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Republic of Equatorial Guinea: 2008 Article IV Consultation—Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the Republic of Equatorial Guinea

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2008 Article IV consultation with the Republic of Equatorial Guinea, the following documents have been released and are included in this package:

- The staff report for the 2008 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on September 5, 2008, with the officials of the Republic of Equatorial Guinea on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 17, 2008. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff statement of November 3, 2008, updating information on recent developments.

- A Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its November 3, 2008 discussion of the staff report that concluded the Article IV consultation.

- A statement by the Executive Director for the Republic of Equatorial Guinea.

The documents listed below have been or will be separately released.

Selected Issues Paper and Statistical Appendix

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

REPUBLIC OF EQUATORIAL GUINEA

Staff Report for the 2008 Article IV Consultation

Prepared by the Staff Representatives for the 2008 Consultation
with the Republic of Equatorial Guinea

Approved by Robert Corker and David Marston

October 17, 2008

Mission team: Ms. Stotsky (head), and Mr. Alichi, Mr. Gaertner, and Mr. Milkov (all AFR) and assisted by Ms. Bertel and Mr. Cuevas, resident fiscal advisors. Mr. Ondo Bile (OED) and Mr. Munoz (World Bank) participated in the discussions.

Date and location: August 25–September 5, 2008, Malabo and Bata.

Fund relations: The last Article IV consultation was concluded in June 2007.

Exchange regime: Equatorial Guinea is a member of the Central African Economic and Monetary Community (CEMAC). It has accepted the obligations of Article VIII, Sections 2, 3, and 4. The regional currency, the CFA franc, is pegged to the euro.

Statistical issues: Data provision has serious shortcomings that significantly hamper surveillance.

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EXECUTIVE SUMMARY

Background and outlook

- Growth rebounded in 2007 to 21.4 percent and is expected to remain strong in 2008 based on increased production of hydrocarbons. Higher government capital spending will be the main engine of near-term growth. Inflation is expected to rise to 6 percent, driven by increased food prices. Refined fuel prices are set administratively and are unchanged.

- High oil prices have led to strong fiscal and external current account surpluses. The non-oil fiscal deficit has declined recently to 49.7 percent of non-oil GDP in 2007, with spending largely kept within budget. But going forward, softening oil prices and higher spending may lead to a decline in the fiscal and current account surpluses and a widening of the non-oil deficit.

- The Social Development Fund is ready to initiate critical projects but the authorities have not yet authorized disbursement of project funds.

- Equatorial Guinea's participation in the Extractive Industries Transparency Initiative (EITI) is moving forward slowly. The World Bank is expected to assist with meeting the substantive requirement on civil society participation.

- The financial system, though underdeveloped, appears generally sound.

Policy discussions

- The mission felt that the proposed expansionary 2009 budget will sustain inflationary pressures. At the same time, the significant increase in capital spending insufficiently addresses social needs. The authorities felt that higher spending was warranted for infrastructure projects. Over the longer term, the authorities agreed that the non-oil deficit needs to decline, once essential capital spending priorities are met.

- Improvements in public financial management are essential. The authorities remain committed to the EITI.

- The mission strongly urged the government to implement the Social Development Fund projects promptly, which the authorities indicated had been delayed because of political changes. They are proposing a modest food subsidy in the 2009 budget, which the mission suggested should be structured as a direct transfer to vulnerable households.

- There was agreement on the need to expand access to credit for small and medium businesses, including through restructuring of government assistance.

- In the mission's view, the real effective exchange rate seems to be somewhat overvalued.

I. Introduction

1. **Equatorial Guinea's petroleum-based economy has become an important contributor to growth in central Africa.** Medium-term prospects are good, but sustaining growth, diversifying the economy, and generating employment will require improvements in the business environment.

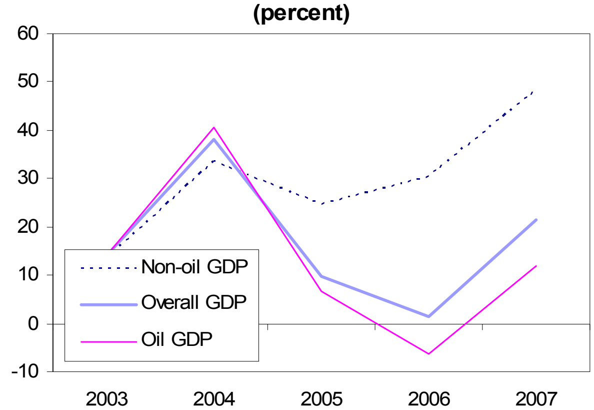
2. **Poverty remains high and social indicators weak.** The analysis of the 2006 Household Expenditure Survey showed that about 77 percent of the population fell below the poverty line in 2006, a strikingly high rate of poverty.

3. **The National Development Plan (NDP) adopted in 2007 will guide the government's economic strategy until 2020.** It provides a reform framework to diversify the economy and enhance external competitiveness. The four main pillars are improvements in infrastructure, human capital, governance, and social welfare. Its macrofiscal policy, based on a permanent income model, will help contain inflation and improve long-run fiscal sustainability. Structural deficiencies are obstacles to the success of the NDP. The financial system, though underdeveloped, appears generally sound. The weak statistical base hinders macroeconomic assessments.

II. Recent Developments and Outlook

4. **Economic growth recovered sharply in 2007 but is expected to moderate in 2008.** The opening of a new oil field in late 2006 and a liquefied natural gas facility in mid 2007, supported by increased public infrastructure spending, lifted 2007 economic growth to an estimated 21½ percent (Tables 1 and 2 and Figure 1).[1] In 2008, despite a small decrease in oil production, a full year of liquefied natural gas production is expected to produce moderate growth. Activities in the non-oil economy, other than petroleum derivatives, mainly reflect public-sector related construction.

Figure 1. Equatorial Guinea: Real GDP Growth Rates, 2003-07 (percent)

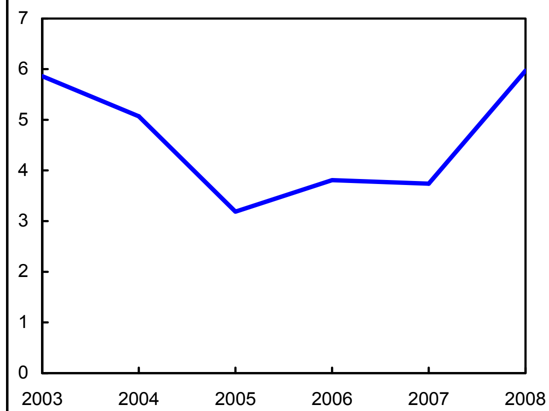


Sources: Equatoguinean authorities, and IMF staff estimates.

[1] The largest components of the measured non-oil economy are manufacturing of petroleum derivatives, construction, and other services. Other than derivatives, the non-oil economy is poorly measured and probably understated.

5. **Rising international food and oil prices are contributing to inflationary pressures** (Figure 2)**.** Though the price for staple foods surged in 2007, the strong euro, lagged adjustment of refined fuel prices, public spending restraint, and better monetary management helped avoid a sharp rise in prices.[2] Inflation is expected to jump in 2008, mainly because of pent-up pressures from rising import prices.

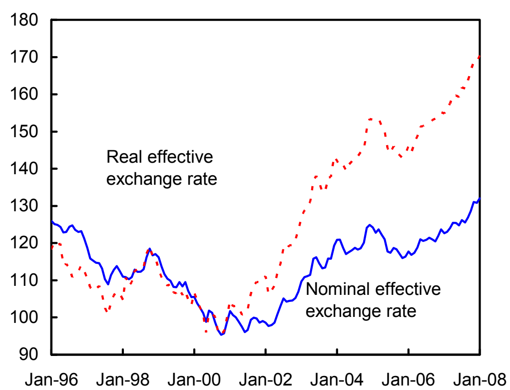
Figure 2. Equatorial Guinea: Twelve-month Change in Inflation, 2003-08 (percent)



Sources: Equatoguinean authorities, INS, and IMF staff estimates.

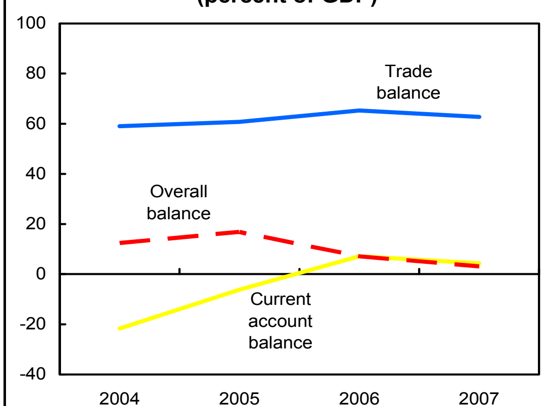
6. **The real effective exchange rate (REER) continued to rise in 2007, as the euro (to which the currency is pegged) appreciated against the U.S. dollar** (Figure 3). The appreciation of the REER is consistent with recent movements in the terms of trade, but has been accompanied by a contraction of non-petroleum exports that raises concern that the REER may be somewhat overvalued (Figure 4 and Box 1).[3]

Figure 3. Equatorial Guinea: Effective Exchange Rates, Jan. 1996-Jan. 2008 (index, 2000=100)



Sources: Equatoguinean authorities, INS, and IMF staff estimates.

Figure 4. Equatorial Guinea: Balance of Payments Developments, 2004-07 (percent of GDP)



Sources: Equatoguinean authorities, WEO, and IMF staff estimates.

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[2] The statistics office is compiling its first broad-based survey of inflation. Various estimates suggest that inflation has been higher than the official statistics suggest, especially in 2007.

[3] An associated selected issues paper provides more detail.

Box 1. Equatorial Guinea: Assessment of the Real Effective Exchange Rate

Staff analysis suggests that the REER is somewhat overvalued, although this assessment is complicated by the significant structural changes in the economy since oil production began in 1992, as well as persistent data deficiencies in measuring the non-oil sector and the domestic price level. At the regional level, the latest CEMAC staff report found that the REER is broadly in line with its fundamentals.

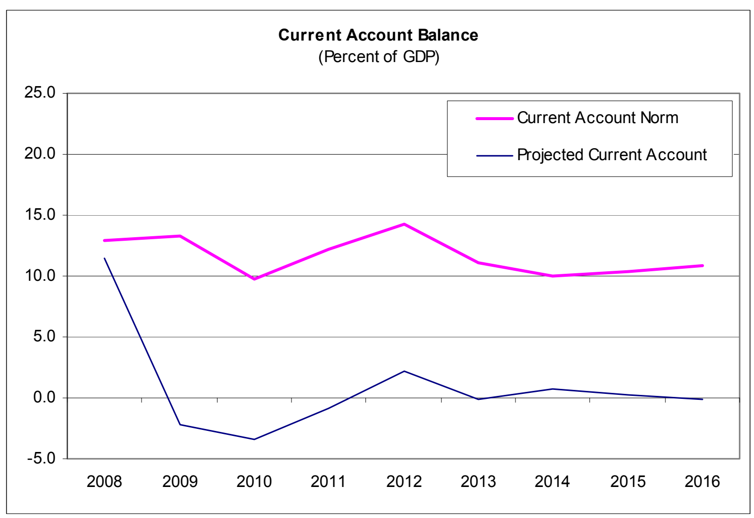
The CPI-based REER has steadily appreciated in recent years and stood at 75 percent above its 2000 level by mid-2008. However, official data appear likely to have significantly understated the actual increase in consumer prices during 2006–07, suggesting a similar understatement of real appreciation. This appreciation has mirrored a significant improvement in the terms of trade since 2000, reflecting the increase in oil prices over this period. Although non-oil export volumes have risen because of new production of petroleum-related derivatives, non-petroleum-related export volumes have declined with traditional exports contracting substantially, raising concerns about long-term competitiveness.

Indicators of Competitiveness

	1997	2000	2005	2006	2007
Terms of trade, (2000=100)	51.3	100.0	137.2	159.9	165.5
Volume of non-oil exports, including derivatives (2000=100)	98.8	100.0	539.1	584.5	1,116.5
Volume of non-oil exports, excluding derivatives, (2000=100)	130.9	100.0	71.1	74.5	79.5
Non-oil exports, including derivatives, as percent of non-oil GDP [1]	56.5	42.1	39.6	38.4	51.2
Non-oil exports, excluding derivatives, as percent of non-oil GDP [1]	56.5	38.5	8.4	5.7	5.8
REER, CPI-based (2000=100)	106.2	100.0	147.7	150.8	161.5

Sources: Equatoguinean authorities, WEO, and IMF staff estimates.
[1] Non-oil GDP includes hydrocarbon derivatives.

The macroeconomic balance approach suggests a modest REER overvaluation. The current account norm is calculated as the medium-term current account path necessary to accumulate sufficient savings to smooth consumption as oil production declines, consistent with the sustainable fiscal position identified using the permanent income hypothesis (Box 2, line 4). The results indicate a need for larger current account surpluses than currently projected (Table 8).

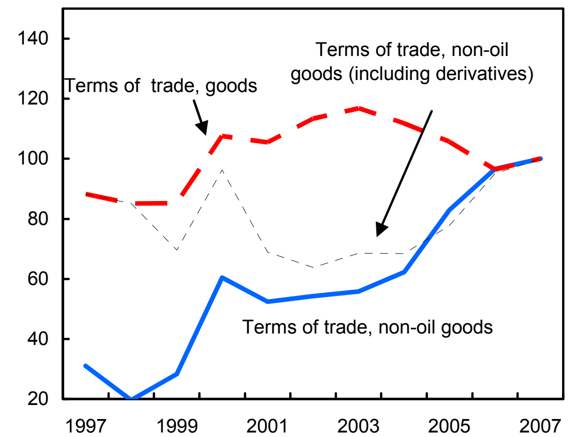


The Fundamental Equilibrium Exchange Rate (FEER) approach is difficult to apply to Equatorial Guinea. Owing to the short period of available data for Equatorial Guinea, we derive the elasticities of the FEER with respect to macroeconomic fundamentals, such as terms of trade, openness, and productivity, from models for the CEMAC region or sub-Saharan Africa. Estimates of Equatorial Guinea's FEER, derived from these long-run elasticities, produce results from modestly undervalued to substantially overvalued, but generally suggest that an improving terms of trade implies FEER appreciation.

7. **High oil, gas, and derivatives prices contributed to a strong external current account and an overall balance of payments surplus in 2007** (Table 3 and Figure 5). Gross official foreign assets, held in both the Bank of Central African States (BEAC) and abroad, rose to about 21 months of non-oil imports of goods and services by the end of 2007. The current account and balance of payments are expected to strengthen in 2008 because of the rise in oil prices, though the government's purchase of Devon Corporation's assets in Equatorial Guinea is expected to produce a net outflow of foreign direct investment and a decline in foreign asset cover.[4] Though diversification is occurring in petroleum derivatives, other non-oil exports have contracted considerably.

8. **The fiscal outcome has been good.** The fiscal surplus was high, though it narrowed in 2007 as a result of increased capital spending and some weakening of revenues relative to GDP (Tables 4a, b, and c and Figure 6). The depreciation of the U.S. dollar against the CFA franc largely offset the effect of higher dollar oil prices on oil revenues. Expenditures were in line with the budget. The non-oil primary deficit, a key fiscal indicator, improved to about 49½ percent of non-oil GDP, reflecting budgetary restraint and growth of non-oil GDP.[5] The 2008 non-oil deficit is expected to improve slightly, with a minor weakening of the overall surplus. Spending is expected to stay within budgetary limits.

Figure 5. Equatorial Guinea: Terms of Trade 2004-07 (Index 2007=100)



Sources: Equatoguinean authorities, WEO, and IMF staff estimates.

9. **Implementation of the Social Development Fund has been slow.** About 12 projects were agreed on, to be implemented with assistance from the U. S. Agency for International Development (USAID), in education, health, water and sewerage, gender equality, and community development. Funds were allocated in the 2008 budget but the government has yet to approve their disbursement so work can begin.

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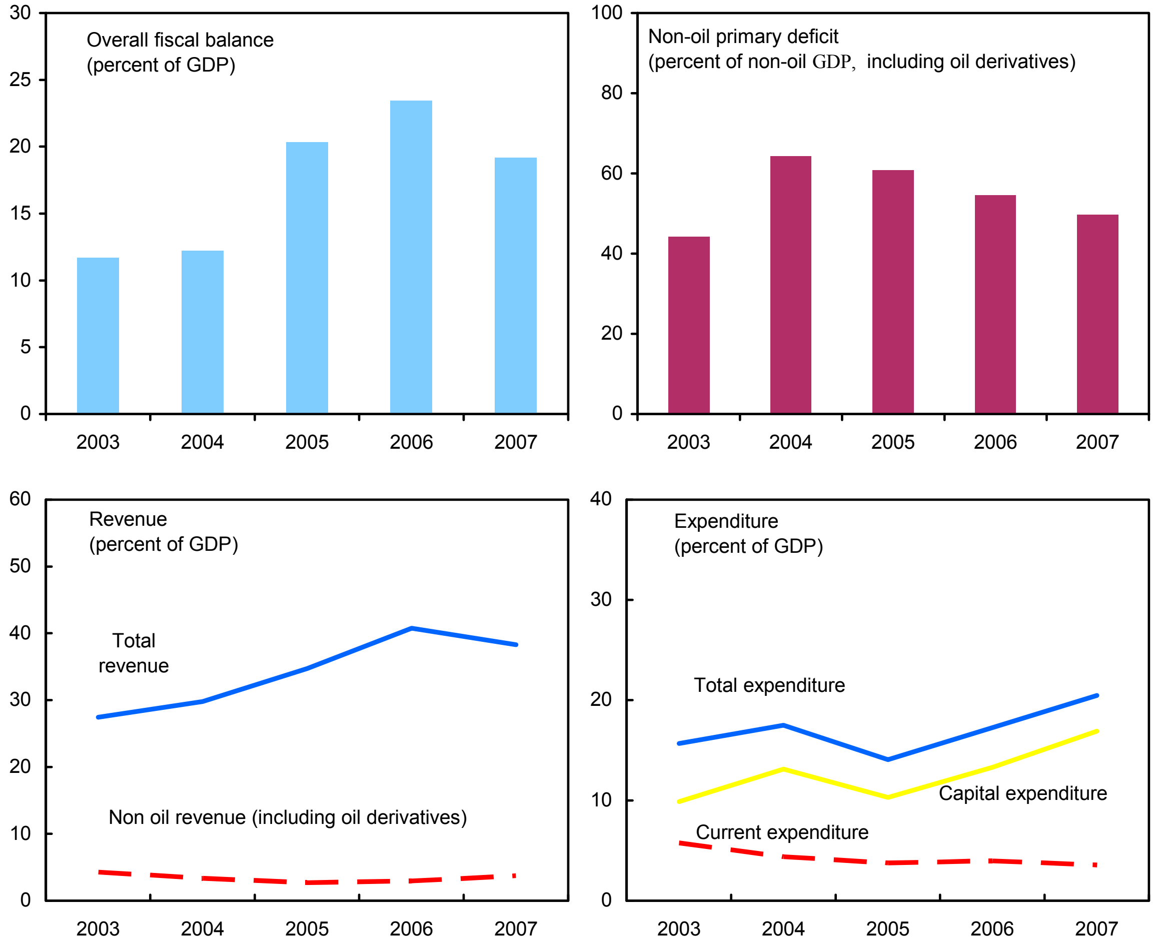
[4] Devon held a significant minority share in the largest oil field. The government purchased Devon's assets, mainly by drawing down bank deposits, to gain an active participation in the field.

[5] Staff revised the fiscal accounts to put equity purchases below the line, consistent with the Government Finance Statistics methodology.

Figure 6. Equatorial Guinea: Fiscal Developments, 2003-07



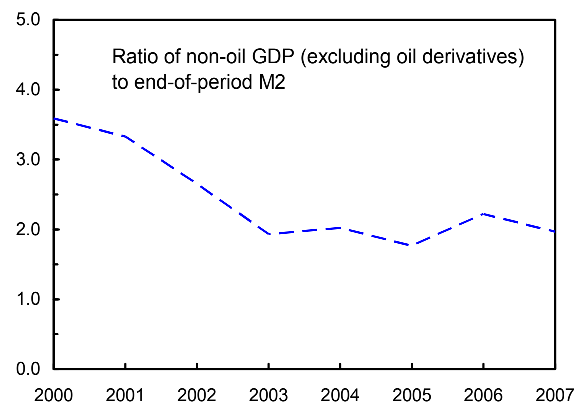
Sources: Equatoguinean authorities, and IMF staff estimates.

10. **Steps are being taken to improve public financial management.** The tax administration is strengthening training and monitoring of taxpayers, and expanding use of a taxpayer identification number. The customs administration is automating and adopting pre-shipment inspection. The treasury is improving the classification of government expenditures. Two international fiscal advisors, who started work in March 2008, are making progress.

11. **Equatorial Guinea has made only modest progress toward implementation of the EITI**. In late 2007, it met the EITI international secretariat's nominal requirement for EITI candidacy, including civil society participation, but has not yet met the substantive requirement on this participation. A civil society trainer will likely be jointly funded by the World Bank and international civil society groups. In addition, a World Bank advisor is expected soon to begin assisting with preliminary steps to preparing the first EITI report, including establishing terms of reference for the aggregator.

12. **BEAC managed liquidity more actively in 2007, by introducing negative auctions and raising bank reserve requirements to reduce liquidity.**[6] Broad money (M2) is estimated to have grown about 41½ percent in 2007, and private credit expanded 40½ percent (Tables 5a and b). The expansion of private credit largely reflects short-term lending for working capital on public infrastructure projects. M2 velocity relative to non-oil GDP (excluding derivatives) declined slightly (Figure 7). Money and credit are expected to expand at about the same rate in 2008 as public spending continues to be high.

Figure 7. Equatorial Guinea: Money Velocity, 2000-07



Sources: Equatoguinean authorities, and IMF staff estimates.

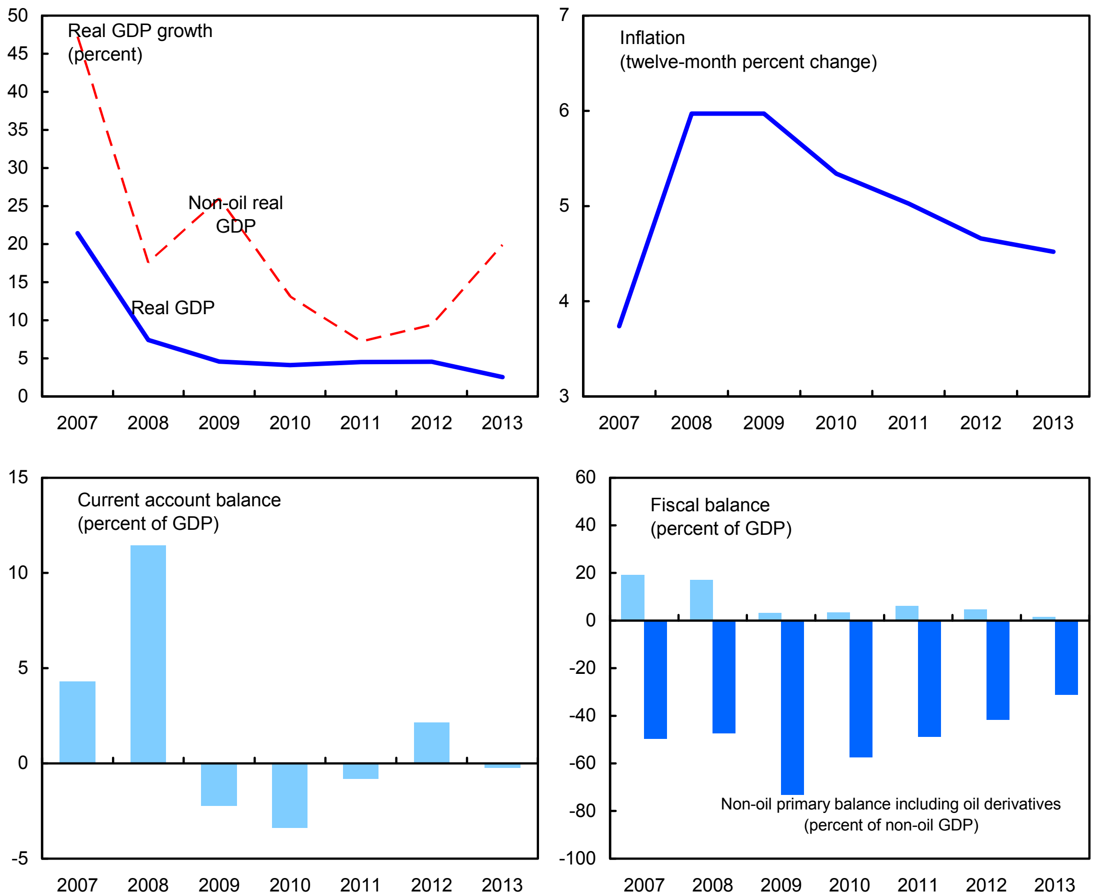
13. **The financial system, though underdeveloped, appears generally sound.** Financial soundness indicators show a reduction in nonperforming loans and increased returns on both assets and equity in 2007 (Table 6). The financial institutions are introducing new technologies and products. Bank real lending rates have come down in recent years, reflecting a more competitive environment, but lending is mainly concentrated in public infrastructure projects. Consumer credit remains modest and the mortgage market is undeveloped. Relatively few households have bank accounts.

14. **The medium-term macroeconomic outlook is favorable, provided public spending returns to a moderate path.** Growth is expected to remain positive, though it will likely slow significantly over the medium term absent any significant new petroleum-related projects (Table 7 and Figure 8). Continued public capital spending should support infrastructure development and, in combination with rising incomes and private investment, lead to expanded commercial trade, but overly high increases in infrastructure spending will strain implementation capacity, lead to lower project quality, and generate higher inflation. Realization of the government's NDP objectives would encourage diversification of exports into areas of potential comparative advantage such as fishing, timber, agriculture, and petroleum-related services, but developing these sectors faces many challenges. Rural occupations face labor shortages as workers migrate to the cities. Discussions are underway to double liquefied natural gas production capacity.[7] Hydroelectric power holds promise but

[6] Reserve requirements rose by 2.5 percentage points to 14 percent on demand deposits and by 1 percentage point to 10.5 percent on time deposits.

[7] Primary oil and gas resources are expected to last until around 2030 but output is expected to decline significantly after 2012. The production of derivatives would be significantly strengthened with realization of agreements to import regional natural gas.

Figure 8. Equatorial Guinea: Macroeconomic Developments and Projections, 2007-13



Sources: Equatoguinean authorities, and IMF staff estimates.

needs to be supported by private sector funding. The proposed major increase in public capital spending in 2009 will sustain inflationary pressures, but the high import content will contain any worsening and instead weaken the current account.

15. **The fiscal surplus is expected to diminish sharply in line with slowing economic growth, a decline in oil prices, and the proposed rise in capital spending.** Achieving the NDP objectives will depend on the government's success in choosing public investments that support human capital and non-oil economic development. Continued reinforcement of tax administration and a determined effort to reform customs administration are essential to improve non-oil revenues.

16. **Though generally robust, the external sector faces vulnerabilities.** Foreign direct investment is expected to remain strong, led by investment in oil and derivatives. Although better monetary management and structural measures to enhance supply of food and other products are expected to bring inflation down, a relaxation of the fiscal stance makes it harder to avoid inflation and real exchange rate appreciation. The concentration of exports in

petroleum-based products renders the external sector highly vulnerable to petroleum price swings. The forecast decline in oil prices in 2009, in combination with a surge in government spending and hence imports, is expected to put the external current account into deficit. Sustained increase in public spending would significantly weaken the external position.

17. **Equatorial Guinea currently has a minimal debt service burden and no outstanding arrears.** In 2006, the government agreed with China, through its Eximbank, on a credit line of up to US$2 billion at 5.5 percent interest, but so far has not drawn on it.

18. **Apart from concerns over the weakening of the fiscal stance, there are several other risks to the generally positive outlook.** A prolonged and deep drop in oil prices would weaken the external current account and budget execution, though the high stock of public financial assets should buffer against temporary moderate shocks. Private sector development is still deterred by a lack of clarity on how key laws will be applied, the slow pace of confidence-building initiatives such as the EITI, limited financing for small and medium-sized businesses, and poor skills of workers. The high cost of imported goods suggests a lack of genuine competition and other distortions in the market that could hinder the competitiveness of products other than petroleum. Like other CEMAC countries, the country's scores on the World Bank's "Doing Business" indicators are low.

19. **The government is committed to reforming Equatorial Guinea's inadequate statistical apparatus**. An expanded inflation survey covering the whole country will improve the accuracy of price statistics. Other work is underway to improve foreign trade data. However, bringing macroeconomic statistics in line with the IMF's General Data Dissemination System will still be a considerable challenge.

III. Report on the Discussions

20. **The mission discussed with the authorities the fiscal policies embodied in the 2009 budget, and the fiscal, structural, and financial policies that underlie the NDP.**

21. **The discussions focused on the following key issues:**

- The appropriate fiscal path to sustain recent consolidation of the non-oil deficit and cushion the medium-term decline in oil revenues;

- Measures to firm up the social safety net and build human capital, especially through implementation of the Social Development Fund;

- Measures to improve fiscal management and transparency, ensure sound management of accumulating public sector assets, and implement the EITI; and

- Steps to enhance the private sector climate, the financial system, and the capacity to assess economic developments.

A. Designing Fiscal Policies for Stability and Sustainability

22. **The authorities' framework, which is based on a reduction of the non-oil primary deficit, is an appropriate guide for fiscal policy, if implemented.** The reduction of the non-oil deficit has helped contain inflationary pressures and improve fiscal sustainability. However, the authorities' proposed 2009 budget moves strongly away from this framework, with high spending increases, which the mission estimates would worsen the non-oil deficit from 47½ percent of non-oil GDP to 73½ percent of non-oil GDP (Box 2, line 1).

23. **The 2009 proposed budget significantly increases infrastructure spending.** Although the proportion spent on the social sectors would rise, it would still be relatively small in relation to social needs. The authorities pointed out that the spending on ports, roads, and hydroelectricity is essential to economic development and spending on hotel and related infrastructure is necessary to meet upcoming international obligations (the summit of the African Union, in 2011, and the Africa Cup of Nations, in 2012).

24. **The mission recommended that capital spending in the 2009 budget be scaled down as the increase would considerably strain the economy and implementation capacity, and likely erode the quality of projects.** The capital budget should shrink slightly relative to national output, which would sustain the gradual reduction in the non-oil deficit even while allowing some scaling up of current expenditure (Box 2, line 2).

25. **The mission suggested that a further decline in the non-oil deficit is required for longer-term fiscal sustainability.** A fiscal benchmark based on the notion that the government should maintain a constant real level of spending suggests that the government should target reduction in the non-oil deficit from about 26 percent of non-oil GDP in 2008 to 13 percent in 2020 (Box 2, line 3 and Figure 9), assuming there is a gradual improvement in non-oil revenues and oil revenues are projected with some softening of prices. A similar profile would result from a fiscal benchmark based on the government maintaining a constant level of spending relative to GDP (Box 2, line 4). More productive government spending, increased non-oil revenues from an invigorated non-oil economy, and new discoveries of reserves could relax the implied spending limits; a longer planning horizon or a lower return on financial investments would imply tighter spending limits.

Box 2. Equatorial Guinea: Medium-Term Fiscal Framework - Budgets vs. Targets

	Non-oil primary balance				Overall balance			
	2008	2009	2012	2020	2008	2009	2012	2020
		(percent of non-oil GDP)				(percent of GDP)		
Price of oil based on WEO (US$ per barrel)	107	101	103	103	107	101	103	103
Baseline scenario - assumes real return of 2 percent on financial investments.								
1. Fiscal balance based on staff projections for revenues[1] and current projections for expenditures.[2]	-47.4	-73.1	-41.7	-24.7	17.1	3.2	4.7	-7.7
2. Fiscal balance based on staff projections for revenues[1] and projections for expenditures based on the 2008 execution.	-47.4	-41.0	-32.3	-13.1	17.1	12.9	7.4	-3.2
3. Fiscal balance based on staff projections for revenues and following a permanent income model for expenditures,[3] kept constant in real terms.[4]	-25.5	-21.1	-16.9	-12.8	22.5	20.0	14.8	1.0
4. Fiscal balance based on staff projections for revenues [5] and following a permanent income model for expenditures, kept constant in terms of GDP. [6]	-29.3	-22.5	-17.8	-9.9	21.6	19.5	14.4	3.0

[1] Petroleum revenue projections are based on staff assumptions for government intake and projected oil price from WEO.

[2] The projections for government expenditures assume capital expenditures declining as a percent of GDP after 2009 and current expenditures increasing as a percent of GDP (see Table 9b).

[3] Expenditure based on the Permanent Income Model is equal to an annuity from oil revenues plus non-oil revenue for that year (excluding interest earned).

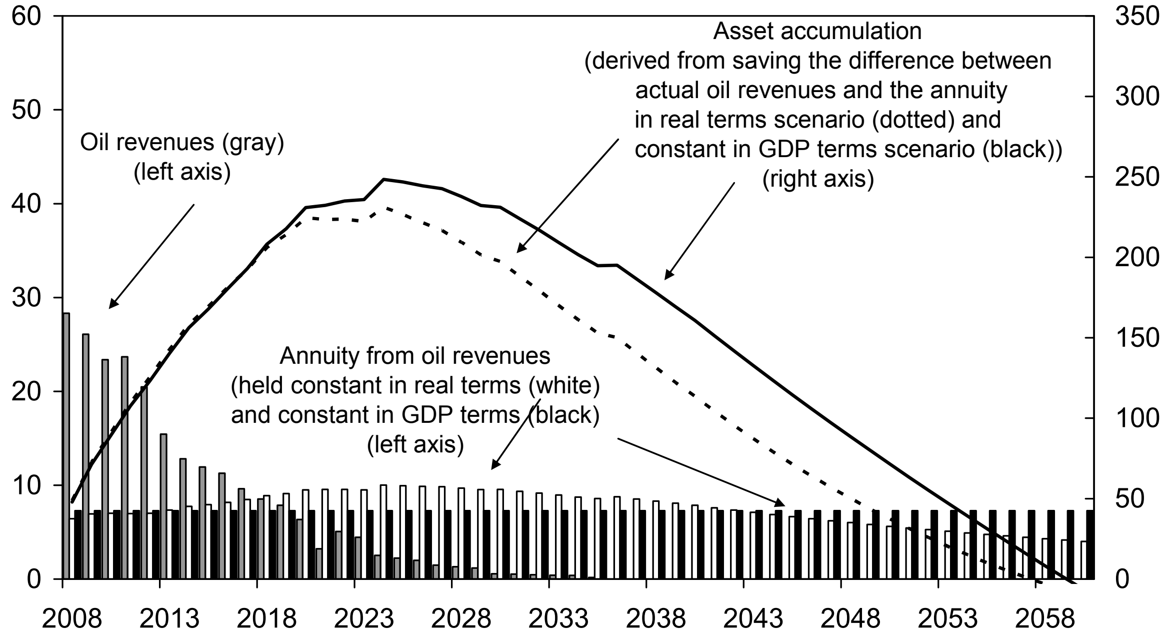
[4] The annuity is computed by distributing evenly in real terms until 2060 all the oil revenues, assuming 2 percent real return on assets.

[5] The annuity is computed by distributing evenly in terms of GDP until 2060 all the oil revenues, assuming 2 percent real return on assets. Oil GDP projection is based on oil production profile from the authorities. Non-oil GDP, which includes the manufacturing of oil derivatives, is projected to grow at an average annual rate of 3.5 percent in real terms, excluding the manufacturing of derivatives, whose projection is based on data from the authorities.

[6] The difference between the two specifications reflects the projected decline in real GDP in the long term as oil and natural gas production declines (absent a significantly improved non-oil economy), reducing future spending.

Sources: Equatoguinean authorities, WEO, and IMF staff estimates.

Figure 9. Equatorial Guinea: Oil Revenues, Annuity, and Asset Accumulation based on a Permanent Income Model (percent of GDP)



Source: IMF staff calculations.

26. **The economic impact of infrastructure spending is unclear.** The marginal relationship between capital spending and output growth appears somewhat weaker than in other CEMAC countries (Box 3).[8] The mission advised that projects should be undertaken only if they generate higher returns than from financial savings. The authorities felt that the proposed 2009 capital spending would address important priorities. The mission and authorities agreed that current spending should match the operational needs of the growing public infrastructure, and foster human resource development. But while the Public Investment Plan shows a higher share of spending on social sectors, this spending is still low (Box 4). A World Bank-led public expenditure review, expected to begin in late 2008, should provide useful guidance.

[8] An associated selected issues paper provides more detail.

Box 3. Equatorial Guinea: Public Expenditure Indicators 2005-07 (3-year average)			
	Current expenditure (percent of non-oil GDP)	Capital expenditure (percent of non-oil GDP)	Non-oil GDP growth (percent change)
Cameroon	13.0	3.4	4.1
Chad	14.8	13.5	3.7
Gabon	33.3	9.0	2.6
Republic of Congo	50.6	24.1	2.3
Equatorial Guinea	18.0	60.3	33.3
Equatorial Guinea, excluding oil derivatives			27.6
Sources: Authorities of Cameroon, Chad, Equatorial Guinea, Gabon, and Republic of Congo, and IMF staff estimates.			

27. **Reducing poverty remains a high priority.** The authorities acknowledged that poverty is high and their program is geared to reducing it. But they expressed concerns about the validity of the recent survey and indicated that they are working with development partners to better measure social indicators.

28. **Implementing the Social Development Fund is critical to mitigating poverty by raising spending for human capital development.** The government has not yet approved disbursement so that work can begin. The authorities indicated that political changes had delayed the initiation of these activities. But continued delay would raise questions about whether the government's commitment is genuine.

29. **Applying a well-designed social safety net will raise social welfare and alleviate the most dire poverty.** The authorities' plan to include a modest food subsidy in the 2009 budget would help address the rising cost of food for vulnerable households. Their proposed arrangement would have the government purchase this food and sell it to small retailers who would then resell it at regulated prices. The mission suggested that this assistance would be better structured as a direct transfer to vulnerable households through food vouchers. The retail fuel subsidy mainly benefits well-off households and keeping the price below the market may lead to gasoline shortages and illegal trade.

30. **Better fiscal management is essential.** Extensive reform encompassing all stages of the budgeting process, particularly procurement, audit, and evaluation, is necessary. The authorities indicated their continued commitment to the EITI and their interest in taking full advantage of World Bank assistance to ensure that the civil society participation requirement is met and other hurdles are overcome.

Box 4. Equatorial Guinea: The Public Investment Program

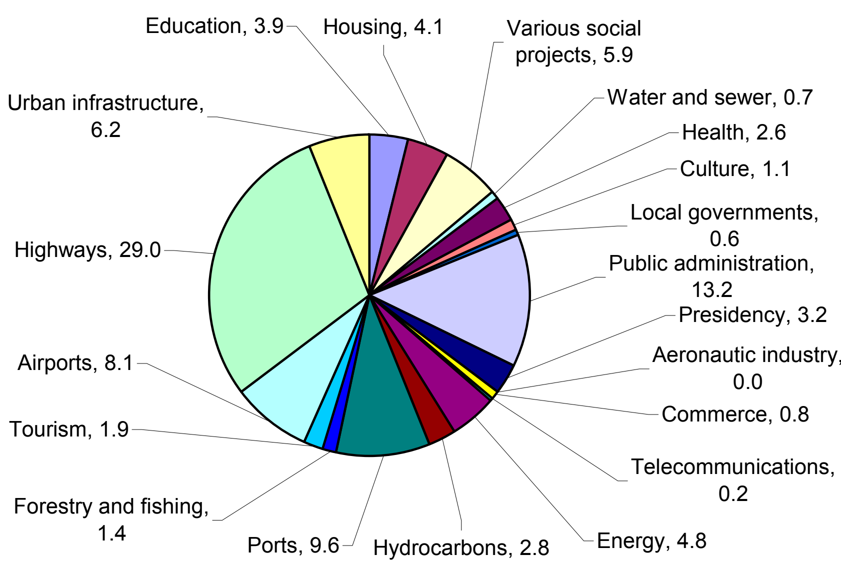
Public Investment Program: Budgeted vs. Actual Spending by Sector (US$ millions)

Budget	2005	2006	2007	Execution	2005	2006	2007
Social	118.1	529.2	562.2	Social	135.4	168.6	389.7
Infrastructure	64.8	65.3	1,047.8	Infrastructure	357.9	667.6	920.6
Productive	141.6	129.7	286.3	Productive	122.0	359.5	455.2
Public Administration	56.3	92.4	147.3	Public Administration	230.3	257.5	360.3
Total	380.7	816.6	2,043.6	Total	845.6	1,453.1	2,125.8

Public Investment Program Budgeted by Sector 2008-2010 by Sector (US$ millions)

Budget	2008	2009	2010
Social	631.2	1,626.2	1,490.6
Infrastructure	985.6	1,355.5	560.0
Productive	731.3	1,249.4	1,643.5
Public Administration	347.3	562.1	392.1
Total	2,695.5	4,793.2	4,086.1

Public Investment Program Budgeted per Sector 2007 (percent share)



Sources: Equatoguinean authorities and IMF staff estimates.

31. **Integrating the social security fund more fully into the state budget would be beneficial.** Benefits and revenues should be structured to ensure that the fund stays actuarially sound and the mission welcomed the authorities' interest to strengthen its sustainability. The BEAC should permit the government to move the social security fund surplus from commercial banks to the central bank to earn a higher interest rate.

32. **The authorities today must manage a diversifying portfolio of assets, which includes reserves in the BEAC, offshore assets, and shares in private corporations.** The authorities were supportive of recent reforms but nonetheless feel that the BEAC needs to continue raising the return on foreign assets under its management. The authorities emphasized the benefits they would gain in sharing the management of the key oil field, by purchasing Devon's minority share. The mission cautioned, however, that the government should avoid concentrating its asset holdings in oil-related investments.

33. **The authorities continue to work with CEMAC partners on trade liberalization.** The CEMAC agreement to relax some import surcharges and tariffs on necessities should help liberalize trade and have immediate benefit for poor consumers.

34. **The mission carried out a Debt Sustainability Analysis applying alternative scenarios for new debt accumulation**. Debt sustainability remains strong under likely scenarios.

B. Strengthening Growth Prospects and Improving the Business Climate

35. **Growth of the non-oil economy will depend on both continued prudent economic management and success in raising total factor and labor productivity.** The authorities intend to create a robust private economy through the implementation of sectoral reforms, but they will need to restrict the role of government to developing human capital and key public infrastructure and providing an attractive legal and regulatory environment. Primary oil and gas production has a relatively short horizon. Realization of the promise of petroleum derivatives will depend on securing imported oil and gas and keeping the investment environment stable and competitive. There are a number of promising areas highlighted in the NDP, such as timber and fishing, manufacturing of wood products, petroleum-related services, and hydroelectric power, but the authorities should make sure that the private sector is the main source of investment. Cocoa and coffee production will be difficult to revive without significant new investments and the ability to attract a committed labor force, but small-scale government training and financing could help build nontraditional agriculture.

36. **Reducing barriers to private sector activities is critical**. The authorities plan to create a better environment for small and medium businesses by improving training and access to credit (through restructuring of INPYDE, a public agency). They should ensure that the interpretation and implementation of the 2006 petroleum law keep Equatorial Guinea competitive with other oil-producing countries. Also essential are improvements to financial services, labor quality, education and health care services, and utilities and transportation infrastructure.

37. **Systematic training of the labor force will help achieve full employment.** The extensive use of foreign workers suggests that jobs are available for well-trained workers. The authorities' plans to expand vocational training and educational opportunities should reinforce the trend toward domestic labor.

38. **A healthy financial sector is vital for boosting non-oil economic growth and supporting diversification**. The sound banking system is a strength but it does not yet play a sufficient intermediation role for the private sector and is overly concentrated on intermediating public spending through short-term lending. The recent abolition of the maximum lending rate will enable the financial sector to price risks more appropriately. Strengthening banks' ability to enforce contracts would further facilitate extension of credit to small and medium businesses.

39. **The authorities are making efforts to combat money laundering, overinvoicing, and tax evasion.** A 2007 temporary ministerial order requires prior authorization of the General Directorate of Banking before money can be transferred abroad. Staff are assessing the consistency of the ministerial order with Equatorial Guinea's obligations under Article VIII, Sections 2 and 3. In 2009, the authorities should ensure that the National Agency for Financial Investigation to combat money laundering and terrorism financing becomes operational.

40. **Improvements in economic statistics are essential to guide policy making. Although some work is underway on strengthening price statistics and national accounts, further progress in these areas continues to be the highest priority** (Box 5). The absence of regular statistics on the labor market outside the public service, and of indicators of poverty to monitor Millennium Development Goal (MDG) progress are serious gaps (Table 10). Improving balance of payments and government finance statistics and the scope of their coverage should remain a priority. Equatorial Guinea should strive to participate in the IMF's General Data Dissemination System. Sufficient resources should be allocated to statistical collection and analysis and trained personnel assigned specifically to these tasks.

Box 5. Equatorial Guinea: Measurement of GDP

- **Output data:** Authoritative data are not produced by the government's statistical agencies on petroleum and other outputs. These data would improve GDP measurement and avoid inconsistencies.

- **Petroleum derivatives:** The BEAC methodology does not account for intermediate consumption in calculating value-added for petroleum derivatives production. In addition, BEAC calculates the national accounts in 1985 constant prices, an out-dated base year. In contrast, IMF staff have adjusted the methodology to rebase national accounts estimates to a 2000 base year and take explicit account of intermediate consumption.

- **Measurement of the non-oil sector:** The BEAC data on output in the non-oil economy outside of petroleum derivatives appear to be implausibly low, in particular in the services sector. IMF staff have adjusted upward estimates in the non-oil economy to capture informal and unrecorded activities. These adjustments imply a modest increase in both nominal GDP and the annual real GDP growth rate in IMF estimates compared to those of BEAC, reflecting the larger weight attributed to the non-oil sector.

IV. Staff Appraisal

41. **Equatorial Guinea's recent robust economic performance reflects growth and diversification within its petroleum industry.** Sound macroeconomic policies have improved fiscal sustainability and prudent lending has strengthened the banking system.

42. **The medium-term prospects are favorable, but improvements in the business environment are critical to sustain growth, diversify the economy, and generate employment.** The economy is vulnerable to swings in the price of oil, and inadequate governance and transparency may limit private sector development.

43. **The NDP, guiding the government's economic strategy until 2020, provides a sound framework to diversify the economy and enhance competitiveness.** The four pillars encompass needed reforms, but the government will need to ensure a proper and limited role for the public sector.

44. **The NDP**'s **fiscal policy, based on a model of permanent income, will help contain inflation and improve long-run fiscal sustainability.** However, the proposed 2009 budget is too expansionary; the increase in capital spending is hard to justify when the share for social sectors is rising only slightly. Strengthening of the fiscal position is thus essential.

45. **Urgent priorities are to ensure that the Social Development Fund programs are introduced and that the budget emphasize human resource development.** The delay in approving spending under the fund is worrisome. Limited human capital undermines diversification, job creation, and poverty alleviation.

46. **Continued efforts to improve fiscal management and transparency are essential to ensure the quality of public spending and build non-oil revenues.** Although the authorities have undertaken useful reforms of tax and customs administration and public expenditure management, the slow progress on these reforms and the EITI are major concerns. Improving tax and customs administration and systems of procurement, audit, and evaluation will require sustained attention.

47. **The authorities' commitment to working with CEMAC partners to improve the governance and management of BEAC is commendable.** The authorities should remit offshore assets to BEAC, which is an appropriate venue for asset management; they should be cautious about concentrating their financial portfolio too heavily in domestic oil assets.

48. **The pegged exchange rate regime has served Equatorial Guinea well**. While its appreciation has been largely consistent with fundamentals, the REER is moderately overvalued. It will be important to enhance competitiveness with a sound fiscal stance, and to undertake meaningful structural reforms that enhance total and factor productivity.

49. **A healthy climate for private sector development is a prerequisite for diversification.** Private investments should underpin development of all key productive sectors. The authorities should ensure that the petroleum and other key laws and regulations

are interpreted and administered so that the economy is attractive to petroleum and other investors.

50. **Although the financial system appears generally sound, it is underdeveloped.** It is crucial that the authorities continue to develop the financial infrastructure to support greater access to borrowing for small and medium businesses and ensure that the National Agency for Financial Investigation becomes operational in 2009.

51. **Data provision has serious shortcomings that seriously hamper surveillance and recent improvements are welcome**. The authorities should not only establish the National Statistical Institute but ensure that it has robust capacity to collect and analyze data.

52. **It is recommended that the next Article IV consultation be held on the standard 12-month cycle.**

Table 1. Equatorial Guinea: Selected Economic and Financial Indicators, 2004–08

	2004	2005	2006	2007	2008 Proj.
	(Annual percentage change, unless otherwise specified)				
Production, prices, and money					
Real GDP	38.0	9.7	1.3	21.4	7.4
Oil and gas GDP (excluding hydrocarbons secondary production)	40.4	6.7	-6.4	11.9	2.5
Non-oil GDP (including hydrocarbons secondary production)	28.4	22.8	29.8	47.2	17.6
GDP deflator	16.9	42.6	14.4	-1.2	29.3
Oil and gas GDP (excluding hydrocarbons secondary production)	19.8	52.7	18.0	0.4	38.5
Non-oil GDP (including hydrocarbons secondary production)	8.6	7.2	8.8	0.9	10.9
Hydrocarbons production (thousands of boe per day)	378.4	401.7	382.0	459.8	464.7
Oil and gas primary production [1]	351.0	367.4	344.8	356.8	335.2
Hydrocarbons secondary production [2]	27.4	34.2	37.3	103.0	129.5
Oil price (U.S. dollars per barrel) [3]	33.7	49.3	60.3	67.1	103.5
Consumer prices (annual average)	4.2	5.7	4.5	2.8	5.9
Consumer prices (end of period)	5.1	3.2	3.8	3.7	6.0
Broad money	33.5	34.7	14.1	41.3	38.2
External sector					
Exports, f.o.b.	65.4	52.2	16.6	23.6	44.8
Hydrocarbons exports	66.9	53.3	16.7	23.5	45.3
Oil primary exports	68.1	52.8	14.7	14.3	43.3
Hydrocarbons secondary exports	51.6	60.9	44.5	126.5	56.0
Imports, f.o.b.	27.7	34.3	-4.8	17.1	55.1
Non-oil sector imports	106.1	48.9	57.9	15.6	69.7
Terms of trade	11.6	33.2	16.5	3.5	24.5
Nominal effective exchange rate (depreciation -)	5.1	-0.1	0.4	5.0	...
Real effective exchange rate (depreciation -)	7.0	2.7	2.1	7.1	...
Government finance					
Revenue and grants	75.0	82.5	36.1	12.8	20.4
Total expenditure and net lending	80.1	25.8	42.3	42.2	9.2
	(Percent of GDP, unless otherwise specified)				
Investment and savings					
Gross investment	43.7	39.9	32.5	35.3	25.8
Public	13.1	10.3	15.1	16.9	13.5
Private	30.6	29.6	17.3	18.4	12.3
Gross national savings	22.1	33.6	39.5	39.6	37.2
Government finance					
Revenue and grants	29.8	34.7	40.8	38.3	33.2
Hydrocarbons revenue	26.4	31.7	37.5	33.9	30.7
Expenditure and net lending	17.4	13.8	17.2	20.3	16.1
Overall balance after grants (cash basis)	12.2	20.4	23.4	19.2	17.1
Non-oil primary balance (cash basis, percent of non-oil GDP) [4]	-64.2	-60.9	-54.6	-49.7	-47.4
External sector					
Current account balance (including official transfers; deficit -)	-21.6	-6.2	7.1	4.3	11.4
Outstanding medium- and long-term public debt	5.6	3.1	1.5	1.0	0.7
Debt service-to-exports ratio (percent)	23.2	54.2	116.8	36.1	7.0
External debt service/government revenue (percent)	1.3	2.6	4.7	1.6	0.4
	(Millions of U.S. dollars, unless otherwise specified)				
Exports, f.o.b.	4,673	7,113	8,290	10,250	14,846
Hydrocarbons exports	4,591	7,040	8,217	10,149	14,743
Oil primary exports	4,300	6,571	7,539	8,613	12,347
Hydrocarbons secondary exports	292	469	678	1,536	2,396
Imports, f.o.b.	-1,580	-2,121	-2,020	-2,365	-3,667
Current account balance (deficit -)	-1,134	-511	679	541	2,225
Overall balance of payments	652	1,384	685	389	716
Outstanding medium- and long-term public debt	323	245	156	136	129
Gross official foreign assets	1,648	2,911	5,078	7,057	8,472
Of which: Reserve assets at the BEAC	945	2,102	3,067	3,846	4,619
Government bank deposits abroad	703	808	2,011	3,211	3,853
Gross official foreign assets (months of next year's imports)	5.5	11.0	16.0	15.2	13.2
Gross official foreign assets (months of next year's imports (excl. petroleum sector)	13.7	17.6	24.9	20.9	16.0
Nominal GDP (billions of CFA francs)	2,769	4,334	5,021	6,026	8,372
Non-oil GDP (including hydrocarbons secondary production)	571	752	1,062	1,578	2,058
Exchange rate (average; CFA francs/U.S. dollar)	528	527	523	479	430

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] Including oil and natural gas.

[2] Including LNG, LPG, butane, propane, and methanol.

[3] The price of oil is the average of three spot prices: dated Brent, West Texas Intermediate, and Dubai Fateh; and includes a discount for quality.

[4] Excluding oil revenues, oil-related expenditures, and interest earned and paid.

Table 2. Equatorial Guinea: Summary of Real Sector Developments, 2004–08

	2004 Est.	2005 Est.	2006 Est.	2007 Est.	2008 Proj.
	GDP by sector of origin				
	(Billions of CFA francs at 2000 prices)				
GDP at market prices	2,716.0	2,980.7	3,018.3	3,665.1	3,937.7
Non-oil GDP	511.0	627.3	814.4	1,199.1	1,409.8
Primary sector	2,300.1	2,458.3	2,312.7	2,585.7	2,646.0
Non-oil	95.1	104.9	108.8	119.6	118.1
Oil	2,205.0	2,353.4	2,203.9	2,466.0	2,527.9
Secondary sector	315.3	411.0	584.1	945.6	1,144.4
Oil derivatives	168.8	221.2	254.1	517.2	609.1
Non-derivatives	146.5	189.9	330.0	428.5	535.2
Tertiary sector	78.8	93.8	101.4	112.9	124.0
Import duties and subsidies	21.7	17.6	20.0	20.9	23.3
	(Annual percentage change in constant prices)				
GDP at market prices	38.0	9.7	1.3	21.4	7.4
Non-oil GDP	28.4	22.8	29.8	47.2	17.6
Primary sector	38.2	6.9	-5.9	11.8	2.3
Non-oil	0.8	10.3	3.7	10.0	-1.3
Oil	40.4	6.7	-6.4	11.9	2.5
Secondary sector	55.1	30.3	42.1	61.9	21.0
Oil derivatives	30.8	31.0	14.9	103.5	17.8
Non-derivatives	97.4	29.6	73.8	29.8	24.9
Tertiary sector	14.9	19.1	8.1	11.3	9.9
Import duties and subsidies	-31.4	-19.2	14.0	4.2	11.4
	(Percent of GDP)				
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Non-oil GDP	18.8	21.0	27.0	32.7	35.8
Primary sector	84.7	82.5	76.6	70.5	67.2
Non-oil	3.5	3.5	3.6	3.3	3.0
Oil	81.2	79.0	73.0	67.3	64.2
Secondary sector	11.6	13.8	19.4	25.8	29.1
Oil derivatives	6.2	7.4	8.4	14.1	15.5
Non-derivatives	5.4	6.4	10.9	11.7	13.6
Tertiary sector	2.9	3.1	3.4	3.1	3.2
Import duties and subsidies	0.8	0.6	0.7	0.6	0.6
	GDP by use of resources				
	(Billions of CFA francs at current prices)				
GDP at market prices	2,768.7	4,334.4	5,021.4	6,026.4	8,372.3
Net factor income from abroad	-1,547.5	-2,133.3	-2,321.6	-2,828.6	-3,030.3
Gross national product	1,221.2	2,201.1	2,699.8	3,197.8	5,342.0
Unrequited transfers	-24.3	-35.2	-17.6	-21.9	-35.8
Gross disposable income	1,196.9	2,165.9	2,682.2	3,175.9	5,306.3
Consumption	584.9	707.8	696.3	790.7	2,189.7
National savings	612.0	1,458.1	1,986.0	2,385.2	3,116.6
Gross capital formation	1,210.8	1,727.7	1,630.7	2,126.0	2,158.9
External current account	-598.8	-269.5	355.2	259.2	957.7
Trade balance	973.0	1,898.9	2,694.4	3,109.8	4,023.8
	(Percent of GDP)				
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Net factor income from abroad	-55.9	-49.2	-46.2	-46.9	-36.2
Gross national product	44.1	50.8	53.8	53.1	63.8
Unrequited transfers	-0.9	-0.8	-0.4	-0.4	-0.4
Gross disposable income	43.2	50.0	53.4	52.7	63.4
Consumption	21.1	16.3	13.9	13.1	26.2
National savings	22.1	33.6	39.5	39.6	37.2
Gross capital formation	43.7	39.9	32.5	35.3	25.8
External current account	-21.6	-6.2	7.1	4.3	11.4
Trade balance	35.1	43.8	53.7	51.6	48.1

Sources: Equatoguinean authorities; and staff estimates and projections.

Table 3. Equatorial Guinea: Balance of Payments, 2004–08 [1]

(Millions of U.S. dollars, unless otherwise specified)

	2004 Est.	2005 Est.	2006 Est.	2007 Est.	2008 Proj.
Current account	-1,134	-511	679	541	2,225
Trade balance	3,093	4,992	6,270	7,885	11,179
Exports of goods, f.o.b.	4,673	7,113	8,290	10,250	14,846
Hydrocarbons exports	4,591	7,040	8,217	10,149	14,743
Crude oil	4,300	6,571	7,539	8,613	12,347
Liquefied natural gas	0	0	0	584	1,174
Liquefied petroleum gas	29	133	380	446	540
Methanol	263	336	299	507	682
Timber	56	50	48	71	68
Cocoa	6	3	2	2	3
Coffee	0	0	0	0	0
Other	19	20	23	27	32
Imports of goods, f.o.b.	-1,580	-2,121	-2,020	-2,365	-3,667
Petroleum sector	-944	-1,174	-525	-636	-733
Petroleum products	-62	-95	-114	-149	-281
Public sector equipment	-481	-697	-1,189	-1,319	-2,101
Other [2]	-93	-155	-192	-260	-552
Services (net)	-1,251	-1,392	-1,117	-1,397	-1,832
Income	-2,929	-4,044	-4,440	-5,902	-7,039
Investment income (net) [3]	-2,810	-3,862	-4,249	-5,662	-6,610
Current transfers	-46	-67	-34	-46	-83
Public	20	20	-3	-3	-4
Private	-66	-87	-31	-43	-80
Capital and financial account	1,757	1,845	109	-422	-1,508
Capital account	0	0	0	0	0
Financial account	1,757	1,845	109	-422	-1,508
Direct investment	1,652	1,869	1,739	1,716	-570
Direct investment to Equatorial Guinea [4]	1,652	1,869	1,739	1,716	-570
Portfolio investment (net)	0	0	0	0	0
Other investment (net)	105	-24	-1,630	-2,137	-938
Medium- and long-term transactions	-14	-45	-84	-22	-11
General government	-8	-36	-95	-36	-9
Of which: Amortization	-8	-36	-95	-36	-9
Banks	0	0	0	0	0
Other sectors	-6	-9	11	13	-1
Short-term transactions	119	21	-1,546	-2,115	-928
General government [4, 5]	-26	-105	-1,203	-1,831	-624
Banks	-26	-52	49	-84	-103
Other sectors	170	178	-392	-200	-200
Errors and omissions	29	50	-103	269	0
Overall balance	652	1,384	685	389	716
Financing	-652	-1,384	-685	-389	-716
Change in net international reserves [6] (increase -)	-629	-1,354	-685	-389	-716
Memorandum items:					
Gross official foreign assets	1,648	2,911	5,078	7,057	8,472
Of which: Reserve assets at the BEAC	945	2,102	3,067	3,846	4,619
Government bank deposits abroad	703	808	2,011	3,211	3,853
Gross official foreign assets (months of next year's imports)	5.5	11.0	16.0	15.2	13.2
Gross official foreign assets (months of next year's imports, excluding petroleum sector)	13.7	17.6	24.9	20.9	16.0
Current account balance (percent of GDP; deficit -)	-21.6	-6.2	7.1	4.3	11.4
Overall balance (percent of GDP; deficit -)	12.4	16.8	7.1	3.1	3.7
Growth of oil exports, including petroleum derivatives (percent)	66.9	53.3	16.7	23.5	45.3
Growth of non-oil exports, excluding petroleum derivatives (percent)	8.9	-10.0	0.1	37.1	2.4
Growth of other imports [2] (percent)	13.4	3.2	18.5	16.3	18.2

Sources: Equatoguinean authorities; and staff estimates and projections.

[1] The BOP data in this table are not compiled in accordance with the IMF's Balance of Payments Manual, fifth edition. The historic data have not been derived from customs' and bank records' data, but from estimates of BEAC. Fund staff have made ad hoc adjustments to the data.

[2] Including private sector consumption and investment imports.

[3] Including investment income of oil companies, which includes reinvested earnings (with an offsetting entry in foreign direct investment).

[4] Includes purchase of Devon's share of oil fields for $2.2.billion in 2008 by Equatorial Guinea.

[5] Since 2000, entries represent changes in government deposits in commercial banks abroad.

[6] Consists only of items on the balance sheet of the BEAC (i.e., excluding government bank deposits abroad).

Table 4a. Equatorial Guinea: Summary of Central Government Financial Operations, 2005–08
(Billions of CFA francs, unless otherwise specified)

	2005	2006	2007	2008 Budget	2008 Proj.
Total revenue and grants	1,504.2	2,047.1	2,308.5	2,224.2	2,780.6
Revenue	1,504.2	2,047.1	2,308.5	2,219.0	2,780.6
Tax revenue	371.0	510.0	472.8	631.4	637.6
Taxes on income, profits, and capital gains	337.9	466.9	424.6	571.5	577.8
Personal income tax	33.3	34.4	62.3	40.7	48.9
Corporate income tax	304.4	432.3	361.8	530.5	530.5
Other income taxes	0.1	0.2	0.5	0.3	0.3
Domestic taxes on goods and services[1]	22.1	28.8	30.3	43.3	43.3
Taxes on international trade and transactions	8.1	10.2	12.8	11.0	11.9
Other taxes	2.9	4.0	5.2	5.6	4.7
Nontax revenue	1,133.1	1,537.1	1,835.7	1,587.7	2,143.0
Hydrocarbons sector	1,089.4	1,476.0	1,702.0	1,503.8	2,067.3
Royalties	462.6	969.9	1,130.6	455.1	655.4
Profit sharing	573.5	500.3	469.5	1,048.0	1,411.3
Bonuses and rents	53.2	5.8	101.9	0.7	0.7
Non hydrocarbons sector	43.7	61.1	133.7	83.8	75.6
Nontax revenue excluding interest on saving funds	31.2	43.9	94.4	45.8	37.6
Interest on saving funds	12.6	17.2	39.4	38.0	38.0
Grants	0.0	0.0	0.0	5.2	0.0
Total expenditure and net lending	621.9	869.7	1,151.9	1,347.2	1,347.1
Current expenditure	163.3	199.4	214.3	216.7	216.7
Wages and salaries	36.6	40.6	52.5	55.9	55.9
Goods and services	82.0	87.5	85.4	93.1	93.1
Interest payments	1.7	1.2	0.5	1.3	1.3
Domestic	0.5	0.3	0.1	0.6	0.6
Foreign	1.2	0.8	0.4	0.7	0.7
Transfers and subsidies	43.0	70.2	75.9	66.5	66.5
Transfers	0.7	5.6	10.1	7.8	7.8
Subsidies	42.3	64.5	65.8	58.7	58.7
Other current expenditure	0.0	0.0	0.0	0.0	0.0
Capital expenditure	446.0	667.6	928.5	1,130.4	1,130.4
Foreign financed	0.0	0.0	0.0	0.0	0.0
Domestically financed	446.0	667.6	1,018.8	1,130.4	1,130.4
Net lending	0.0	0.0	0.0	0.0	0.0
Domestic arrears payments	12.6	2.6	9.1	0.0	0.0
Reimbursement to depositors[2]	12.6	2.6	9.1	0.0	0.0
Overall balance	882.2	1,177.4	1,156.6	877.0	1,433.5
Total financing	-882.2	-1,177.4	-1,156.6	-877.0	-1,433.5
Foreign borrowing (net)	-74.7	-676.2	-860.6	391.0	-272.7
Budget support loans	0.0	0.0	0.0	10.0	0.0
Amortization (-)	-19.1	-49.8	-9.6	-18.0	-4.0
Exceptional financing	-55.6	-626.4	-851.0	399.0	-268.6
Treasury deposits abroad (-=increase)	-60.5	-533.6	-731.5	399.0	-268.6
Gepetrol/Sonagas deposits abroad (-=increase)	5.0	-92.8	-110.4	0.0	0.0
Domestic borrowing (net)	-695.4	-326.6	-170.0	-175.4	-68.2
Net acquisition of non-financial assets[3]	-114.7	-127.7	-90.3	-1,092.6	-1,092.6
Errors and omissions/financing gap[4]	2.6	-46.9	-35.7	0.0	0.0
Overall balance	882.2	1,177.4	1,156.6	877.0	1,433.5
percent of GDP	20.4	23.4	19.2	10.5	17.1
Non oil primary balance[5]	-458.2	-580.1	-784.9	-968.0	-975.1
percent of non-oil GDP	-60.9	-54.6	-49.7	-47.0	-47.4
Nominal GDP	4,334.4	5,021.4	6,026.4	8,372.3	8,372.3
Nominal non-oil GDP	752.3	1,062.3	1,578.2	2,058.0	2,058.0

Sources: data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

[2] Related to the crash of the banking system during the early 1980s

[3] Includes all equity purchases of the government and in 2008-2010 it is mainly related to the $2.2 billion purchase of Devon Energy's assets in Equatorial Guinea.

[4] Errors and omissions financing gap for 2007 is partly influenced by lack of data on deposits abroad for that year.

[5] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and non tax revenue plus hydrocarbons revenue generated in the secondary LNG, LPG and methanol production and purchase of share in hydrocarbons projects, minus interest on saving funds plus interest expenditure (please see detailed hydrocarbons revenues in table 4c).

Table 4b. Equatorial Guinea: Summary of Central Government Financial Operations, 2005–08
(percent of GDP, unless otherwise specified)

	2005	2006	2007	2008 Budget	2008 Proj.
Total revenue and grants	34.7	40.8	38.3	26.6	33.2
Revenue	34.7	40.8	38.3	26.5	33.2
Tax revenue	8.6	10.2	7.8	7.5	7.6
Taxes on income, profits, and capital gains	7.8	9.3	7.0	6.8	6.9
Personal income tax	0.8	0.7	1.0	0.5	0.6
Corporate income tax	7.0	8.6	6.0	6.3	6.3
Other income taxes	0.0	0.0	0.0	0.0	0.0
Domestic taxes on goods and services[1]	0.5	0.6	0.5	0.5	0.5
Taxes on international trade and transactions	0.2	0.2	0.2	0.1	0.1
Other taxes	0.1	0.1	0.1	0.1	0.1
Nontax revenue	26.1	30.6	30.5	19.0	25.6
Hydrocarbons sector	25.1	29.4	28.2	18.0	24.7
Royalties	10.7	19.3	18.8	5.4	7.8
Profit sharing	13.2	10.0	7.8	12.5	16.9
Primary oil and gas production	12.2	7.2	5.4	10.2	14.5
Secondary LNG, LPG, methanol production	1.1	2.8	2.3	2.3	2.3
Bonuses and rents	1.2	0.1	1.7	0.0	0.0
Non hydrocarbons sector	1.0	1.2	2.2	1.0	0.9
Nontax revenue excluding interest on saving funds	0.7	0.9	1.6	0.5	0.4
Interest on saving funds	0.3	0.3	0.7	0.5	0.5
Revenue gap	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.1	0.0
Total expenditure and net lending	14.3	17.3	19.1	16.1	16.1
Current expenditure	3.8	4.0	3.6	2.6	2.6
Wages and salaries	0.8	0.8	0.9	0.7	0.7
Goods and services	1.9	1.7	1.4	1.1	1.1
Interest payments	0.0	0.0	0.0	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0
Transfers and subsidies	1.0	1.4	1.3	0.8	0.8
Transfers	0.0	0.1	0.2	0.1	0.1
Subsidies	1.0	1.3	1.1	0.7	0.7
Other current expenditure	0.0	0.0	0.0	0.0	0.0
Capital expenditure	10.3	13.3	15.4	13.5	13.5
Foreign financed	0.0	0.0	0.0	0.0	0.0
Domestically financed	10.3	13.3	16.9	13.5	13.5
Net lending	0.0	0.0	0.0	0.0	0.0
Domestic arrears payments	0.3	0.1	0.2	0.0	0.0
Reimbursement to depositors[2]	0.3	0.1	0.2	0.0	0.0
Overall balance	20.4	23.4	19.2	10.5	17.1
Total financing	-20.4	-23.4	-19.2	-10.5	-17.1
Foreign borrowing (net)	-1.7	-13.5	-14.3	4.7	-3.3
Budget support loans	0.0	0.0	0.0	0.1	0.0
Amortization (-)	-0.4	-1.0	-0.2	-0.2	0.0
Exceptional financing	-1.3	-12.5	-14.1	4.8	-3.2
Payment of external arrears (-)	0.0	0.0	-0.2	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0
Treasury deposits abroad (-=increase)	-1.4	-10.6	-12.1	4.8	-3.2
Gepetrol/Sonagas deposits abroad (-=increase)	0.1	-1.8	-1.8	0.0	0.0
Domestic borrowing (net)	-16.0	-6.5	-2.8	-2.1	-0.8
Net acquisition of non-financial assets[3]	-2.6	-2.5	-1.5	-13.1	-13.1
Errors and omissions/financing gap[4]	0.1	-0.9	-0.6	0.0	0.0
Memorandum items:					
Overall balance	882.2	1,177.4	1,156.6	877.0	1,433.5
as percent of GDP	20.4	23.4	19.2	10.5	17.1
Non oil primary balance[5]					
percent of non-oil GDP	-60.9	-54.6	-49.7	-47.0	-47.4

Sources: data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

[2] Related to the crash of the banking system during the early 1980s.

[3] Includes all equity purchases of the government; in 2008 this is mainly related to the $2.2 billion purchase of Devon Energy's assets in Equatorial Guinea.

[4] Errors and omissions financing gap for 2007 is partly influenced by lack of data on deposits abroad for that year.

[5] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and non tax revenue plus hydrocarbons revenue generated in the secondary LNG, LPG and methanol production and purchase of share in hydrocarbon projects, minus interest on saving funds plus interest expenditure (see hydrocarbons revenues in table 4c).

Table 4c. Equatorial Guinea: Detailed Central Government Revenue, 2005–08
(Billions of CFA francs, unless otherwise specified)

	2005	2006	2007	2008 Budget	2008 Proj.
Total revenue and grants	1,504.2	2,047.1	2,308.5	2,224.2	2,780.6
Revenue	1,504.2	2,047.1	2,308.5	2,219.0	2,780.6
Tax revenue	371.0	510.0	472.8	631.4	637.6
Taxes on income, profits, and capital gains	337.9	466.9	424.6	571.5	577.8
Personal income tax	33.3	34.4	62.3	40.7	48.9
Hydrocarbons sector	25.9	23.6	53.6	28.0	37.4
Non hydrocarbons sector	7.4	10.7	8.7	12.7	11.5
Corporate income tax	304.4	432.3	361.8	530.5	530.5
Hydrocarbons sector	286.2	406.5	341.8	501.2	501.2
Contractors	67.2	331.7	253.9	381.2	381.2
Sub-contractors	219.0	74.7	87.9	120.0	120.0
Non hydrocarbons sector	18.3	25.9	20.0	29.3	29.3
Other income taxes	0.1	0.2	0.5	0.3	0.3
Domestic taxes on goods and services	22.1	28.8	30.3	43.3	43.3
Value added tax[1]	15.0	21.3	22.9	35.0	35.0
Petroleum taxes	7.1	7.5	7.6	8.3	8.3
Other domestic taxes on goods and services	0.0	0.0	-0.2	0.0	0.0
Taxes on international trade and transactions	8.1	10.2	12.8	11.0	11.9
Import tariffs	4.0	5.3	6.5	5.9	11.9
Export taxes	4.1	4.9	6.3	5.1	0.0
Other taxes	2.9	4.0	5.2	5.6	4.7
Nontax revenue	1,133.1	1,537.1	1,835.7	1,587.7	2,143.0
Hydrocarbons sector	1,089.4	1,476.0	1,702.0	1,503.8	2,067.3
Royalties	462.6	969.9	1,130.6	455.1	655.4
Profit sharing	573.5	500.3	469.5	1,048.0	1,411.3
Primary oil and gas production	527.5	359.2	328.4	851.3	1,214.6
Secondary LNG, LPG, and methanol production	46.0	141.1	141.1	196.7	196.7
Bonuses and rents	53.2	5.8	101.9	0.7	0.7
Non hydrocarbons sector	43.7	61.1	133.7	83.8	75.6
Nontax revenue excluding interest on saving funds	31.2	43.9	94.4	45.8	37.6
Interest on saving funds	12.6	17.2	39.4	38.0	38.0
Grants	0.0	0.0	0.0	5.2	0.0

Sources: data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

Table 5a. Equatorial Guinea: Monetary Survey, 2004–08

(Billions of CFA francs, unless otherwise specified; end of period)

	2004 Dec.	2005 Dec.	2006 Dec.	2007 Dec. Prel.	2008 Mar. Prel.	2008 Dec. Proj.
Monetary survey						
Net foreign assets	499.6	1,241.0	1,573.9	1,804.3	1,986.4	2,157.2
(millions of U.S. dollars)	1,037.3	2,231.8	3,160.1	4,049.2	4,788.2	4,927.6
Net domestic assets	-292.4	-961.9	-1,255.4	-1,322.4	-1,488.9	-1,424.5
Domestic credit	-269.2	-933.6	-1,224.6	-1,340.4	-1,520.0	-1,327.8
Claims on government (net)	-332.0	-1,027.4	-1,354.0	-1,524.0	-1,758.7	-1,612.2
Claims on non-government	62.8	93.8	129.5	183.7	238.7	284.5
Other items (net)	-23.2	-28.3	-30.8	18.0	31.1	-96.8
Broad money (M2)	207.2	279.1	318.5	449.9	417.3	621.8
Currency	45.7	57.7	68.2	80.9	73.6	101.7
Deposits	161.4	221.4	250.3	369.0	343.8	520.2
Memorandum items:						
CPI inflation (average annual)	4.2	5.7	4.5	2.8	5.9	5.9
Broad money (M2)	33.5	34.7	14.1	41.3	15.9	38.2
Reserve money (RM)	25.1	77.9	5.4	28.1	-34.0	25.9
Credit to the private sector	22.3	48.8	34.8	40.5	115.6	49.1
Credit to the private sector (percent of non-oil GDP, excluding oil derivatives)	14.8	18.7	17.6	19.8	28.7	24.1
Broad money (percent of overall GDP)	7.5	6.4	6.3	7.5	7.5	7.4
Velocity (overall GDP/end-of-period M2)	13.4	15.5	15.8	13.4	13.4	13.5
Velocity (non-oil GDP excluding oil derivatives/end-of-period M2)	2.0	1.8	2.2	2.0	1.9	1.7
Reserve money multiplier (M2/RM)	1.4	1.0	1.1	1.2	1.6	1.4
Currency/M2 ratio	0.2	0.2	0.2	0.2	0.2	0.2
Lending rate[1]	18.0	17.0	15.0	15.0	15.0	n.a.
Deposit rate	5.0	4.8	4.3	4.3	4.3	3.3

Sources: BEAC and staff estimates and projections.

[1] Lending rates are not regulated by BEAC, beginning July 2008.

Table 5b. Equatorial Guinea: Central Bank and Commercial Banks, 2004–08

(Billions of CFA francs, unless otherwise specified; end of period)

	2004	2005	2006	2007	2008	
	Dec.	Dec.	Dec.	Dec. Prel.	Mar. Prel.	Dec. Proj.
Central Bank						
Net foreign assets	450.3	1,164.2	1,523.0	1,713.2	1,895.5	2,021.6
(millions of U.S. dollars)	935.0	2,093.8	3,057.9	3,844.7	4,569.2	4,617.8
Net domestic assets	-299.7	-896.5	-1,240.8	-1,351.6	-1,641.5	-1,566.5
Claims on government (net)	-302.4	-899.2	-1,243.0	-1,401.6	-1,652.2	-1,469.7
Claims on commercial banks (net)	0.0	0.0	0.0	0.0	0.0	0.0
Claims on rest of the economy	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	2.6	2.7	2.3	49.9	10.7	-96.8
Reserve money	150.5	267.8	282.3	361.5	254.0	455.0
Currency outside banks	45.7	57.7	68.2	80.9	73.6	101.7
Bank reserves	104.7	210.0	213.4	279.8	179.6	353.4
Cash	7.3	9.2	11.0	13.1	12.4	16.5
Deposits	97.4	200.8	202.3	266.8	167.2	336.9
Nonbank deposits	0.1	0.1	0.7	0.8	0.9	0.0
Deposit money banks						
Net foreign assets	49.3	76.8	50.9	91.1	90.9	135.7
(millions of U.S. dollars)	102.4	138.1	102.2	204.5	219.1	309.9
Net domestic assets	112.1	144.5	198.7	277.9	323.5	495.4
Reserves	104.7	210.0	213.4	248.6	170.9	353.4
Cash	7.3	9.2	11.0	13.1	12.0	16.5
Deposits with central bank	97.4	200.8	202.3	235.6	158.9	336.9
Required reserves	14.9	26.4	37.0	64.4	0.0	79.5
Excess reserves	82.5	174.4	165.3	171.1	158.9	257.5
Domestic credit	33.2	-34.4	18.4	61.2	132.2	142.0
Claims on central bank (net)	0.0	0.0	0.0	0.0	0.0	0.0
Claims on government (net)	-29.6	-128.3	-111.0	-122.5	-106.5	-142.5
Claims	5.8	3.5	3.7	1.7	3.7	1.7
Deposits	-35.4	-131.8	-114.8	-124.2	-110.1	-144.2
Claims on non-government	62.8	93.8	129.5	183.7	238.7	284.5
Public enterprises	0.8	1.4	4.9	8.7	9.5	23.6
Private sector	62.1	92.4	124.5	174.9	229.2	260.8
Other items (net)	-25.9	-31.0	-33.1	-31.9	20.4	0.0
Deposit liabilities to nonbank residents	161.4	221.4	250.3	369.0	343.8	520.2

Sources: Data provided by Equatoguinean authorities; and staff estimates and projections.

Table 6. Equatorial Guinea: Financial Soundness Indicators for the Banking Sector, 2002–07
(Percent)

	2002	2003	2004	2005	2006	2007
Capital						
Regulatory capital to risk-weighted assets [1, 2]	7.2	11.0	12.4	9.2	13.0	8.6
Tier 1 capital to risk-weighted assets [2]	6.0	9.8	11.1	8.0	11.8	7.4
Capital to total assets [3]	7.8	7.9	8.9	5.6	7.0	5.8
Asset quality						
Nonperforming loans (gross) to total loans (gross)	8.7	…	13.5	17.2	14.3	10.8
Nonperforming loans (net of provisions) to regulatory capital [1]	…	…	23.9	38.3	15.8	1.2
Loan loss provisions to nonperforming loans	…	…	71.4	67.0	79.9	98.6
Earnings and Profitability						
Return on assets [4]	2.4	2.2	1.9	1.9	1.7	3.3
Return on equity [5]	29.4	27.6	22.1	27.5	26.5	52.8
Liquidity						
Ratio of net loans to total deposits [6]	48.3	35.3	43.6	29.1	37.3	37.4

Source: Staff estimates based on COBAC data and FSI definitions from IMF's "Compilation Guide on Financial Soundness Indicators".

[1] Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

[2] The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

[3] Current year profits are excluded from the definition of capital (i.e., shareholders' funds).

[4] The ratio of after-tax profits to the average of beginning and end-period total assets. The numbers for 2007 are preliminary and to be confirmed by the authorities.

[5] The ratio of after-tax profits to the average of beginning and end-period shareholders' funds (excluding current-year profits). The numbers for 2007 are preliminary and to be confirmed by the authorities.

[6] Including government deposits.

Table 7. Equatorial Guinea: Selected Medium-Term Economic and Financial Indicators, 2008–13

	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.
	(Annual percentage change, unless otherwise specified)					
Production, prices, and money						
Real GDP	7.4	4.6	4.1	4.5	4.6	2.5
Oil and gas GDP (excluding hydrocarbons secondary production)	2.5	-7.3	-2.7	2.1	0.1	-15.0
Non-oil GDP (including hydrocarbons secondary production)	17.6	26.0	13.1	7.2	9.4	19.9
GDP deflator	29.3	-5.8	0.4	0.9	-0.1	-2.9
Oil and gas GDP (excluding hydrocarbons secondary production)	38.5	-4.2	1.6	0.3	-0.5	-1.2
Non-oil GDP (including hydrocarbons secondary production)	10.9	2.0	3.1	3.3	2.9	2.1
Hydrocarbons production (thousands of boe per day)	464.7	446.1	428.4	443.9	448.4	460.9
Oil and gas primary production [1]	335.2	303.7	292.4	300.5	300.7	242.7
Hydrocarbons secondary production [2]	129.5	142.4	136.1	143.5	147.7	218.2
Oil price (U.S. dollars per barrel) [3]	103.5	97.0	99.8	100.0	100.0	100.0
Consumer prices (annual average)	5.9	6.0	5.6	5.2	4.8	4.6
Consumer prices (end of period)	6.0	6.0	5.3	5.0	4.7	4.5
Broad money	38.2	45.0	29.4	14.7	17.3	17.1
External sector						
Exports, f.o.b.	44.8	-11.2	-1.2	3.4	0.8	-7.6
Hydrocarbons exports	45.3	-11.4	-1.3	3.4	0.7	-7.8
Oil primary exports	43.3	-15.4	-1.1	3.1	0.1	-19.9
Hydrocarbons secondary exports	56.0	9.0	-1.8	4.3	3.1	38.7
Imports, f.o.b.	55.1	53.6	-4.0	-0.1	-9.0	-0.6
Non-oil sector imports	69.7	66.6	-7.0	0.9	-3.4	-0.8
Terms of trade	24.5	-6.6	1.3	-0.7	-1.4	-1.3
Government finance						
Revenue and grants	20.4	-6.2	-3.7	7.6	-6.1	-8.4
Total expenditure and net lending	9.2	74.2	-6.1	-3.1	-2.1	4.1
	(Percent of GDP, unless otherwise specified)					
Investment and savings						
Gross investment	25.8	40.6	39.2	36.3	28.3	29.8
Public	13.5	24.3	19.5	16.7	14.4	13.9
Private	12.3	16.4	19.7	19.6	14.0	15.9
Gross national savings	37.2	38.4	35.8	35.5	30.4	29.5
Government finance						
Revenue and grants	33.2	31.6	29.1	29.7	26.7	24.6
Hydrocarbons revenue	30.7	28.4	25.4	25.7	22.5	19.9
Expenditure and net lending	16.1	28.5	25.5	23.5	22.0	23.0
Overall balance after grants (cash basis)	17.1	3.2	3.6	6.2	4.7	1.6
Non-oil primary balance (cash basis, percent of non-oil GDP) [4]	-47.4	-73.1	-57.6	-48.9	-41.7	-31.2
External sector						
Current account balance (including official transfers; deficit -)	11.4	-2.2	-3.4	-0.8	2.1	-0.2
Outstanding medium- and long-term public debt	0.7	0.7	0.6	0.5	0.5	0.5
Debt service-to-exports ratio (percent)	7.0	4.8	5.0	4.5	4.5	0.0
External debt service/government revenue (percent)	0.4	0.2	0.3	0.2	0.2	0.3
	(Millions of U.S. dollars, unless otherwise specified)					
Exports, f.o.b.	14,846	13,176	13,024	13,469	13,576	12,539
Hydrocarbons exports	14,743	13,062	12,897	13,330	13,422	12,373
Oil primary exports	12,347	10,450	10,333	10,654	10,662	8,545
Hydrocarbons secondary exports	2,396	2,612	2,565	2,676	2,759	3,828
Imports, f.o.b.	-3,667	-5,633	-5,405	-5,401	-4,916	-4,887
Current account balance (deficit -)	2,225	-418	-672	-171	469	-53
Overall balance of payments	716	397	558	518	524	669
Outstanding medium- and long-term public debt	129	125	119	115	110	105
Gross official foreign assets	8,472	9,377	10,529	12,126	13,517	14,505
Of which: Reserve assets at the BEAC	4,619	5,039	5,619	6,161	6,712	7,412
Government bank deposits abroad	3,853	4,338	4,909	5,965	6,805	7,093
Gross official foreign assets (months of next year's imports)	13.2	15.0	16.6	20.7	23.1	25.8
Gross official foreign assets (months of next year's imports, excluding petroleum sector)	16.0	18.7	20.6	24.5	27.1	32.8
Nominal GDP (billions of CFA francs)	8,372	8,247	8,625	9,092	9,501	9,457
Non-oil GDP (including hydrocarbons secondary production)	2,058	2,643	3,084	3,416	3,848	4,711

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] Including oil equivalent of gas.
[2] Including oil equivalent of LNG, LPG, butane, propane, and methanol.
[3] The price of oil is the average of three spot prices: dated Brent, West Texas Intermediate, and Dubai Fateh; and includes a discount for quality.
[4] Excluding oil revenues, oil-related expenditures, and interest earned and paid.

Table 8. Equatorial Guinea: Balance of Payments, 2008–13 [1]

(Millions of U.S. dollars, unless otherwise specified)

	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.
Current account	2,225	-418	-672	-171	469	-53
Trade balance	11,179	7,543	7,619	8,069	8,660	7,652
Exports of goods, f.o.b.	14,846	13,176	13,024	13,469	13,576	12,539
Hydrocarbons exports	14,743	13,062	12,897	13,330	13,422	12,373
Crude oil	12,347	10,450	10,333	10,654	10,662	8,545
Liquefied natural gas	1,174	1,382	1,316	1,490	1,530	2,586
Liquefied petroleum gas	540	561	520	499	500	537
Methanol	682	669	729	687	730	705
Timber	68	59	60	61	62	63
Cocoa	3	3	3	2	2	2
Coffee	0	0	0	0	0	0
Other	32	52	64	76	90	102
Imports of goods, f.o.b.	-3,667	-5,633	-5,405	-5,401	-4,916	-4,887
Petroleum sector	-733	-747	-863	-820	-492	-498
Petroleum products	-281	-365	-439	-460	-506	-532
Public sector equipment	-2,101	-3,527	-2,713	-2,452	-2,216	-2,138
Other [2]	-552	-993	-1,391	-1,669	-1,702	-1,719
Services (net)	-1,832	-2,032	-2,050	-2,127	-2,062	-2,079
Income	-7,039	-5,821	-6,111	-5,955	-5,946	-5,425
Investment income (net) [3]	-6,610	-5,306	-5,467	-5,183	-5,019	-4,451
Current transfers	-83	-109	-131	-157	-184	-202
Public	-4	-11	-11	-11	-11	-11
Private	-80	-98	-119	-146	-172	-190
Capital and financial account	-1,508	815	1,230	689	56	721
Capital account	0	0	0	0	0	0
Financial account	-1,508	815	1,230	689	56	721
Direct investment	-570	1,659	2,157	2,049	1,229	1,106
Direct investment to Equatorial Guinea [4]	-570	1,659	2,157	2,049	1,229	1,106
Portfolio investment (net)	0	0	0	0	0	0
Other investment (net)	-938	-844	-927	-1,360	-1,174	-385
Medium- and long-term transactions	-11	-8	-11	-13	-11	-8
General government	-9	-5	-6	-5	-5	-5
Of which: Amortization	-9	-5	-6	-5	-5	-5
Banks	0	0	0	0	0	0
Other sectors	-1	-3	-6	-8	-6	-3
Short-term transactions	-928	-835	-915	-1,347	-1,162	-376
General government [4, 5]	-624	-474	-561	-1,044	-826	-272
Banks	-103	-161	-154	-103	-137	-158
Other sectors	-200	-200	-200	-200	-200	53
Errors and omissions	0	0	0	0	0	0
Overall balance	716	397	558	518	524	669
Financing	-716	-397	-558	-518	-524	-669
Change in net international reserves [6] (increase -)	-716	-397	-558	-518	-524	-669
Memorandum items:						
Gross official foreign assets	8,472	9,377	10,529	12,126	13,517	14,505
Of which: Reserve assets at the BEAC	4,619	5,039	5,619	6,161	6,712	7,412
Government bank deposits abroad	3,853	4,338	4,909	5,965	6,805	7,093
Gross official foreign assets (months of next year's imports)	13.2	15.0	16.6	20.7	23.1	25.8
Gross official foreign assets (months of next year's imports, excluding petroleum sector)	16.0	18.7	20.6	24.5	27.1	32.8
Current account balance (percent of GDP; deficit -)	11.4	-2.2	-3.4	-0.8	2.1	-0.2
Overall balance (percent of GDP; deficit -)	3.7	2.1	2.8	2.5	2.4	3.0
Growth of oil exports, including petroleum derivatives (percent)	45.3	-11.4	-1.3	3.4	0.7	-7.8
Growth of non-oil exports, excluding petroleum derivatives (percent)	2.4	10.6	11.2	10.0	10.7	8.1
Growth of other imports (percent)	18.2	63.9	22.7	18.6	18.5	12.8

Sources: Equatoguinean authorities; and staff estimates and projections.

[1] The BOP data in this table are not compiled in accordance with the IMF's Balance of Payments Manual, fifth edition. The historic data have not been derived from customs' and bank records' data, but from estimates of BEAC. Fund staff have made ad hoc adjustments to the data.

[2] Including private sector consumption and investment imports.

[3] Including investment income of oil companies, which includes reinvested earnings (with an offsetting entry in foreign direct investment).

[4] Includes purchase of Devon's share of oil fields for $2.2.billion in 2008 by Equatorial Guinea.

[5] Since 2000, entries represent changes in government deposits in commercial banks abroad.

[6] Consists only of items on the balance sheet of the BEAC (i.e., excluding government bank deposits abroad).

Table 9a. Equatorial Guinea: Summary of Central Government Financial Operations, 2008–13
(Billions of CFA francs, unless otherwise specified)

	2008 Budget	2008 Proj.	2009 Budget	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.
Total revenue and grants	2,224.2	2,780.6	2,443.3	2,608.1	2,511.4	2,703.2	2,538.4	2,324.8
Revenue	2,219.0	2,780.6	2,442.7	2,608.1	2,511.4	2,703.2	2,538.4	2,324.8
Tax revenue	631.4	637.6	582.7	604.9	625.5	713.9	724.7	500.5
Taxes on income, profits, and capital gains	571.5	577.8	522.0	527.7	532.6	609.6	612.9	380.5
Personal income tax	40.7	48.9	67.7	67.7	74.3	84.6	85.9	57.9
Corporate income tax	530.5	530.5	454.0	454.0	458.3	525.0	527.0	322.6
Other income taxes	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Domestic taxes on goods and services[1]	43.3	43.3	45.0	50.3	56.8	61.7	67.8	74.9
Taxes on international trade and transactions	11.0	11.9	11.9	21.4	30.0	36.0	36.7	37.0
Other taxes	5.6	4.7	3.8	5.4	6.1	6.6	7.3	8.1
Nontax revenue	1,587.7	2,143.0	1,860.0	2,003.3	1,885.9	1,989.4	1,813.7	1,824.3
Hydrocarbons sector	1,503.8	2,067.3	1,738.6	1,914.5	1,769.0	1,851.3	1,649.3	1,601.0
Royalties	455.1	655.4	760.7	548.2	514.6	524.9	459.1	513.5
Profit sharing	1,048.0	1,411.3	968.4	1,356.8	1,244.8	1,316.9	1,180.7	1,078.0
Bonuses and rents	0.7	0.7	9.5	9.5	9.5	9.5	9.5	9.5
Non hydrocarbons sector	83.8	75.6	121.4	88.8	116.9	138.0	164.5	223.3
Nontax revenue excluding interest on saving funds	45.8	37.6	76.4	43.8	49.4	53.7	59.0	65.1
Interest on saving funds	38.0	38.0	45.0	45.0	67.5	84.4	105.5	158.2
Grants	5.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	1,347.2	1,347.1	2,346.2	2,346.2	2,203.3	2,135.7	2,090.5	2,176.1
Current expenditure	216.7	216.7	346.2	346.2	518.6	619.4	725.8	865.0
Wages and salaries	55.9	55.9	67.7	67.7	155.2	200.0	230.9	282.6
Goods and services	93.1	93.1	110.7	110.7	147.7	172.9	206.5	245.1
Interest payments	1.3	1.3	1.1	1.1	1.0	1.0	1.0	1.0
Domestic	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Foreign	0.7	0.7	0.5	0.5	0.4	0.4	0.4	0.4
Transfers and subsidies	66.5	66.5	166.7	166.7	214.8	245.5	287.5	336.2
Transfers	7.8	7.8	11.7	11.7	0.0	0.0	0.0	0.0
Subsidies	58.7	58.7	154.9	154.9	214.8	245.5	287.5	336.2
Other current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	1,130.4	1,130.4	2,000.0	2,000.0	1,684.7	1,516.2	1,364.6	1,311.1
Foreign financed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestically financed	1,130.4	1,130.4	2,000.0	2,000.0	1,684.7	1,516.2	1,364.6	1,311.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reimbursement to depositors[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	877.0	1,433.5	97.0	261.9	308.1	567.6	448.0	148.8
Total financing	-877.0	-1,433.5	-97.0	-261.9	-308.1	-567.6	-448.0	-148.8
Foreign borrowing (net)	391.0	-272.7	-77.6	-209.5	-246.5	-454.1	-358.4	-119.0
Budget support loans	10.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Amortization (-)	-18.0	-4.0	-15.0	-2.4	-2.5	-2.2	-2.3	-2.2
Exceptional financing	399.0	-268.6	-72.6	-207.1	-244.0	-451.8	-356.1	-116.8
Treasury deposits abroad (-=increase)	399.0	-268.6	-72.6	-207.1	-244.0	-451.8	-356.1	-116.8
Gepetrol/Sonagas deposits abroad (-=increase)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic borrowing (net)	-175.4	-68.2	-19.4	-52.4	-61.6	-113.5	-89.6	-29.8
Net acquisitions of non-financial assets[3]	-1,092.6	-1,092.6	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Overall balance	877.0	1,433.5	97.0	261.9	308.1	567.6	448.0	148.8
percent of GDP	10.5	17.1	1.1	3.2	3.6	6.2	4.7	1.6
Non oil primary balance[5]	-968.0	-975.1	-1,922.1	-1,933.1	-1,775.0	-1,670.0	-1,603.2	-1,470.5
percent of non-oil GDP	-47.0	-47.4	-62.3	-73.1	-57.6	-48.9	-41.7	-31.2

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

[2] Related to the crash of the banking system during the early 1980s.

[3] Includes all equity purchases of the government; in 2008 this is mainly related to the $2.2 billion purchase of Devon Energy's assets in Equatorial Guinea.

[4] Errors and omissions financing gap for 2007 is partly influenced by lack of data on deposits abroad for that year.

[5] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and non tax revenue plus hydrocarbons revenue generated in the secondary LNG, LPG and methanol production and purchase of share in hydrocarbons projects, minus interest on saving funds plus interest expenditure (please see detailed hydrocarbons revenues in table 4c).

Table 9b. Equatorial Guinea: Summary of Central Government Financial Operations, 2008–13
(percent of GDP, unless otherwise specified)

	2008 Budget	2008 Proj.	2009 Budget	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.
Total revenue and grants	26.6	33.2	28.3	31.6	29.1	29.7	26.7	24.6
Revenue	26.5	33.2	28.3	31.6	29.1	29.7	26.7	24.6
Tax revenue	7.5	7.6	6.8	7.3	7.3	7.9	7.6	5.3
Taxes on income, profits, and capital gains	6.8	6.9	6.1	6.4	6.2	6.7	6.5	4.0
Personal income tax	0.5	0.6	0.8	0.8	0.9	0.9	0.9	0.6
Corporate income tax	6.3	6.3	5.3	5.5	5.3	5.8	5.5	3.4
Other income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic taxes on goods and services[1]	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.8
Taxes on international trade and transactions	0.1	0.1	0.1	0.3	0.3	0.4	0.4	0.4
Other taxes	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Nontax revenue	19.0	25.6	21.6	24.3	21.9	21.9	19.1	19.3
Hydrocarbons sector	18.0	24.7	20.2	23.2	20.5	20.4	17.4	16.9
Royalties	5.4	7.8	8.8	6.6	6.0	5.8	4.8	5.4
Profit sharing	12.5	16.9	11.2	16.5	14.4	14.5	12.4	11.4
Bonuses and rents	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Non hydrocarbons sector	1.0	0.9	1.4	1.1	1.4	1.5	1.7	2.4
Nontax revenue excluding interest on saving funds	0.5	0.4	0.9	0.5	0.6	0.6	0.6	0.7
Interest on saving funds	0.5	0.5	0.5	0.5	0.8	0.9	1.1	1.7
Grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	16.1	16.1	27.2	28.5	25.5	23.5	22.0	23.0
Current expenditure	2.6	2.6	4.0	4.2	6.0	6.8	7.6	9.1
Wages and salaries	0.7	0.7	0.8	0.8	1.8	2.2	2.4	3.0
Goods and services	1.1	1.1	1.3	1.3	1.7	1.9	2.2	2.6
Interest payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers and subsidies	0.8	0.8	1.9	2.0	2.5	2.7	3.0	3.6
Transfers	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Subsidies	0.7	0.7	1.8	1.9	2.5	2.7	3.0	3.6
Other current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	13.5	13.5	23.2	24.3	19.5	16.7	14.4	13.9
Foreign financed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestically financed	13.5	13.5	23.2	24.3	19.5	16.7	14.4	13.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reimbursement to depositors[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	10.5	17.1	1.1	3.2	3.6	6.2	4.7	1.6
Total financing	-10.5	-17.1	-1.1	-3.2	-3.6	-6.2	-4.7	-1.6
Foreign borrowing (net)	4.7	-3.3	-0.9	-2.5	-2.9	-5.0	-3.8	-1.3
Budget support loans	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Amortization (-)	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Exceptional financing	4.8	-3.2	-0.8	-2.5	-2.8	-5.0	-3.7	-1.2
Payment of external arrears (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury deposits abroad (-=increase)	4.8	-3.2	-0.8	-2.5	-2.8	-5.0	-3.7	-1.2
Gepetrol/Sonagas deposits abroad (-=increase)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic borrowing (net)	-2.1	-0.8	-0.2	-0.6	-0.7	-1.2	-0.9	-0.3
Net acquisition of non-financial assets[3]	-13.1	-13.1	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Overall balance	877.0	1,433.5	97.0	261.9	308.1	567.6	448.0	148.8
as percent of GDP	10.5	17.1	1.1	3.2	3.6	6.2	4.7	1.6
Non oil primary balance[5]								
percent of non-oil GDP	-47.0	-47.4	-62.3	-73.1	-57.6	-48.9	-41.7	-31.2

Sources: data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

[2] Related to the crash of the banking system during the early 1980s.

[3] Includes all equity purchases of the government; in 2008 this is mainly related to the $2.2 billion purchase of Devon Energy's assets in Equatorial Guinea.

[4] Errors and omissions financing gap for 2007 is partly influenced by lack of data on deposits abroad for that year.

[5] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and non tax revenue plus hydrocarbons revenue generated in the secondary LNG, LPG and methanol production and purchase of share in hydrocarbons projects, minus interest on saving funds plus interest expenditure (please see detailed hydrocarbons revenues in table 4c).

Table 9c. Equatorial Guinea: Detailed Central Government Revenue, 2008–13
(Billions of CFA francs, unless otherwise specified)

	2008 Budget	2008 Proj.	2009 Budget	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	2013 Proj.
Total revenue and grants	2,224.2	2,780.6	2,443.3	2,608.1	2,511.4	2,703.2	2,538.4	2,324.8
Revenue	2,219.0	2,780.6	2,442.7	2,608.1	2,511.4	2,703.2	2,538.4	2,324.8
Tax revenue	631.4	637.6	582.7	604.9	625.5	713.9	724.7	500.5
Taxes on income, profits, and capital gains	571.5	577.8	522.0	527.7	532.6	609.6	612.9	380.5
Personal income tax	40.7	48.9	67.7	67.7	74.3	84.6	85.9	57.9
Hydrocarbons sector	28.0	37.4	55.0	55.0	60.5	69.6	69.4	39.7
Non hydrocarbons sector	12.7	11.5	12.7	12.7	13.8	15.0	16.5	18.2
Corporate income tax	530.5	530.5	454.0	454.0	458.3	525.0	527.0	322.6
Hydrocarbons sector	501.2	501.2	425.0	425.0	425.0	488.9	487.3	278.7
Contractors	381.2	381.2	321.5	321.5	321.5	415.1	413.7	220.1
Sub-contractors	120.0	120.0	103.5	103.5	103.5	73.8	73.6	58.7
Non hydrocarbons sector	29.3	29.3	29.0	29.0	33.3	36.1	39.7	43.9
Other income taxes	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Domestic taxes on goods and services	43.3	43.3	45.0	50.3	56.8	61.7	67.8	74.9
Value added tax[1]	35.0	35.0	36.3	36.3	42.0	45.6	50.1	55.3
Petroleum taxes	8.3	8.3	8.8	14.0	14.8	16.1	17.7	19.6
Other domestic taxes on goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on international trade and transactions	11.0	11.9	11.9	21.4	30.0	36.0	36.7	37.0
Import tariffs	5.9	11.9	5.9	21.4	30.0	36.0	36.7	37.0
Export taxes	5.1	0.0	6.0	0.0	0.0	0.0	0.0	0.0
Other taxes	5.6	4.7	3.8	5.4	6.1	6.6	7.3	8.1
Nontax revenue	1,587.7	2,143.0	1,860.0	2,003.3	1,885.9	1,989.4	1,813.7	1,824.3
Hydrocarbons sector	1,503.8	2,067.3	1,738.6	1,914.5	1,769.0	1,851.3	1,649.3	1,601.0
Royalties	455.1	655.4	760.7	548.2	514.6	524.9	459.1	513.5
Profit sharing	1,048.0	1,411.3	968.4	1,356.8	1,244.8	1,316.9	1,180.7	1,078.0
Primary oil and gas production	851.3	1,214.6	780.1	1,168.5	1,067.4	1,130.9	990.8	660.3
Secondary LNG, LPG, and methanol production	196.7	196.7	188.3	188.3	177.4	186.0	189.9	417.8
Bonuses and rents	0.7	0.7	9.5	9.5	9.5	9.5	9.5	9.5
Non hydrocarbons sector	83.8	75.6	121.4	88.8	116.9	138.0	164.5	223.3
Nontax revenue excluding interest on saving funds	45.8	37.6	76.4	43.8	49.4	53.7	59.0	65.1
Interest on saving funds	38.0	38.0	45.0	45.0	67.5	84.4	105.5	158.2
Grants	5.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0

Sources: data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax. Currently, 40 percent of firms in the non hydrocarbons sector continue to pay on the basis of a sales tax.

Table 10. Equatorial Guinea: Millennium Development Goals

	1990	1995	2000	2004	Authorities Assessment 1/
1 Eradicate extreme poverty and hunger	*2015 target = halve 1990 US$1 a day poverty and malnutrition rates*				Very Likely a/; Likely b/
Population below US$1 a day (percent)	..	..	..	..	60 (2000; PNUD)
Poverty gap at US$1 a day (percent)	..	..	..	..	
Share of income or consumption held by poorest 20 percent	..	..	..	..	
Prevalence of child malnutrition (percent of children under 5)	..	..	..	..	21 (2000 MICS Survey)
Share of population below minimum level of dietary energy consumption	..	..	..	..	80 (1992-93 UNICEF/OCEAC)
2 Achieve universal primary education	*2015 target = net enrollment to 100*				Likely to plausible
Net primary enrollment ratio (percent of relevant age group)	90.5	..	87.1	..	51 (2000-01 Ministry of Economy)
Percentage of cohort reaching grade 5	..	..	32.6	..	
Youth literacy rate (ages 15-24)	..	..	93.8	..	
3 Promote gender equality	*2005 target = education ratio to 100*				Very Likely
Ratio of girls to boys in primary and secondary education	..	83.6	82.5	..	91.2 (2001 Census)
Ratio of young literate females to males (ages 15-24)	..	..	99.8	..	
Share of women employed in the nonagricultural sector	10.5	..	..	..	
Proportion of seats held by women in national parliament	13.0	9.0	5.0	5.0	
4 Reduce child mortality	*2015 target = reduce 1990 under 5 mortality by two-thirds*				Likely
Under 5 mortality rate (per 1,000)	206	175	156	146	50 (2001 Census)
Infant mortality rate (per 1,000 live births)	122	113	103	97	
Immunization, measles (percent of children under 12 months)	88	80	51	51	
5 Improve maternal health	*2015 target = reduce 1990 maternal mortality by three-fourths*				Likely to plausible
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	880	..	352 (1994 Census)
Births attended by skilled health staff (percent of total)	..	5	64.6	..	65.1 (2000 MICS Survey)
6 Combat HIV/AIDS, malaria and other diseases	*2015 target = halt, and begin to reverse, AIDS, etc.*				Likely to plausible c/ ; Very Likely d/
Prevalence of HIV, female (ages 15-24)	..	..	..	..	
Contraceptive prevalence rate (of women ages 15-49)	..	..	..	..	
Number of children orphaned by HIV/AIDS	..	..	..	..	
Incidence of tuberculosis (per 100,000 people)	157.8	175.9	184.3	193.2	
Tuberculosis cases detected (percent)	..	75.1	71.4	..	
7 Ensure environmental sustainability	*2015 target = various 2/*				Very Likely e/; Likely f/
Forest area (percent of total land area)	66.2	..	62.5	..	
Nationally protected areas (percent of total land area)	..	..	..	..	
GDP per unit of energy use 3/	..	..	..	..	
CO2 emissions (metric tons per capita)	0.3	0.3	0.4	..	
Access to an improved water source (percent of population)	..	..	44	..	47.4 (2000 MICS Survey)
Access to improved sanitation (percent of population)	..	..	53	..	
8 Develop a Global Partnership for Development	*2015 target = various 4/*				Unlikely
Youth unemployment rate (percent of total labor force ages 15-24)	..	..	..	..	
Fixed line and mobile telephones (per 1,000 people)	3.7	6.5	24.5	94.1	
Personal computers (per 1,000 people)	..	..	4.4	6.9	
General indicators					
Population (in thousands)	362	398	449	492	1,015 (2001 Census)
Gross national income (millions of U.S. dollars) 5/	0	0	0	0	
GNI per capita (U.S. dollars)	0	0	0	0	
Adult literacy rate (percent of people ages 15 and over)	..	..	84.2	..	
Total fertility rate (births per woman)	5.9	5.9	..	5.4	5.5 (2001 Census)
Life expectancy at birth (years)	47.2	..	50.0	52.2	59.3 (2001 Census)

Source: Data provided by the Equatoguinean authorities and the World Development Indicators database, April 2005.

1/ This corresponds to the authorities assessment on the likelihood to meet the MDGs by 2015. The information is taken from Annex 1 of the Equatoguinean authorities' report on MDGs issued in 2005 in collaboration with the U.N. agency in Malabo.

2/ Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieve

3/ In dollars at purchasing power parity per kilogram of oil equivalent

4/ Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. In cooperation with developing countries, develop and implement strategies for decent and pro

5/ Gross National Income is taken from Equatoguinean Authorities and IMF staff estimates.

a/ Poverty objective

b/ Hunger objective

c/ HIV/Aids objective

d/ Paludismo and other serious diseases objective

e/ Sustainable development objective

f/ Access to improved water and sanitation objectives

APPENDIX

EQUATORIAL GUINEA—EXTERNAL DEBT SUSTAINABILITY ANALYSIS

1. Assuming no new borrowing, the external debt of Equatorial Guinea is expected to decline from around 1 percent of GDP in 2007 to less than 0.5 percent by 2013 (Tables 1 and 2). The external debt burden could increase substantially (to 18 percent of GDP in 2013), if the authorities decide to activate a credit line from China negotiated in 2006.[1] [2]

2. **Equatorial Guinea's external debt is sustainable.** A debt sustainability analysis (DSA)— using the middle income country template—demonstrates that the country's external debt would remain below the CEMAC convergence criteria of 70 percent of GDP under all stress-test scenarios (Figure 1).

3. **In stress-test scenarios, all shocks are calibrated over the period 2003–07.** The shorter calibration period is chosen over the standard ten-year one, because in the late 1990s the Equatoguinean economy experienced extraordinary volatility related to the development of newly discovered oil fields, which is unlikely to recur in the future. The most relevant scenario in the case of Equatorial Guinea is the current account shock, reflecting the vulnerability to a sudden decline in oil prices that would result in a marked worsening of the current account. Given the very low level of Equatorial Guinea's external debt, the impact of the interest rate, growth, and exchange rate shocks in the DSA is minimal.

4. **Similar to last year's DSA, staff revised the balance of payments data, leading to an improvement of the current account and gross financing needs.** In the 2007 Article IV Consultation it was established that in the official balance of payments data, the outflows of government deposits to banks abroad had been implicitly subsumed in current account outflows. Staff revised the historical data to explicitly account for government deposits abroad, which implied a level improvement in the current account and corresponding weakening in the financial account.

5. **The explosive path of the external debt to GDP ratio under the current account stress-test results from technical assumptions that are unlikely to hold as they use a standardized assumption that Equatorial Guinea would continue to accumulate reserves at the same pace as in the baseline scenario, if faced with a severe negative external shock.** This assumption is too stringent, as in reality any widening of the current account deficit relative to GDP is likely to result in a one-on-one decrease of the ratio of

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[1] Equatorial Guinea and China signed a framework agreement in 2006. This could eventually result in China lending up to US$2 billion to Equatorial Guinea. The framework contains a list of investment projects, which if awarded to Chinese companies and if the Treasury is unable to meet its obligations on the contracts, will be financed from the credit line. At present, there is no outstanding credit.

[2] During the 2008 Article IV consultations, the authorities insisted that there are no immediate plans to draw upon the China credit line, given the very large foreign assets of the government. Based on this statement, the mission team did not include any drawings from the China credit line in the external debt forecasts.

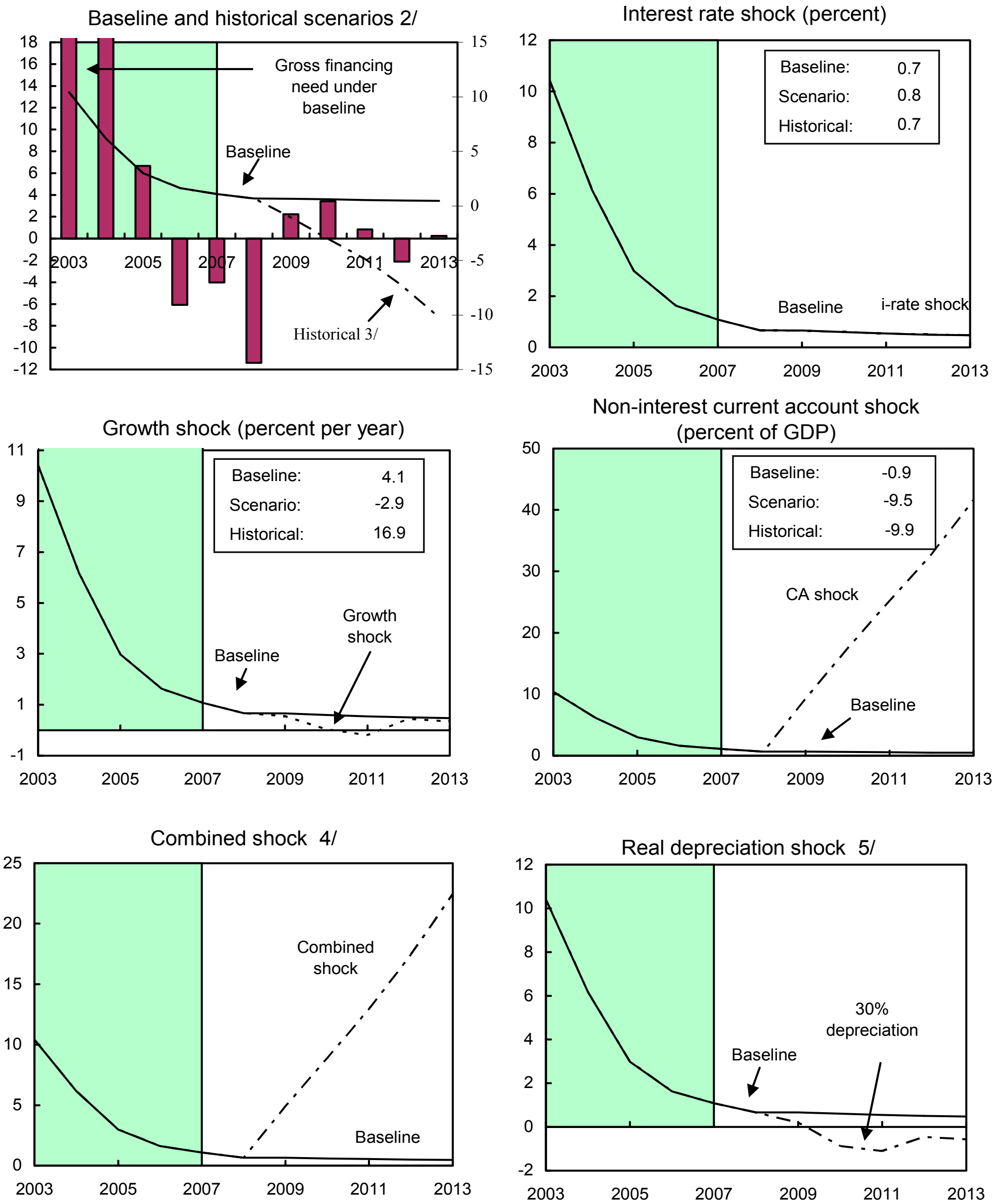
accumulated foreign assets to GDP.[3] This issue does not typically arise in other DSAs, because the ratio of accumulated foreign assets to GDP in most countries is small.

6. **Compared to last year, debt sustainability has improved.** External debt was 2 percent of GDP in 2006, while it stood at 1 percent of GDP in 2007. Medium-term external debt has also been halved as compared to last year's projections. Domestic debt is minimal and expected to remain so. Hence there is no distinction between public debt sustainability and external debt sustainability under the projected scenario.

7. **The main difference of alternative scenarios of the current DSA with that of last year is a significant improvement in debt sustainability in the growth and real depreciation shock scenarios** (Figure 1). These significant improvements stem from the limited applicability of the DSA exercise to Equatorial Guinea. In 2008, in the medium term, foreign assets are projected to be accumulated at a much slower rate than was estimated in 2007, as a result of newly announced capital spending plans and the government's purchase of domestic private sector assets. Lower asset accumulation in the DSA exercise leads to lower external debt. However, this is not the case for Equatorial Guinea, which does not finance its foreign asset accumulation by increasing debt.

[3] The DSA template assumes that the evolution of the ratio of external debt to GDP reflects changes in the debt service as a share of GDP (with an increase in this variable increasing external debt to GDP), and the current account to GDP ratio, the ratio of net foreign direct investment to GDP and the ratio of accumulated foreign assets to GDP (with an increase in these variables decreasing external debt to GDP). The last category is a residual equal to the difference between the predicted evolution of the external debt to GDP ratio, given by changes in the other variables, and its actual realizations. In Equatorial Guinea, this residual is sizeable, reflecting government savings of oil revenues.

Figure 1. Equatorial Guinea: External Debt Sustainability: Bound Tests 1/
(External debt; percent of GDP)



Sources: International Monetary Fund, country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Five-year historical average for the variable is also shown.
2/ Similar to the 2007 Article IV Consultation, staff revised the BOP data to explicitly account for government deposits abroad, which implied a level improvement in the current account and corresponding weakening in the financial account.
3/ The historical scenario has different assumptions than the baseline scenario. While the baseline assumptions are the same as the framework assumptions for the financial program of the 2008 Article IV consultation, the historical scenario assumes GDP growth, the GDP deflator, and the nominal interest rate will remain at their current 5 year historical averages for the projection period. The rest of the assumptions are similar for these scenarios.
4/ Permanent 1/4 standard deviation shocks applied to the real interest rate, growth rate, and current account balance.
5/ One-time real depreciation of 30 percent occurs in 2009.

Table 1. Equatorial Guinea: External Debt Sustainability Framework, 2003-13
(percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	10.4	6.2	3.0	1.6	1.1	**0.7**	**0.7**	**0.6**	**0.5**	**0.5**	**0.5**	**-5.0**
Change in external debt	-10.4	-4.2	-3.2	-1.4	-0.5	-0.4	0.0	-0.1	-0.1	0.0	0.0	
Identified external debt-creating flows (4+8+9)	-21.3	-14.4	-18.8	-25.6	-18.3	-8.6	-6.6	-7.5	-9.0	-7.7	-4.8	
Current account deficit, excluding interest payments	33.2	21.6	6.2	-7.1	-4.3	-11.4	2.2	3.4	0.8	-2.1	0.2	
Deficit in balance of goods and services	-20.4	-35.1	-43.8	-53.7	-51.6	-48.1	-29.2	-28.1	-28.3	-29.9	-25.3	
Exports	96.8	90.1	87.4	86.8	81.9	76.6	70.1	65.9	64.4	61.9	57.2	
Imports	76.4	55.0	43.6	33.1	30.3	28.6	40.9	37.9	36.1	31.9	31.9	
Net non-debt creating capital inflows (negative)	-48.9	-31.5	-22.8	-18.1	-13.6	2.9	-8.8	-10.9	-9.8	-5.6	-5.0	
Automatic debt dynamics 1/	-5.6	-4.5	-2.2	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	
Contribution from nominal interest rate	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contribution from real GDP growth	-2.1	-2.2	-0.4	0.0	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	
Contribution from price and exchange rate changes 2/	-3.6	-2.3	-1.8	-0.4	-0.1	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	10.9	10.2	15.6	24.3	17.8	8.1	6.6	7.4	8.9	7.7	4.8	
External debt-to-exports ratio (in percent)	10.8	6.8	3.4	1.9	1.3	0.9	0.9	0.9	0.8	0.8	0.8	
Gross external financing need (in billions of US dollars) 4/	1.0	1.1	0.5	-0.6	-0.5	-2.2	0.4	0.7	0.2	-0.5	0.1	
percent of GDP	33.6	21.8	6.7	-6.1	-4.0	-11.4	2.2	3.4	0.8	-2.1	0.3	
Scenario with key variables at their historical averages 5/						**0.7**	**-1.1**	**-3.0**	**-4.9**	**-7.3**	**-10.2**	**-12.8**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (percent)	14.0	38.0	9.7	1.3	21.4	7.4	4.6	4.1	4.5	4.6	2.5	
GDP deflator in US dollars (change; percent)	20.7	28.6	42.9	15.4	7.8	44.0	-7.1	0.9	1.3	0.3	-2.5	
Nominal external interest rate (percent)	0.6	0.8	0.7	0.6	0.9	0.8	0.7	0.7	0.7	0.7	0.8	
Growth of exports (US dollar terms; percent)	33.7	65.2	52.1	16.0	23.6	44.7	-11.2	-1.1	3.4	0.8	-7.6	
Growth of imports (US dollar terms; percent)	100.8	27.7	24.3	-11.3	19.8	45.9	39.0	-2.7	1.0	-7.2	-0.2	
Current account balance, excluding interest payments	-33.2	-21.6	-6.2	7.1	4.3	11.4	-2.2	-3.4	-0.8	2.1	-0.2	
Net non-debt creating capital inflows	48.9	31.5	22.8	18.1	13.6	-2.9	8.8	10.9	9.8	5.6	5.0	

1/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate,

ε = nominal appreciation (increase in dollar value of domestic currency), and α = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as $[-\rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock. ρ increases with an appreciating domestic currency ($\varepsilon > 0$) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Table 2. Equatorial Guinea: External Debt Position by Creditor, 2007- 13

(Millions of U.S. dollars)

	2007	2008	2009	2010	2011	2012	2013
NOMINAL STOCK OF DEBT	136	129	125	119	115	110	105
Multilateral creditors	114	112	109	106	103	100	97
IDA/World Bank	56	55	54	52	51	49	47
African Development Bank	47	47	46	45	45	44	43
BADEA	0	0	0	0	0	0	0
BEI	2	1	1	0	0	0	0
FIDA	8	8	8	8	8	7	7
Kuwait Fund	1	1	1	0	0	0	0
Bilateral creditors	21	16	14	12	10	8	6
Paris Club	5	2	1	1	1	1	1
France	1	1	1	1	1	1	1
Italy	0	0	0	0	0	0	0
Russia	1	1	1	1	1	1	1
Spain	3	0	0	0	0	0	0
Non-Paris Club	16	14	13	11	9	7	5
China [1]	16	14	13	11	9	7	5
Debt to private entities	1	2	2	2	2	2	2
Nigeria	1	2	2	2	2	2	2
AMORTIZATION	36	9	5	6	5	5	5
Multilateral creditors	4	4	4	4	3	3	3
IDA/World Bank	2	2	2	2	2	2	2
African Development Bank	1	1	1	1	1	1	1
BADEA	0	0	0	0	0	0	0
BEI	0	1	1	1	0	0	0
FIDA	0	0	0	0	0	0	0
Kuwait Fund	0	0	0	0	0	0	0
Bilateral creditors	32	5	2	2	2	2	2
Paris Club	30	4	0	0	0	0	0
France	0	0	0	0	0	0	0
Italy	0	0	0	0	0	0	0
Russia	0	0	0	0	0	0	0
Spain	30	4	0	0	0	0	0
Non-Paris Club	2	2	2	2	2	2	2
China	2	2	2	2	2	2	2
INTEREST PAYMENTS	1	1	1	1	1	1	1
Multilateral creditors	1	1	1	1	1	1	1
IDA/World Bank	0	0	0	0	0	0	0
African Development Bank	0	0	0	0	0	0	0
BADEA	0	0	0	0	0	0	0
BEI	0	0	0	0	0	0	0
FIDA	0	0	0	0	0	0	0
Kuwait Fund	0	0	0	0	0	0	0
Bilateral creditors	0	0	0	0	0	0	0
Paris Club	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0
Italy	0	0	0	0	0	0	0
Russia	0	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0
Non-Paris Club	0	0	0	0	0	0	0
China	0	0	0	0	0	0	0
Memorandum item:							
Debt to total GDP ratio	1.01	0.68	0.66	0.60	0.55	0.50	0.48
Debt to non-oil GDP (incl. oil derivatives) ratio	3.85	2.75	2.05	1.68	1.45	1.23	0.95

Sources: Equatoguinean authorities; and Fund staff estimates.

INTERNATIONAL MONETARY FUND

REPUBLIC OF EQUATORIAL GUINEA

Staff Report for the 2008 Article IV Consultation—Informational Annex

Prepared by the Staff Representatives for the 2008 Consultation
with the Republic of Equatorial Guinea

(In consultation with other departments)

October 17, 2008

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ANNEX I.

EQUATORIAL GUINEA—RELATIONS WITH THE FUND

(as of August 31, 2008)

I. Membership Status: Joined 12/22/69; Article VIII

II. General Resources Account:	SDR Millions	Percent Quota
Quota	32.60	100.00
Fund holdings of currency	32.61	100.02
Reserve Position	0.00	0.00

III. SDR Department:	SDR Millions	Percent Allocation
Net cumulative allocation	5.81	100.00
Holdings	0.46	7.92

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Millions)	Amount Drawn (SDR Millions)
PRGF	2/03/93	2/02/96	12.88	4.60
SAF	12/07/88	12/06/91	12.88	9.20
Stand-by	6/28/85	6/27/86	9.20	5.40

VI. Projected Payments to the Fund
(SDR millions; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2008	2009	2010	2011	2012
Principal					
Charges/Interest	0.04	0.16	0.16	0.16	0.16
Total	0.04	0.16	0.16	0.16	0.16

VII. Implementation of HIPC Initiative: Not Applicable

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Exchange Rate Arrangement and Safeguard Assessments

The Bank of the Central African States (BEAC) is the regional central bank of the Central African States, of which Equatorial Guinea is a member. The safeguards assessment completed on August 30, 2004 found that the BEAC has implemented a number of measures to strengthen its safeguards framework since an earlier 2001 safeguards assessment, but further progress needs to be made in key areas. The main recommendations of the 2004 assessment were reported in IMF Country Report No. 05/3.

Equatorial Guinea's currency, the CFA franc, is pegged to the euro at the fixed exchange rate of CFAF 655.957 per euro.

Equatorial Guinea maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. A 2007 temporary ministerial order requires prior authorization of the General Directorate of Banking before money can be transferred abroad. Staff are assessing the consistency of the ministerial order with Equatorial Guinea's obligations under Article VIII, Sections 2 and 3.

Article IV Consultations

Equatorial Guinea is on the standard 12-month Article IV consultation cycle.
The last Article IV consultation with Equatorial Guinea was concluded by the Executive Board on June 8, 2007 (IMF Country Report No. 08/156).

Technical Assistance

FAD provided an 18-month technical assistance during 1992–94 to reorganize the tax department and personnel training.

FAD conducted a review of PEM and tax administration systems in 1997.

FAD conducted a diagnostic mission on key deficiencies and training needs in public finance in May 2003.

FAD conducted a diagnostic mission on modernization of public expenditure management processes and steps for reforming the system in July 2005.

STA evaluated the collection of monetary statistics and proposed steps to adopt the methodology of the 2000 Manual on *Monetary and Financial Statistics* in December 2002.

STA conducted a diagnostic mission on real sector statistics in July 2005.

STA conducted a diagnostic mission on government finance statistics in January 2006.

STA conducted a follow-up mission in real sector statistics in January 2006.

A macrofiscal advisor, backstopped by AFR, and paid for by the government through a reimbursement agreement with the Fund, was in residence in Equatorial Guinea from June 2006 to early May 2007.

A public financial management advisor, backstopped by FAD, and paid for by the government through a reimbursement agreement with the Fund, was in residence in Equatorial Guinea from June 2006 to early May 2007.

STA conducted a technical assistance mission in real sector statistics in March 2007.

AFRITAC Central has conducted a technical assistance mission in national accounts statistics in 2007.

AFRITAC Central has conducted a technical assistance mission in public financial managements statistics in February 2008.

AFRITAC Central has conducted a technical assistance mission in price statistics in March 2008.

Two macrofiscal advisors, backstopped by AFR, and paid for by the government, were redeployed in April 2008 for a one-year period.

AFRITAC Central has conducted technical assistance missions in national accounts statistics in June and July 2008.

Resident Representative: None.

Annex II.

Equatorial Guinea—Relations with the World Bank Group

Title	Products	Provisional timing of missions	Expected delivery date
A. Mutual information on relevant work programs			
The World Bank work program in the next 12 months	1. Extractive Industries Transparency Initiative (EITI) assistance 2. Technical assistance to statistics office (household expenditure survey and national accounts) 3. Public Expenditure Review	November 2008 To be determined Two missions, in late 2008 or 2009	First EITI Report, 2nd quarter 2009; 2nd EITI Report, 1st quarter 2010. Within the two-year period of the service agreement, ending in fiscal year 2010
The IMF work program in the next 12 months	1. AFRITAC seminar on budget classification in February 2009 2. On–going TA from AFRITAC on prices and national accounts 3. IMF/AFR back-stopped macrofiscal advisors 4. Article IV consultation	February 2009 Late 2008 and 2009 Through March 2009 with possibility of extension Not scheduled	
B. Requests for work program inputs			
Fund request to Bank	Public Expenditure Review to provide input for analysis		As work on the Public Expenditure Review progresses
Bank request to Fund	1. IMF macro analysis 2. Conclusions of the IMF/AFRITAC missions on public accounting and statistics.		As work progresses Following the seminar/missions
C. Agreement on joint products and missions			
Joint products in the next 12 months	Financial Sector Assessment Program (FSAP) – mission tentatively in MCM's schedule.	Fiscal year 2009/2010	

ANNEX III. EQUATORIAL GUINEA—STATISTICAL ISSUES

1. **Data provision has serious shortcomings that significantly hamper surveillance.** The deficiencies in quality, timing, and coverage in most macroeconomic data are related to insufficient administrative and technical capacity. Technical assistance has resulted in some progress but there is still a need to consolidate these gains including through participation in the General Data Dissemination System and the establishment of the National Institute of Statistics (NIS). The Banque des États de l'Afrique Centrale (BEAC) regularly reports monetary, interest rate, and exchange rate statistics for publication in the *International Financial Statistics* (IFS), but the timeliness of these data need improvement.

Real Sector and Price Statistics

2. **National accounts and price data suffer from weaknesses that are compounded by poor centralization of information from the island and continental regions.** National accounts are compiled at current and constant prices, but often contain significant inconsistencies. The compilation of the official CPI has benefited from technical assistance of the Economic and Statistical Observatory of Sub-Saharan Africa. However, there remain a number of deficiencies. The weights and composition of the basket of goods and services are outdated, and the geographical coverage is not comprehensive, though it will soon cover the entire country.

3. **STA TA missions visited Malabo in July 2005, January 2006, and March 2007.** The 2005 mission reviewed the methods and data sources used to compile both the national accounts and the CPI, and assessed the adequacy of statistical legislation and the resources devoted to the statistical function, and made recommendations for improvement. The 2006 mission reviewed the work for implementing the recommendations of the previous mission, and delivered a short seminar on national accounts. The mission found that little progress had been made, mainly due to persistent management problems and severe human and computing resource constraints.

4. **The 2007 mission found that some progress had been made in implementing previous missions' recommendations**. The pilot of the Agricultural Production Survey (APS) 2005–06 was being conducted with the support of the UN Food and Agriculture Organization, and a Quick Household Survey (QHS), with national coverage, was conducted between December 2006 and February 2007 in a sample of 5,240 households. The APS will be useful for revising the coverage of production and value-added for agriculture. Even though the QHS did not collect data on income and the collected expenditure data reflect seasonality, the results of the QHS, if adjusted, would be valuable to update the basket and weights of the CPI (currently, corresponding to 1986) and compile poverty and other social indicators.

5. **The 2007 mission provided hands-on assistance to prepare a business register/sample frame and a database on employment and compensation of employees, basic source data for improving the coverage of the national accounts.** The mission revised estimates on oil and non-oil GDP for the period 2000–06 with 2000 as base year, and reclassified manufacturing of oil and gas derivatives in the non-oil sector following the *UN International Standard Industrial Classification of all Economic Activities (ISIC,) Rev. 3.* According to ISIC, the division 11 of Mining and Quarrying includes the extraction of crude petroleum and natural gas, owing to their extractive nature and the exhaustibility of the output. On the other hand, production of liquefied natural gas, liquefied petroleum gas, and methanol are classified in manufacturing, a division of the secondary sector. The mission explained the methodology of the revised series to the authorities and the General Directorate of Statistics and National Accounts (GDSNA) staff and left a methodological note describing the results for 2006, suggesting institutional implementation of the revised approach.

6. **The collection of prices for the CPI was discontinued in June 2005 because of budgetary reasons, and reestablished in February 2006.** Priority had been given to the International Comparison Program (ICP) exercise. The GDSNA revised the official figures for the period July 2005–January 2006 by using the data from the ICP, which include a limited subset of prices, and carrying the last reported price for the CPI forward. The 2007 mission observed that some relative prices for February 2006 were atypical and recommended revising price imputations for the period July 2005–January 2006 by using the price change of similar products, the price change of the related group/class of products, or its historical trend.

7. **As regards the institutional framework, the statistical legislation is quite recent (2001) and is, in general, adequate to regulate the statistical system.** However, the decree to create the NIS has not been passed. In addition, the resources devoted to the statistical function are insufficient as only one person is assigned to the national accounts unit and three to the CPI unit. GDP estimates are prepared by the BEAC, rather than by the GDSNA. The Minister of Finance and Planning informed the mission of his commitment to improve statistics and requested assistance to establish the NIS and train the staff. The assistance will be provided by Central AFRITAC. The World Bank has also signed a service agreement with Equatorial Guinea to provide technical assistance for compiling poverty indicators and other assistance in statistics.

8. **Real sector statistics reported to STA (*IFS*) are limited to GDP (without breakdown by sector or expenditure category), exports, and imports.** The February 2007 issue of *IFS* includes data for GDP through 2005 and exports and imports through 2005. Export and import data are provided to AFR. Priorities for the period ahead include production of basic statistics, implementation of the *System of National Accounts, 1993*, updating the reference period of the national accounts (1985), and updating the CPI's basket and weights.

Government Finance Statistics

9. **Following technical assistance from France, there have been some improvements in fiscal accounting.** Further improvements are needed, particularly in procuring timely and accurate data from the Debt-Service Unit (Caja Autónoma de la Deuda Pública). Equatorial Guinea does not report fiscal data to STA for publication in *International Financial Statistics* and the *Government Finance Statistics Yearbook*. However, the authorities provide budget execution data to AFR although full information on the reconciliation with the monetary accounts is still lacking. The 2006 STA mission reviewed government finance statistics and found that coverage remained incomplete, there was no functional classification of expenditure, which was critical, and dissemination practices needed improvement. The fiscal data are not subject to any internal process of verification as internal and external audit capability remains weak.

Monetary and Financial Statistics

10. The BEAC regularly reports monetary, interest rates, and exchange rate statistics for publication in *IFS,* but delays occur in the submission of data to STA. A 2002 monetary and financial statistics mission (1) reviewed the structure of the financial system and the procedures used for compiling monetary and financial statistics; (2) provided technical assistance to the staff of the BEAC National Directorate in addressing data collection, compilation, and dissemination problems, and in improving the analytical usefulness of the monetary statistics; and (3) briefed the authorities on the methodology in the *Monetary and Financial Statistics Manual (MFSM),* and initiated steps to facilitate its implementation. An action plan has been designed for implementing the recommendations but action is pending. In particular, the grouping of institutional units in general government and the public sector should be permanently revised and updated to facilitate the reconciliation of monetary and fiscal indicators on net credit to government.

11. The accuracy of monetary statistics may be affected by large cross-border movements of BEAC issued banknotes among Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC) member countries. About 60 percent of banknotes issued in Equatorial Guinea by the BEAC national directorate circulate in Cameroon and only 26 percent remain in the country, while currency in circulation in Equatorial Guinea includes some 18 percent of banknotes from Cameroon and as much from Gabon.

12. The BEAC started in mid-2007 a project to migrate monetary statistics of member countries of the CEMAC to the methodology in the *MFSM*. As a part of this project, a regional workshop was organized by the BEAC in December 2007 to finalize the mapping of source data from commercial banks to the *MFSM* concepts and framework. STA participated in this workshop to provide guidance and advice. Submission of data by the BEAC using the standardized report forms is pending.

External Sector Statistics

13. Although the BEAC produces balance of payments data, delays are long and the data suffer from significant inconsistencies with other datasets. At present, BOP data are often not derived from records of current stocks or flows. Statistics are still largely constructed on a historical basis from estimates rather than actual financial and customs records, including information on the hydrocarbons sector available to some parts of the government. Customs data have improved since the implementation of the Central African Customs and Economic Union reform and the deployment of customs brigades. However, data analysis is still hampered by the lack of computerization. While some progress has been made in compiling current and financial account items, the lack of current source data is a key concern. Balance of payments data are published in the *International Financial Statistics Yearbook* through 1996 only.

External Debt

14. Data on the outstanding stock of external debt and projections of debt-service payments are hampered by serious inconsistencies. The debt service paid—reported by the Debt-Service Unit—is often significantly different from that reported by the budget and the Paris Club, as the unit usually lacks precise information on payments made. Also, details regarding scheduled debt-service obligations are not incorporated into the budget in a systematic and timely manner. Debt-service projections beyond the following year are only provided in a highly aggregated form and some debt service takes place outside the Debt-Service Unit. The authorities have started a major inventory of debt and are beginning to address the capacity constraints in the Debt-Service Unit through training and new staffing.

Equatorial Guinea: Table of Common Indicators Required for Surveillance
September 25, 2008

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Oct. 2006	Dec. 2006	M	M	M
Reserve/Base Money	Aug. 2008	Sept. 2008	M	M	M
Broad Money	Aug. 2008	Sept. 2008	M	M	M
Central Bank Balance Sheet	Aug. 2008	Sept. 2008	M	M	M
Consolidated Balance Sheet of the Banking System	Aug. 2008	Sept. 2008	M	M	M
Interest Rates[2]	Aug. 2008	Sept. 2008	M	M	M
Consumer Price Index	Dec. 2006	Mar. 2007	M	I	I
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]			NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	Dec. 2006	Jan. 2007	Q	I	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]			NA	NA	NA
External Current Account Balance	Dec. 2005	Jul. 2006	A	I	I
Exports and Imports of Goods and Services	Dec. 2005	Jul. 2006	A	I	I
GDP/GNP	Dec. 2006	Mar. 2007	A	I	I
Gross External Debt	Dec. 2006	Jan. 2007	A	I	A
International Investment Position[6]			NA	NA	NA

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

Statement by the IMF Staff Representative on the Republic of Equatorial Guinea
November 3, 2008

1. The following information has become available since the staff report was issued. It does not alter the thrust of the staff appraisal.

2. Staff have revised the projections for Equatorial Guinea to reflect the significant changes in hydrocarbons prices and exchange rates in the WEO projections of October 28, 2008 compared to those in September 2008, which were used in preparation of the staff report. The revised projections show a weaker overall fiscal balance, relative to GDP, and non-oil fiscal balance, relative to non-oil GDP, and a weaker external current account balance and balance of payments, relative to GDP. However, foreign asset cover remains ample over the projection period. The revised estimates reinforce a key message on the need to scale back the proposed large increase in 2009 capital spending.

3. This revision incorporates revised price projections for 2008 to 2013 for oil, natural gas, and hydrocarbon derivatives, and for key bilateral exchange rates, chiefly the U.S. dollar-euro exchange rate. Oil prices have been lowered by 7 percent for 2008 (annual average) and by 24 percent for 2009-13. Other hydrocarbons prices have also been reduced. The U.S. dollar-euro exchange rate shows an average 9 percent more appreciated U.S. dollar over the projection period. Given the conservative price assumptions that hydrocarbons investors had incorporated into their investment profiles, staff have left foreign direct investment and hydrocarbons sector growth assumptions unchanged. In combination with largely unchanged public spending assumptions, non-oil growth should be little affected.

4. Table 1 presents the revised key projections. The fiscal surplus is now projected at 16.9 percent of GDP in 2008, declining to a deficit of 4 percent of GDP in 2009, compared to an estimated surplus of 17.1 percent and 3.2 percent of GDP, respectively. The non-oil deficit is projected to remain at 47.4 percent of non-oil GDP in 2008 and worsen to 78.4 percent of non-oil GDP in 2009 compared to 73.1 percent of non-oil GDP. Similarly, the external current account balance is projected to weaken to 10.2 percent of GDP in 2008 and -15.8 percent of GDP in 2009 and the overall balance of payments would decline to 2.7 percent of GDP in 2008 and -3.0 percent of GDP in 2009. Given the high foreign asset cover, it is projected to decline to a still ample 12.7 months of next year's imports in 2008 and to 11.5 in 2009 and remain at comfortable levels through the medium-term projection.

Table 1. Equatorial Guinea: Revised Key Projections[1]
(percent of GDP, unless otherwise specified)

	2008 Staff Report	2008 updated	2009 Staff Report	2009 updated	Average 2009–13 Staff Report	Average 2009–13 updated
Overall fiscal balance	17.1	16.9	3.2	-4.0	3.9	0.1
Non-oil primary balance	-47.4	-47.4	-73.1	-78.4	-50.5	-52.1
(percent of non-oil GDP)						
Current account balance	11.4	10.2	-2.2	-15.8	-0.9	-10.0
Overall balance of payments	3.7	2.7	2.1	-3.0	2.6	-1.7
Gross official foreign assets	13.2	12.7	15.0	11.5	20.2	11.7
(months of next year's imports)						

Source: Equatoguinean authorities; and IMF staff estimates

[1] These revised projections reflect WEO price projections as of Tuesday, October 28.

INTERNATIONAL MONETARY FUND
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February 27, 2009

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2008 Article IV Consultation with the Republic of Equatorial Guinea

On November 3, 2008 the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Equatorial Guinea.[1]

Background

Equatorial Guinea's petroleum-based economy has become an important contributor to growth in central Africa. The National Development Plan (NDP) adopted in 2007 will guide the government's economic strategy until 2020.

Economic growth recovered sharply in 2007. The opening of a new oil field in late 2006 and a liquefied natural gas facility in mid 2007, supported by increased public infrastructure spending, lifted 2007 economic growth to an estimated 21.4 percent. In 2008, despite a small decrease in primary extraction of oil, a full year of liquefied natural gas production is expected to lead to moderate growth. Rising international food and oil prices are contributing to inflationary pressures. The price for staple foods rose sharply in 2007, while the strong euro, lagged adjustment of refined fuel prices, public spending restraint, and better monetary management helped avoid a sharp rise in prices. Inflation is expected to jump in 2008, mainly because of pent up pressures from rising import prices.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

High oil, gas, and derivatives prices contributed to a strong external current account and a balance of payments surplus in 2007. Gross official foreign assets, held in both the Bank of Central African States (BEAC) and abroad, rose to about 21 months of non-oil imports of goods and services by the end of 2007. The current account and balance of payments are expected to strengthen in 2008, reflecting the rise in oil prices.

The fiscal surplus was high though it narrowed in 2007 as a result of increased capital spending and some weakening of revenues relative to GDP. The non-oil primary deficit, a key fiscal indicator, improved to 49.7 percent of non-oil GDP, reflecting budgetary restraint and growth of non-oil GDP. The 2008 non-oil deficit is expected to decline slightly, with only a minor weakening of the overall fiscal surplus.

Implementation of the Social Development Fund has been slow. About 12 twelve projects were agreed on, to be implemented with assistance from the U.S. Agency for International Development (USAID), in education, health, water and sewerage, gender equality, and community development. Funds were allocated in the 2008 budget but the government has yet to approve their disbursement so work can begin.

A number of measures are being taken to improve tax and customs administration, including the use of pre-shipment inspection. In late 2007, the authorities met the nominal requirement for civil society participation in the Extractive Industries Transparency Initiative (EITI), but have not yet met the substantive requirement. A World Bank advisor is expected soon to begin training civil society and establishing a terms of reference for the aggregator as a preliminary to preparing the first report.

Financial soundness indicators show a reduction in nonperforming loans and increased returns on both assets and equity in 2007. Bank lending rates have come down in real terms reflecting a more competitive environment, but lending is mainly concentrated in public infrastructure projects. Consumer credit remains modest.

Executive Board Assessment

Executive Directors welcomed Equatorial Guinea’s recent robust economic performance and sound macroeconomic policies that have strengthened fiscal sustainability. While medium-term prospects are favorable and there has been some diversification within the petroleum industry, the economy remains susceptible to swings in the price of oil. Directors emphasized that a strengthening of governance and transparency and steps toward creating a more conducive business environment will be critical to sustain growth, promote economic diversification and private sector development, generate employment, and reduce poverty, which remains widespread.

Directors welcomed the National Development Plan, which provides an appropriate framework for economic and institutional reforms to diversify the economy and enhance external competitiveness. The Plan’s focus on reducing the non-oil fiscal deficit is commendable, and will help to contain inflation and to achieve long-run fiscal sustainability.

Directors were concerned that the proposed 2009 budget is overly expansionary, and that it contains only a small increase in the share of spending for social sectors.

Most Directors suggested reining-in capital spending on less pressing infrastructure projects, while at the same time giving greater emphasis to human resource development in order to raise the employment potential of nationals, reduce poverty, and help prepare for the future tailing-off of oil production. Directors called for initiating rapidly the programs of the Social Development Fund aimed at achieving the Millennium Development Goals. They looked forward to the public expenditure review that is to be undertaken by the World Bank.

Directors welcomed recent efforts to improve tax and customs administration, but noted the scope to strengthen fiscal management and transparency as a means to promote high-quality public spending and increase non-oil revenues. Public financial management reforms need to be accelerated. Directors encouraged the authorities to work with the World Bank and civil society organizations with the aim of pressing ahead more rapidly with the Extractive Industries Transparency Initiative (EITI), and of issuing the first EITI report for Equatorial Guinea in 2009.

The authorities are committed to working with Central African Economic and Monetary Community (CEMAC) partners to improve the governance and management of the regional central bank (BEAC). Directors encouraged the authorities to remit Equatorial Guinea’s official offshore assets to the BEAC and to develop a prudent strategy for managing the country’s growing asset portfolio.

Directors considered that the pegged exchange rate regime has served Equatorial Guinea well, and remains an appropriate anchor for macroeconomic stability. They observed that the real exchange rate has appreciated significantly, consistent with recent movements in the terms of trade. Going forward, it will be important for the authorities to focus their efforts on enhancing productivity and improving competitiveness by pressing ahead with structural reforms and maintaining a sound fiscal stance.

Equatorial Guinea’s banking sector appears generally sound, with improvements in the financial soundness indicators. Directors emphasized the importance of intensifying and extending financial intermediation over the medium term, and of ensuring that small and medium-sized businesses gain access to needed credit. They looked forward to the operationalization of the National Agency for Financial Investigation in 2009 as part of efforts to counter money-laundering and the financing of terrorism.

Directors emphasized the need to foster a supportive climate for private sector and foreign direct investment, in part through legislation that aims to reinforce confidence and safeguard the competitiveness of Equatorial Guinea's oil and other investments.

Directors welcomed recent progress in improving statistics, but much work remains to be done to ensure the adequacy of current data for surveillance. They encouraged the authorities to establish speedily the National Statistical Institute and to ensure that it has sufficient capacity to collect and analyze data.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

The Republic of Equatorial Guinea: Selected Economic Indicators

	2004	2005	2006	2007 Prel.	2008 Proj.
	(Annual percentage change)				
Production, prices, and money					
Real GDP	38.0	9.7	1.3	21.4	7.4
Oil and gas GDP (excluding hydrocarbons secondary production)	40.4	6.7	-6.4	11.9	2.5
Non-oil GDP (including hydrocarbons secondary production)	28.4	22.8	29.8	47.2	17.6
Hydrocarbons production (thousand of barrels of oil equivalent per day)	378.4	401.7	382.0	459.8	464.7
Oil and gas primary production [1]	351.0	367.4	344.8	356.8	335.2
Hydrocarbons secondary production [2]	27.4	34.2	37.3	103.0	129.5
Consumer prices (end of period)	5.1	3.2	3.8	3.7	6.0
Broad money	33.5	34.7	14.1	41.3	38.2
	(Percent of GDP, unless otherwise specified)				
Government operations					
Overall balance after grants (cash basis)	12.2	20.4	23.4	19.2	17.1
Non-oil primary balance (cash basis, percent of non-oil GDP) [3]	-64.2	-60.9	-54.6	-49.7	-47.4
	(Millions of U.S. dollars)				
Gross official foreign assets	1,648	2,911	5,078	7,057	8,472
Reserve assets at the BEAC	945	2,102	3,067	3,846	4,619
Government bank deposits abroad	703	808	2,011	3,211	3,853
	(Percent of GDP, unless otherwise specified)				
External sector					
Current account balance (including official transfers; deficit -)	-21.6	-6.2	7.1	4.3	11.4
Outstanding medium- and long-term public debt	5.6	3.1	1.5	1.0	0.7
Real effective exchange rate (annual average percentage change) [4]	7.0	2.7	2.1	7.1	…

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

[1] Including oil equivalent of gas.

[2] Including oil equivalent of liquefied natural gas, liquefied propane gas, butane, propane, and methanol.

[3] Excluding oil revenues, oil-related expenditures, and interest earned and paid.

[4] Negative values indicate depreciation.

Statement by Laurean Rutayisire, Executive Director for the Republic of Equatorial Guinea
November 3, 2008

I. Introduction

I would like on behalf of my Equatoguinean authorities to express sincere appreciation to Executive Directors and Management for their valuable and continued support to Equatorial Guinea. I also would like to thank staff for the policy advice and the constructive dialogue during the recent discussion under the 2008 Article IV Consultation held in Malabo and Bata. My authorities welcome the balanced set of papers on the challenges facing the country notably in the areas of diversification of the economy, management of natural resources and capacity building with a view to reduce poverty and meet the millennium development goals (MDGs).

My Equatoguinean authorities are mindful of the need to seize the opportunity given by the oil wealth to lay down solid foundations for broad based and sustained economic growth. They are also aware of the adverse impact the current decline in oil prices will have on the fiscal and external current accounts. In this context, they are determined to adjust their policies accordingly and pursue their macroeconomic stabilization efforts and far-reaching structural reforms.

Given also the need to further improve social indicators, my authorities are making progress in the implementation of projects under the Social Development Fund (SDF) and have adopted in 2007 the National Development Plan (NDP) defined as a reform framework for economic diversification and the strengthening of competitiveness. Four main pillars have been identified in implementing the NDP namely improvements in infrastructure sector, development of human resources, good governance, and promotion of social welfare. Due to the need for strong institutional and human capacity to speed up the implementation of the NDP and prudent macroeconomic policies, my authorities would like to further benefit from technical assistance from the Fund.

II. Recent Economic Developments

The economy of Equatorial Guinea has largely benefited from increases in world oil prices which translated in an impressive economic growth and strong fiscal and external account surpluses. After a slight decline in 2006, economic growth has picked up at 21 ½ percent in 2007 and is expected to remain strong in 2008. This performance has been supported by the output from the new oil field opened in 2006 and a liquefied natural gas facility in mid-2007, together with the increased public infrastructure spending.

Gross official foreign assets rose to about 21 months of non-oil imports of goods and services by the end of 2007. However, for 2008, given the decline in world oil prices, gross official foreign assets will drop to 12.7 months of imports cover. Inflation driven by increased food and fuel prices is expected to rise to 6 percent in 2008 from 3.7 in 2007. Broad money and private credit increased by 41.5 percent and 40.5 percent respectively in 2007 due mainly to the expansion in public spending and short-term lending for working capital on public infrastructure programs. The financial sector remains sound in 2007 with the reduction in nonperforming loans, the decrease in banks' lending rates and increase in returns on both assets and equity.

The fiscal surplus narrowed in 2007 following increase in capital spending and some weakening of revenues relative to GDP. Nevertheless the non-oil primary deficit, defined as a key fiscal indicator improved to about 49.5 percent of non-oil GDP in 2007 against 64 percent in 2006 reflecting budgetary restraint and growth of non-oil GDP. Moreover, expenditures were kept in line with budget projections, and this trend is expected to continue in 2008.

The authorities made a strategic purchase of petroleum assets from Devon, one of the oil companies operating in the country, for a total amount of USD 2 billon, which increased the government share from 5.0 to 23.75 percent in Zafiro field. As Zafiro is the main oil producing field in the country, this expenditure today will increase government revenues tomorrow.

On the external front, sustained high international prices of export commodities, including oil, gas, and derivatives, coupled with tight fiscal policy have helped consolidate both, the current account surplus and the overall balance of payments in 2007. In 2008, the significant decline in world oil prices has led to a revision of the current account surplus which is now projected to stand at 10.2 percent of GDP against 11.4 percent.

The authorities have pursued their efforts in implementing the EITI Initiative and improving fiscal management and transparency. They are hopeful that the World Bank technical assistance will help them facilitate the active participation of the civil society in the EITI exercise and prepare the first EITI report as well as the terms of reference for the aggregator.

III. Medium-Term Outlook and Policies

Real Sector

The global financial crisis together with the surge in world food prices and the volatility of oil prices are causes of great concerns as these external shocks could deter the country's ability to sustain its strong economic growth. Against this background growth is predicted to remain around 5 percent on average during the next five years owing to output of the new oil field and gas facilities of Amerada Hess whose commercial production started in December 2006, and to the commercialization of oil and gas derivatives since mid 2007.

Fiscal Policy

The authorities are committed to reduce the non-oil primary deficit defined as an appropriate guide for fiscal policy in the context of high dependency on the oil sector. To achieve this goal, the authorities increased capital expenditures to put in place supportive infrastructure. To meet their fiscal targets and foster fiscal sustainability, the authorities are determined to cautiously implement the budget with a view to take appropriate measures aimed at aligning the budget with the strategic framework and pursue targeting expenditure on priorities sectors to reduce poverty through social development and infrastructure projects. In this regard, they plan to introduce a modest food subsidy in the 2009 budget to help alleviate the rising cost of food for the vulnerable segment of the population. They are also hopeful that the upcoming expenditure review with the World Bank will provide them useful guidance in the management of public investment plan.

On the revenue side, the authorities intend to increase revenue through broadening the tax base**,** including expanding taxpayers monitoring, using taxpayer identification number within the main cities of the country, strengthening custom administration through computerization**,** and the adoption of pre-shipment inspections. Moreover, the creation of a single unit in charge of large tax-payers, in addition to reducing the number of VAT exemptions is envisaged to enhance revenue collection. Furthermore, the authorities intend to move the Social Security surplus from commercial banks to the central bank. They also intend to transfer to the BEAC all government deposits held in foreign banks as the ongoing reforms within the central bank is leaning to competitive remunerations for all public deposits.

Monetary and Financial Policies

The pegged exchange rate regime has served the economy of Equatorial Guinea well. The authorities are aware on the need to pursue structural reforms in order to enhance competitiveness. In 2007, BEAC, the regional central bank stepped up its efforts to mop up excess liquidity and inflationary pressures through negative auctions and increasing bank reserve requirements.

Equatorial Guinea’s financial system remains healthy. The authorities intend to foster the development of the financial sector in order to help the sector further boost the non-oil economic growth and support diversification of production and exports. In this regard, it is important to underline the recent abolition of the maximum lending rate to enable banks to commercially price risks of their lending function. Furthermore, the banks' ability to enforce contracts will be strengthened.

My authorities are also committed to pursue their efforts geared towards combating money laundering, over invoicing and tax evasion. To this end, the National Agency for Financial Investigation will be fully operational in 2009.

Structural Reforms and Competitiveness

My authorities will continue to implement needed structural reforms in order to improve the business climate, external competitiveness and make great inroads in poverty reduction. They are also determined to further improve fiscal management with reforms in the budgeting process.

In their sustained efforts to promote private sector development, the authorities plan to improve the business environment through training of the local work force, access to credit, sound interpretation and implementation of the 2006 petroleum law to keep Equatorial Guinea competitive with other oil-producing countries. The authorities are also committed to bring about significant improvements in financial services, labor quality, education and health care services as well as utilities and transportation infrastructure. With regard to labor force in particular, vocational training and educational opportunities will be reinforced.

With regard to the fight against poverty and accelerate the pace of meeting the MDGs, my authorities have established a Social Development Fund (SDF) and a National Development Plan (NDP). The projects under these initiatives are fully integrated into the fiscal framework. Furthermore implementation of the Social Development Fund (SDF) created in 2006 with the assistance of the U.S. Agency for International Development (USAID) is underway. In its current phase, 12 projects have been identified in education, health, water and sewerage, gender equality, and community development. All of these projects have been incorporated in the 2008 budget.

In order to address poverty reduction in a broader program, my authorities are fully committed to implement the National Development Plan (NDP) adopted in November 2007 following the second Economic Conference: Equatorial Guinea 2020 Vision, held in Bata. The realization of the NDP objectives will foster diversification from the dependence on the oil sector and accelerate the achievement of the Millennium Development Goals (MDGs).

On statistical issues, my authorities in their decision to establish a National Statistical Institute are determined to improve the quality and timeliness of data needed for better policy formulation and implementation. In particular, the authorities are making efforts to enhance human capacity, improve the quality of the CPI by extending its coverage to the other cities besides Malabo and Bata as well as strengthening the treatment of national accounts. They are grateful to the Fund and other development partners including the World Bank, AFRISTAT and AFRITAC for the TA provided in this area.

IV. Conclusion

I would like to reiterate the strong commitment of my Equatoguinean authorities to continue implementing Fund policy advice in pursuing their NDP in order to achieve a sustained higher and diversified economic growth and reduce poverty. They will continue to build capacity and enhance transparency in oil resources management through implementation of EITI with the assistance of the World Bank and other development partners