GABON

Gabon’s economic freedom score is 56.3, making its economy the 118th freest in the 2019 Index. Its overall score has decreased by 1.7 points, with sharp drops in fiscal health, trade freedom, and labor freedom outweighing modestly higher scores for judicial effectiveness and government integrity. Gabon is ranked 17th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The government knows it must rebuild financial buffers that were eroded during the global oil price slump. This year’s lower economic freedom scores, however, reflect pressure from an unhappy public to maintain unsustainable levels of subsidies. Major structural reforms, such as an overhaul of the tax system, are needed to promote diversification, improve the business climate, and generate economic growth. The regulatory structure remains highly bureaucratic, and the rule of law is weak.

BACKGROUND: Gabon gained independence from France in 1960 and was ruled by Omar Bongo for more than 40 years until his son, Ali Bongo Ondimba, became president in 2009. Opposition leaders accused the Bongo family of electoral fraud to ensure dynastic succession. After Bongo secured his second seven-year term in disputed 2016 elections, the government cracked down on the political opposition. In 2018, the parliament passed constitutional changes that critics say centralized executive power. Despite abundant natural wealth, poor fiscal management and overreliance on oil have stifled the economy. Power cuts and water shortages are frequent. Gabon has one of Africa’s highest average per capita incomes, but oil wealth is held by few, and most Gabonese are poor.
Protection of property rights is weak, and contracts are not strongly enforced. The judiciary is inefficient and not independent. The law is not applied consistently, and bureaucratic delays often undermine the delivery of justice. Dispute resolution takes nearly three years on average. Anticorruption laws are not enforced, and bribery is widespread in commerce and business and particularly in the energy sector.

The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 17.3 percent of total domestic income. Over the past three years, government spending has amounted to 21.1 percent of the country’s output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 61.1 percent of GDP.

The regulatory framework still confronts potential entrepreneurs with significant bureaucratic and procedural hurdles. Labor regulations are outdated and applied inconsistently. The government has slowed IMF-recommended efforts to reduce spending and subsidies. It continues to influence prices through subsidies to state-owned enterprises and direct control of the prices of other products.

The combined value of exports and imports is equal to 70.5 percent of GDP. The average applied tariff rate is 16.9 percent. As of June 30, 2018, according to the WTO, Gabon had two nontariff measures in force. The government screens foreign investment, and investment is discouraged by inefficient regulatory regimes. The underdeveloped financial sector remains state-controlled. Credit costs are high, and access to financing is scarce.