

M E M O R A N D U M

**on measures announced under the pretext of the
current program with the IMF**

OPERATION BOTTOMLESS PIT

JULY 2018

LA NOUVELLE REPUBLIQUE
PRESIDENT JEAN PING OFFICE

From 2009, immediately after the "emerging" came to power, the coffers of the state became awash with money, mainly due to a five-fold hike in oil prices.

What did we do with this historical manna? Has anyone invested in the social sector by building, for example, schools, clinics, housing, etc.? We all know the answer is: NO.

Have we invested, like our neighbours, in the economy by building, for example, roads, ports, hydroelectric dams, railways, etc. We all know the answer is: NO.

For the record, Congo Brazzaville has built 7,000 km of roads in 7 years; Gabon has built 3,500 km in 50 years. Similarly, Congo Brazzaville has built a state-of-the-art airport in Brazzaville, a modern airport in Oyo and modernised the deep-water port of Pointe Noire. At the same time, Gabon only closed Port-Gentil's deep-water port. Equatorial Guinea has been networked with modern motorways, ports and airports, new towns (such as Sipopo). Gabon has nothing similar!

We instead used our manna first for demolition. To demolish palaces such as the Democracy Hub or the palace for distinguished guests; to demolish hospitals like Jeanne Ebori; to demolish even Ali's own castle bunker located in "Gros-Bouquet" neighbourhood; a real frenzy seized "that child".

We used this manna over ten years for set-ups. In the words of the government's spokespersons to set up "handsomely paid activists and relatives, some of whom did not handle any files, did not even have an office and never met their boss" (see The Union newspaper of Monday, June 25, 2018). It was then a case of setting up friends and rogues of the 'king' who, according to the press, trade in jobs at the Ministry of Finance that carry a budget.

The money was also used to finance white elephants such as the "Bay of Kings" which everyone can view from the seafront boulevard.

The list is not exhaustive and long, very long. But who is to blame then?

Must the whole nation carry the turpitude of a single man?

Should Ali Bongo and his friends continue to expose the Gabonese to the damaging effects of their incompetence and criminal thoughtlessness?

Introduction

The regime has just announced a series of measures that affect all Gabonese, with no consultation of either active nationwide groups (trade unions, civil society, NGOs, etc.) or of officials genuinely elected by the people.

These measures were announced under the pretext of the current program with the IMF. Indeed, the adoption of these measures coincided with the presence of an IMF mission in the country.

In reality, Gabon has been living through a crisis with the arrival of Ali Bongo in 2009. A crisis that has been worsening from one year to the next due to bad governance that he has imposed and the daily state vandalism.

This memorandum aims, in the main, to emphasise that:

- we reject responsibility for the measures announced and the current situation which sit squarely with current regime;
- we cannot remain indifferent to the plight of many Gabonese affected by these decisions;
- consultation was purely and simply ignored whereas the very nature of the measures announced requires such.

This memorandum:

- rejects the explanations for attributing the country's unprecedented crisis to the challenges of lowering the price of oil, and focuses on the root causes of the widespread crisis in Gabon
- explores the possibility of alternative political options to those imposed today on Gabonese people.

The negative aspects of the external economic environment or agreements with international institutions such as the IMF, are often put forward to explain the current calamitous economic and social situation.

Added to this is the deteriorating financial circumstances which is used conveniently as reasons albeit disguising the main one which is the current regime's bad governance.

The Gabonese themselves know (because they live it painfully) how corruption and bad governance have worsened in recent years. Moreover, according to Transparency International's perception of corruption index, Gabon ranks 117th out of 180 countries (2017 report).

The level of moral, political, economic, financial and social degradation in 2018 is the result of a trend that began in 2009, while at the same time, there was a historic and continuous increase in state revenue between 2010 and mid-2014.

Flow of Revenue

Soon after the regime came to power, Gabon gained considerable revenue due to the record rise in the price of a barrel of oil on the international market (from a mere \$ 25 to \$ 120) .

In total, from 2009 to 2017, the State recorded an overall level of revenue of CFAF 16,643 billion, an average of CFAF 1,849 billion per year. Not forgetting receipts from various tax adjustments and asset disposals, valued at several hundreds of billions of our francs (ADDAX, Total, SHELL, Perenco, etc.). It is right to question the destination of these resources.

Oil revenues will not have been used, as is the case in countries where good practice prevails, to enhance savings or to protect the country from deficits, ensure the financing of national development projects or improve the quality of public spending, if not the lives of Gabonese people.

Failing to make such choices for the benefit of the population and the country, we have witnessed rather the proliferation of risky decisions that have resulted in the squandering revenues, especially oil revenues.

Inappropriate decisions were made leading to a sharp increase in state spending.

Gabonese people know where the money and the wealth of the country went:

- a prestigious car fleet (Rolls Royce, Maybach, Porsche, Ferrari, Bentley, etc.);

- an aircraft collection (Boeing 777 in all respects comparable to the US Air Force One, Jet for his wife, Grumann, etc.);
- acquisition of mansions in Europe, the United States and elsewhere around the world;
- excessive and expensive trips abroad, around the world with no positive outcomes for the country;
- the multiplication of heavily-financed projects which are either non-existent or incomplete on the field;
- failure to respect the sacrosanct principle of a single exchequer (Public Treasury) by illegally paying directly to the Minister of Petroleum 20 billion CFA francs of oil bonuses each year.

How can we understand, for example, the regime's stubbornness in committing the country to organising extremely high cost sports events such as the African Cup of Nations in 2017. This was done at a time when the Gabonese economy and society were already suffering the full, disastrous impact of the reversal of the oil market and after we had already hosted a similar event, with Equatorial Guinea, in 2012.

In all of these cases, that of the CAN is a true case study: how much will the CAN 2012 have cost: 400 billion or more? What is the cumulative cost of both competitions? The sum of 863 billion has been mentioned.

How do you justify discrepancies between budget entries, commitments and disbursements, and achievements on the ground? Who has reported on these financings that have never been realised? These are all grey areas, especially since the same practices were still in use at the CAN 2017.

The organisation of the CAN 2017 came after the fall in the price of oil and the decline in state revenue. This did not prevent the regime from launching a loan on the market, thus fuelling the spiral of debt.

It is also worth highlighting the case of the "Bay of Kings", a real white elephant out of the spirit of "enlightenment", not to mention the multiple budget agencies housed in the Presidency (ANGT, AGEOS, etc.).

Clearly, the plan's priorities are elsewhere. Unfortunately, this has been to the detriment of the population's pressing needs especially in areas such as education, health, housing, roads and other community amenities.

Locked in this crazy logic, the regime has made Gabon a bottomless pit, driving it into a spiral of pharaonic spending, abysmal budget deficits and a vicious circle of debt.

Surge in Spending

Over the 2009-2017 period, state expenditure reached 17.147 billion, with an average growth of 7.4% per annum; significantly higher than the evolution of revenues, thus condemning the country to debt.

In the face of the ongoing economic crisis and in the context of consultations with partners, including the IMF, the regime is placing the burden of budgetary and financial under performance on staff costs.

Staff costs have certainly increased and represent 30.2% of total expenditure, on average. But whose fault is it? The explanation based on the simple link with staff numbers seems convenient. In fact, it serves to mask the brutal abandonment of the principles of good administration governing recruitment and salaries of public service employees.

Statistics show that a sharp rise in numbers occurred in the first year of the takeover. From staffing levels of 63,895 officers in 2010, we increased to 72,938 a year later, then 81,151 in 2012 peaking at 90,000 (90,187) in 2016.

In total, between 2009 and 2016, the change in the level of statutory workforce was 53.44%. As for the non-permanent workforce (MONP), levels were at 6248 in 2016 and will have increased by 36.63% over the same period.

Did these large-scale and unexpected recruitment meet the real needs of the public service and the standards in the administration? Of course not, since according to the very confessions of the Government, "all these people were handsomely paid. Especially since some of them did not deal with any files, did not even have offices and almost never met their boss ... the practice to a certain extent, serving only to cater for militants and relatives "(L'Union (national newspaper) of Monday, June 25, 2018).

These dysfunctions are the consequence of improvisation and irregular practices such as: favouritism, deliberate violation of public service regulation, lack of planning, opacity, etc.

In itself, the numerical increase has an automatic repercussion in terms of budgetary cost.

Once recruited in disregard of the provisions of the statutes governing the different categories of personnel, many of these agents have undoubtedly also benefited from balances or other treatments that could inflate the payroll.

This is the case when staff are given salaries or bonuses paid under the Decree 12 of 28 January 2010 on political functions, whereas they were covered by Decree 589 of 11 June 1997 on civil employment. It is obvious that such confusion is an insidious factor in the swelling of the wage bill.

What is the share of such practices in the swelling of the payroll denounced today by officers in the fire service?

These practices had certainly multiplied at the time of the introduction of the new system of remuneration, launched in total confusion, crisis of the social dialogue and higher bid bonuses and various increases in income, from the various corporations of administration.

How these pseudo-reforms were implemented deserved an evaluation bearing in mind they generated costs to levels that remain unknown.

The impact on public finances cannot be denied: who is involved and who carried out the irresponsibility, the amateurism and the opacity which characterised these expensive excesses.

Indeed, the burden on state budget is clear to see. In 2016, the cost of the budget was 646,613,497,832 CFA for statutory staff.

Since 2009, this cost has increased by 96.12%. The charges corresponding to the non permanent workforce (MONP), reached 12 368 730 383 FCFA. The increase between 2009 and 2016 was 98.2%.

The measures announced with the same thoughtlessness as the decisions that led the country to ruin, affect a population already suffering from devastating unemployment and widespread misery.

While the current living conditions are overwhelming as we know, these measures further darken the future, because of the implications for the future of the country. The level of debt (more than 64% of GDP) represents a mortgage on future generations.

The Galloping Debt

Unable to manage public revenues, while the country was in a favourable situation, the regime in place has locked itself in a vicious circle, by resorting more and more to debt to finance a chronic deficit.

Between 2009 and 2017, borrowing grew by 149% on average. In 2015, levels breached 1067 billion FCFA. The increase of debt has continued since 2013, before the oil downturn.

So, the same question comes back as a leitmotif: But who will pay? And in the whose name should current and new generations pay for the irresponsibility of a clan that does not account to anyone and abuses both people and international partners (IMF, EU, etc.)?

Conclusion

Ali Bongo continues to cling to power while everything shows that he has failed. The People were not wrong in rejecting him in August 2016. Therefore, we strongly reaffirm that the only way out of this chaos is the immediate and unconditional departure of Ali Bongo, in accordance with the will expressed by the Gabonese people on the evening of August 27, 2016, by massively electing President Jean PING.

The end of this regime depends on restoring an environment conducive to the re-establishment of new governance and all the structural reforms essential to new social and macroeconomic perspectives.

The alternatives, which will be specified when the time comes, go through a new policy itself underpinned by the involvement of civil society.

It will be a question of restoring credibility and confidence in the State's commitments, in the context of economic governance based on responsibility, democracy and transparency.