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Industrial Evolution

An insight into Gabon's emerging business sectors



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TRADING POST

In 2010, the Gabonese government's ban on raw lumber exports was met with scepticism. Wood is the third major contributor to the nation's economy, second to oil and manganese. It accounts for nine per cent of total exports. So why mess with a good thing? Less than a decade later, one is able to appreciate President Ali Bongo Ondimba's foresight for a value-added timber trade – one that includes finished 'Made in Gabon' products – and how it laid the foundation for a stable, investor-friendly economy.

In this second issue, we trace the roots of Gabon's industrial evolution. More specifically, how modernizing the timber sector turned out to be a gamechanger for infrastructure and logistics. Speaking of which, we peek into the 45-hectare Gabon Special Economic Zone Mineral Port at Owendo, and examine how its development will impact the country's mining sector. Finally, we feature Gabon's Green Revolution - the promise of five million hectares of fertile land. Of note, is a strong commitment to social and environmental sustainability at the core of these comprehensive projects.

Enjoy the issue.

Contents

Forbes India Marquee



Spotlight

A well-rounded timber industry proves to be a shot in the arm for the Gabonese economy



Shipping & Infrastructure

All focus on the GSEZ Mineral Port which aims to effect a sea change in the Republic's mining exports



Agriculture

An insight into Gabon's nascent yet rapidly developing agricultural sector

CEO- Forbes India &
President-Revenue,
Network18:
Joy Chakraborty

Advertising Sales:
Preeti Sahni,
Girish Sharma,
Atishya Singh,
Anil Bhatia,
Mitu Midha

Marketing:
Priyanka Tiku,
Neha Chimbalkar,
Juhi Batra,
Jitendra Gujar

Distribution:
Subhadra Bose,
Kaushal Pillai

Design & Editorial by
MEDIASCOPE
NEWBASE NETWORK

Issue Editor:
Gretchen Ferrao Walker

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Spotlight

An aerial photograph of a lush, dense tropical forest. A winding river flows through the center of the forest, surrounded by tall, slender trees with light-colored trunks. The forest floor is covered in a thick canopy of green leaves. The overall scene is vibrant and natural.

Follow the Forest

The largest private sector employer, Gabon's timber industry is poised to become a world leader in certified tropical wood production



CYRIL RUOSO/ISTOCK

Gabon's per capita forest area is the highest in Africa. A 20-million-hectare tropical forest cover, 85 per cent of its total area, puts the country in prime position for a flourishing timber industry. Export of raw wood has been a driving factor in the Gabonese economy; second only to oil and manganese. With a logging potential comprising 12.5 million hectares, the nation's wood sector accounts for about nine per cent of its total exports. The rainforests are home to over 400 tree species like ebony, mahogany and zebrawood. However, it is okoumé, a light hardwood indigenous to equatorial West Africa, that is the breadwinner. Traditionally exported as plywood, it has applications in boat and aircraft construction, veneers for furniture, and small luxury goods such as audio equipment, acoustic guitars, cigar cases, etc.

AN EVOLVING INDUSTRY

Aware of its role in long-term development, the timber industry was given topmost priority in the government's Strategic Plan for an Emerging Gabon 2025. As part of President Ali Bongo Ondimba's economic diversification proposal, on 15th May 2010, a ban was imposed on raw timber exports. The idea was to modernize the economy by moving up the value chain. That is, extending the processing of wood from raw lumber export to primary (veneer and slicing of tropical logs), secondary (production of plywood) and tertiary (manufacturing of finished goods) processing. All with the aim of facilitating employment opportunities and powering the nation's GDP.

Gabon's rainforest has a logging potential of 12.5 million hectares





Okoumé, a light hardwood, is the main timber export

In response to this, the 1,126-hectare Gabon Special Economic Zone (GSEZ) was set up at Nkok, 27km outside the capital of Libreville. With an ideal location, tax-friendly incentives and a rapidly growing infrastructure, it has all the trappings of a lucrative investment.

Originally created as a one-stop shop for timber companies, the GSEZ has since expanded to accommodate 21 industries. Comprising three zones – industrial, commercial and residential – it has the potential to develop about 10,000 direct jobs.

Today, the timber industry within the GSEZ includes enterprises that are involved in all three stages of processing. Incidentally, 30 among them are Indian-origin businesses. Another pivotal development was the establishment of the Furniture Manufacturing Cluster in May 2015 – 40 hectares dedicated to finished wooden products that are entirely ‘Made in Gabon’. Members of the Cluster are privy to a 5,000-square-metre kiln dry factory and high-tech equipment. Also on offer, training to manufacturers and specialist designers for the market. These steps contribute to boosting timber production and processing through an efficient logistics value chain. And in turn, will help attain the government’s goal of diversification.

MEASURED FORESIGHT

All this progress is rooted in sustainability. Around 10.7 million hectares of Gabon’s rainforest are allocated as concessions for commercial timber production. Its logging is based on

Logging is based on a simple formula that ensures a perennial supply of wood

a simple formula that ensures a perennial supply of wood. Each hectare is divided into five zones. Trees are to be cut in only Zone 1 for the five years, before moving sequentially to the other zones in batches of five years. Ideally, at the end of the cycle with Zone 5, Zone 1

would be fully renewed.

“We have 2.3million hectares of forest concession; every one of these forests has its own management plan. We’re taking one to two trees per hectare, every 25-30 years. We’re taking only the interest instead of the capital. We’ve also studied and worked on the biodiversity of the forest, population benefits, wildlife conservation, etc. All this allows the company to be FSC (Forest Stewardship Council) certified, which helps warranty the authenticity of the products for customers,” elaborates Marie-Yvonne Charlemagne, Deputy Managing Director, Rougier Gabon. The French-owned logging company exports Okoumé timber across the world, including supplies to the GSEZ.

In 2001, the Gabonese Forest Code was introduced; a law that requires companies to share timber harvest revenues with the local communities within which they are operating. This, coupled with an implementing decree and a technical guide, aim to ensure profit sharing via a development fund.

Meanwhile, the timber industry continues to work with organizations like World Bank and International Monetary Fund to further refine its processes via increased transparency, a simplified tax code and responsible logging practices. ♦



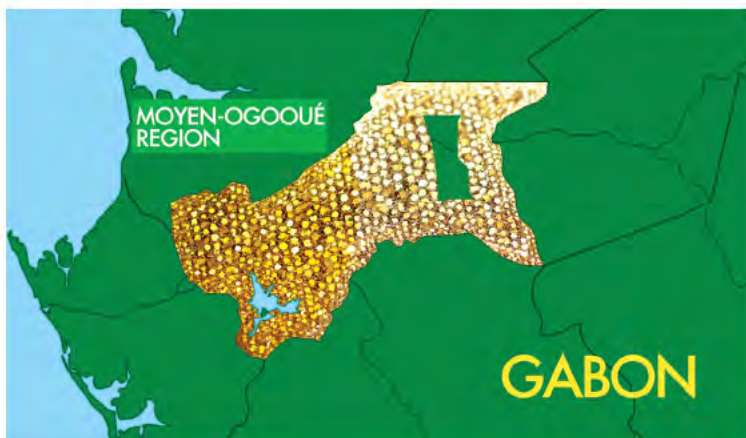
Empowering the Future

The GSEZ Mineral Port is an ocean of opportunity for Gabon's mining sector

The Gabon Special Economic Zone (GSEZ) was envisioned as a growth engine to support the country's diversifying economy. One of the project's main subsidiaries is GSEZ Ports – a Public Private Partnership between Singapore-based Olam International, the Gabonese Republic and Africa Finance Corporation (AFC). Over USD500 million has been invested into the expansion of Port Owendo with two new terminals; the general cargo and mineral ports. The latter aims to propel the country's mineral and metal exports by offering specialized logistics and technology for efficient shipping. "The development of

the new mineral port will boost mining activities fourfold. Together with the existing [general cargo] port, Gabon has a port capacity of 16 million tonnes. This will boost export of manganese, which is currently six million tonnes annually. We expect it to grow to eight million tonnes per year by 2019," says Christian Magnagna, Minister of Mines. With 250 million tonnes of reserves, manganese is the primary mining export. The Belinga iron ore site holds promise with reserves in the area of two million tonnes. Gabon is also rich in polymetallic ores such as niobium and uranium. While export is an essential function, the port is equipped to import materials, like cement, gypsum and limestone, that cater to internal demands.

Functional since January 2017, construction of the 45-hectare GSEZ Mineral Port was completed within a year. Situated in Libreville, it is well-networked by rail, road and sea to mines and industrial facilities in Gabon and other Central African countries. Its unique multi-modal facilities include railway lines, sidings and berths, a 1.5-kilometre-long wharf and 20,000 square metres of specialized storage capacity. A one-stop shop for



Top: An aerial view of the Mineral Port at Owendo

Left: Artisanal gold mining is a centuries-old practice in the Moyen-Ogooué region

mineral explorers, the port is an integrated supply chain function. Its services include inland transportation of extracts from the mine site via the Trans-Gabon Railway network, storage and loading, fret forwarding of goods to the final destination, and overall logistics monitoring.

Since its commissioning, the Mineral Port has handled 1.73 million tonnes of industrial materials. The first phase of the project has an annual capacity of four million tonnes. In the second phase it aims to have a maximum capacity of 10 million tonnes per year. The port also includes an industrial area equipped with state-of-the-art infrastructure and a fishing terminal. On its completion, it will have a potential of 300 direct jobs and 1,000 indirect jobs. The project currently employs 166 people, including 131 nationals and 36 expatriates.

The Mineral Port's high-tech infrastructure and cost-competitive solutions offer big investment appeal to mid-sized and small businesses

Last July, the government released a statement seeking private partnerships to boost mining. The Mineral Port's high-tech infrastructure and cost-competitive solutions offer big investment appeal to mid-sized and small businesses. "With this port, we're doing a very good service to mining companies. Now they have started to come up with their exploration as well as interest

to export through the port," confirms Ranjan Kumar Sahu, Director, Mineral Terminal. Backing the proposal is an updated mining code that was enacted in January 2015, tax and customs incentives to guarantee protection of investments and a more transparent mining cadastre.

While the port relies more on manual operations at the moment, the plan is to become fully mechanized by its third phase in 2021. This will allow it to carry up to 40 million tonnes of cargo. Definitely a bright future for Gabon's mining export sector. ♦

The Trans-Gabon Railway plays a crucial role in delivering Franceville's minerals to Libreville's ports



PHOTOGRAPH BY COURTESY OF INTERNATIONAL

Agriculture

Seeds of Progress

Employment in the agricultural sector increased by 106 per cent between 2011 and 2015.

Gabon's budding agricultural sector is a beacon of hope for Sub-Saharan Africa's Green Revolution

According to the Ministry of Agriculture, around 86 per cent of Gabon's 1.8 million inhabitants reside in the major cities of Libreville, Port Gentil and Franceville. This preference for urban dwelling has resulted in the country having one of Sub-Saharan Africa's lowest population densities. A direct result of its flourishing energy industry between the Sixties and Eighties. It has led to lower agricultural production and revenues for lack of labour in rural areas. In line with its economic diversification strategy, the government aims to increase the sector's contribution to the GDP from around 5 to 20 per cent by 2020. Food self-sufficiency being part of this goal.

THE STORY SO FAR

The Ministry of Agriculture has identified five types of farming within the country. However statistical details on the same are hard to track. In general, subsistence smallholder farmers make up majority of the sector. They have been in existence since pre-independent Gabon, perhaps at a time when cash crops like coffee and cocoa were first introduced. Mainly located in the

hinterlands, there are about 70,000 farms; each between one and two hectares in area. Today, chief crops include vegetables like cassava, taro, yam and fruit like plantain. Family compounds are also breeding ground for small-scale animal husbandry.

With urbanization emerged a series of small satellite farms along the periphery of cities, supported by agro-industrial operators. The liquidation or privatization of many of these companies left the plantations in a state of

Under the GRAINE scheme, 8,000 hectares are dedicated to the cultivation of domestic crops like cassava





Five million hectares of fertile land have been allotted for agricultural development

IMAGES COURTESY OLAM INTERNATIONAL

flux. Between 1977 and 1985, the government initiated Public Private Partnerships (PPP) with multinational agro-industrial operators to support sugar, plantain, rubber, poultry, cattle, fruit and vegetable plantations. Examples include Belgian operator Société d' Investissement pour l'Agriculture Tropicale (SIAT), a market leader for rubber and cattle meat; and major sugar producer Sucrerie Africaine du Gabon (SUCAF Gabon). While there are initiatives that offer technical assistance and training to the latter; majority of the small farms in the interiors continue to remain unaided and unregulated.

SHIFTING GEAR

Starting 2011, the state's steady focus on developing five million hectares of fertile land yielded significant growth over a short span of time. By 2015, the agriculture, livestock and fishing sector had expanded by 8.9 per cent – 4.4 per cent of the GDP – according to the General Directorate of Economic and Fiscal Policy. Sector employment increased by 10.6 per cent with close to 11,000 workers. This positive shift is mainly credited to *Projet de Développement et d'Investissement Agricole au Gabon* (Agricultural Development and Investment Project/PRODIAG) that promoted the growth of arable land along with improved productivity.

In 2015, the government launched *Plan National d'Investissement Agricole de Sécurité Alimentaire et Nutritionnelle* (National Plan for Agricultural Investment and Food and Nutritional Security/PNIASAN). A strategic roadmap to the sector's progress, the plan is financially and technologically backed by the World Bank, UN Food and Agriculture Organisation (FAO) and Central African

Economic and Monetary Community (CEMAC). Its total investment (2015-2020) is estimated at USD750 million. PNIASAN comprises six segment-specific programmes: grain and vegetable cultivation, husbandry, promotion of the fishing industry, reinforcement of local capacity for sustainable resource management, food and nutritional safety, and a fortified institutional framework. The overall objective being to achieve a six per cent annual growth in the sector by 2020; and a 15 per cent reduction in food insecurity by 2018.

CHALLENGE ACCEPTED

All good plans aside, a majority of the population aspires towards white-collar jobs with agriculture work being looked down upon. Other obstacles include a dearth of training facilities for the rural workforce and relatively high labour rates for forestry operators. Mechanization, albeit cost-effective, isn't a viable solution at the moment – given the country's densely forested terrain. GRAINE is a joint venture between Singapore-based multinational Olam and the Republic of Gabon. The project, which aims to encourage agricultural entrepreneurship, has been addressing the sector's image issues via a series of advertising campaigns. It is also trying to promote and facilitate mechanization as a way to enhance efficiency, trim expenses and improve the sector's appeal. The idea being, a mechanized sector would require technically skilled labour – higher appeal for the younger generation.

All in all, Gabon's customized, community-centric approach towards agricultural development makes the industry ripe for the picking. ♦