Gabon: A New Era
Sub-Saharan Africa’s most promising investment destination
BREAKING GROUND

When President Ali Bongo Ondimba came into power in 2009, he had some big shoes to fill. His father, the late Omar Bongo, led Gabon for four decades until his passing in June earlier that year. It didn’t help that Ali’s electoral win was clouded by controversy. None of this deterred the 58-year-old politician in actioning Vision 2025. His campaign promise to make Gabon an emerging country by said date. The plan rests on three pillars: sustainability, economic diversification and infrastructural/human resource development. While it may be relatively early to assess its success, industry leaders and investors believe the seeds sown are starting to bear fruit.

An inclusive, economic growth plan called for a robust business environment. One that would capitalize on the country’s strategic geographic location and natural wealth. This resulted in the initiation of large-scale projects such as the Gabon Special Economic Zone at Nkoki, two new port terminals dedicated to general cargo and minerals, with plans for a railway line underway.

In this three-part special supplement, we delve into the making of these game-changing projects, their potential impact on the Gabonese economy, facilities and tax benefits on offer for foreign investors and more.

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The gift of Gabon

An insight into Sub-Saharan Africa’s hottest investment destination

Set along the equatorial belt, with 800km of Atlantic shoreline and rainforests covering 20 million hectares (85 per cent of its land), Gabon enjoys one of the most strategic locations in Central Africa. Among the continents top oil producers, the country boasts rich reserves of natural resources such as timber, manganese, gold, diamond and other mining derivatives.

Bordering Cameroon, the Republic of Congo and Equatorial Guinea, its area (267,667 sqkm) is a little under the size of the state of Maharashtra. Its population though, is relatively sparse (1.8 million); mainly concentrated around the capital city of Libreville and the economic capital of Port Gentil. Incidentally, Gabon holds one of Africa’s highest
urbanization rates; more than four in five Gabonese citizens dwell in urban regions. With 50 per cent of this demographic under the age of 18, the future potential for a skilled workforce is hopeful to say the least.

Amongst the region’s more stable nations, Gabon attained independence from France in 1960. It has changed just three presidents since. The late President Omar Bongo Ondimba being Africa’s longest serving head of state, having been in power for four decades. During his reign, Gabon maintained ties with France under the Francafricque system, wherein political and military support was received in exchange for business favours. Although, relations have cooled post his son Ali’s contested election win in 2009.

**CHANGING TIMES**

According to the United Nations Conference on Trade and Development, the country witnessed a GDP growth of 3.2 per cent in 2016. The oil sector accounting for about 45 per cent of this; 60 per cent of the country’s budget revenue. Its current leader is well aware of the transient nature of this liquid gold and the impact that its price fluctuations have on the economy. Over the last decade, the government is gradually reducing its financial dependence on the oil industry. Vision 2025 is the master plan on which the president was elected. Its strategy is based on economic diversification and foreign investment for inclusive growth.

Gabon registered a Foreign Direct Investment (FDI) inflow of USD703.19 million in the year 2016. Much of this is thanks to the Gabon Special Economic Zone (GSEZ), established in 2011 at Niock. An alliance between the Gabonese Republic, Singapore-based global agri-business Olam International and Africa Finance Corporation, the GSEZ is a hub for diverse industries and global entrepreneurial ventures. “The Special Economic Zone has zero taxes for 25 years when it comes to VAT. Also, income tax...
is at zero for the first ten years and only gets to 10 per cent for the next five years. Beyond that, electricity is at a very subsidized cost,” states Liban Solomon, Chairman of Gabon’s Investment Promotion Agency. Sectors of interest include timber, metallurgy, recycling, civil engineering and construction, pharmaceutical and cosmetics, IT & telecommunications, hydrocarbon, finance, and tertiary services. Its fiscal and non-fiscal incentives have drawn 80 businesses with a foreign direct investment of USD1.7 trillion.

THE INDIAN LINK
During his visit to India in June 2017, Gabonese Minister of Foreign Affairs, Pacome Moubelet-Boubeya reiterated the importance of the 32-year-old economic-political relationship between the two nations. His meeting with External Affairs Minister Sushma Swaraj culminated with the signing of two agreements: one for general diplomatic consultations and the second, a commitment to the Indian-led renewable energy initiative, International Solar Alliance.

Gabon has one of the largest iron ore deposits across the globe. Located at Belinga, one billion tonnes remain untapped owing to inaccessibility. RITES, an Indian state-owned engineering consultancy, has filed a project report for building railway links to key ports, which Moubelet-Boubeya implied to be a possible area for partnership with India. Part of the agenda included pursuing the private sector, specifically in the metros of Delhi, Mumbai, and Kolkata. Major Indian players in the present Gabonese market include Oil India Limited and Indian Oil Corporation who are exploring an onshore block, and Airtel who invested in a local mobile network in 2010.

By 2020, Gabon aims to invest USD21 billion into high-end infrastructure for the transport, information and communication technology, housing, education and health sectors. With a growth-driven leader at its helm, the country seems to be a lucrative proposal for foreign and local investors alike.
One billion tonnes of iron reserves, 20 million hectares of tropical rainforests, 250 million tonnes of manganese reserves, and 3.7 billion barrels of recoverable petroleum. Gabon is a country truly blessed by mother nature. It is only fitting that it shares its bounty with the world. For decades the nation’s economy has been powered by its exports; namely oil and manganese with timber coming in second. Until 2009, export of the latter was limited to unprocessed wood. With President Ali Bongo’s plan to modernize the economy came a new strategy for the industry. The first step was taken on 15th May 2010, when the government imposed a ban on the export of raw timber logs. Diversification was to begin with value addition, i.e., through wood processing that would create jobs and boost the momentum of the nation’s GDP. To facilitate this, the Gabon Special Economic Zone (GSEZ) was launched at Nkok, 27 km outside the capital of Libreville.

Initially conceptualized as a one-stop shop for companies to process and export wood products, the GSEZ has since expanded to accommodate 21 industries. A partnership between the Gabonese Republic, Singapore-based global agri-business Olam International and Africa Finance Corporation, it spans an area of 1,126 hectares. It comprises three zones: industrial, commercial and residential. “Today we have about 2,700 direct jobs and the same number of indirect jobs. The total potential of the SEZ is to develop about 10,000 direct jobs. Normally it takes about 10 years for an SEZ to be fully functional. Six years into its launch, the industrial zone is almost full (95 per cent sold). In another three-four years, we see the project fully thriving,” says Jasveer Singh, Business Head, GSEZ BA, speaking of the project’s potential.
An advantageous geographic location and sound infrastructure may hook potential investors, but it’s the GSEZ’s tax incentives that reel them in. Industrial investors enjoy zero per cent tax on land properties; zero per cent tax on income for the first 10 years and 10 per cent for the next five years. Additionally, it also allows for 100 per cent repatriation of funds. Investors are exempt from income, corporate and capital gains taxes. What’s more: 100 per cent foreign ownership, subsidized electricity rates, and zero custom duty on the import of plant machinery or spare parts for industries.

The GSEZ has been bullish in its marketing campaign, inviting stakeholders from across the globe. It has 80 investors from 18 countries till date with an FDI of USD1.7 trillion. “We have a good mix of Asian entrepreneurs; among them Indians are the biggest investors. We have about 42 Indian investors and the good part is, more than 15 per cent have shifted with family. They have invested between USD3 million to USD20 million,” elaborates Singh. And this is only the beginning. A law has been passed to facilitate the establishment of SEZs in highly competitive areas that have the infrastructural capacity for transformation. “This vision is an integrated approach for public policy to create islands of freer business; that is, with easier ways of doing business,” says Liban Soleman, Chairman of Gabon’s Investment Promotion Agency. The country aims to be what Singapore is to South East Asia or Dubai is to the Gulf Cooperation Council (GCC) countries. With inclusive, sustainable development at its core, Gabon is set to become the vital economic hub of Sub-Saharan Africa.
Turn the tide

The New Owendo International Port has an annual capacity of 3 million tonnes.

Gabon’s recently unveiled New Owendo International Port seems to be in shipshape to handle the country’s burgeoning economy.

On the evening of 14 October 2017, Port Owendo came alive amidst a stunning fireworks display. An aerial ballet troupe, replete with trapeze artists swinging from cranes, enthralled an audience of dignitaries that included President Ali Bongo Ondimba. The day marked the inauguration of the multipurpose terminal – New Owendo International Port (NOIP). The USD300 million project was completed in a record time of 18 months; thanks to the collaborative efforts of French-origin transportation company Bollore Transport & Logistics and Singapore-based agri-business Olam. Both private companies have actively contributed to the economic and social development of Gabon. The former has been present in the country for over 70 years in the logistics, port terminals and media sectors. While the latter has investments in the agriculture sector, with a pivotal role in the setup of Nkok’s Special Economic Zone (GSEZ). At the launch, Gagan Gupta, President and Country Head for Olam Gabon, highlighted that NOIP, a Public Private Partnership (PPP) between Olam International Ltd, Africa Finance Corporation (AFC) and the Gabonese State, was a “direct investment with no State debt.”

SAFE HARBOUR

Spread across an area of 18 hectares, the terminal’s annual capacity is three million tonnes. NOIP has been designed to house container vessels, general cargo and bulk. It is equipped with four rubber-tyre gantries (RTG), two ship-
to-shore gantries, 10 reachstackers, four empty handlers and 15 tugs. There are eight grain silos with a capacity of 10,000 tonnes each and one 8,000-tonne storage tank dedicated to palm oil.

Its new 420-metre-long quay has two docking positions for Panamax container ships. The proximity between the container storage site and quay reduces costs considerably and increases storage capacity by up to four times per hectare annually. All these features give NOIP its international status. Its main objective, though, is to facilitate imports and exports with a 30 per cent cut in stevedoring costs. Thereby offering importers and exporters a more secure and competitive logistics tool. Additionally, the port has the largest fleet of lorries in Gabon, a fleet of hoisting machines, hangars, a one-stop shop, a shipping agency and a petrol station. It boasts the productivity conditions to handle vessels reaching 6,000TEU. As Libreville’s economy evolves, it will need to be more efficient in handling the increased volume of import and export while saving costs and time. The new port offers just that.

**THE LONG HAUL**

As part of a performance review last December, the administrators of Office des Ports et Rades du Gabon (OPRAG) noted: NOIP has helped lower costs that impact goods nationally. It has also contributed to lowering the cost of living in the country. Its commissioning has created new jobs and reduced unemployment.

Furthermore, both the Olam and Bolloré groups are committed to following a competitive pricing policy. The end goal being a reduction in port transit costs on household foods and the promotion of industrial and semi-industrial flows that are essential to the growth of the Gabonese economy.

The 420-metre-long quay is equipped with three cranes, eight grain silos and a palm oil storage tank.