenues (CFA bn)</b>		<b>929.2</b>	<b>540.6</b>
<b>Other Assumptions</b>			
Oil production (in millions of barrels)	78.8	74.8	73.1
Gabonese oil price (US\$)	100.0	80.0	40.0
Manganese production (in millions of tonnes)	3,863.0	4,610.0	4,200.0
Manganese sales price (US\$ per tonne)	223.6	229.2	229.2
Gold production (in tonnes)	1.1	1.2	1.2
Gold sale price (US\$ per ounce)	1,360.0	1,350.0	1,350.0
Exchange rate (CFA per US\$)	493.3	490.0	530.0

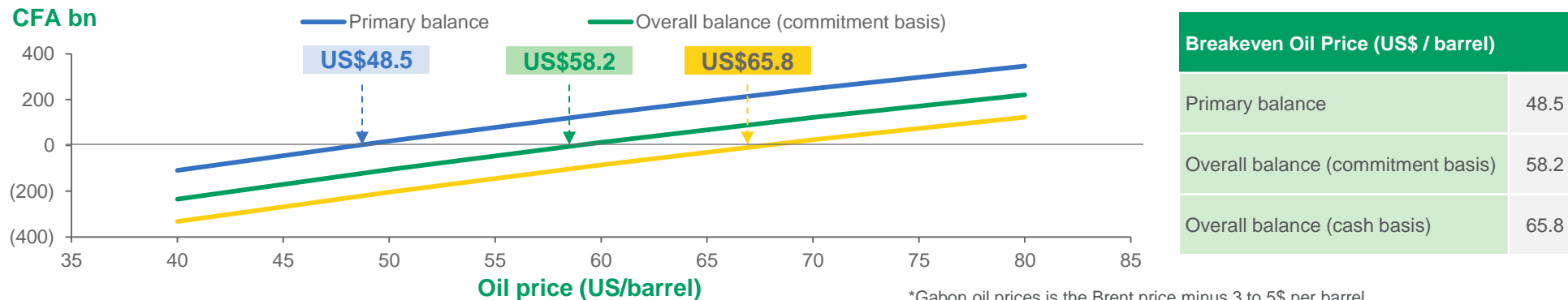
## Brent Price (USD/bbl)<sup>1</sup> and Gabonese Assumption



## Current EUR/USD Exchange Rate<sup>1</sup> and Gabonese Assumption



## Sensitivity of Budget Balance to Gabonese Oil Prices\* assuming EUR/USD at 1.24



Sources: Ministry of Economy, Promotion of Investments and Prospective, Bloomberg

1. Bloomberg market data



# On the Expenditures Side, the Government Has Reduced Both Current and Capital Expenditures

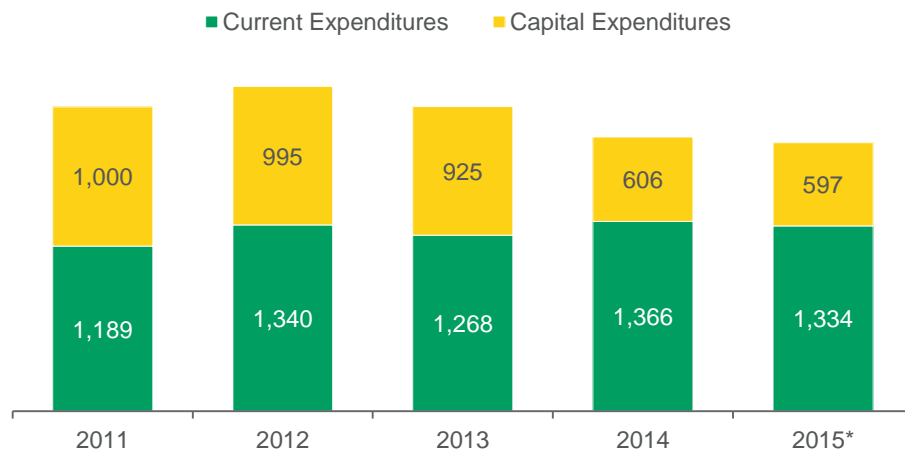


The recently adopted 2015 Revised Budget Law reflects Gabon's fiscal consolidation efforts in response to the new oil price environment

## Adjustments in Public Expenditures (CFA billion)

	2014 Execution	Percent of GDP	2015 Initial Budget Law	2015 Revised Budget Law
<b>Current Expenditures</b>	<b>1,366</b>	<b>15.2%</b>	<b>1,536</b>	<b>1,334</b>
Salaries	691	7.7%	733	733
Goods and services	265	2.9%	380	299
Transfers and interventions	410	4.6%	424	303
<b>Capital Expenditures</b>	<b>606</b>	<b>6.7%</b>	<b>644</b>	<b>597</b>
Public Investment	350	3.9%	437	319
External project financing	256	2.8%	207	278
Other	37	0.4%	10	12
<b>Expenditures</b>	<b>2,009</b>	<b>22.4%</b>	<b>2,190</b>	<b>1,943</b>

## Expenditures Level (CFA billion)



\* Revised law

Sources: Ministry of Economy, Promotion of Investments and Prospective

- In response to the new oil price environment, the government has taken a conservative approach and adjusted the Initial Budget Law
- **Lower current expenditures driven by:**
  - A 21% reduction in goods and services (transportation, stipends, etc.)
  - The removal of consumer fuel subsidies in 2015, following the removal of industrial fuel subsidies in 2014
- **Capital expenditures have decreased by 7% reflecting:**
  - A contraction of government-financed investment by 27%, focusing expenditures on: (i) investments already started and (ii) priority infrastructure investments of the EGSP
  - An increase in externally-financed investments (+34%) to maintain a steady level of capital expenditures
- Inclusion of a precautionary provisions in the execution of certain expenditure items (goods and services, transfers and interventions, and public investment) to avoid any slippage in the fiscal balance in case of a deterioration in Gabon's oil prices, and totalling CFA 93bn



# The Government Has Created a Stabilization Fund to Weather Future Adverse Oil Price Shocks



<b>Objective</b>	<ul style="list-style-type: none"><li>▪ Aims at reducing the impact on public spending of future commodities prices volatility</li></ul>
<b>Target</b>	<ul style="list-style-type: none"><li>▪ Objective to reach US\$500m within the next four years</li></ul>
<b>Funding</b>	<ul style="list-style-type: none"><li>▪ 5% of total revenue derived from extractive industries (oil and mining)</li><li>▪ Exceptional revenue derived from the spread between budgeted prices and actual prices</li><li>▪ 25% of the proceeds from tax disputes between the State and oil &amp; mining companies</li><li>▪ 100% of financial income generated by the fund</li></ul>
<b>Domiciliation</b>	<ul style="list-style-type: none"><li>▪ Dedicated account at the BEAC</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>▪ Management committee, presided by the Ministry of Economy, with the participation of the Ministry of Budget, the Ministry of Mining and the Ministry of Hydrocarbons.</li><li>▪ Management committee to conduct a comprehensive audit of oil/mining revenues every three months and determine the share of revenues allocated to the fund</li></ul>
<b>Investment Strategy</b>	<ul style="list-style-type: none"><li>▪ Investment strategy focused on assets negatively correlated to commodities prices</li><li>▪ No expenses related to the management /operations of the Fund</li></ul>
<b>Oversight</b>	<ul style="list-style-type: none"><li>▪ Fund subjected to the control of the Gabonese “Cour des Comptes” (Court of Auditors)</li></ul>



III. The Current Context Represents an Opportunity for Gabon to Implement Long-Lasting Structural Reforms



The current oil price context is an opportunity for the government to remove fuel subsidies with limited short-term social impacts

## Triple impact on budget

- Direct subsidies to fuel prices (price stabilization mechanism)
- Direct subsidies to SOGARA (*Soutien à l'Activité de Raffinage*): subsidy for each ton produced and imported
- Indirect subsidies to SOGARA (custom tax exemption)



## Low current oil prices are favorable to a review of subsidies:

- Limited immediate impact on consumer spending
- Consumers are given time to internalize possible fuel price adjustments in the medium term



## Reform includes:

- Removing the price stabilization mechanism for consumer gasoline and fuel in 2015, following the removal of subsidies on industrial gasoline in 2014
- Maintaining the price stabilization mechanism on butane and kerosene (important for the poorest)
- Removing State support to refining activity (*Soutien à l'Activité de Raffinage*)
- Liberalizing imports of refined products
- Creation of an independent regulatory body for the fuel market



## The government has undertaken concrete measures to increase tax revenues and rationalize expenditures

### Custom Taxes Reform

- Stronger IT capacity to improve customs tax collection and follow-up
- Investment in technology to rigorously control quantities of wood exported
- End of discretionary customs tax exemptions and rigorous follow-up of existing exemptions

### VAT & Revenue Taxes Reform

- End of discretionary VAT exemptions
- Setup of a transparent and efficient mechanism to track VAT refunds
- Increase in the number and quality of tax audits
- Limit in tax loopholes
- Multiplication of recovery actions

**TAX  
REFORM**

**CAREFUL  
SPENDING**

### Rationalization of Current Expenditures

- Containment of public wages, recruitment freeze and launch of a voluntary retirement program
- General audit of the main public institutions with a focus on payroll
- Review and consolidation of all autonomous government agencies

### Rationalization of Capital Expenditures

- Adoption of a budgeting methodology based upon budget spending targets
- Strict prioritization of public capital expenditures, with priority given to (i) investment projects already started, and (ii) investments in key enabling infrastructures



# Gabon Has Launched a Major Business Climate Reform Initiative to Foster Private Sector Involvement



Axes	Description of the reform	Year of implementation
<b>One stop shop for investors</b>	<ul style="list-style-type: none"> <li>“National Agency for Investment Promotion” created in September 2014 as a one-stop shop for investors, to simplify business registration and guide companies in all procedures. Manager appointed following a transparent procurement process</li> <li>PPP Draft Law under review prior to finalization</li> </ul>	2014 - 2015
<b>Ease of doing business</b>	<ul style="list-style-type: none"> <li>Improvement in ease of starting a business and of obtaining construction permits</li> <li>Improved access to credit (wider range of possible collateral, out-of-court enforcement)</li> </ul>	2014
<b>Support to SMEs</b>	<ul style="list-style-type: none"> <li>Grants and mentoring programs for entrepreneurs (<i>Prize for Excellence in Entrepreneurship</i>)</li> <li>Capacity building program for SMEs</li> <li>AfDB grant to support start-up incubators for young entrepreneurs</li> <li>Creation of an agency centralizing information on tenders for outsourcing (e.g. public procurement) to help SMEs access information</li> </ul>	2015
<b>Customs</b>	<ul style="list-style-type: none"> <li>One-stop shop at the port for import/export procedures and streamlined procedures</li> </ul>	2014
<b>Tax regime</b>	<ul style="list-style-type: none"> <li>“E-tax” project: development of online tax services (tele-payment)</li> </ul>	2015
<b>Dispute settlement</b>	<ul style="list-style-type: none"> <li>Setup of a domestic arbitration court to reduce bottlenecks at court level</li> </ul>	2015
<b>Transparency</b>	<ul style="list-style-type: none"> <li>Gabon has decided to become again a member of EITI. The President of the National Multi-stakeholder group has been appointed by the government, and the EITI roadmap has been approved by the government, with the Minister of Economy responsible for its implementation</li> <li>Ongoing study to implement large institutional reforms related to the National Statistical Systems</li> <li>Improvement in relationships with the international investor community</li> <li>IMF Article IV mission</li> </ul>	2014-15
<b>Sectoral laws</b>	<ul style="list-style-type: none"> <li>Hydrocarbons code and mining code to improve transparency and business climate in extractive sectors</li> </ul>	2014

**2025 objectives: (i) to rank amongst the 10 best performers in Africa; and (ii) to create 22,000 jobs**



IV. Gabon is Accelerating the Implementation Pace of its  
*Emerging Gabon 2025 Strategic Plan*





Since 2010, Gabon has launched a series of interconnected infrastructure projects in the energy and transport sectors to support Emerging Gabon 2025

## Energy Sector Projects



### Grand Poubara Dam

- Increasing capacity from 160MW to 280MW
- Extension works to start early 2016
- Aim to support the expansion of the Moanda Mining Cluster
- Est. Cost: CFA 200bn

### Port-Gentil Thermal Power Plant

- Capacity of 55MW
- 95% completed (pending grid connection)
- Works started in 2013



### Alenakiri Thermal Plant

- Operational since 2014
- 70MW Thermal Plant
- Located in the capital city, Libreville
- Cost: CFA 58bn

## Transport Sector Projects



### Transgabonais Railway

- 697-km Transgabonais was initially completed in 1986
- Rehabilitation of the existing infrastructure to reduce slowdowns and double the capacity of the line
- Est. Cost: EUR 330mil

### Deepwater Ports

- Increasing capacity of Port-Gentil Port and de-silting of Owendo Port undergoing (Partnership with Singapore Port Auth.)
- New mining port under development in Libreville (US\$527m over 3 years, 40% public stake)
- A new deep water is contemplated to deserve Belinga



### Roads

- Improvement of roads is a priority of the Government: road network covers 9,170km and only 9.6% are paved
- 435km of new roads built and ongoing works to build an additional 980km (examples include Banio bridge and Port Gentil – Omboué bridge)
- Goal is to connect the five main industrial centres of the country and numerous projects are underway



### Airport

- Development of Port-Gentil airport into an international airport in response to increase air traffic



## Major progress made in the fastest-growing non-oil sectors include:

ECONOMIC DIVERSIFICATION

### Mining and Mineral Processing

- **Moanda-Franceville metallurgic cluster currently under development building on Comilog's existing mining facilities and including:**
  - C2M silico-manganese factory that aims at transforming up to 35% of the total manganese production in the medium term
  - Noga Mining's planned metal manganese facility with an initial capacity of 750,000t
- **Belinga iron ore project:**
  - Technical studies to be finalized at end-2015
- **Set up of a dedicated engineering school:** "Ecole des Mines de Moanda " in early 2015

### Agriculture and Agribusiness

- **Public private partnership with Singapore-based OLAM to develop:**
  - Palm oil plantations (100,000ha), to enter into production in 2015
  - Rubber plantation (28,000ha), to enter into production in 2019
  - "Grain" project to develop agricultural entrepreneurship
- **Total investment of US\$1bn**
- **3,800 job creation potential**
- **PPP with Tropical Holdings to develop fishery value chain signed in 2014**

### Industry and manufacturing

- **Special Economic Zone of N'Kok (1,126ha area) developed on a PPP basis with Olam (which owns 60% of the zone), for a total investment of US\$400m**
  - Basic infrastructure works completed in 2013
  - One-stop shop for investors in operation
  - 60% of industrial land allocated
  - 8 companies already operating and exporting, 10 companies in construction phase, over 70 foreign investors registered
  - Key focus: wood processing, metal recycling
- **Special Economic Zone of Port-Gentil legally established and land fully serviced**
  - 3 anchor investors in place: Olam (fertilizer project); Samsung (refinery project); OCP (phosphate-based fertilizer project)





**A National Human Development Strategy has been adopted to promote social development through the definition and regular monitoring of numerous social indicators**

## The social challenge in Gabon

### The proposed strategy aims at:

- Correcting gaps in basic social and infrastructure services access (e.g. sanitation, education and health)
- Fostering economic inclusion of marginalized groups

## The 4 components of the Social Pact

Component	Objective
1 Economic safety nets and social transfers	▪ Allow the poor to meet their dietary, health and educational needs, with strong conditionality
2 Economic activity for poor households	▪ Allow poor households to develop profitable activities (microcredit, support to micro-projects)
3 Access to basic public services	▪ Reduce inequalities in access to social / public services through targeted investment in underprivileged areas
4 Economic and social integration policy	▪ Better quality housing, rehabilitation of slums, improved access to remote/rural areas

## Funding of the Social Pact

- The social investment strategy requires an annual budget of CFA 80-110 billion/year over 3 years
- Additional potential funding sources includes:
  - Public current expenditures
  - Savings from subsidies reforms (e.g. energy subsidies)
  - Involved line ministries' budgets







## V. Concluding Remarks



**A large and diversified natural resource endowment**

**A robust economic performance despite oil price volatility, boosted by a rapidly expanding non-oil sector**

**An ambitious and deeply transformative economic development strategy to become an emerging country by 2025**

**A prudent fiscal policy and a strong commitment to reforms**



**A prudent public debt management and strong external position despite oil price volatility**

**A political stability based on a vision of an inclusive, one-nation political system**

# Summary of Potential Bond Offering



<b>Issuer</b>	<b>The Gabonese Republic</b>
<b>Issuer Ratings</b>	S&P: B+ (Stable) / Fitch: B+ (Stable) / Moody's: Ba3 (Stable)
<b>Format</b>	144A / Reg S
<b>Currency</b>	US Dollar
<b>Size</b>	TBD
<b>Tenor</b>	TBD
<b>Expected Issuer Ratings</b>	S&P: B+ (Stable) / Fitch: B+ (Stable) / Moody's: Ba3 (Stable)
<b>Use of Proceeds</b>	Financing of various infrastructure projects in the framework of the Emerging Gabon strategic plan
<b>Listing</b>	Irish Stock Exchange
<b>Minimum Denominations</b>	US\$200,000 x US\$1,000
<b>Governing Law</b>	English law
<b>Joint Lead Managers</b>	Deutsche Bank, JP Morgan, Standard Chartered Bank



