

THE REPORT

Gabon 2010

POLITICS
ECONOMY
BANKING
CEMAC

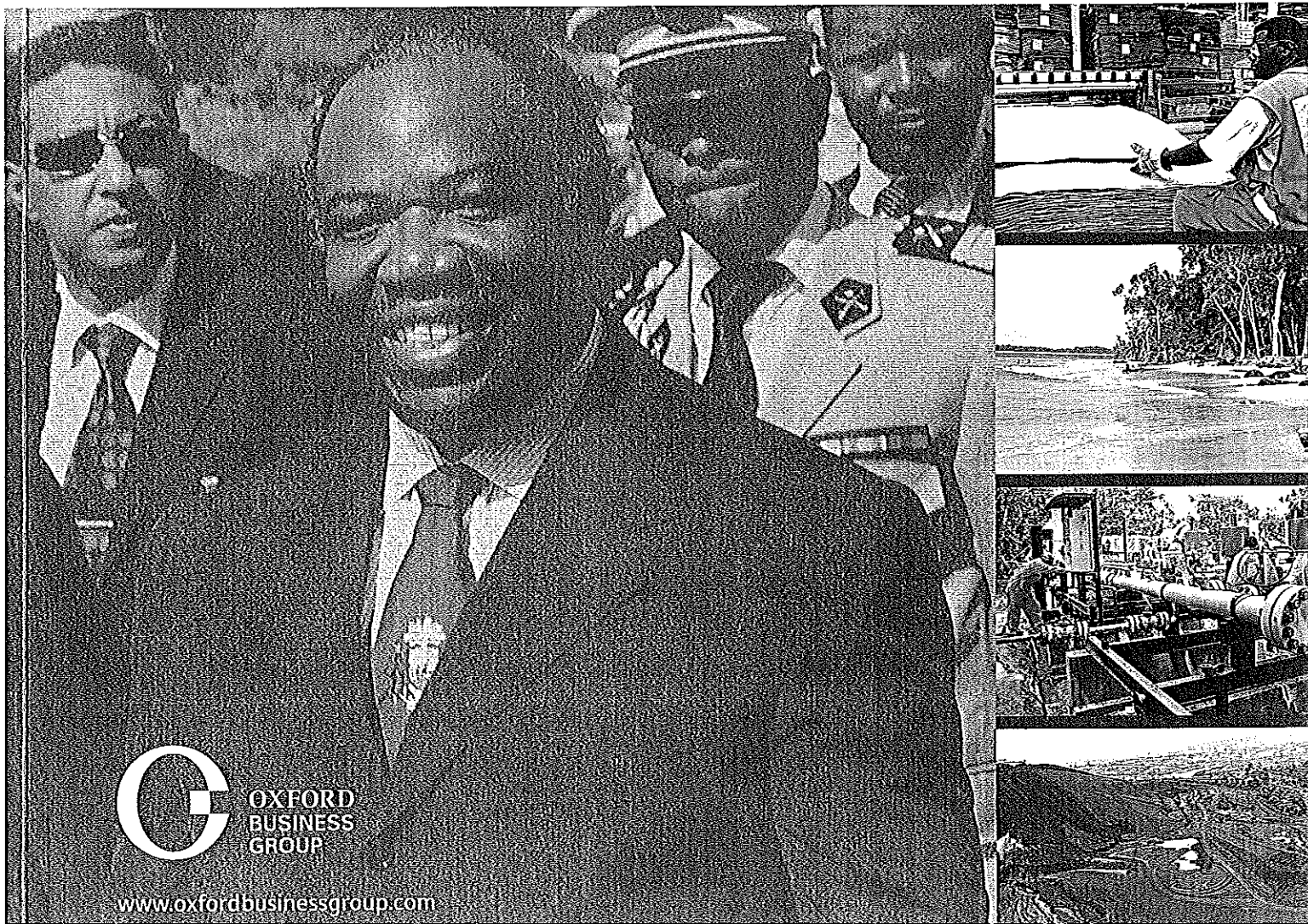
ENERGY
TOURISM
REAL ESTATE
TELECOMS & IT

INDUSTRY
CAPITAL MARKETS
NATURAL RESOURCES
INTERVIEWS

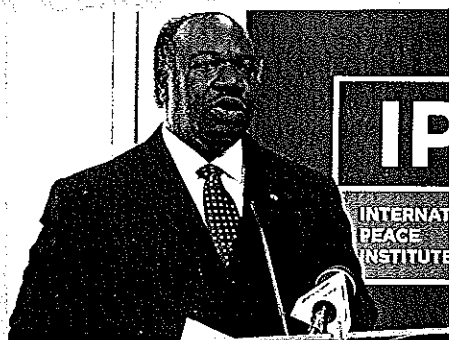
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MINISTÈRE DE L'ÉCONOMIE DU COMMERCE,
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Changing their game

Page 14

Ali Bongo Ondimba, the new president, is undertaking a wide variety of economic and political reforms, with the goal of improving governance, transparency and liberalisation efforts in what is already one of Africa's most stable states. The government is working to play a more central diplomatic role in the region and further afield as well, and is active in mediation efforts in Central and West Africa.

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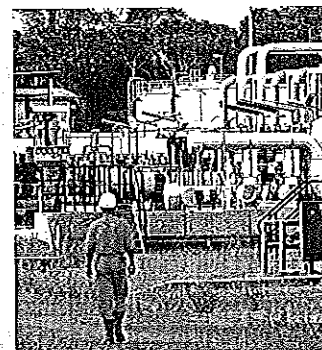
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Groundswell

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Oil production has been a driving force in the economy for several decades now. The government is currently attempting to diversify by harnessing the country's significant natural gas potential. With this in mind, gas flaring was recently banned and in 2010 42 offshore blocks were put up for concession. The nation also has extensive forests, and much of the country's grid is powered by hydroelectricity.



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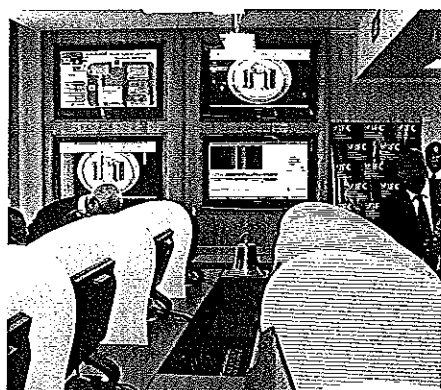
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A central role

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The regional bourse, Bourse des Valeurs Mobilières d'Afrique Centrale, has seen light trading since it was launched in 2007. Bond issues have attracted the attention of investors, with the bourse raising a total of some €219m since it opened. A potential merger with Cameroon's Douala Stock Exchange has the potential to bring new energy to the market.

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Not all talk

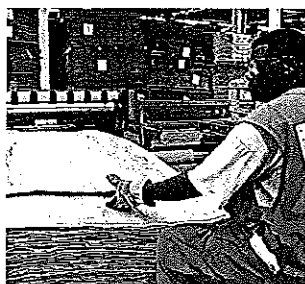
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The launch of a fourth mobile operator in 2009 is expected to ramp up competition in what is already a fairly crowded telecoms market – official numbers put mobile penetration at 117% at the end of 2009. Continued expansion in other segments is expected. For example, high-speed internet connections are on the rise, due largely to increasing broadband availability.



All natural

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The biggest players among domestic industries include agribusiness companies that produce soft drinks, beer, bottled water, dairy products, cooking oil, flour and sugar. Additionally, a number of new special economic zones are driving growth in a variety of other industries, especially forestry, where timber and wood processing are main focuses.

Going green

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The tourism sector continues to play a central role in long-term economic diversification efforts. Gabon is a popular destination for environmental tourists and wildlife viewers, in particular. With continued expansion in this segment in mind, the government has undertaken large-scale conservation efforts. Currently some 11% of the nation's surface area is protected by the state.



Beyond borders

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Two national dailies dominate the print segment, although they share the market with 55 other local titles, many of which are dependent on advertising and aid from the state. While online media outlets have yet to take off, the pay-TV segment has expanded dramatically over the past two years.

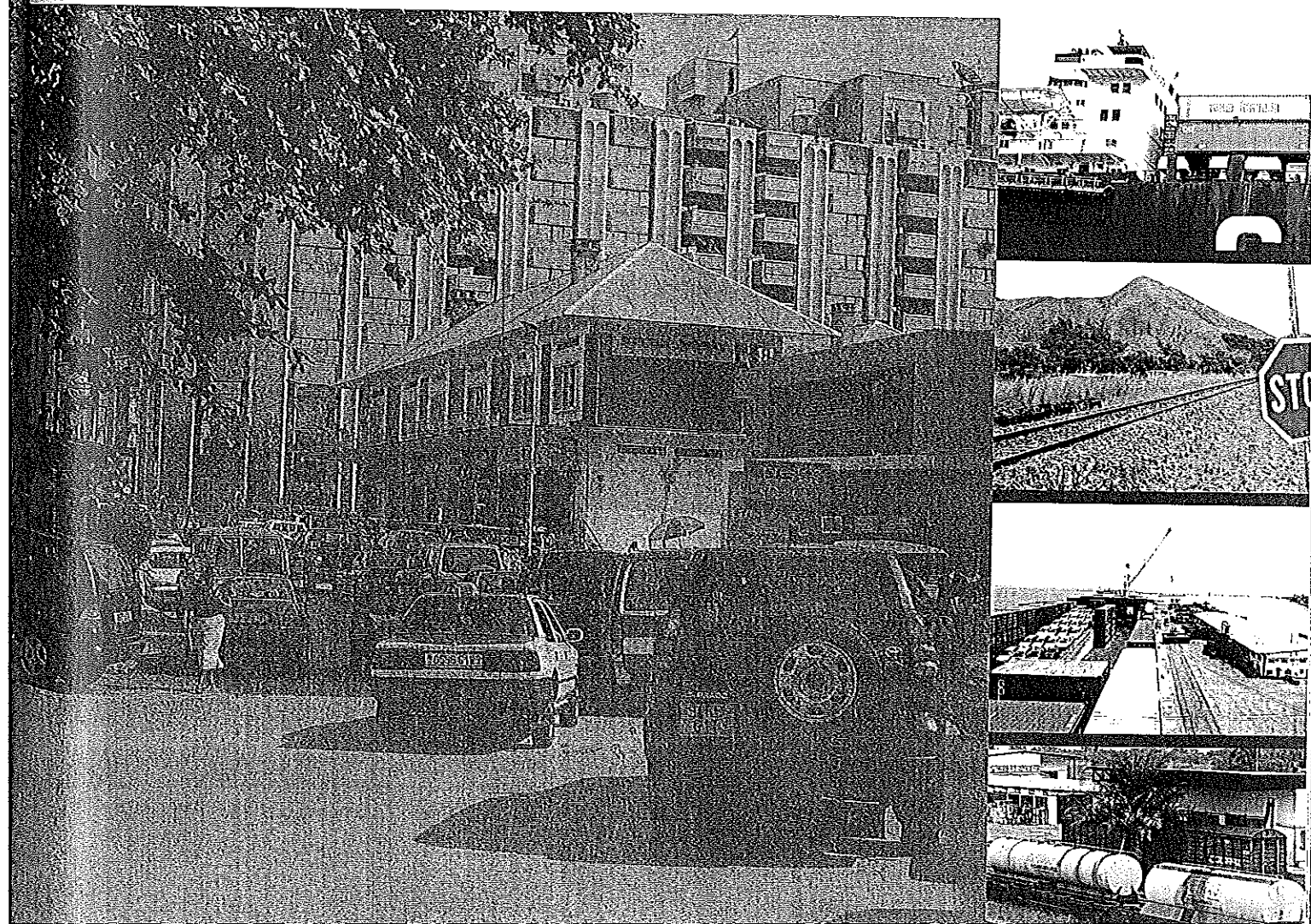
Transport

Rehabilitation of infrastructure the key to growth

Major projects set to expand the road network

A rise in connections and competition in aviation

Modernisation and capacity increases for ports





More than half of the 2010-11 budget will be spent on infrastructure

On the way

New developments are expected to bring about increased efficiency and faster travel times

From both the private sector and the government, the refrain has been the same in recent years – the key to unlocking the growth potential of the Gabonese economy is to rehabilitate and integrate the national road, river, air, rail and marine infrastructure.

The transport sector is one of the government's top investment priorities, as it is for Gabon's major international lenders – including the African Development Bank – and for donors such as the European Commission. These organisations are pouring money into projects aimed at stitching together the country's patchwork of transport links to foster greater regional trade and increase import and export capacity.

The government's commitment is no less significant. More than half of the total 2010-11 budget, or CFA544bn (€826m), is earmarked for infrastructure and transport improvements – 11 times the amount budgeted for transport just three years ago. "The ambitious level of public investment in the 2010 budget reflects a new political will; the administration has a stake in fostering investor confidence to help strengthen economic development," Patrick Charlot, the general manager of Gauff Engineering, told OBG.

DEVELOPMENT DEALS: In August 2010, in line with the country's 50th anniversary celebrations, the government revealed that €3.3bn in deals, many of them infrastructure-related, had been signed with Asian firms. Poor planning and upkeep have spoiled ambitious transport projects in the past, but President Ali Bongo Ondimba said Gabon is now committed to designing and building infrastructure that will be consistent with its national development strategy. "The Gabonese people want roads and housing," he told *Jeune Afrique* in August 2010. "But this should be in line with projects for tourism, mining, industries or, to put it simply, for development. To build roads for the sake of building roads doesn't make sense. So it is a bit more complicated than just stringing together kilometres of tarmac." Although the country's airports are not yet pushing capacity, there are plans to build a new inter-

national airport near the capital, which would have room to expand. On the horizon are additional public-private partnership projects that will modernise the country's deep-water seaports, starting with the Port of Owendo on the outskirts of Libreville.

Planned construction, maintenance and equipment spending should create substantial opportunities for private sector contractors. Roads and ports are the two segments of the national transport system that have experienced the highest degree of privatisation in the past decade. The state started contracting out the bulk of road building in 2001 and, in general, 75% to 80% of the spending on road maintenance is privatised.

Road construction and consultancy projects are largely in the hands of foreign companies, and are likely to remain so over the short term. The minister responsible for promoting small and medium-sized businesses has proposed setting aside 30% of public works contracts for Gabonese-owned contractors and suppliers, but it is not clear that this quota will be adopted or when it would be put into effect.

Such investment in road improvement projects has already opened opportunities for foreign contractors, with several Chinese companies working on secondary and trunk roads around the country, and Indian and French construction companies won further contracts in summer 2010 to modernise and pave roads across the country. The projects will fill in some of the missing links in the national transport network that have hampered growth in cross-border trade and the movement of goods within Gabon.

IMPROVING EFFICIENCY: The infrastructure improvement programme should have a complementary effect on the revenues of shipping lines and other related businesses. In 2009, export and import volumes dropped sharply, especially during the period between May and October that saw the death of President Omar Bongo Ondimba and also national elections. Revenues were off 15% at Maersk Line, one of two firms that run container vessels in and out of the Port of Owendo. How-

Transport is one of the government's main investment priorities, with €826m allocated for infrastructure and improvements under the 2010-11 budget.

ever, the uptick in construction activity is contributing to a modest recovery in shipping line activity in 2010 and this is also likely to continue as more infrastructure projects get under way.

CHALLENGES: Getting the budgeted infrastructure money out and working is another issue. Past road-building projects in Gabon have experienced delays and cost overruns. An ambitious public works programme launched in 1993 was intended to pave 1936 km of road within five years to link provincial capitals to Libreville. Twelve years later, according to the OECD, just 27% of the work had been completed and costs had exceeded the original budget by 66%.

International studies said the state bidding, approval and disbursement processes can be frustratingly slow, resulting in the suspension of ongoing road work for months at a time. Part of the problem, as the lenders have acknowledged, is that road construction in Gabon takes place in difficult and often waterlogged terrain. Controls to ensure regular fiscal monitoring have been built into the current loan procedures.

In terms of maritime transport, several private-sector operators of port facilities have embarked on investment in infrastructure and equipment. Gabon has two main seaports, at Owendo and another mainly serving the oil and mining industries at Port-Gentil, and both are in line for updates. With this in mind, much-needed modernisation of handling and storage facilities are currently being undertaken.

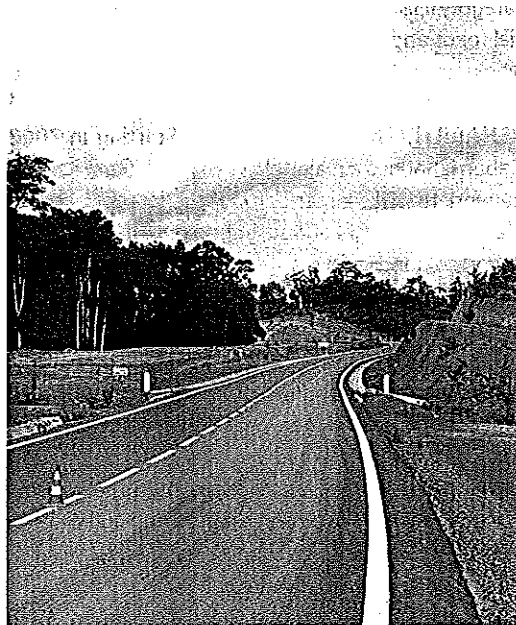
Other projects anticipated to begin in 2010 and 2011 include the extension of quays at the Port of Owendo, the purchase of dockside gantry cranes, renovation of the port administrative offices at Owendo and Port-Gentil and installation of up-to-date vessel surveillance and security systems at both locations.

The state harbour authority, the Office of Ports and Harbours (Office des Ports et Rades du Gabon, OPRAG), recently reported that an amount approaching CFA1bn (€1.52m) has already been invested in improvements at both the Owendo and Port-Gentil ports since 2004, primarily to upgrade security.

ROADS: The government's overall goal is to diversify the economy and attract more foreign investment into the bedrock sectors of oil, forestry and mining.

The state of the road transport network is a hurdle in this respect. Most manufactured goods, whether imported or produced locally, are moved by road, as are one-third of the timber and 65% of all passengers. Gabon has steadily extended the road network in the sparsely populated interior of the country over the past 10 years, but maintenance has been underfunded and infrastructure projects have regularly overrun both budgets and deadlines.

The road network is developed in the north-west reaches of the country, where the capital and two main seaports are located. Roads on two axes cross the country from north to south and east to west. Gaps remain primarily in the secondary and connecting networks. Additionally, the African Development Bank labels 80% of the bridges as "provisional" and unreliable for the smooth transport of goods and services.

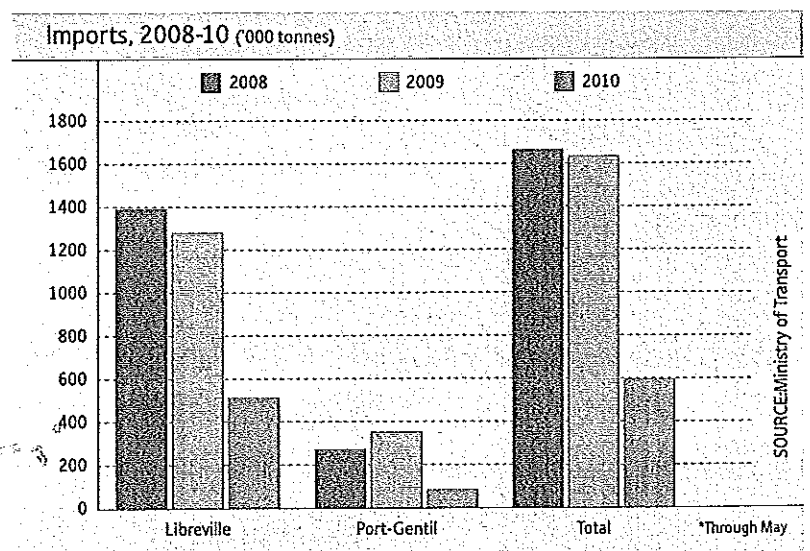


There are 3368 km of national roads, of which 842 km are paved

There is no reliable link between Libreville and Port-Gentil, the second-largest city and centre for oil activity and shipping. A multi-lane asphalt national highway extends from the capital – a recently initiated study will determine if this road will be extended. All provincial capitals can be reached by road, and a 90-km asphalt highway connects Franceville, the third-largest city, and Mouanda, a transport hub for the manganese industry. There are six national roads, which are partially paved. Just over 10% – 936 km – of the country's 9170 km of roads are currently surfaced with asphalt. Of the 3368 km of national roads, 842 km are paved.

Apart from 213 km of paved roads, Gabon's provincial and department roads are a mix of gravel roads, dirt roads and unclassified rural tracks that can become muddy obstacle courses or simply impassable during the country's nine months of rainfall. The tropical climate, combined with inadequate enforcement of maximum load limits, adds to the wear and tear. In a 2007 assessment, the African Development Bank said that just 20% of the country's overall road network could be said to be in a "fairly good condition". Within that

At the two major ports essential upgrade work on handling and storage facilities is under way. The quays at the Port of Owendo will also be extended.



Gabon has received financing from the African Development Bank, France, Spain and other donors in its effort to rehabilitate the road network.

category it listed 26% of national roads, 16% of provincial roads and 19% of departmental roads. Taken as a whole, according to the analysis, some 60% of the road network is in poor condition.

REHABILITATION PROGRAMME: Starting in 2002 Gabon launched a major effort to rehabilitate its road network to make larger parts of the interior accessible, lower the costs of distributing manufactured and imported goods and satisfy the demands of industrial investors for more cost-effective transfer of timber and mineral resources to the seaports.

The effort became an integral part of the government's strategy to develop sectors other than oil, where production began to decline in 1998. It has received financing for major road projects from the African Development Bank, France, Spain and other donors since the mid-1990s. Progress on paving and extending the network has been bumpy, hampered by limitations on government resources.

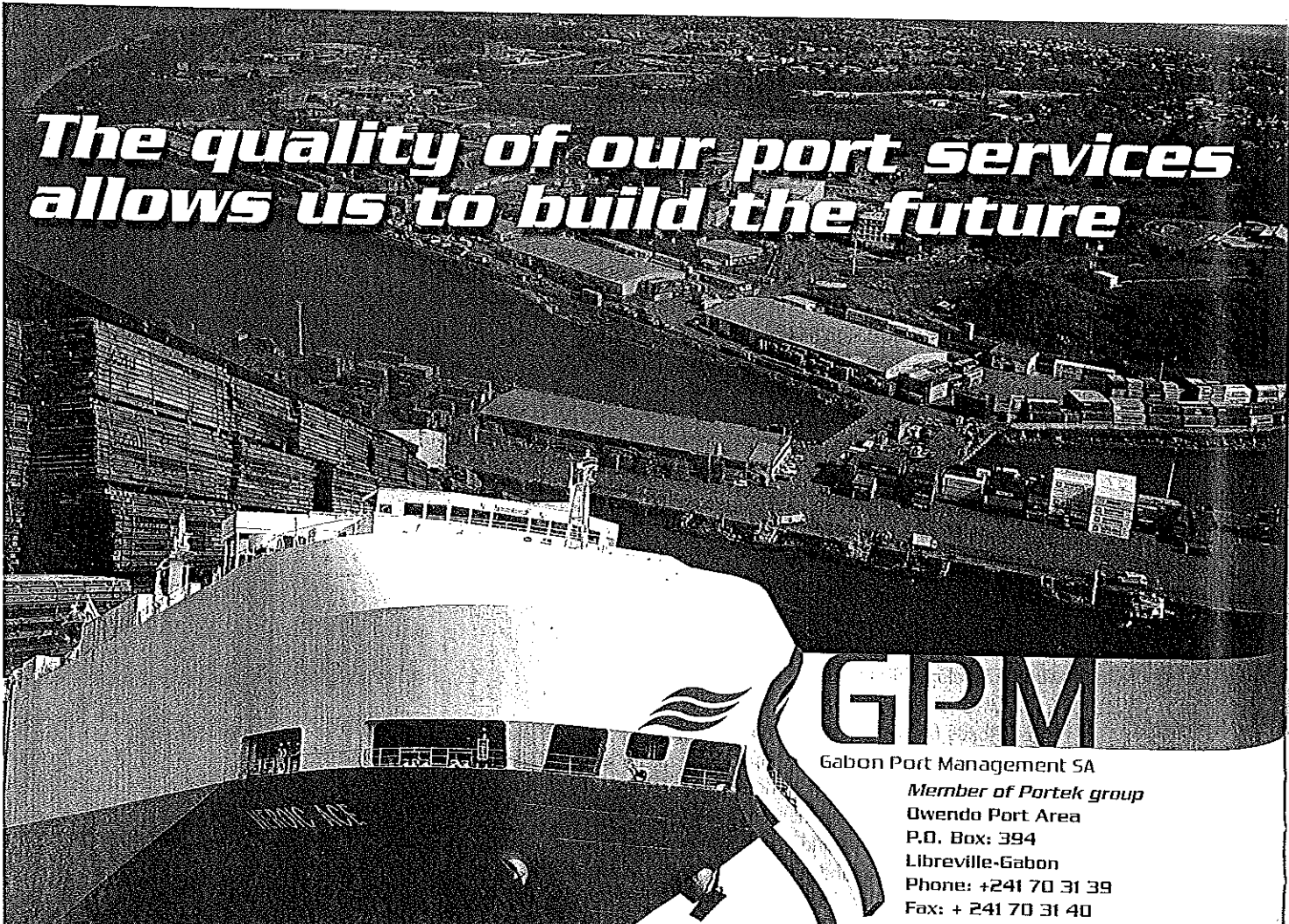
International lenders renewed their commitment to financing a comprehensive national road improvement programme in 2007, capped by the approval of a CFA165bn (€250.8m) loan from the African Development Bank designed to better integrate Gabon's rail and road systems and strengthen regional trade routes. The first phase of the programme was launched in 2009. One important factor in the lender's decision was the government's agreement to establish a dedicated road maintenance fund. This fund is designed to guar-

antee a regular schedule of upkeep and repairs for roads, as well to reduce delays in payments to contractors, which have been cited as the main reason for roadwork being disrupted in the past.

The budget of the fund – an estimated CFA29.3m (€44,536) in 2010, which is sufficient to cover recurring expenses – is derived from levies and taxes on gasoline and gas-oil purchases, road tolls, vehicle inspections and imported spare parts.

PARTNERSHIPS: A batch of infrastructure deals was signed in August 2010, including one to modernise the domestic road network. Some 1000 km of tarmac is set to be laid by India's Ramky Infrastructure on La Nationale highway connecting Libreville and Franceville. Slated for completion within three years, the project follows the private-public partnership model, which is being used increasingly in the region as a means to boost infrastructure development.

Another area that the government is starting to address is traffic congestion in Libreville, where nearly half the population is concentrated but the number and configuration of roadways have not kept pace. A programme launched in 1992 to analyse urban transport needs, financed by the World Bank, has determined that 50 km of 10-metre-wide secondary roads and 73 km of streets were needed urgently in Libreville. The city is also sprawling outwards, with planned and unplanned neighbourhoods putting more pressure on the overburdened public transit system and the tan-



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gle of city-centre streets. Bottlenecks are a daily occurrence on the main shorefront road that feeds traffic to the central business district, and long detours are necessary to reach some of the recently built parts of the city. A Ministry of Transportation analysis identified a number of issues to be tackled, including the lack of parking, inadequate bypasses and limited space on city streets for buses and taxis to pick up and discharge passengers. The state budget for 2010-11 provides for the purchase of 50 new buses to ease the burden.

RAIL: The government devoted nearly half of its public works budget during most of the 1980s to the transport sector, most of it to Trans-Gabonese Railway. The railroad, with 814 km of track, was one of the most modern in Africa when it was built and remains the workhorse of the mining and timber industries. The railroad connects the Port of Owendo in Libreville to Franceville in the south, with 22 stops in between. The network was privatised in 1999, 10 years after it went into operation. Setrag, an affiliate of the international mining consortium Compagnie Minière de l'Ogooué (Comilog), won a 30-year concession to run the railroad in 2003.

The proposed 2010-13 budget presented by Setrag calls for CFA70.8bn (€1.01bn) to be invested in track maintenance and upgrading, based on projections of a CFA17.6bn (€26.7m) contribution from the state. This spending plan has not been confirmed but is overdue. A 2010 analysis by the office of the minister of transportation concluded that in its current condition, the Trans-Gabonese Railway is no longer capable of meeting demand. The analysis called for substantial investment in upgrading its rolling stock and the execution of a regular programme of preventive maintenance. Additional investment will be needed on a rail spur to the Belinga iron ore mine once the project – a key priority for the government – is operational.

MARITIME: The Gabonese economy relies heavily on seaports and inland waterways for the transportation of minerals and timber from the interior and distribution of other goods to areas underserved by roadways and rail. The seaports account for more than 80% of the country's trade volume.

The rivers are used by logging companies to float timber to the ports, for passenger transport and soon for the distribution of fuel to outlying areas of the country. Maritime facilities are operated by a mix of state agencies and private concessionaires that are investing in modern cargo handling systems and new equipment to adapt to shipping needs.

The government decision to require the processing of all timber before export poses fresh challenges for port managers and the entire transport system. In January and February 2010 the volume of those exports dropped 89.6% and 62.4%, respectively, over the same months in 2009. The transition has strongly impacted revenues from port charges related to wood exports. In past years, various shipping charges associated with untreated wood exports made up 60% of the development fund of the Gabonese Shippers' Council.

The new policy on wood export will also require new strategies for shipping, storage, transfer and handling



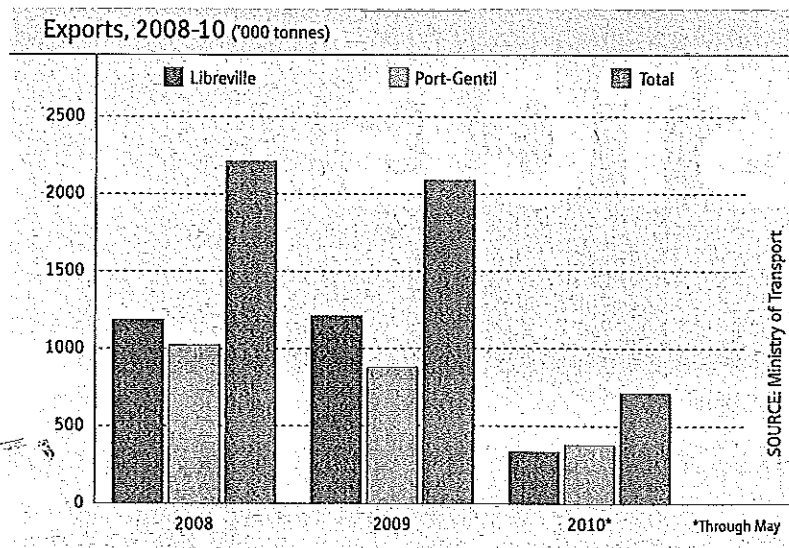
Significant investment is required to upgrade the railway network

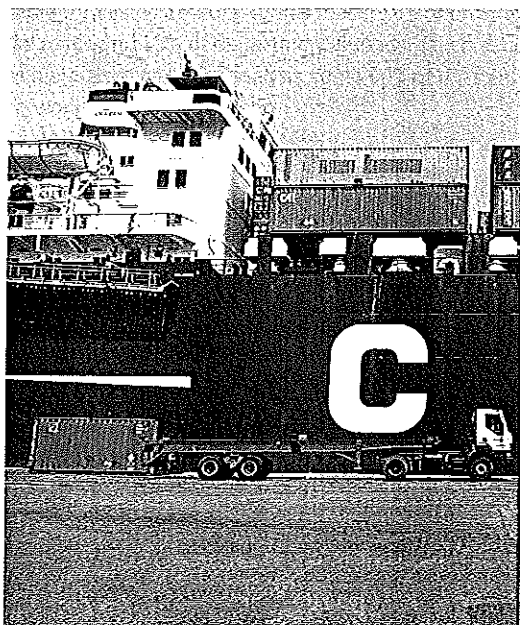
of finished and semi-finished timber, with a view to reducing transit times, which can extend to eight days for unloading containers of wood products at the Owendo rail station and moving them to the port.

The development of multimodal facilities is a priority for both public and private operators, both of which want to lower transport costs. To that end, a new Multimodal Transport Observatory is being set up to analyse shipping flows and volume, bottlenecks and the use of different segments of the transport network. Port managers have also recognised that it is essential that administrative procedures be simplified and centralised to bring down costs for shippers, according to Hervé Nguema Etoughe, the deputy director-general of the Gabonese Shippers' Council.

The country has strong potential to be a regional maritime hub once its transport sector – from roads to airports to seaports – becomes better integrated, Nguema Etoughe said. "Improving the transport links across the region is a priority and will require an emphasis on multimodal systems," he told OBG. "The maritime sector cannot continue to evolve in an isolated manner."

The 814-km Trans-Gabonese Railway links the port of Owendo in Libreville to Franceville in the south. The proposed budget for 2010-13 presented by the railway's private operator, Setrag, requires €1.01bn to be invested in the maintenance and modernisation of the track.





A new container terminal has helped improve clearance times

Hydrocarbons topped the list of total imports in 2008 and 2009, and bulk oil made up most of the exports at Port-Gentil, while at the Port of Owendo imports were dominated by hydrocarbons and exports by wood and wood products.

Gabon has two major deep-water ports. The main industrial seaport is Port-Gentil, which has three specialised ports – one for oil, one for timber and one for merchandise imports and general exports. A 150-metre quay at Port Môle at Port-Gentil handles cargo and other marine traffic arriving by river from the interior. Imports at Port-Gentil reached 272,576 tonnes in 2008, 351,647 in 2009 and 84,488 during the first five months of 2010, and exports totalled 1.02m tonnes, 877,889 tonnes and 378,740 tonnes, respectively. Of the total imports, hydrocarbons topped the list, at 40,265 tonnes for 2008, 98,241 tonnes for 2009 and 10,610 tonnes for end-May 2010. Close behind were steel tubes with 45,565 tonnes, 31,698 tonnes and 7708 tonnes, respectively. Bulk oil made up most of the exports, with 536,678 tonnes in 2008, 414,697 tonnes in 2009, and 227,111 tonnes for the first five months of 2010.

BETTER STANDARDS: The primary commercial port is Owendo on the outskirts of Libreville. Since opening in 1974, Owendo has undergone some piecemeal

improvements but they have not kept up with the demands of modern shipping lines and the commercial demand for faster and more efficient loading and unloading. The port is scheduled for upgrades to bring its handling facilities up to prevailing standards.

It is divided into specialised ports with their own quays, storage yards and private sector concessionaires for the export of wood and wood products, minerals and general merchandise. Infrastructure improvements already under way have improved flow at Owendo, where the single commercial quay is being extended and will have mobile gantry cranes. The improvements should help lower costs for private shipping lines that unload with their own short cranes. Shipping executives also report operations have become more efficient and clearance times have improved since a 7-ha container terminal opened at the Port of Owendo, which has a storage capacity of 3500 containers.

This expansion, as well as the other improvements on the horizon, highlight the need for further integration of the transport system in Gabon. A private sector consortium, Société des Terminaux de Conteneurs du Gabon (STCG), built the CFA12.3bn (€18.7m) facility and manages it. STCG has proposed that a rail corridor be built between the terminal and the new multimodal dry port in Franceville, which the company also runs, allowing a better serving of the Haut Ogooué province and the Central African Republic, Congo-Brazzaville and the Democratic Republic of the Congo.

Imports at the Owendo port totalled 1.39m tonnes in 2008, 1.28m in 2009 and 511,731 tonnes until end-May 2010, dominated mainly by hydrocarbons, which made up 248,448 tonnes, 95,570 tonnes, and 33,820 tonnes, respectively. Exports reached 1.19m tonnes, 1.21m tonnes and 334,516 tonnes over the same time period, with wood and wood products topping the list.

INTERNATIONAL STANDARDS: The country began privatising the management and operation of its ports in 2003. For instance, Owendo and Port-Gentil are now managed by Gabon Port Management (GPM) in conjunction with the state harbour authority, OPRAG.

STCG

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GPM, a subsidiary of the Singapore-based Portek International, won a 25-year management concession in 2007 and announced in 2010 that it would accelerate the schedule of infrastructure improvements to increase capacity and modernise the cargo handling facilities. Gabon has already instituted new automated tracking systems and brought its port regulations in line with international standards.

In September 2009 the country was one of 16 countries to sign the new UN Rotterdam Rules, governing the carriage of goods by sea and connecting or previous transport by land. It also recently introduced a new electronic cargo tracking system that is now obligatory for shippers for Customs clearance.

Gabon has 3300 km of navigable inland waterways that also play an important role in the economy, with a steady flow of barge traffic for the transport of merchandise. There is further potential to develop commercial river transport, which consists principally of timber that is floated to the Port of Owendo and Port-Gentil.

The government's Compagnie de Navigation Intérieure et Internationale (CNI), which oversees the inland waterway transport system, recently announced a plan to start transporting fuel in 2010 to the southern, northern and north-eastern parts of Gabon that have experienced delivery problems. CNI also plans to invest CFA5.3bn (€8.1m) to repair its cargo ships that have been out of service for the past three years and purchase a new 100-seat passenger boat for the Port-Gentil-Lambaréné-Omboué route.

AIR: Despite its small size and population, Gabon is well served by airports. It has 28 regional airports and three international airports at Port-Gentil, Libreville and Franceville. This high number is an indicator of the difficulty of travelling by road through the forested terrain and the gaps in its national road network.

Leon Mba International Airport (LBV) in Libreville serves 11 international airlines that fly to destinations in Europe and Africa. Nine domestic carriers use the airport and another two have applied for licences. Lufthansa began flights again in and out of Leon Mba



The government started privatising the management and operations of the country's ports in 2003

airport in 2009, along with four new African airlines. The Lufthansa flight to Libreville currently makes a stop in Accra, though the company has said it will be making the flight direct to Frankfurt later in 2010.

Leon Mba Airport has been managed by Aéroport de Libreville (ADL) since 1996. Its passenger traffic increased 2.23% overall in the first trimester of 2010, according to ADL, with international traffic outside the central Africa region up nearly 5%.

The urgent priority for the new National Civil Aviation Authority (Agence Nationale de l'Aviation Civile, ANAC), which took over regulation of aviation in 2009, is getting Gabonese-certified carriers off the EU blacklist. Seven domestic carriers were banned from flying into any of the 27 EU member states in July 2008. The ban applies to all but specific planes in the fleets of three other carriers. ANAC has been working to update the nation's regulatory framework to take into account technological advances, as it was not revised since its creation in 1965, and to improve supervision and training. "Gabon, as an emerging country, has to have safe and sound institutions," said Dominique Oyinamono, the director-general of ANAC.

Gabonese carriers operating in the regional and domestic market will also come under stricter regulation, according to Oyinamono, and ANAC is looking at imposing a minimum fleet requirement that will impact smaller carriers. "The small domestic market should not be a reason for operators to not comply with international standards," he told OBG.

Gabon Airlines, created with private shareholders after the government liquidated the loss-making national airline in 2007, has been operating a route between Libreville and Port-Gentil since March 2010 and it also plans to add a route between Libreville and Franceville, as well as a number of African routes.

The carrier registered 8% growth in passengers in the first quarter of 2010 after lowering prices and reconfiguring planes to accommodate a higher proportion of economy-class seats. The airline now oper-

With 3300 km of navigable inland waterways, there is the potential to expand commercial river transport. Currently timber is floated to the two main ports, but there is also a plan to start transporting fuel in 2010.



A new electronic cargo tracking system has been introduced

The development of tourism and the introduction of the CEMAC passport will increase demand for air services. A new regional airline, Air Cemac, is also expected to be launched before the end of 2010.

ates international flights to Paris, Marseille, Johannesburg and Pointe Noire, in Congo-Brazzaville.

GROWTH POTENTIAL: The local airline industry sees substantial growth potential for the future, especially once the blacklist issues are resolved, although it has also called on Gabon to lower taxes and charges for operating out of its airports.

Operators are particularly hopeful that the development of tourism and ecotourism will boost the demand for domestic and international passenger aviation services. Regional cargo air traffic could also take off, to the benefit of Gabon and its airline industry, with regional integration. The introduction of the CEMAC passport will dramatically increase passenger demand, and a new regional carrier, Air Cemac, is set to be launched before the end of the 2010.

"The handicap is not the airports but the economic situation," said Paul Steeve Ondzounga, the executive manager of Air Service, which suspended flights this summer due to what the company cited as financial difficulties. "Once the big construction projects get going, there will be an increase in demand to get people to the work sites. We'll have to have flexibility to be able to provide service where it is needed."

There are signs that international air travel to Gabon is picking up. In the summer of 2010 Gabon Airlines leased an A340 carrier to help it accommodate increased traffic from Paris, while Lufthansa will add a direct connection to Libreville from Frankfurt in November 2010.

"As a result of the depressed growth of the airline industry in Europe and the US, Western Africa is gradually becoming of equal importance to international air carriers as Asia," said Till Heene, the general manager for Lufthansa. However, ongoing airport charges and other fiscal pressures on carriers need to be lowered if more airlines are to be attracted, as LBV is currently one of Africa's most expensive airports.

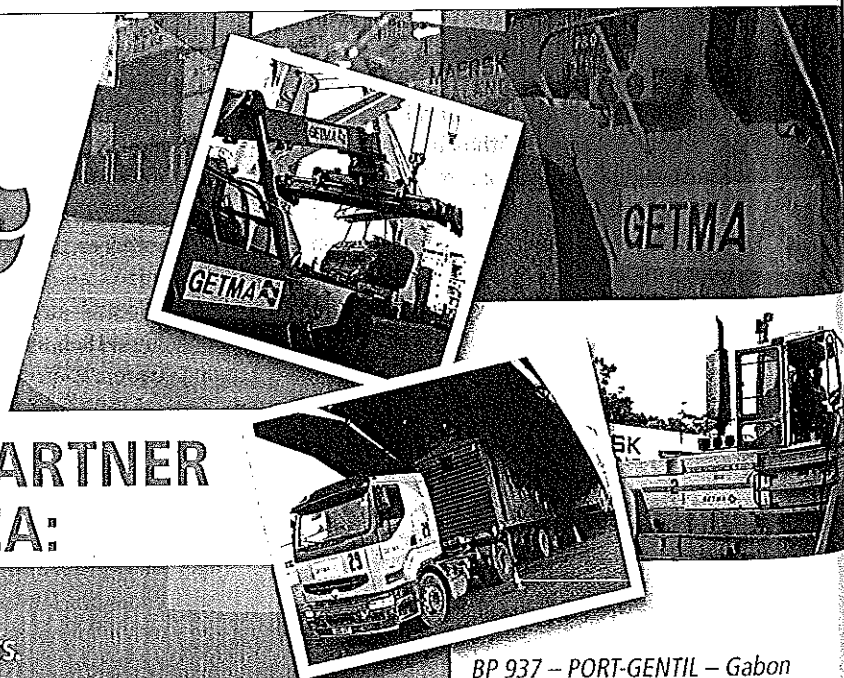
OUTLOOK: Gabon's infrastructure priorities are clear, but the timeline will be long because of the sheer scope of work that the government hopes to accomplish. In the medium term, the massive improvement programme financed by the African Development Bank promises to give the country a modern and integrated road system that will boost regional trade and lower internal distribution costs.

The establishment of a dedicated income stream for the road maintenance fund should help avoid the kinds of problems that plagued the network in the past, when roads were allowed to fall into disrepair. The modernisation of the Port of Owendo will have a positive impact on all sectors of the economy by streamlining the handling of shipments.

Air traffic should rebound quickly in line with the ongoing domestic and regional economic recovery. The newly formed aviation authority is dedicated to getting Gabon-based airlines fully off the EU blacklist, which will help the aviation sector expand with more regional cargo and tourism passenger-related flights.

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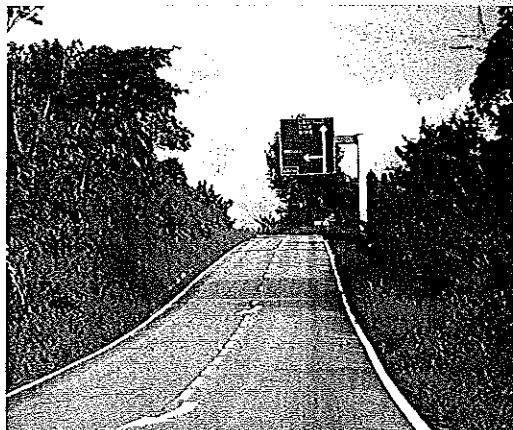
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A development scheme aims to have 30% of roads paved by 2015

On the road

A major project to expand the highway system

Starting in 2002, Gabon launched a major effort to redesign and rehabilitate its road network. The African Development Bank, with support from donors including the French Development Agency and the World Bank, agreed to lend CFA165.1bn (€250.1m) for an ambitious road improvement programme to pave and upgrade more than 2500 km of roads in Gabon over a 13-year period. The loan for the first stage of work, representing 90% of the total CFA183.42bn (€278.1m) project, is the largest ever made by the bank to a single African country. Known as the Road Network Development Programme (Programme d'Aménagement du Réseau Routier, PARR), the project aims to increase the proportion of paved roadway in the country to 30% by 2015, from less than 11% today. Gabon is responsible for 10%, or CFA18.34bn (€27.9m), of the total cost. The loan was approved in 2007 and the first phase officially launched two years later, in August 2009.

PRIMARY AIMS: Overall, the ambitions of the PARR are to link the north-south and east-west road axes, an essential ingredient for economic development, and to extend road connections between Gabon and its neighbours to enhance trade and commercial exchanges. Put simply, the plan is to give Gabon a road network that reflects its goals of diversifying the economy, promoting tourism, encouraging agricultural development and increasing cross-border trade. Just over 10%, or 936 km, of Gabon's 9170 km of roads are paved with asphalt, and much of the rest of the network is rudimentary at best.

The PARR improvements will open up inaccessible and isolated areas of the country. In order to ensure regular upkeep of the new roads and timely payments to contractors, Gabon also is required to set up a dedicated road maintenance fund.

The focus of the first phase of the massive programme is to upgrade and surface three trunk roads in the provinces of Ngounié and Ogooué-Lolo, over a total area of 240 km. These roads form part of the regional transport corridors that are being built in

connection with an Economic and Monetary Community of Central Africa economic development plan to stimulate cross-border trade. The roads are also meant to spur economic development and attract investment to areas of the country that are now essentially landlocked, without reliable year-round connecting routes to the national road network or the Trans-Gabonese Railway. In addition, the aim is to create a reliable and integrated network of roadways so that farm products can be brought to market, merchandise can be more quickly distributed around the country, students and teachers can get to schools, isolated hamlets have access to health facilities and tourists can travel to hard-to-get-to sights.

One section scheduled for rehabilitation and paving is a 112-km stretch between Fougamou and Mouila, which is the continuation of a road corridor that starts in Libreville and is projected to eventually run to Doussala at the Gabon-Congo border where it would hook up with a road to Brazzaville. The aim is to cut travel time in half along this route, from four hours to two hours. The programme also will fund engineering studies of a second section along the same corridor, from Mouila to the border town of Doussala. The African Development Bank calls this part of the project the "missing link" in a regional transportation grid that would connect the capitals of Gabon, Cameroon and Congo by paved road, stimulating trade and economic development. The corridor is also an integral part of a more extensive plan funded by international agencies to create a backbone of roadways the length of Africa to link capital cities from Tripoli, Libya in the north down to Windhoek, Namibia in the south.

AN ISOLATED REGION: The first phase of the PARR also calls for surfacing and widening a 37-km stretch between the cities of Ndendé and Lébamba in the south-east, near the border with the Republic of the Congo. This is the first section of the planned Ndendé-Koulamouto road, which would ultimately link up the isolated southern region of Gabon, an area rich in

The main objectives of the Road Network Development Programme are to link the north-south and east-west road axes and to extend road connections between Gabon and its neighbours.



Inland areas require infrastructure and access to government services

Most of the Road Network Development Programme's projects are situated in the south-east and south-west regions, which have poorly maintained roads outside the regional centres. The areas have great potential for economic growth due to their unexploited forest and mineral resources.

natural resources, to the Trans-Gabonese Railway and by extension to seaports for the import and export of goods and commodities. The third trunk road project is to reconstruct and pave a 96-km stretch between the towns of Leyou and Lastoursville in south-central Gabon, an area of oil palm plantations and dense forests. Once completed, the improved road should enable trucks and other vehicles to make the trip in two hours instead of the present three-four hours.

A number of Chinese companies, among them China Communication Company and Cobec, have already been awarded contracts for the three road works projects. In addition, in June 2010 the government awarded a CFA58bn (€88.2m) contract to DTP Terrassement, a division of the French construction giant Bouygues Group, to refurbish the route that links Libreville to Yaoundé in Cameroon.

INLAND ROADS: The bulk of the projects in the current phase of the PARR are located in the south-east and south-west regions of Gabon, inland areas in need

of infrastructure and access to government services. Traffic density is lowest in these areas, which is explained in part by the low population density but also by the poor state of the roads. The scattered population of these areas are served mainly by poorly maintained dirt roads outside of the two regional centres of Franceville and Mouila. There is potential for economic growth in the regions, however, due to unexploited forest and mineral resources. The first-phase funds are also to pay for a series of weighing stations on the roadways in order to improve the country's monitoring and enforcement of truck axle weights, as well as studies of extending the multi-lane highway from Libreville.

In August 2010, the government said a new public-private partnership project with the Indian company, Ramky, would tar and pave a 1000-km stretch of the national highway connecting Libreville and Franceville.

The PARR funds are also to be used to pay for engineering studies for a second phase that will involve improvements to National Road 1 and the expressway from Libreville, as well as studies regarding 231 km of roadwork on the Mouila-Ndendé-Doussala route and an extension from Ndendé to Tchibanga.

INTEGRATION PLANS: Road improvements are also crucial to the government's goal of developing a stronger agricultural base, which it hopes to do by encouraging more intensive farming and by financing fisheries operations in the interior of the country near major rivers and their tributaries. Agriculture will only be viable on an industrial scale if produce can get to domestic and national markets quickly and in a cost-effective manner. The ecotourism sector, which has huge economic potential, would also benefit from reliable transit links to Gabon's interior.

The road programme encompasses some ancillary construction projects to better integrate the isolated population in the target region. Projects included in the African Development Bank's road-building plan are the construction or renovation of 54 schools, 28 dispensaries, warehouses for agricultural products and 50 km of trails to give farms access to highways.



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André Giacomoni

Plans for success

OBG talks to André Giacomoni, CEO, Gabon Airlines

How do costs affect Libreville Airport's success?

GIACOMONI: It is a sad truth that Libreville Airport today features among the most expensive structures on the African continent. This is primarily due to the abundance of fees and taxes of various kinds.

Besides increasing government taxes, the high cost of fuel and other fees from different elements of the airport structure should be noted here. These costs have an upward pressure on the price of tickets to and from Libreville, which evidently makes the airport less attractive to airlines. It is therefore desirable that the state, in line with its bold aims to turn Gabon into a regional transit hub, makes every effort to keep the spiralling costs under control and safeguard the competitiveness of the airport. Furthermore, if the pressure of taxes continues to increase, the survival of our company could be put into jeopardy.

Is there a need for a new airport in Libreville?

GIACOMONI: Although relatively modern, Libreville Airport is faced with capacity constraints and can no longer respond to the demands of operators in a satisfactory manner. Its shortcomings include the limited space in the check-in area that prevents the handling of more than one big carrier at the same time, cramped passenger routes, limited space in the waiting area, too few passenger gates and the restriction of a single runway. These factors have resulted in constant pressure on the service chain and an overall deterioration of the quality of service to passengers. As such, Libreville needs a new airport that underlines the country's growth ambitions. Our requests are that this should be a spacious, state-of-the-art facility with a capacity that allows the handling of several carriers at the same time and provides all necessary amenities.

What priorities exist for cooperation between the regulator and operators to improve aviation's image?

GIACOMONI: The classification of Gabon on the EU blacklist has certainly severely tarnished the image of

the country's aviation sector, and it is a top priority that we get off this list. It is imperative that both the regulator and private operators manage to prove their credibility on both the national and international level. This means that the rules and regulations must be respected rigorously by both parties in the interest of passenger safety, and it calls for close cooperation between the regulator and airlines.

What potential is offered by regional air traffic of passengers and goods?

GIACOMONI: The Economic and Monetary Community of Central Africa (CEMAC) area provides significant potential that remains largely untapped as of today.

As a result of the underdeveloped state of the road network, air travel is the only viable option for the increasing travel needs. But the mobility of people and goods is being reduced by administrative constraints, such as the delayed introduction of the CEMAC passport, draconian procedures to request visas, and high costs and Customs fees for the transportation of goods. Therefore, in order for regional flights to increase in frequency we would first of all require several amendments in the regulatory framework.

How can growth of air cargo traffic be encouraged?

GIACOMONI: Air cargo is a strategic growth area for the Gabonese aviation sector. The absence of an agricultural sector and the underdeveloped state of the country's industrial base to date has resulted in a heavy reliance on imports, including air shipments, from Europe and South Africa. Therefore, air cargo is expected to increase further in the years to come. As plans for the construction of a new airport are materialising, including adequate facilities for storage and repackaging, Gabon has an opportunity to establish itself as a transit hub for goods into the CEMAC region. Moreover, Gabon's stated ambition to become an emerging nation, particularly through development of agriculture and industrial processing, is likely to generate air exports.



New ports are planned to speed up the shipment of goods

By sea and river

Infrastructure improvement projects will revitalise the ports

More than 90% of total trade passes through the two main ports at Owendo, near Libreville, and at Port-Gentil, where modernisation is under way aimed at making Gabon more competitive with neighbouring seaports. Government investment in port facilities increased by 68% from 2009 to 2010, according to Hervé Nguema Etoughe, the deputy director general of the Gabonese Shippers' Council, and private investment is also at work at the Port of Owendo, where an accelerated modernisation programme is taking place to bring facilities up to modern standards. Most of the work taking place or planned at the Port of Owendo is managed by Gabon Port Management (GPM), an affiliate of Singapore-based Portek International Limited.

MODERNISATION: GPM recently announced that it will accelerate its infrastructure modernisation project for the Port of Owendo in 2010. Among other improvements, the plans call for the extension of the commercial quay to 755 metres from the present 455 metres and installation of two moveable gantry cranes such as those already in operation at the ports of Cameroon and Equatorial Guinea.

Philippe Géry, director general of GPM, told OBG that the CFA30bn (€45.6m) project would be completed in 2012, five years ahead of the original schedule. Once completed, and combined with further storage space and upgrades in lighting and security, the modernisation should effectively double capacity and cut unloading times in half at the port.

GPM holds a 25-year concession for the management of the facility and harbour and the firm is responsible for the development of infrastructure, provision of port and maritime services, collection of port fees and berth rental.

ADDITIONAL UPGRADES: In addition, the state harbour authority, the Office of Ports and Harbours (Office des Ports et Rades du Gabon, OPRAG), which shares management responsibility with GPM for the ports of Owendo and Port-Gentil, has developed its

own modernisation plans for a CFA9.7bn (€14.7m) programme. This project includes additional port upgrades and improvements to be carried out over the next five years to modernise access roads, dock-side handling and storage facilities.

The authority also has several projects budgeted for the next year, including renovation of the port administrative offices at both facilities and upgrades to their cargo and vessel tracking systems.

IMPROVEMENTS AND EXPANSIONS: Other priority projects for OPRAG include construction of an additional jetty, acquisition of state-of-the-art mobile gantry or swing cranes for Port-Gentil, rehabilitation of the roadways within the port compounds and enlargement at both ports of the available stockpiling areas for cargo generated by the anticipated increase in shipping traffic. OPRAG also plans improvements to the seawalls and dredging facilities at the timber port of Owendo, where wood is floated into the port or delivered by rail.

Further improvements to improve capacity and handling times for Gabonese exports and imports may also be on the horizon to maximise the potential of the newly opened dry port in Léconi, 98 km from Franceville. The multimodal facility has a capacity for storage and handling of up to 550 containers, and is envisioned as a regional nexus for both import and export container traffic. A private sector consortium, Société des Terminaux de Conteneurs du Gabon (STCG), which also manages the new container terminal at the Port of Owendo, is the private-sector operator of the new facility. The port is not expected to reach its full potential for boosting regional trade until new road links are opened between Franceville and Brazzaville.

NEW PORTS IN THE PIPELINE: The government has also announced plans for new ports to encourage and speed up shipments of goods to and from the interior, including a new port at Santa Clara and a river port at Lambaréné. It has, in addition, revived

To help bring facilities up to modern standards, both the government and the private sector are investing in upgrades at the two primary ports, Owendo and Port-Gentil.

a project dating back to the 1970s to develop a deep-water port at Mayumba on the southern Atlantic coast. Mayumba, which is located near the border with Congo-Brazzaville, is one of the most isolated spots in the country, but is also an area where oil, iron, gold and other valuable resources are believed to be available for exploitation.

The 2009 drop in forestry and mining production put these projects on hold, although provisional engineering and feasibility studies have been completed for the Mayumba facility. Most recently, studies were financed by the African Development Bank and the Islamic Development Bank.

ECONOMIC BENEFITS: As with many of the infrastructure investments in Gabon, the feasibility of the port projects depends on the development of supplementary road and rail connections. At Mayumba now, logs are rolled into rafts that are pulled by tugboats to waiting ships at sea.

A 2007 study for the African Development Bank stated that the economic benefits of a new deep-water port would be substantial, but would require the construction of a 109-km access road to the port and a 300-metre bridge. The outlook for the Mayumba port got a significant boost in July 2010, when President Ali Bongo Ondimba announced that long-awaited work would begin on a road that links Mayumba and Tchibanga and on a bridge from the mainland to the Banio peninsula, across a lagoon. This work, he said, would lay the groundwork for future investment in a deep-water port.

RIVER TRANSPORT: Another area of transport that is getting attention is the inland river network. As with the road and rail system, the development of inland waterways transport in Gabon was originally designed to bring raw materials, such as timber and oil, to coastal ports for export. Less than 20%, or around 600 km, of the country's total of 3300 km of navigable rivers are used for regular commercial or passenger transportation. There is potential for growth in both passenger traffic and commercial traffic.



Less than 20% of navigable rivers are currently used for transport

The Compagnie de Navigation Intérieure et Internationale, the government agency that manages transportation on the inland waterways, aims to capitalise on that demand with a CFA5.3bn (£8.1m) investment programme to repair cargo ships and procure at least one new 100-seat passenger boat. **REGIONAL TRANSIT CENTRE:** With a number of transport infrastructure projects planned and under way Gabon has an opportunity to become a transit centre for goods coming into the region.

"Gabon's ambitious plan for infrastructure development provides it with an opportunity to become a transport corridor to countries in the region, such as Congo," said Fabjanko Kokan, the deputy general manager of logistics firm SDV Gabon. Bertrand Rose, general manager at Groupement d'Entreprises de Transports Maritimes et Aériens and head of the syndicate of forwarding agents, confirmed this view. "Central African harmonisation efforts offer Gabon the potential to play a regional transit role," he said.

New ports have been announced by the government. These include a port at Santa Clara, a river port at Lambaréné and a deep-water port at Mayumba on the southern Atlantic coast.

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A new international airport is to be built near the capital

Flight plans

Aviation is set to take off with more competition and connections

After a turbulent period, the restructuring of the civil aviation authority and growth in international and regional travel is set to boost the air transport segment in Gabon in the coming years. The country has one of the area's most developed and extensive airport systems, with 28 regional airports and three international ones. While the main airport, Leon Mba in Libreville, is relatively modern and still has spare capacity, plans are in motion to build a new international airport near the capital equipped with runways to handle more traffic in jumbo jets.

AIMING FOR EU CLEARANCE: The EU blacklist, which blocks all or part of the fleets of 10 domestic carriers from European landings, remains a stumbling block. The National Civil Aviation Authority (Agence Nationale de l'Aviation Civile) has set a goal of getting EU clearance for Gabonese airlines by the end of 2010 to open up the sector to more competition.

Another development is the expected launch of a new regional carrier, Air CEMAC. Together with the introduction of the CEMAC passport the move is likely to drastically increase regional traffic.

President Ali Bongo Ondimba's expressed interest in establishing a direct service between provincial capitals within Gabon is prompting some investment in the rehabilitation of smaller airports. The government is also looking to the airline industry for suggestions on ways to stimulate international tourism.

The country's main hub is Leon Mba International Airport in Libreville, which has been managed by Aéroport de Libreville (ADL) since 1996. Passenger traffic increased by 2.2% overall in the first trimester of 2010, with international traffic outside Central Africa up nearly 5%, according to ADL. Leon Mba now serves 11 international airlines that fly to destinations in Europe and Africa. Nine domestic carriers also use the airport and another two have applied for licences. The dominant European carrier out of Leon Mba airport is Air France. The airline's Paris-Libreville link is one of the most profitable of its

worldwide network of routes. Air France has long effectively monopolised the Gabon-Europe business travel market, particularly in first- and business-class. The lower-cost Gabon Airlines, successor to the now-defunct national carrier Air Gabon, also offers direct flights to France. Now Lufthansa is positioning itself as a competitor in that market. It began flights out of Leon Mba airport in 2009, with a route from Frankfurt to Libreville, including a stopover in Accra. Starting in November 2010, the German carrier will bid to gain market share by starting direct flights between Frankfurt and Libreville. The new route, which will continue from Libreville to Pointe Noire, will save passengers two hours of travel time.

CATERING FOR BUSINESS: Business travellers constitute the largest segment of customers for all three airlines, so the government's efforts to attract foreign investors and contractors for a raft of new projects should boost international traffic. For instance, Air France is already reportedly seeking permission to start a direct service between the oil industry centre of Port-Gentil and Paris.

Gabon Airlines is planning to add a domestic route between Libreville and Franceville and to start operating additional African routes. The airline began offering a service on the competitive Libreville-Port-Gentil connection in March 2010, with an eye to also picking up business from the profitable oil sector. To help meet demand it brought in a 265-seat Airbus 340 in the summer of 2010 to handle a surge in passenger traffic between Gabon and Europe.

Gabon Airlines recorded an 8% increase in passenger numbers in the first three months of 2010, after reducing ticket prices and reconfiguring planes to accommodate a higher proportion of economy-class seats. It currently operates international flights to Paris, Marseille, Johannesburg and Pointe Noire, in the Republic of the Congo-Brazzaville. "We saw an immediate impact on business," said Jean Francois Devaux, the company's deputy managing director.

Receiving EU clearance for Gabonese carriers by the end of 2010 is key to encouraging competition. The introduction of a CEMAC passport is also expected to significantly increase demand.

DEVELOPING TOURISM: The government is also sounding out international carriers about ways to promote tourism, an effort that should highlight industry concerns about the cost of operating flights to the region. The Ministry of Economy, in a letter sent to carriers in the summer of 2010, acknowledged that airport costs constitute "a major handicap for tourism development," and the government is seeking suggestions from the industry on how to increase the tourism market in air travel.

The charges that Gabonese authorities control are among the lowest in the region. Fees for landing, parking and jetty use at Lagos, for example, are about three times higher than the charges for the same services for long-haul carriers using Leon Mba airport – €2482 compared to €762 for a late-evening flight to Europe, according to Lufthansa.

However, a recurring complaint from international carriers concerns the taxes levied by the Agency for Aerial Navigation Safety in Africa and Madagascar, the regional air traffic control body that includes 16 member states in Western Africa. These charges, based on aircraft weight and distance flown for each flight, penalise long-haul carriers, which have heavier planes and intercontinental routes.

HIGH OPERATING COSTS: Domestic carriers have raised concerns that the overall operating costs constitute a significant hindrance to the growth of small airlines, and to their ability to offer competitive prices to potential passengers. The government needs to provide airport tax relief or assistance for domestic carriers to unleash real growth and financial stability. The combined charges make up 40-50% of the passenger ticket price.

However, airfares for business- and first-class tickets to Europe are likely to remain relatively high for the foreseeable future, because the other carriers use the Air France prices as their benchmark. Passenger ticket prices are approximately 20% higher on flights to Europe from Libreville, in comparison with prices for other flights of similar duration.



The business travel segment is key for airlines serving Gabon

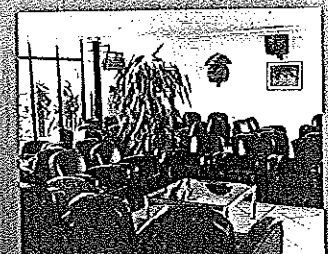
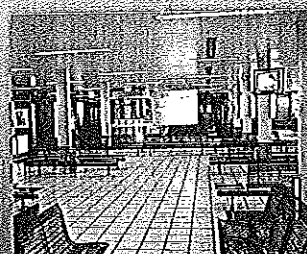
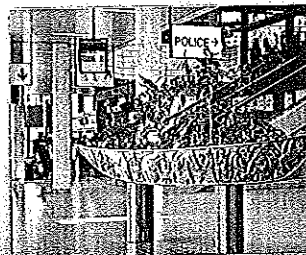
As civil aviation authorities work to iron out the blacklist problem, the interim period is proving difficult for domestic carriers. Air Service, one of the airlines on the list, suspended its remaining domestic and regional flights in 2010, removing an important carrier from an already underserved market. The airline, owned by Gabonese and foreign investors, had been experiencing delays in obtaining spare parts for its fleet. One of its domestic competitors, meanwhile, is making moves to step into routes once covered by Air Service. With state support, La Nationale, a small private carrier, reopened connections in 2010 between Libreville and the regional capital of Makokou, a route operated by Air Service until 2009. More connections are to follow in light of presidential ambitions to connect the capital with each of the provincial capitals. In the summer of 2010 the government said it would spend CFA3.3bn (€5m) to renovate Makokou airport as part of an economic development drive in eastern Gabon.

International airlines are concerned about the taxes charged by the Agency for Aerial Navigation Safety in Africa and Madagascar. The charges are based on aircraft weight and distance flown, a system which penalises long-haul carriers.

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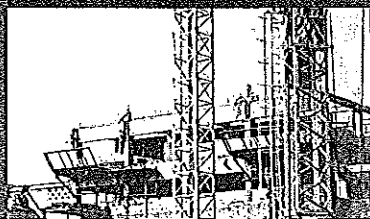
Construction & Real Estate

Substantial spending on infrastructure planned for 2010

Non-oil industries likely to stimulate the sector

Preparations taking place for the African Cup of Nations

Prices continue to rise on the edge of cities





Growth seems set to continue with government-led projects

Built to last

Increased public spending on infrastructure will keep firms busy

The steady growth of Gabon's construction industry in recent years seems set to continue following the announcement of a wide range of government-led investment projects, while rising demand for locally produced materials such as cement reflects the upward momentum. The 2010 government budget allocated some 60.6% of public spending to infrastructure, a threefold increase over the previous year. Concerns have been raised as to the source of these funds, but if expenditure proceeds as planned, the construction sector is set to benefit significantly.

Plans for the African Cup of Nations (Coupe d'Afrique des Nations, CAN) football tournament, which Gabon will co-host with Equatorial Guinea in 2012, also have substantial implications for the industry. Accounted for in the state's investment budget, the infrastructure improvements and additions that will be needed have significantly increased construction activity. In tandem with Gabon's 50th anniversary celebrations, President Ali Bongo Ondimba has announced that infrastructure is set to get a large boost from €3.3bn in deals aimed to strengthen the non-oil side of the economy.

STRONG FUNDAMENTALS: Growth in the sector rose to an average annual rate of 5.6% over the period 2003-06 after a lull of some years. Similarly solid rates were posted subsequently: in 2007, for example, the sale of manufactured goods in the sector grew 6.6% to CFA141.5bn (€215m), while activities in civil engineering and construction grew by 8.8%, achieving a turnover of CFA112bn (€170m) over the same period. According to recent estimates, construction accounts for 17% of industrial activity, which in turn represents some 60% of GDP. Growth in the sector has in recent years been largely driven by major public sector projects, especially road-building, a trend that looks set to continue in light of the 2010 budgetary commitments. In 2008 it was estimated that government spending accounted for 75% of total construction industry turnover. The sector also serves leading oil and mining companies, as well as a range of other service providers

including telecoms, energy, water and transportation firms. Infrastructure work is estimated to represent 70% of activity, against 30% for building works.

Major international construction firms dominate the sector, operating alongside several domestic outfits. The latter often deal with private activities, unable to compete with the international groups when it comes to the public tendering process. The largest international firms include Spain's Acciona Infraestructuras, France's Bouygues (present in Gabon as Colas), Vinci and Ortec, with domestic leaders including Entraco, Faco Construction, SOCOFI, SOCOBA and Groupe Kabi's Kabi BTP. **GOVERNMENT GOALS:** The government's substantial planned spending on infrastructure in 2010 – largely to help diversify the economy by developing sectors outside of hydrocarbons – is set to significantly benefit the construction industry. With CFA544bn (€827m) earmarked for infrastructure projects, including transport networks and ports, facilities for CAN 2012 and industrial complexes, a number of contracts may be up for grabs. In order to better manage government-awarded construction contracts, President Ali Bongo Ondimba signed an accord in May 2010 to create a one-stop shop for the authorisation of projects. Not only will this help reduce corruption by improving transparency, but it also should speed up the release of funds, as all government departments involved will sign the necessary authorisation documents on a single day. By the end of May, over CFA2bn (€3m) had already been allocated to infrastructure construction within Libreville using this vehicle. In addition, the government has set up a Public Works Agency, which will work with the Ministry of Infrastructure and Development to help manage, among other things, public works involved with events such as CAN 2012 and the 50th anniversary celebration of Gabon's independence.

INFRASTRUCTURE: Many infrastructure projects are either under way or soon to be commenced, representing both public and private sector investment. In November 2008 Beijing-based SinoHydro Corporation began

A total of €827m has been assigned for infrastructure projects including ports, transport networks, facilities for the African Cup of Nations and industrial centres.

During the 2003-06 period the sector expanded at an average annual growth rate of 5.6%. According to recent estimates, construction accounts for 17% of industrial activity, which in turn represents around 60% of GDP.

Expanding port capacity has been a key focus of the government. A new container terminal was opened at Owendo Port in 2009, and a deep-water port in Mayumba and a river port in Lambaréné have also been announced.

work on a large-scale 160-MW-capacity hydroelectric dam, the Grand Poubara, in Haut-Ogooué province, 680 km south-east of Libreville. The €291m project is scheduled to be completed over 54 months and will employ 400 workers. Set to be the largest hydroelectric facility in Gabon, the initial phase will provide average annual production of 955m KWh. A second dam was planned for Kongou Falls on the Ivindo River, with the €550m cost to be met by loans from China Exim Bank. The project has been temporarily delayed following criticism from environmentalists that the dam risks causing ecological damage to Invidio National Park. Kongou Falls is considered one of the region's most scenic waterfalls, and could potentially be a large draw for ecotourism. However, work has already started on a 42-km paved road leading up to the dam site.

The Grand Poubara will service Haut-Ogooué's many mining enterprises, notably the project at Belinga, the site of one of the last major untapped iron ore reserves in the world. Linked to the Belinga project is a proposed deep-water port at Santa Clara, north of Libreville, for the export of resources – notably iron ore extracts to serve China's burgeoning construction industry. The initial Belinga deal signed in 2006 gave the state-owned consortium China National Machinery and Equipment Import and Export Corporation sole rights to export the iron ore. Some €2.2bn of total investment was envisaged, including a new railway line to be built through tropical forest, linking Belinga to

the coast. While there remains strong state commitment to the project and related logistics, the government has indicated that it would review the terms of the 2006 deal, potentially resulting in delays.

Expanding port capacity has been a key priority for the government and firms operating in Gabon. In November 2009 a new container terminal with an annual capacity of 2790 twenty-foot equivalent units was opened at Owendo port. In addition to Santa Clara, plans for a deep-water port in Mayumba and a river port in Lambaréné have been announced.

The government has also announced plans to build a second airport near Libreville. The first site chosen at Malibé has been rejected in favour of a location near Andeme, 80 km south of the capital. Bouygues had been in discussions with the government regarding construction at the first site.

Other infrastructure projects will increase Gabon's hydropower infrastructure. In May 2010, Compagnie de Développement des Énergies Renouvelables received a 30-year concession for building and operating the 36-MW FE 2 dam on the Okano River and the 42-MW Impératrice dam on the Ngounié River. At CFA124bn (€188.5m), the dams will be finished within 30 months.

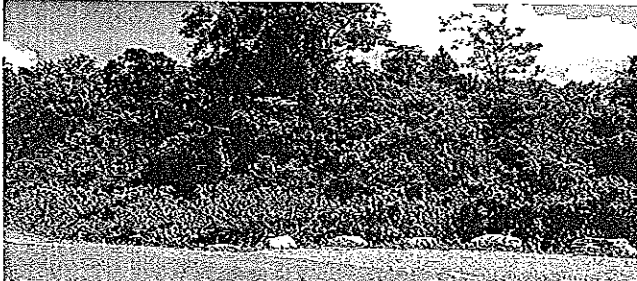
ROAD BUILDING: High road-building costs are reported by firms operating in Gabon. Of the 9170-km road network recorded in 2005, only 939 km was covered with tarmac. Costs are driven up by factors ranging from the mountainous and densely forested landscape

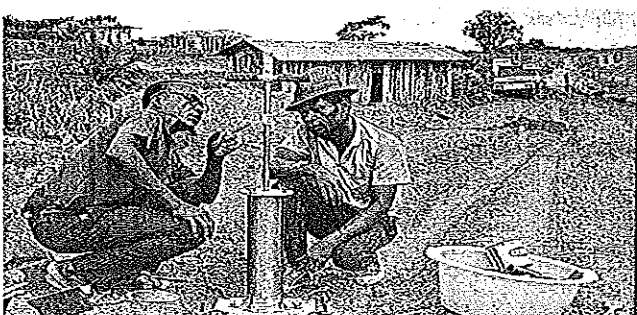
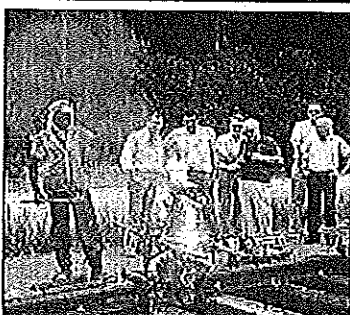


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to the level of rainfall. However, building roads is a priority for the government and firms report that state finance is generally released on time for these projects.

Many roads in the capital have been renovated as part of August 2010's independence celebrations, marking 50 years since the end of the French colonial period. Colas won the tender to carry out the work, with key projects including the city's ring road and the main strip on the seafront, the Boulevard de la Mer. Meanwhile, German firm Gauff Engineering is working on the rehabilitation and upgrade of 85 km of road stretching between Ntoum and Cocobeach. In March 2009 the government launched development projects on roads between provincial towns Fougamou and Mouila, Ndende and Lebamba, and Leyou and Lastourville. The African Development Bank (AfDB), which is financing 90% of the project, hopes it will halve the travel time between these towns. In July 2010, President Bongo Ondimba launched a nearly CFA170bn (€258.4m) project which includes a bridge on Banio for railway passage, a road connecting Mayumba and Tchibanga, and renovation of the Mayumba airport. "Studies are finished on a road linking the south-east to Mayumba. We are now looking for financing so that works can start as soon as possible," the public works minister, Flavien Nzengui Nzoundou, told OBG. He spoke of a need to connect the potentially rich yet underexploited south to the north-east, which is the centre of mining operations for Gabon. In addition, Acciona Infraestructuras won tenders to construct road bridges in Haut-Ogooué, Ogooué-Lolo, Ngounié and Nyanga, the completion of which is set to connect these rural areas to the country's secondary road network.

INDUSTRIAL AND COMMERCIAL: Industrial activity is dominated by the oil sector, with mining and oil together accounting for 60.7% of GDP, according to African Economic Outlook. While the major oil companies are important clients for the construction sector, their short-term tender award process often precludes larger firms, which need more time to prepare cost estimates. However, large construction companies do work with the oil firms – for example, Colas provides Shell with over 400 on-site employees to assist with civil engineering and infrastructure, a contract that represents 30-50% of Colas's turnover, and is valid until 2014.

The signing of several contracts for the construction of major new industrial complexes confirm that non-oil industries, such as mining and logging, continue to develop and could further stimulate the construction industry. In addition to the ongoing development of the Belinga project, Comilog Gabon, a subsidiary of France's ERAMET and one of the world's largest producers of manganese, signed an agreement with the government in January 2010 to build a metallurgical plant in Moanda, 650 km south-east of the capital.

The CFA135bn (€205m) complex will be built on 50 ha and employ 1000 workers during the construction phase. It will consist of two factories processing manganese and silicon-manganese respectively, and is due for completion in 2012. Local firm Mika Services won the contract to complete the four-month terracing



Existing roads are being rehabilitated and upgraded while new roads are also being built

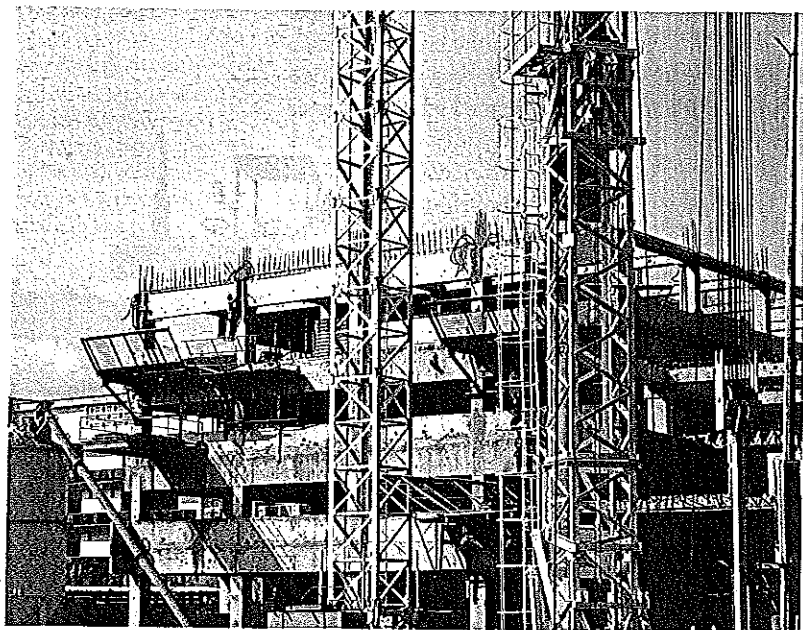
project to prepare the site, while additional contracts will be awarded for buildings to house the workforce.

In May 2010 President Bongo Ondimba backed a major commercial construction project that has been on the table for some years. The Front de Mer marina, which is designed by a group of South Africa-based developers, should bring substantial new commercial and residential space to the capital. Plans for the Port Mole site – a second marina at Sablière has also been mooted – include a commercial centre of 28,000 sq metres, a hotel, an exhibition centre, administrative space and a 15,000-sq-metre office complex.

MATERIALS: While many materials are imported, a reasonable range of products is available locally. Cement, gravel and diesel can be sourced domestically, although they are also imported. CIMGabon is a key supplier of cement to the construction industry. Majority-owned by Germany's Heidelberg, with the state retaining a 30% share, the combined production capacity of CIM-Gabon's Franceville and Owendo plants is 460,000 tonnes per annum (tpa). Local demand has been increasing, from 220,000 tpa in 2001 to 410,000 in 2009, and is forecast to rise to 440,000 tpa in 2010. CIMGabon produced 250,000 tonnes of cement in 2009, less than 60% of the market. The company has been producing beneath its capacity, despite the demand, as Chinese imports – estimated to meet 40% of demand – are cheaper. Chinese cement is priced lower than that produced locally due to global downward pressure in demand and limited pricing controls in Gabon. Cement consumption is concentrated in Libreville, accounting for 70% of usage, while Franceville accounts for 10% and Port-Gentil 5%. The public works sector is estimated to account for 30-35%. The end-user price is CFA103,000 (€157) per tonne, and was relatively stable between 2006 and 2009, falling by only CFA10,000 (€15) per tonne per year. CIMGabon has drawn up an €55m investment plan that would see a new crushing plant built in Ntoum and the expansion of its Ntoum quarry, the rehabilitation of the Owendo unit and the

Although many materials are imported, products such as cement, gravel and diesel are available domestically. Some 70% of cement consumption takes place in Libreville with Franceville and Port-Gentil accounting for 10% and 5%, respectively.

Numerous contracts have been signed for new industrial complexes and non-oil industries such as mining and logging could further boost the construction industry.



In the past few years growth has been mainly driven by major public sector projects

construction of new quarries in Meba and Nkoltang. If the state agrees to the proposal works could start before the end of 2010. The added capacity could open the door for exports to begin.

A number of companies – including Colas, SOCOBA, SOBEA, Entraco and SOCO BTP – produce gravel locally. Colas has a gravel quarry near Kingle, from which 500m tonnes of aggregate are delivered each year, of which half is retained for Colas's use and the remainder sold. The General Directorate of Consumption and Competition controls gravel prices.

STATE FINANCE: While state payments are ultimately made in most cases, many firms have adapted their operational practices to factor-in expected delays. A number of companies now only work as far as they have been paid, to avoid any build-up of debt. This is a strategy that has been deployed since payment conditions began deteriorating from 2005 onwards, a trend that firms say is largely linked to the rise and fall in oil revenues. Nevertheless, a few months into the placement of the 2010 investment budget, the year seemed to have started on a more positive note than before.

"Despite the increased delays and ongoing negotiations surrounding the placement of the 2008 and 2009 national budgets, the management of the 2010 budget has visibly improved," Eduardo Cejuela Antero, the general manager of Acciona Infraestructuras in Gabon, told OBG. "Substantial measures are being implemented to ensure a gradual, consistent payment of ongoing works," he continued.

The government signed a deal in May 2010 with a consortium of Gabonese banks for a loan of more than CFA175bn (€266m) to help settle domestic government debt. Many of the beneficiaries will be construction companies, especially those working on projects for the CAN. While actors across the sector see the loan as a positive gesture, they note that total debt is estimated at CFA370bn (€562m), and that construction firms will need to see a track record of regular payments from the government before they can regain confidence. "The

payment delays are extremely challenging," said Cejuela Antero. "There are seasonal issues, for example, Gabon's climate requires that most of the work is done in the dry season and state payments should occur accordingly." Liquidity pressures are even higher in the wake of the financial crisis, which obliges players to work with positive cash flows.

As a result of the state's payment history, which slows and often stops many construction projects, the home governments of international firms operating in Gabon often act as guarantors. "At the government-to-government level, a certain amount of risk can be assumed," Cejuela Antero told OBG. "For Acciona, the Spanish government is willing to guarantee certain projects."

International loans and finance are also helping fund activity. The state-owned Export-Import Bank of China is part of the consortium behind the Belinga project and the related dams and transport infrastructure, and, provided the 2006 deal holds, will wholly finance the construction work. Development banks are also playing a role. For example, the AfDB is helping to finance the provincial road-building projects launched in March 2009, with a loan of CFA165bn (€251m) agreed in October 2007. It is the largest project of its kind that the AfDB has financed.

While local banks could extend financing to the industry, reluctance to do so is widespread. Few are willing to take on the risk associated with such loans, and those that do tend to prefer working on small projects. Eric Raynard-Ndama, the director of strategy and development at leading Gabonese bank BICIG, told OBG: "Some projects look to us for financing for equipment. The rates can be higher than for other types of funding, and they tend to be short- to medium-term loans."

However, local banks are increasingly turning their attention to the possibility of providing financing for the construction sector. "Banks must take their place in the investment process that has been launched by the government. As we relaunch our strategy in this area, construction firms will be among the primary beneficiaries," Redouane Bennis, the CEO of Union Gabonaise de Banque, a subsidiary of Morocco's Attijawafa Bank since 2009, told OBG.

CHALLENGES: Firms sometimes have difficulties with the sourcing of equipment, and there is limited availability of machines to hire. "We use our own machines, shipping directly from Europe, but this can result in delays if we need additional parts," said Cejuela Antero. "There is very limited availability of spare parts here, and what is available is very expensive."

Another difficulty is the limited availability of qualified engineers and technicians. While unskilled labour is widely available, salaries are high compared to other countries and quality cannot be guaranteed. Firms such as Colas, which are required by law to recruit 90% of their workforce locally, train employees on the job and send them to other Colas sites for further training. In most cases, Chinese construction companies entering Gabon reportedly bring the majority of their workers with them, a strategy that is ostensibly prohibited but is sometimes accepted by the government.

International loans and development banks are also funding construction activity. For example, the African Development Bank is helping to finance road-building projects with a loan worth €251m.

CHINA ARRIVES: Chinese companies are increasingly active in Gabon, with stand-out projects including the recently completed senate in Libreville, the Friendship Stadium being built for the CAN in Angondjé and the Belinga iron ore project, with its associated dam and transport links. At the groundbreaking of the Grand Poubara dam in late 2008 China's ambassador to Gabon, Xue Jinwei, said Sino-Gabonese cooperation was intensifying and diversifying. Some in the sector have called into question the quality of Chinese workmanship. The governor of Haut-Ogooué province visited the Grand Poubara project in late 2009 to warn the SinoHydro management team to improve employees' working and living conditions on the site, citing the risk of disruption to the construction schedule.

When China won the bid to develop the Belinga project, one criticism was that the complex – which former President Omar Bongo Ondimba had promised would create thousands of jobs – would provide little employment for Gabonese. The Ministry of Mines estimates that construction of the mine would generate up to 26,850 jobs, while its operation would create 3000 jobs directly and another 10,000 indirectly.

In addition to Chinese engagement, other national or regional groups are being drawn to Gabon's building market, a sign of the increasingly attractive investment conditions. Nouredine Hachiba, the CEO of Tunisian construction group SORUBAT, announced in May 2010 that the firm is confident that operating

conditions in Gabon are satisfactory. Lebanese investors are also looking into expanding their involvement.

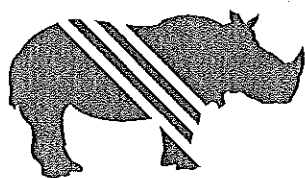
INFRASTRUCTURE ACCORDS: At the nation's 50th anniversary celebration in August, President Bongo Ondimba announced that €3.3bn in projects have been signed in the infrastructure and agriculture sectors, creating some 50,000 jobs. The plans include developing a special economic zone (SEZ) at Nkok oriented to carry out timber processing with the aim of diversifying Gabon's economic output beyond oil.

Road and social housing construction also feature prominently in the new spate of contracts. India's Ramky Infrastructure has been hired in a PPP to construct 1000 km of tarmac road on "La Nationale" as the highway linking between Libreville and Franceville is known.

Another Indian company, M3M, is in charge of 5000-unit low-income housing project in Libreville. Increasing access to social housing is a large component of Gabon Services, one of the three pillars of the national modernisation programme Emerging Gabon.

OUTLOOK: Gabon benefits from a dynamic construction sector, with a range of major international and domestic players operating in the market. Several obstacles remain, and the government's payment terms must become more reliable if trust is to be built up among private sector players. However, the state's bold plans to augment infrastructure, backed up with substantial funds from the public purse as dictated by the 2010 budget, signal a bright future for the industry.

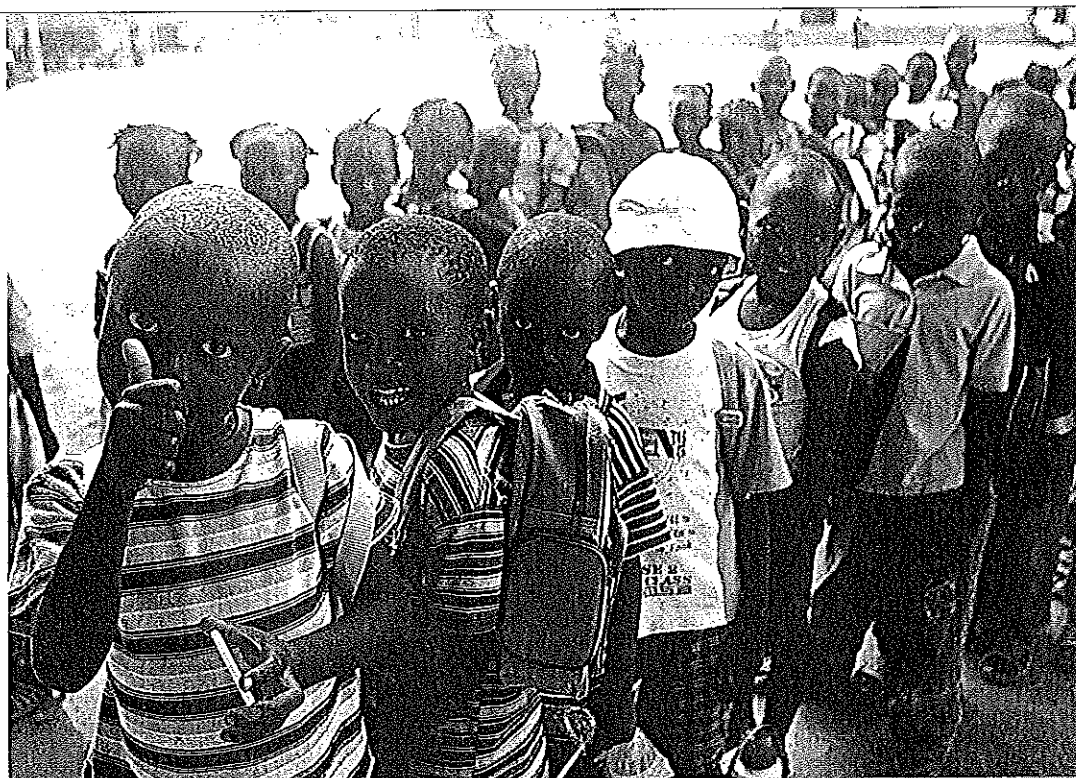
In addition to a number of Chinese construction companies operating in Gabon, other national or regional groups are looking to start operations in the country.



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Infrastructure works are in progress for the African Cup of Nations

Ready for kick-off

The race is on to prepare for the continent's footballing showpiece

In 2006 Gabon won the bidding process to co-host the 28th African Cup of Nations (Coupe d'Afrique des Nations, CAN) with Equatorial Guinea. Significant construction targets have since been set, with existing infrastructure judged not to be capable of serving one of the biggest football tournaments in the world. With projects under way, the country looks to be on track to play host, although concerns have been expressed as to whether all facilities will be ready on time. "The private sector companies working on the construction of the stadiums, accommodation and transport infrastructure assure us that everything will be complete by the final deadline of December 2011," said Rene Hilaire Adiahen, the president of the organising committee liaising between the Confederation of African Football (CAF) and Gabon's government.

STRUCTURE: Gabon and Equatorial Guinea will share the 32 matches between them, with Equatorial Guinea hosting the opening game and Gabon the final. It will be the first instance of co-hosting by neighbouring countries in the competition's history. All investment ahead of the tournament is being managed by the piloting committee of CAN, an internal steering committee led by the prime minister.

Gabon's matches will be held in three stadiums – two in Libreville and one in Franceville, in the east of the country – while there will be four training stadiums. Leading domestic construction firm Entraco has started work on renovating the existing Omar Bongo stadium in Libreville, while China's Shanghai Construction is building a 40,000-seat Chinese-Gabonese Friendship Stadium in Angondjé, a northern suburb of the capital, alongside a planned training stadium. In Franceville, SOCOBA, SOGEC and AMIGA are renovating and enlarging the existing 20,000-seat stadium, with foundation work reportedly complete as of March 2010. Meanwhile, domestic construction firm SOCOBA is ensuring that training grounds in Bongoville, east of Franceville, are brought up to CAF standards. "I am confident that all the stadiums and sporting facilities will be finished in

time, but the issues of accommodation and transport are more complex," said Adiahen.

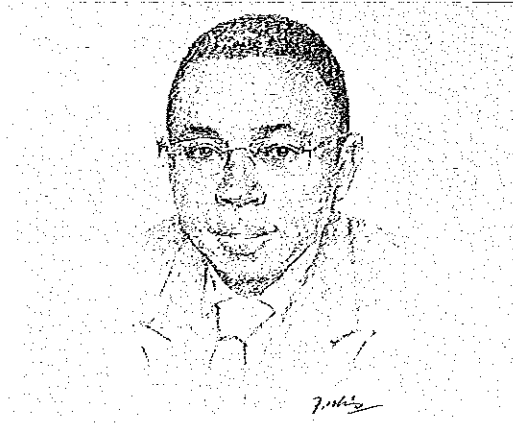
According to CAF rules, host countries must have at least 5000 rooms available during the tournament. Gabon is expecting 1000 members of the media alone, as well as thousands more players, officials and spectators. Players will be accommodated in special lodgings. But concerns persist regarding the readiness of Libreville and Franceville to absorb all the extra visitors.

"We are working closely with the private sector to improve both the quality and capacity of accommodation," said Adiahen. "We expect to see a large increase in the number of rooms in Libreville, as well as the renovation of leading hotels in the capital, such as the Laico." Contracts have been awarded for the development of improved transport links. French road builder Colas, for example, is building access roads to stadiums and training fields, with contracts totalling CFA19bn (€29m).

But despite confidence at the domestic level, CAF inspectors on their third official visit in March 2010 expressed concern about the slow pace of construction, particularly in the building of the Franceville stadium. According to local reports, the cause of these delays is economic – with the state's failure to meet payment deadlines causing stoppages in construction. **MAKING PROVISION:** To address these concerns, the government and contracted construction firms released a public statement following the visit confirming that works were on target and that the CAN stadiums would be delivered by October 2011. "While it is true that construction of a number of training grounds and the majority of hotels has not yet truly begun, budgetary allowances have been made in the 2010 Finance Law for all training facilities and hotels affected by delivery delays," said René Ndemézo'o Obiang, the minister of culture, youth, sport and leisure.

Provided that the finance that has been put in place for the infrastructure can be freed up successfully and on time, Gabon's construction sector should continue to benefit as the country prepares to host CAN 2012.

Host countries of the African Cup of Nations are required by the Confederation of African Football to have a minimum of 5000 rooms available during the tournament. As a result, leading hotels will be renovated and there will be a significant increase in the number of rooms in Libreville.



Flavien Nzengui Nzoundou

Key connections

OBG talks to Flavien Nzengui Nzoundou, Minister of Materials, Infrastructure and Land Planning

Given the need for improved land transport links, what can be done to upgrade the road network?

NZENGUI NZOUNDOU: Cross-border roads that will facilitate regional integration are a priority, and work on the arteries between Libreville and Yaoundé, and Libreville and Brazzaville are already under way. Also, a feasibility study is examining a way to link the manganese-rich Haute Ogooué province to the north-eastern region of Ogooué Ivindo, where the country's biggest iron ore reserves can be found. Connections between Libreville and the other eight provinces are also being sped up. One particular focus here is the Libreville-Lalara link for which the tender process is ongoing. Improving road connections between provincial capitals, such as the recently started road between Tchibanga and Mayumba, is another objective. Some other projects have been prioritised for the celebrations of Gabon's 50th year of independence and the 2012 African Cup of Nations. Such works include the renovation of road and waterways in the capital and the construction of sports infrastructure such as stadiums, training grounds and accommodation.

How can small and medium-sized enterprises (SMEs) participate in more public works?

NZENGUI NZOUNDOU: Greater involvement of local companies will encourage knowledge transfer and minimise capital outflows. For that reason, regulatory amendments in favour of Gabonese companies are currently being pushed through.

As part of this, there is a focus on transferring road maintenance works to SMEs. Around CFA25bn (€38m) is made available for road maintenance by private firms a year and it is our intention that this money go to SMEs. The programme's initial phase is the education of local companies in management and technical skills.

Eventually, we aim to put in place financing mechanisms so SMEs can invest in equipment, the absence of which is the main reason for their current exclusion from new projects. The conditions for applying for pub-

lic tenders are also being revised to facilitate SME candidates and encourage overall sector competition. In addition to creating incremental job opportunities, this move is expected to reduce the high costs associated with road construction.

What measures are being discussed to resolve state payment issues to construction companies?

NZENGUI NZOUNDOU: The difficulties with payment procedures have reached such a level that the government has made significant reforms in its procurement activities on the public markets. In March 2010 the prime minister put into operation a one-stop procedure for processing agreements by private companies for public works projects. With that the administrative obstacles of the past have been largely overcome. What still needs to be done is a follow up on individual dossiers until the final payment stage. Overall, things have certainly changed for the better since the start of the new government, but we will need some more time to increase the efficiency of the whole activity chain.

How do you respond to criticism about the limited economic contribution from some foreign firms?

NZENGUI NZOUNDOU: We have to keep in mind that Gabon is a free market economy and private firms are free to import from wherever they want, as is the case for Chinese cement for example. Through the extended payback periods on Chinese infrastructural loans, Gabon has been able to take on more projects than it if it would have limited itself to traditional and restrictive donors such as the EU. With Gabon's ambitious infrastructure development plans for the coming three to four years, and with a limited population, the country would not be able to complete the works with Gabonese labour alone. Our citizens need to catch up with their foreign peers in technical know-how. The government is aware and is taking charge of this. Starting in 2011, a number of youth training programmes will complement the current vocational training nationwide.



David Morin

Steps in the right direction

OBG talks to David Morin, General Manager, Colas Gabon; Jacques Alquier, CEO, Entraco; and Eduardo Cejuela Antero, General Manager, Acciona Gabon

What can be done to increase the participation of local small and medium-sized enterprises (SMEs) in infrastructure construction?

ALQUIER: SMEs are increasingly integrated in the execution of works, but the areas in which they can operate are restrained. As a result of their limited financial capacities, their equipment generally does not allow for more than the basic tasks. Therefore, rather than subcontracting, SMEs are primarily engaged as service providers. In the past, regulatory amendments favouring more SME involvement have sometimes led to opportunistic companies disappearing before completing the required works. This has made the government reluctant to provide additional advantages to the SME sector. There may be a higher number of serious companies today, but we still have a long way to go. If SMEs wish to be more involved they will first have to show that they are equipped, certified and capable of taking charge of their obligations.

MORIN: There continues to be a significant skills gap between big companies and local SMEs. For example, we find that SMEs frequently struggle with cost calculations which are too often based on daily planning rather than on the entire duration of the project, leading to inefficiency and mismanagement of funds. We are working with the EU on the implementation of training programmes to educate the SME sector on a large number of management skills related to subcontracting. The private sector plays a leading role in increasing the stake of local SMEs in the sector by making them responsible for the quality of completed works and its financial management.

Do recent initiatives to settle Gabon's interior debt provide ample confidence in domestic financing?

CEJUELA ANTERO: Unfortunately, the domestic financing that has been made available for the Gabonese state has not benefitted the settling of outstanding debts. Of what we can see today, the kick-off of new projects has been prioritized over the payment of ongoing proj-

ects. Up until today the development of our portfolio has been fully dependent on external financing, which significantly hampers growth opportunities. Relying on national financing requires a high level of own funding, which, in today's global economic conjuncture, is not always bearable. Moreover, it requires a different work philosophy, and we have to adjust ourselves to this in order to win local tenders.

MORIN: Gabon has seen waves of consistent payment terms followed by periods with lesser performance. At the moment the market is going through the latter. The government is known to eventually always pay its bills. However, it often does so with a significant delay which sometimes forces contractors to stop ongoing projects until pending payments have been made. Recent initiatives to finance outstanding debt are a step in the right direction, but more needs to be done. Also, the state has to build a track record of consistent payments to win back the confidence of the private sector.

What are the primary obstacles to effective public-private partnerships (PPPs) in Gabon?

MORIN: PPPs consist of long-term pre-financed contracts with regular payback required from the Gabonese government. With the state's ongoing payment inconsistencies, the biggest obstacle would be related to respecting the financial obligations. A similar problem affects the maintenance of infrastructure. Preparation and construction of new roads requires such a significant level of financing that maintenance costs are often overseen. Also, Gabon, similar to other countries in the region, spends more attention on extending the road network rather than maintaining the existing infrastructure. By the time problems arise, the budgets are often not available or allocated too late. Maintenance then turns into reparation or renovation, which is more expensive and time-consuming. The size of the national fund that is allocated to road maintenance is disproportionate to the growth of the road network. There is a big gap between the funds that are available and



Jacques Alquier



Eduardo Cejuela Antero

those that are really needed as can be observed by the state of many roads. One proposition to generate more money for maintenance purposes would be to introduce toll roads. With the exception of some countries, Africa has not shown many successful examples of this concept, and more state guarantees would be needed to get the private sector on board.

ALQUIER: A long-term maintenance contract between the government and the private sector is much-needed in Gabon, and this is something that we have been calling for. Maintenance is a continuous task, and we have to act timely and efficiently to keep these tasks to a minimum cost. Furthermore, we should distinguish clearly between tasks that can be done by the private sector and those that are the responsibility of the state. With a clear definition of required services, multi-annual contracts can be awarded. The increased share of infrastructure development in the public investment budget in 2010 provides reason to assume a higher awareness of the need for maintenance contracts, but it remains to be seen how the funds are allocated.

Given Gabon's ambitious plans for road infrastructure development, to what extent should the production of locally available aggregates expand?

MORIN: An increase in the capacity of gravel production is under way. Gabonese gravel quarries are controlled by a number of contractors, which produce mainly for themselves while the overcapacity is sold to others. As such, contractors are expected to invest in a higher production if and when the need arises. Cement is bought from CIMGABON, an independent Gabonese producer. We are experiencing rapid and sufficient delivery, and my expectations are that this will not change. We are also observing an increasing quantity of Chinese imports. These are likely to raise competition for CIMGABON. The extent to which the latter's production capacity increases will depend on the future development of imports. At this point in time there is little visibility as to what the country's ambitions are.

CEJUELA ANTERO: The number of gravel quarries is limited but more are being opened in areas where road projects are started. As such, an increasing number of regions and cities benefit from quarries at close distance. The challenge now lies in finding a formula to continue to operate these sites after contractors have completed their tasks. One way to do this is through a concession scheme. Due to the small size of Gabon's population, domestic sales are limited, and we have to find ways to guarantee the survival of the quarries. As for cement, considering the increasing level of imports, the priority should be the supervision and certification of available products. Rather than investing in new production units I would suggest allowing exchanges with neighbouring countries, such as Cameroon.

What has been the impact of the entrance of Chinese companies on the level of competition in the public works sector?

ALQUIER: In my view, the level of competition has remained largely the same. Various large projects have been awarded to Chinese companies, but these have never passed through a public tender procedure. The resources used for the completion of these projects come primarily from China, which allows these companies to operate at significant lower cost. However, in public tenders for which conditions of recruitment, materials and financing are equal, traditional players are often more competitive.

The extent to which Chinese companies will increase their share in the Gabonese public works sector depends fully on the country's attitude towards politically-driven projects. At this point in time there is no reason to worry for the traditional players in the market.

CEJUELA ANTERO: The rules have to be the same for all players. Besides recruitment obligations, we notice that Chinese companies often operate under a different policy encouraged by bilateral agreements, allowing them to offer more cost-competitive bids. Time will tell whether their lower cost results in quality work.



Prices continue to climb rapidly, especially on the edges of big cities

Home comforts

Ongoing urbanisation is helping keep demand high and growth prospects strong

Despite the rapid growth of its urban population, Gabon's real estate market remains underdeveloped. High-end sales and expatriate rentals have been the key drivers and can be expected to fuel further growth, while the demand for social housing and homes at the lower end of the market is set to open up another promising area of activity. "The sector has been underdeveloped so far, but we are just seeing it emerge. The state has an important role to play in encouraging this," said Jean-Charles Audisio, the financial director of Groupe Kabi, the parent company of property firm Kabi Group.

Prices have risen steadily since the 1970s, after spiking as oil companies began to buy up land and residential units. They are continuing to increase rapidly at the edges of big cities like the capital, Libreville, largely due to the rapid expansion of conurbations. Demand is seasonal, peaking in the summer months as foreigners or Gabonese expatriates come to the country for extended visits. Properties are generally sold on infrequently, and real estate firms are increasingly noting an interest from internationals in purchasing property in Gabon.

"2009 was a good year," Jocelyne Chandezon, a director at local real estate firm Agences No. 1, told OBG. "We saw a brief slump in sales but the rental market remained strong. We are also seeing an expansion in our portfolio of property management activities, with French and South African citizens in particular demonstrating an interest in investing in Gabon."

EXISTING ACTIVITIES: A number of established real estate agencies operate in the sector alongside Agences No. 1, including Aloy Invest, AIL, Alliance, Kabi Promotion, IMP Conseil, AICI and the Bureau International de Conseil et de Promotion (BICP). Agences No. 1 was created in 1992 and is a member of France's ORPI network, linking it to 1250 affiliated agencies. The firm deals with sale and rental properties, as well as property management. Kabi Promotion – a subsidiary of the established construction, transportation and gaming concern, Groupe Kabi – has been operational since 2006 and is focused on the sale of new-build houses,

in partnership with Kabi BTP. It has typically targeted high-income customers, relying on a small client base. Created in 1984, BICP offers property advisory services, develops and then sells on or rents properties, and is building social housing units for rental and resale. BGFI Immo – a subsidiary of BGFI Bank – focuses on property services, from the perspective of both financing and managing works and renovation projects.

Several significant development projects are in the pipeline. In Libreville, BICP is looking to construct a number of social housing units on a four-ha site in Angondjé, just north of Libreville, in addition to its renovation activities. Kabi Promotion is also planning the construction of a number of units aimed at middle-income buyers on two sites in Owendo, a suburb in the south-west of Libreville. Société Nationale Immobilière (SNI), the real estate development arm of the Ministry of Housing (MoH), has identified three sites for development of social housing on the outskirts of Libreville, where much of the expansion is set to take place over the coming decade. "Given their size, the European concept of subsidised apartments does not satisfy Gabonese citizens," Juste-Valère Okologo W'Okambat, the managing director of SNI, told OBG. "Moreover, Gabon offers ample space for urban expansion."

In the first half of 2010 President Ali Bongo Ondimba backed the commencement of a huge marina project in Port Mole, Libreville, which has been on the table for over a decade. Designed by a group of South Africa-based developers, the Front de Mer aims to develop a range of commercial and residential property, including a 15,000-sq-metre office complex.

"The market is on the rise and is becoming very dynamic," Riad Bahsoun, the managing director of Libreville-based real estate agency Aloy Invest, told OBG. "We are seeing an emerging middle class and an increase in the number of young professionals. They are all going to need somewhere to live."

FINANCING: In the centre of the capital, a good-quality, medium-sized apartment will fetch between

A number of major development projects are in the pipeline, including sites for middle-income buyers and social housing. A vast marina project is also being planned for Port Mole, Libreville.

CFA500,000 (€760) and CFA850,000 (€1290) per month. Large family houses in Libreville with four-five bedrooms are priced at between CFA180m (€274,000) and CFA250m (€380,000).

"There is definitely growing demand to purchase properties rather than continue renting," Patricia Manon, the assistant managing director of BGFI Immo, told OBG. "With GDP growing and a more equal distribution of wealth, more people are buying, although this is not yet being reflected through an increase in the number of loans being taken out."

The financial products that are becoming available will enable more buyers to take out home loans. While existing credit vehicles do not distinguish between home and car loans, banks are putting property loans on the market to service demand, with a number likely to be available before end-2010. Pan-African leasing specialist Allos Finance, which has a strong presence in Gabon, is also set to launch property loan products.

CHALLENGES: Some challenges must be overcome if the real estate market is to be invigorated. The lack of comprehensive urban planning often results in problems relating to electricity and water supply when the government does not work in cooperation with building contractors. Bureaucratic hurdles are in addition a problem, resulting in the delay or cancellation of many projects. "There is no urban planning in Libreville," Philippe Chandezon, the managing director of BICP, told OBG. "We need a building code that reflects the realities of the current situation and gives – for example – fiscal advantages to developers."

The sector's legal framework is derived from a building code that has remained unchanged since 1994. This can contribute to the difficult operating conditions. Administrative delays and confusion surrounding land registration can delay private development. Staffing issues also hold back some of the agencies. "We have to train staff ourselves as the education system does not meet demand in terms of the skills we need," Chandezon of Agences No. 1 told OBG. The low salaries offered at management level also discourage foreign staff from relocating to Gabon.

SOCIAL HOUSING: The high demand for low-cost housing – particularly in Libreville – has prompted a drive to develop social housing at a range of sites. With 84% of the population living in urban centres, according to the Population Reference Bureau, the housing deficit is estimated to be between 133,000 and 200,000 units. In response, the state has put in place goals for the development of social housing, with 5000 units targeted for completion by the start of 2011 and a further 5000 due every year thereafter. Obstacles need to be overcome before construction can start, such as dealing with squatters who have moved into plots earmarked for development, transparency, and agreement between the MoH and community councils on the type of housing needed, exact locations and which citizens will be eligible for these units.

To help buyers, the state has lowered the price of dwellings eligible for refinancing by the Housing Refinancing Fund, which provides credit for social housing,



The current housing deficit is estimated to be between 133,000 and 200,000 units

from CFA19.9m (€30,200) to CFA15m (€22,800). "There is huge potential for returns on investment in low-cost housing," said Bahsoun. "While there is a need for a large up-front investment and patience on returns, the mid-to long-term profitability could be impressive."

Examples of the units being built include three- and four-bedroom units priced at between CFA9m (€13,700) and CFA10.5m (€16,000) in Nzenz-Ayong, northern Libreville, and plans for Moroccan developers to build 3500 units in the capital. The government also secured a CFA6.5bn (€9.9m) loan from the Export-Import Bank of India in February 2008 to fund social housing in Libreville. The MoH must attract more private funding, given that the state can no longer carry the entire burden of providing social housing.

"It is crucial that private players, equipped with financing and expertise, get more involved in tackling the housing deficit," Okologo W'Okambat told OBG. The state-owned housing bank, Banque de l'Habitat, has been reinforced with the integration of two major housing funds: the Mortgage Fund and the National Housing Fund. Furthermore, Banque de l'Habitat is set to open its capital to private investors.

Among the obstacles to private investors is the difficult access to plots of land. Residential areas are often characterised by anarchic building activity and administrative confusion over land ownership, with a simplification of procedures required. A one-stop shop that would coordinate the bureaucratic procedures between all parties involved would be a potential solution.

OUTLOOK: Gabon's real estate sector is underdeveloped and has ample potential for growth, both at the higher and lower ends of the market, with the substantial social housing requirement needed to lodge the country's recently urbanised population. The sector is set to experience dynamic growth over coming years, despite the existing administrative hurdles to property development. With the right approach, these challenges can be overcome and the development of new, high-quality housing will quickly begin to satisfy demand.

Existing credit facilities do not distinguish between home and car loans. Banks are now introducing property loans and several are expected to be available by end-2010.

Due to high demand for low-cost property, social housing is being developed at various sites. Some 5000 units are targeted for completion by the state by 2011 and another 5000 are due annually thereafter.