GABON

Gabon’s economic freedom score is 55.8, making its economy the 115th freest in the 2022 Index. Gabon is ranked 19th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Gabon’s economic growth accelerated from 2017 through 2019, turned negative in 2020, and rebounded in 2021. Economic freedom has stagnated over the past five years. Dragged down by lower scores for rule of law indicators (property rights, judicial effectiveness, and government integrity), Gabon has recorded a 2.8-point overall loss of economic freedom since 2017 and remains stuck in the “Mostly Unfree” category. Scores for government spending and fiscal health are strong, but business freedom and labor freedom lag.

IMPACT OF COVID-19: As of December 1, 2021, 279 deaths had been attributed to the pandemic in Gabon, and the government’s response to the crisis ranked 59th among the countries included in this Index in terms of its stringency. The economy contracted by 1.8 percent in 2020.

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. Bongo secured his second seven-year term in disputed 2016 elections. Despite an apparent stroke in 2018, he continues to govern, and his ruling party won a strong majority in the 2018 legislative elections. 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 incomes per capita, but oil wealth is held by only a few, and most Gabonese live in poverty.
Enforcement of property rights and contracts is weak, and property registration is difficult. The judiciary is inefficient and subordinate to the president. The law is not applied consistently, and bureaucratic delays often undermine the delivery of justice. Dispute resolution takes an average of nearly three years. Anticorruption laws are not enforced, and bribery is widespread in commerce, in 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. The overall tax burden equals 11.5 percent of total domestic income. Government spending has amounted to 18.1 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.1 percent of GDP. Public debt is equivalent to 72.5 percent of GDP.

Obtaining loans, establishing a new business, connecting to electricity and water, and transferring company ownership are frequently difficult. The labor code, inspired by the French, is complex, rigid, and not conducive to a dynamic labor market. Implementation of a new code was expected in 2021. Rising global oil prices have increased the cost of government fuel subsidies.

Gabon has one preferential trade agreement in force. The trade-weighted average tariff rate is 14.1 percent, and two nontariff measures are in effect. Political influence and inadequate infrastructure impede dynamic investment growth. The underdeveloped financial sector remains under state control. Credit costs are high, and the state-owned development bank controls long-term lending.