Sovereign Debt News Update No. 174: Gabon’s Turn to Regional and International Markets Deepens Debt Sustainability Concerns

By:

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Gabon's recent debt developments suggest that concerns raised following the government's increasing reliance on regional capital markets are beginning to materialise. In July 2026, official debt data highlighted a significant shift in Gabon's financing strategy, with domestic borrowing through the Central African Economic and Monetary Community (CEMAC) regional financial market becoming an increasingly important source of government financing as programme loan disbursements declined sharply. At the time, observers noted that while regional borrowing could provide quicker access to financing and reduce dependence on multilateral and bilateral lenders, it would also increase refinancing risks, debt servicing obligations and competition for liquidity within the regional market. Recent developments indicate that many of these concerns are becoming more pronounced. The International Monetary Fund

(IMF) now projects Gabon's public debt to rise steadily towards 94.3% of GDP by 2027, while widening fiscal deficits, growing debt servicing costs, commercial borrowing and continued scrutiny from credit rating agencies such as Fitch have reinforced concerns regarding the country's debt sustainability. Together, these developments highlight the increasingly difficult balance between maintaining access to finance and preserving long-term fiscal sustainability. This update analyses the evolution of Gabon's debt profile against its changing financing strategy, examining how increasing reliance on regional capital markets has intersected with widening fiscal deficits, rising refinancing needs and heightened assessments by the IMF, credit rating agencies and investors

A Rapidly Changing Debt Profile Reflects Shifting Financing Strategies

Recent data from Gabon's Directorate General of Debt demonstrates a significant transformation in the country's public debt profile. Outstanding public debt reached 8,780.3 billion CFA francs at the end of December 2025, representing a 23% increase from the previous year. This increase amounted to approximately 1,647 billion CFA francs, highlighting the rapid pace at which government liabilities have accumulated over a relatively short period. Although external debt remained broadly stable, declining marginally by 0.98 to 4,127.6 billion CFA francs, domestic debt expanded sharply to 4,652.7 billion CFA francs, an annual increase of 57%. The figures demonstrate that the growth in Gabon's debt stock has been driven overwhelmingly by domestic borrowing rather than increased reliance on traditional multilateral and bilateral lenders. This marks a notable departure from previous financing patterns in which external borrowing constituted the dominant source of sovereign financing.

The government's financing strategy has increasingly centred on the regional financial market within the CEMAC. Outstanding regional securities reached 3,449.9 billion CFA francs, accounting for approximately 39% of Gabon's total public debt, making the country one of the largest sovereign borrowers within the regional market. The 2026 supplementary budget further reinforces this approach by increasing treasury and financing resources to 2,251.8 billion CFA francs, signalling that regional borrowing will continue to play a central role in financing fiscal operations. Government securities issuance rose dramatically from 480.3 billion CFA francs to 1,282.8 billion CFA francs within a year, while disbursements from programme loans declined sharply from 830.5 billion CFA francs to only 36.1 billion CFA francs. These developments illustrate a deliberate shift away from external programme financing towards domestic and regional market financing, reflecting both changing financing opportunities and evolving government preferences.

Importantly, the expansion in domestic debt does not solely represent new borrowing. According to the Directorate General of Debt, part of the increase resulted from the government's recognition of 758.7 billion CFA francs in previously defaulted obligations that were validated by a government task force. Rather than reflecting fresh financing, this process formalised liabilities that had already existed but had not previously been fully recognised within the official debt stock. While this improves transparency regarding the government's financial obligations, it also reveals the extent to which historical liabilities continue to weigh on Gabon's public finances. The recognition of these obligations adds to the country's debt burden while simultaneously highlighting longstanding weaknesses in public financial management and debt reporting that have attracted increasing attention from both investors and international financial institutions.

Widening Fiscal Deficits Intensify Debt Sustainability Concerns

The changing composition of Gabon's debt has been accompanied by a marked deterioration in fiscal performance. According to International Monetary Fund staff estimates, public debt is projected to increase from 70.9% of GDP in 2024 to 78.9% in 2025, 86.1% in 2026, before reaching 94.3% of GDP in 2027. This represents an increase of more than 23 percentage points within only three years and places Gabon on a markedly different trajectory from many countries across sub-Saharan Africa. During the same period, the region's median public debt ratio has been moving in the opposite direction, declining as stronger economic growth, exchange rate developments and debt restructuring efforts improved fiscal positions in several countries including Ethiopia, Ghana and Zambia. Gabon's projected debt path therefore stands out not only because of the pace of debt accumulation but also because it contrasts sharply with broader regional trends.

The IMF attributes much of this projected increase to widening fiscal deficits rather than temporary financing pressures alone. Gabon's overall budget deficit widened from 3.3% of GDP in 2024 to 8.5% in 2025, with the Fund projecting further deterioration to 10% in 2026 and 11.2% in 2027. Persistent primary deficits imply that the government continues to borrow not only to refinance existing obligations but also to finance ongoing expenditure before interest payments are taken into account. This dynamic creates a self-reinforcing cycle in which additional borrowing contributes to rising debt stocks, increasing interest obligations and generating even greater financing requirements in subsequent years. The IMF has consequently warned that delayed fiscal adjustment raises the scale of future spending reductions or revenue mobilisation measures that may eventually become necessary to restore debt sustainability.

Growing borrowing requirements are also translating into higher debt servicing costs. Under the revised 2026 supplementary budget, debt service obligations are expected to increase to 487.6 billion CFA francs, while debt amortisation is projected at 1,309.2 billion CFA francs, accounting for the majority of treasury and financing expenditure. Rising debt service reduces the fiscal space available for productive public investment and social spending while increasing the government's dependence on continued market access. This trend reinforces concerns that maintaining investor confidence will become increasingly important as Gabon faces larger refinancing requirements in the coming years. The government has therefore placed considerable emphasis on restoring confidence through ongoing discussions with the IMF and by undertaking a comprehensive public debt audit intended to improve transparency regarding the country's outstanding liabilities.

Eurobond Issuance Highlights Gabon's Continued Reliance on Commercial Financing

An important feature of Gabon's evolving financing strategy is its return to the international capital markets through the issuance of a US$920 million seven-year Eurobond carrying a coupon rate of 9.375%. On 31 July 2026, Gabon successfully returned to international capital markets through the issuance, marking its re-entry into the international bond market after a period of limited access. The issuance attracted significant investor interest, with the government securing financing at a 9.375% coupon rate. The transaction, surpassing its target by more than 20%, represents a major component of Gabon's broader strategy to mobilise external resources and strengthen its financing capacity amid rising fiscal pressures.

While the Eurobond provides Gabon with additional financing space and signals renewed investor access, it also adds to the country's future debt servicing commitments. The return to international markets therefore represents both an opportunity and a challenge: it provides liquidity to support government financing needs but also reinforces the importance of ensuring that new borrowing contributes to sustainable economic growth and does not intensify future debt vulnerabilities.

Reassessment of Gabon's Creditworthiness

The deterioration in Gabon's fiscal position has been accompanied by a broad reassessment of the country's sovereign creditworthiness by international financial institutions, credit rating agencies and investors. Rather than evaluating Gabon's debt situation in isolation, these actors have independently examined the country's fiscal outlook, financing strategy, institutional capacity and debt transparency, arriving at strikingly similar conclusions regarding the risks facing the country. This convergence of assessments has become one of the defining features of Gabon's current debt situation. As recent analysis published by *The Conversation* argues, Gabon's case provides an unusually clear illustration of how sovereign creditworthiness is constructed through multiple overlapping evaluations rather than a single institutional judgement. The government's revised budget, widening fiscal deficit, planned Eurobond issuance, ongoing negotiations with the International Monetary Fund (IMF), public debt audit and market reaction all unfolded almost simultaneously, allowing different institutions to assess the same sovereign from different perspectives while reinforcing one another's conclusions.

Credit rating agencies have emphasised that sovereign ratings extend well beyond measuring headline debt figures. Their assessments increasingly incorporate institutional quality, governance, financing strategies and future risks alongside conventional fiscal indicators. Moody's, for example, maintained Gabon's sovereign rating at Caa2 while revising its outlook to negative in June

2026, citing growing funding needs, uncertainty surrounding future market access and the possibility that the ongoing public debt audit could uncover additional undisclosed liabilities. Fitch similarly affirmed Gabon's Long Term Foreign Currency Issuer Default Rating at CCC- and its Long-Term Local Currency Issuer Default Rating at CC, reflecting what it described as "*significant refinancing needs, limited sources of financing, high reliance on volatile hydrocarbons revenue, rising government debt to GDP, and persistent public finance management deficiencies.*" These assessments demonstrate that sovereign credit evaluations extend beyond debt ratios and fiscal balances to consider governments' financing strategies, debt transparency and broader institutional capacity to manage public finances.

Conclusion

Gabon's recent debt developments demonstrate that the country's growing reliance on regional and commercial financing has introduced new debt management pressures rather than resolved underlying fiscal vulnerabilities. The shift towards the Central African Economic and Monetary Community (CEMAC) regional market, alongside the issuance of a US$920 million Eurobond, has provided additional financing space but has also increased refinancing risks, debt servicing obligations and exposure to market conditions. The latest assessments by the IMF, Fitch, Moody's and investors reflect growing concerns over rising debt ratios, widening fiscal deficits and uncertainty surrounding public liabilities.

Beyond Gabon, these developments highlight broader challenges facing African sovereign debt management as countries increasingly turn towards regional markets and commercial borrowing amid constrained concessional financing. Maintaining debt sustainability will require not only continued access to finance, but also stronger debt transparency, credible fiscal frameworks and borrowing strategies that support productive investment and long-term economic transformation. Gabon's experience further illustrates how sovereign creditworthiness is shaped through the interaction of institutions such as the IMF, credit rating agencies, investors and public auditors, whose assessments increasingly influence borrowing costs and market access.

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