INTERNATIONAL MONETARY FUND

IMF Country Report No. 13/83

REPUBLIC OF EQUATORIAL GUINEA

2012 ARTICLE IV CONSULTATION

March 2013

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 2012 Article IV consultation with Equatorial Guinea, the following documents have been released and are included in this package:

- **Staff Report** for the 2012 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on October 26, 2012, with the officials of Equatorial Guinea on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 19, 2012. 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.
- **Informational Annex** prepared by the IMF.
- **Public Information Notice** (PIN) summarizing the views of the Executive Board as expressed during its January 11, 2013 discussion of the staff report that concluded the Article IV consultation.
- **Statement by the Executive Director** for the Republic of Equatorial Guinea.
- **Observations by the Government** of the Republic of Equatorial Guinea.

The document listed below has been or will be separately released.

Statistical Appendix

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

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REPUBLIC OF EQUATORIAL GUINEA

STAFF REPORT FOR THE 2012 ARTICLE IV CONSULTATION

December 19, 2012

KEY ISSUES

Context: A five-year burst in public investment, largely financed by buoyant oil revenue, has transformed the country's infrastructure. Roads, ports, and power supply have been upgraded, and a number of prestige projects have been completed. Reducing poverty and stimulating productive private sector activity remain urgent challenges. With hydrocarbon revenue now possibly past its peak, priorities include strengthening fiscal institutions, developing public services, and enhancing governance.

Risks: If global energy prices decline substantially, cutting revenue, government deposits will be sufficient only to sustain projected levels of spending for two to three years. Weak institutions, inequalities in income and opportunity, and low levels of educational attainment could restrain growth and undermine political stability.

Medium-term framework: Pending review of the first phase of the 2008–20 National Development Plan, the future role of the state in encouraging economic diversification and poverty reduction remains unclear. No fiscal framework for the medium term has been articulated and fiscal data lack essential compositional detail.

Developing public services: Attaining universal primary education will require a substantial redirection of resources, underpinned by sustained political commitment.

Facilitating private sector development: Perceptions of a cumbersome and politically protected business environment continue to impede foreign interest in non-hydrocarbon activity. Comprehensive governance reform may be the best way to address this.

Meeting regional obligations: Although a substantial foreign currency deposit was made into the Bank of Central African States (BEAC) in 2011, a sizeable proportion of government financial assets is still held in overseas commercial banks, contravening surrender requirements.

Producing and disseminating data: Serious shortcomings in data hamper surveillance and hinder policy formulation. A commitment to regular publication and international quality standards would stimulate long-delayed improvements.

Approved By
Anne-Marie Gulde-Wolf and Dhaneshwar Ghura

Discussions were held in Malabo, October 16–26, 2012. The staff team was Messrs. Shields (head), Arze del Granado, Oshima (all AFR) and Bikoi (STA). Messrs Ondo Bile (OED) and von Uexkull (World Bank) participated in all the policy meetings

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ANNEXES

CONTEXT

1. **Equatorial Guinea has the highest level of per capita income of SSA countries, but ranks among the lowest in available social indicators.** Government revenue, predominantly from hydrocarbon extraction, is comparable in per capita terms to central Europe.[1,2] But the most recent national poverty estimates for 2006 suggest that three-quarters of the population were then living below the national poverty line.[3] Less than half the population had access to clean drinking water.

2. **The first phase of the government's National Development Plan (NDP), which aims at emerging market status by 2020, has achieved a massive scaling up of public investment.** Roads, sea and air ports, and power generation have been transformed, and urban housing has been expanded. A new center for public administration has been built on the main island, Bioko, and a new city is being constructed on the mainland, Rio Muni. A number of other prestige projects have also been completed including luxury facilities for the meeting of the African Leaders' Summit in 2011 and football stadiums for the African Cup of Nations in 2012.

3. **Private sector commercial activity remains extremely limited outside the hydrocarbon sector**. Since the near demise in the 1970s of the country's coffee, cocoa, and palm oil plantations, few agricultural products are marketed. Fishing and sustainable timber exploitation is limited. Manufacturing activities are very small in scale. In the private sector, more than half of the insured labor force is employed in construction.

4. **The business climate is perceived as unwelcoming, and broader governance issues continue to concern the international community.** Unwieldy bureaucracy hinders investment and often requires ministerial intervention. Limitations on civil society participation undermined Equatorial Guinea's unsuccessful candidacy in the Extractive Industries Transparency Initiative (EITI).

5. **Official projections imply that hydrocarbon production may now be in long-term decline.**[4] Output of gas derivatives rose to an equivalent of about 200 thousand barrels of oil per day (bpd) in 2011, but current proven levels of reserves suggest that secondary hydrocarbon output will now start to fall, except for a short burst later this decade. Meanwhile, primary oil production appears to have peaked in 2008 at 350 thousand bpd.

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[1] "Hydrocarbon" production includes both crude oil and gas condensate production (classified as primary sector output) and oil and gas derivatives, such as liquefied natural gas (secondary sector output).

[2] In line with United Nations (World Population Prospects, 2010) the population in 2010 is estimated at 703,420. Equatorial Guinea authorities use a population estimate of 1,622,000 for 2010. A new population census is planned for 2013.

[3] Republic of Equatorial Guinea, Ministry of Planning, Economic Development and Public Investment, 2007, "*Poverty Profile of Equatorial Guinea in 2006*." The national poverty line was drawn at about US$2 a day.

[4] Official projections provided by the Ministry of Mines, Industry, and Energy, which underpin staff projections, are based only on prospects for fields currently in or close to production.

6. The prospect of falling hydrocarbon revenues adds urgency to the case for a medium-term fiscal framework. Although the overall fiscal accounts are currently close to balance, the current level of the non-resource primary fiscal deficit—130 percent of non-hydrocarbon GDP—will not be sustainable over the medium term.[5] To provide space for additional pro-poor current spending, investment will need to be cut and non-resource revenue must rise.

7. The 2013 budget proposes a small overall fiscal surplus on the basis of global oil prices below $90 a barrel. Public investment is scaled down to about 20 percent of GDP (76 percent of non-hydrocarbon GDP), while government current spending remains below 7 percent of GDP. Membership in the Central African Economic and Monetary Community (CEMAC) ensures a stable monetary framework, with the discount interest rate at the central bank (BEAC) currently steady at 4 percent.

8. Discussions covered similar ground to the 2011 Article IV consultations. In the interim, the authorities have chosen not to follow staff advice to adopt a front-loaded fiscal adjustment in 2011, embark on a fundamental reform of public financial management (PFM), or develop a comprehensive action plan to strengthen the business climate. However, they have requested further IMF technical assistance (TA) on PFM and issued new decrees to help centralize revenue collection and coordinate investment planning. Equatorial Guinea has also made a substantial foreign currency deposit at the BEAC.

RECENT DEVELOPMENTS

9. The hydrocarbon sector has continued to be the main driver of the economy, accounting for about three-quarters of estimated GDP (Figure 1). Expanding output of gas derivatives since 2007 has largely compensated for the onset of a trend decline in primary oil production. Exports of hydrocarbons averaged US$12 billion during 2007–11, generating annual government revenues of US$5 billion. Active exploration has raised expectations of further potential gas fields for development.

10. Although data deficiencies preclude any comprehensive assessment of the non-hydrocarbon economy, its average annual growth rate has clearly been very strong—probably exceeding 15 percent—since 2007. Inflation rates persistently above the CEMAC convergence criterion and some project bottlenecks are evidence of stretched capacity limits. The construction sector has benefited from strong public investment; distribution, telecommunications, finance, and housing are now becoming more firmly established as growth sectors.

11. Public investment has recently been the mainstay of non-hydrocarbon activity. Annual government capital spending has doubled in real terms since 2007 and currently accounts for about 35 percent of the estimated level of domestic demand (Figure 2). Although much of the contracting,

[5] Revenues associated directly with hydrocarbon production are removed from all "non-resource" fiscal aggregates

materials and labor for infrastructure spending has been sourced overseas, the rapid expansion of public investment has provided a sizeable boost to domestic construction and utility output. In contrast, the agricultural sector—now mostly subsistence farming—appears to have remained moribund, and the development of the fishing sector is not yet under way.

12. Despite strong hydrocarbon exports, the external current account is estimated to have been in sustained deficit in recent years (Figure 3). A large share of hydrocarbon earnings flows to overseas parent companies, and high levels of investment by the public and hydrocarbon sectors have induced substantial imports of capital goods and services. Although hydrocarbon sector transactions have probably largely been financed by foreign direct investment, the external sector will remain a potential source of vulnerability as long as the public sector continues to generate a sizeable import bill.

13. Equatorial Guinea's external competitiveness within the CEMAC region— from where many food imports are sourced—has been eroded by a rate of inflation consistently above that of other member states. The inflation differential narrowed to 2.2 percent in 2011, but the cumulative impact on the level of consumer prices relative to the rest of CEMAC over the last decade reached 30 percent.[6] The real effective exchange rate is estimated to have appreciated 18 percent in this period.

14. The 2013 budget is premised on GDP growth of 1.8 percent in 2013. With global oil prices assumed to decline below US$90 a barrel, provision for capital spending in 2013 is set 16 percent lower in current prices than the original budget provision for 2012. Staff's projections assume that cash payments in 2012 and 2013 will be about 34 percent and 45 percent, respectively, above the original levels of provision because of the underlying strength of work under way.

Equatorial Guinea: Government Budget, 2011－13

(Percent of non-hydrocarbon GDP)

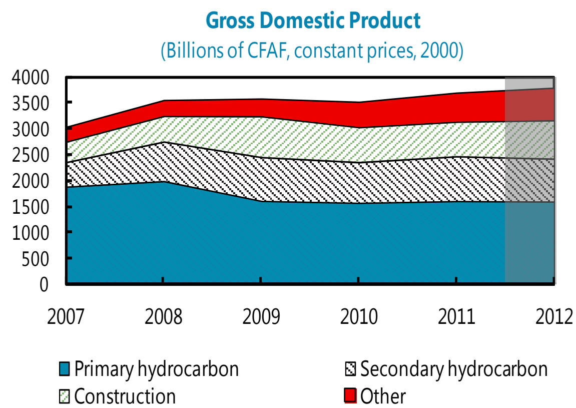
	2011 Outturn	2012 Budget	2012 Projection	2013 Draft Budget	2013 Projection
Revenue	148.0	128.8	143.2	101.8	138.1
Resource revenue	134.3	115.2	127.1	88.0	122.2
Tax revenue	26.4	20.9	25.0	22.9	33.0
Other revenue	107.9	94.4	102.0	65.1	89.2
Non-resource revenue	13.7	13.6	16.1	13.8	15.9
Tax revenue	10.2	9.0	10.5	9.0	10.0
Other revenue	3.5	4.6	5.7	4.8	5.9
Grants	0.0	0.0	0.0	0.0	0.0
Expenditure	143.7	121.0	153.6	101.5	134.3
Expense	26.0	24.1	23.4	25.6	23.9
Net acquisition of non-financial assets	117.7	96.9	130.2	76.0	110.4
Net lending/borrowing (overall fiscal balance)	4.3	7.8	-10.4	0.3	3.8
Non-resource primary balance	-128.6	-104.5	-137.4	-85.0	-118.5

Sources: Equatoguinean authorities; and IMF staff projections.

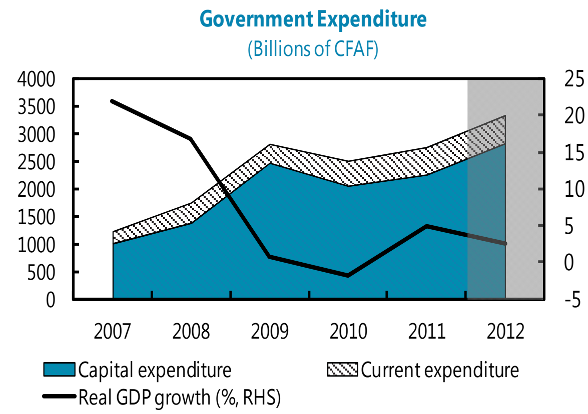
[6] Newly available data for 2009 and 2010 point to lower inflation rates than previously assumed.

Figure 1. Equatorial Guinea: Economic Indicators, 2007–12

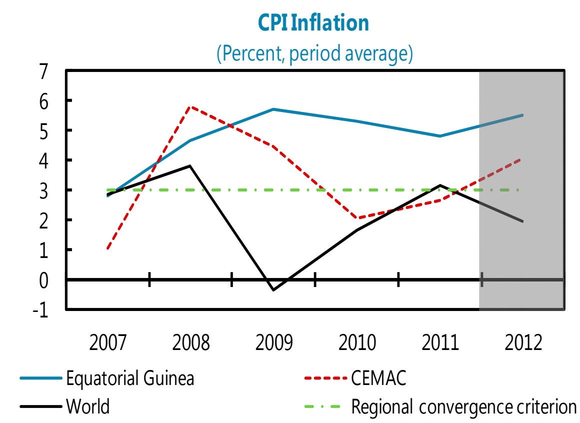
Both hydrocarbon production (which accounts for more than 60 percent of GDP) and non-hydrocarbon production have played important roles in the recent strength in activity.



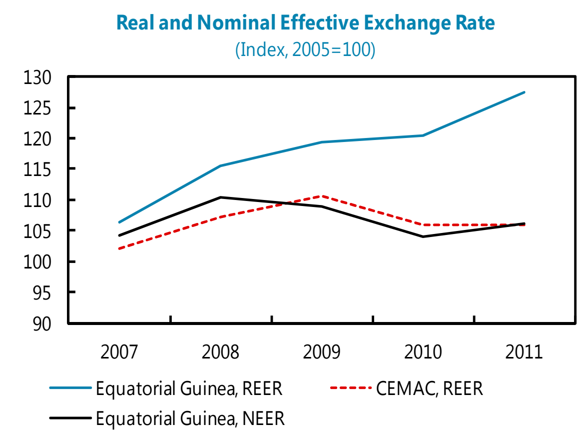
High levels of government capital spending have boosted the construction sector and underpinned GDP growth.



Recent strong domestic demand, largely stemming from public investment, has kept inflation rates above regional and world levels.



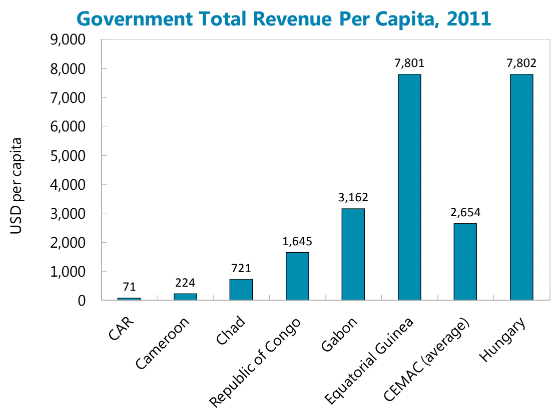
Higher inflation has eroded competitiveness compared with other CEMAC countries and appreciated the real effective exchange rate.



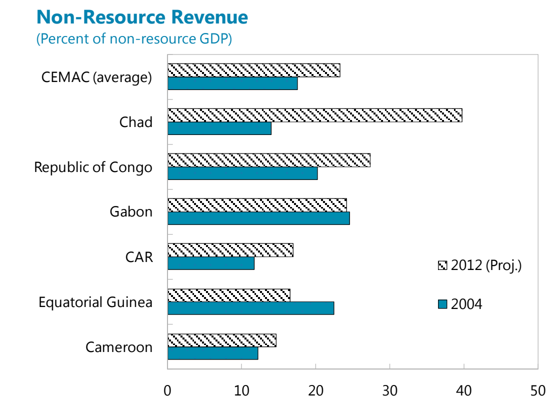
Sources: Equatoguinean authorities; BEAC; and IMF staff estimates and projections.

Figure 2. Equatorial Guinea: Fiscal Composition

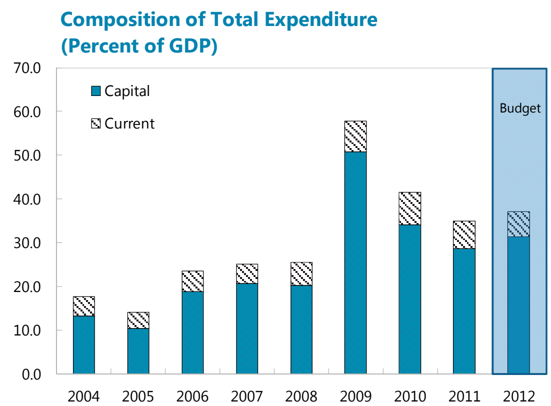
Revenue per capita is the highest in the region, and comparable to many European countries.



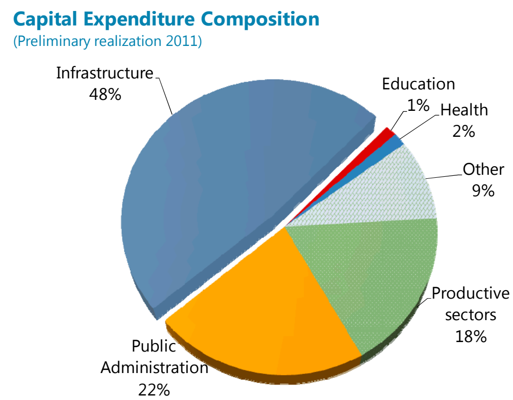
Non-resource revenue has been declining relative to non-resource GDP and is lower than in most neighboring countries.



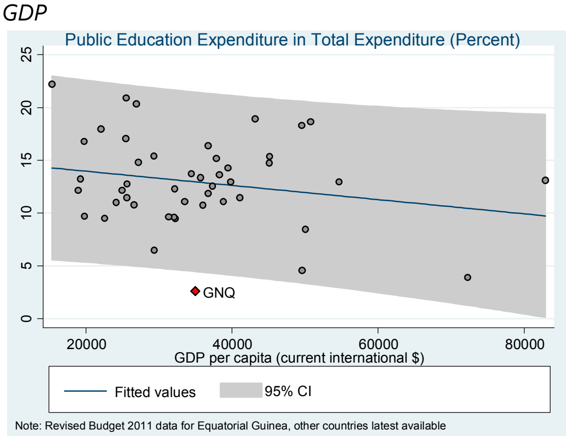
Capital expenditure has consistently formed the bulk of government spending.



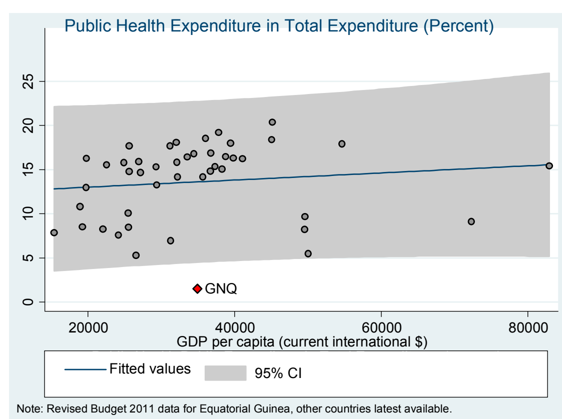
Nearly half of capital spending was on infrastructure in 2011. Education and health accounted for about 3 percent of the total.



Budget provision for education is substantially below other high income countries, even those with lower per capita GDP



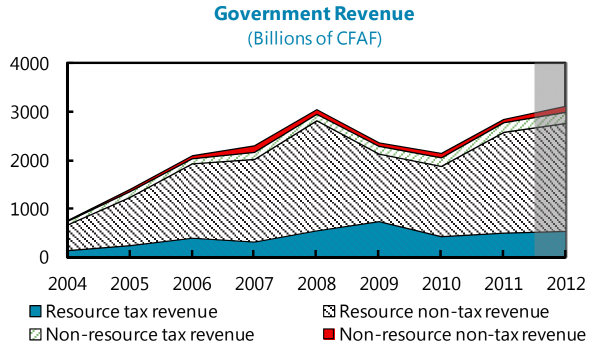
Spending plans for health are also substantially below other high income countries



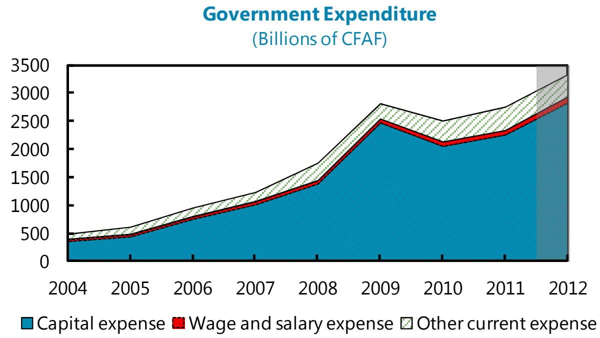
Sources: Equatoguinean authorities; and IMF staff estimates and projections.

Figure 3. Equatorial Guinea: Macroeconomic Balances, 2004–12

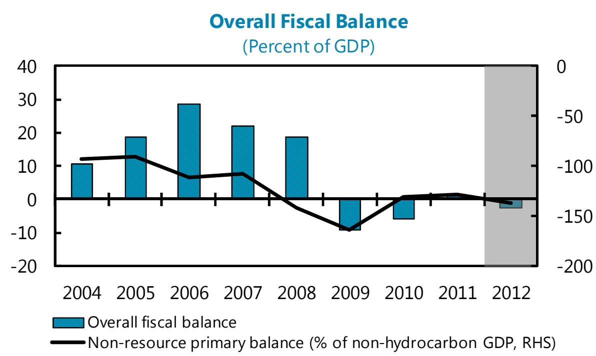
Government revenue has been led by the resource sectors.



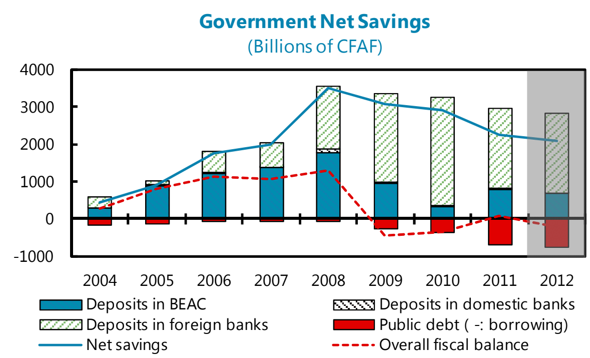
Government expenditure has grown sharply, driven by the scaling-up of capital expenditure under the NDP.



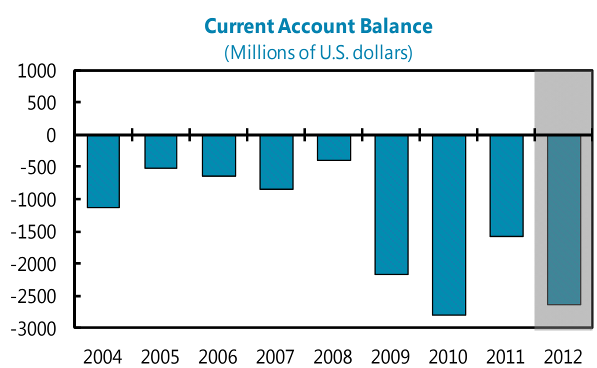
The overall fiscal balance has returned close to surplus but the non-resource primary fiscal deficit is still in excess of 130 percent of non-resource GDP.



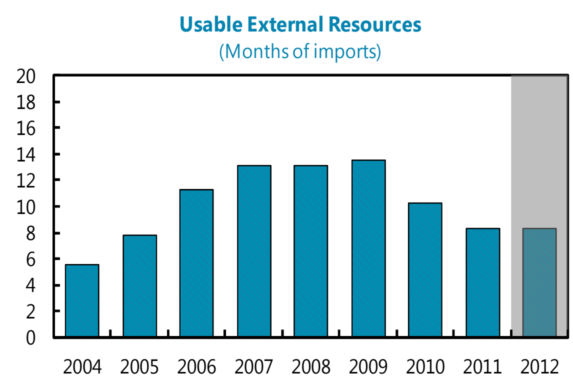
Government net savings (deposits less debt) rose rapidly up to 2008, but have since declined by more than 30 percent.



Equatorial Guinea has recorded current account deficits since 2008 despite huge resource exports.



Usable external resources (BEAC official reserves + government offshore deposits) are healthy at more than 8months of imports, but have been declining since 2008-09.



Sources: Equatoguinean authorities; BEAC and IMF staff estimates and projections.

POLICY ISSUES

A. Anchoring and rebalancing fiscal policy

15. The authorities heralded the successful scaling up of public investment under the first phase of the NDP:

- Upgraded infrastructure had generated new opportunities for private sector activity and raised living standards. Fewer bottlenecks, better access to modern facilities, and lower costs had already made doing business more predictable and attractive.

- All this had been achieved in a fiscally responsible manner. External borrowing had been limited to drawings of about US$1 billion from a US$2 billion credit line with China Eximbank. The fiscal accounts had returned to surplus in 2011 in line with CEMAC convergence criteria.

16. Staff noted nevertheless that the conduct of the public investment program (PIP) had exposed the budget to high opportunity and legacy costs and had adversely affected economic stability:

- A number of elements of the PIP, particularly prestige projects, would involve substantial continuing outlays that were unlikely to yield equivalent economic returns (Box 1). No evidence was made available that project choices had been based on objective appraisal.

- The scale and pace of the investment program had exposed Equatorial Guinea's vulnerability to external shocks. For instance, at the start of the 2009 global recession, a planned acceleration of activity had to be sharply cut back because lower hydrocarbon revenue forced the authorities to draw down public sector deposits. In the last five years, execution of government capital spending had differed from plans by an average of 20 percent.

- Although recourse to external borrowing during the infrastructure boom had been very limited, and low current levels of government debt meant that there was no need to undertake a debt sustainability analysis at this stage, fiscal buffers would be eroded if recent levels of public investment were maintained.

17. A presentation by staff of an alternative framework for fiscal policy that would reduce future spending volatility, while allowing the government to make clear long-term choices about investment and savings, provoked limited positive response from the authorities. The framework, described more fully in Annex I, was anchored on a target path for the non-resource primary balance that would establish and maintain adequate fiscal buffers and spread the use of hydrocarbon wealth over time. In line with existing NDP documentation, the representative target path—which underpins staff's medium-term projections—assumes a substantial scaling down of government capital spending over the rest of this decade, although less front-loaded than the draft 2013 budget. Current spending is assumed to rise over time as a share of non-hydrocarbon GDP, primarily in order to improve provision of education, health, and other pro-poor services. The revenue take from non-hydrocarbon activities is assumed to rise eventually to international ratios, building on recent initiatives to improve customs collection and inhibit tax exemptions, as well as a broader income tax base combined with tighter enforcement mechanisms.

18. Staff highlighted that, on current oil price projections, the framework would produce a small positive overall fiscal balance over the next three years, consistent with the mandatory CEMAC surveillance criterion on the basic fiscal balance. Emphasizing that no decisions would be taken on medium-term spending issues until completion of the review on the first phase of the NDP, the authorities did not raise any specific concerns about staff's projections, but reiterated their additional long-standing objective to achieve a surplus of non-resource revenue over current spending.

19. Staff emphasized that external stability would be reinforced by commitment to a prudent medium-term fiscal framework on the lines proposed (Box 2). Current account imbalances and inflationary pressures would ease if government spending, particularly capital investment, more closely reflected absorption and financing capacity. Adverse shocks such as the "lower global growth scenario" in the October 2012 *World Economic Outlook* (WEO) could then be readily accommodated (Annex 2). Over the medium term, fiscal adjustment would be crucial in restoring the external current account to a sustainable level.[7]

20. Perceptions on the impact of the recent scaling up of investment on government current spending differed widely:

- The authorities noted that spending on health services had recently risen, and that the social security system had increased its coverage for disadvantaged families. All children were required to attend primary school, and the enrolment rates for 7-year olds had risen substantially.

- Staff stressed however that the ratio of government current spending to GDP remained much lower than in countries with similar levels of per capita income, or elsewhere in SSA, with limited budget provisions for education and health. A firm political commitment to implementing universal primary education might help mobilize resources in an area that was critical for both current social policy and future labor force needs.

- Staff also observed that some current spending has been poorly directed. For example, fuel subsidies had been used to keep pump prices for gasoline and aircraft fuel fixed at 2007 levels, at a cost, in 2011, of over 1 percent of GDP (Box 3). Additional government resources had been committed to the sector by building retail outlets for the national oil company GEPetrol. While welcoming the authorities' studies of ways to phase out fuel subsidies for commercial users, staff encouraged a more general unwinding of government involvement in petroleum distribution.

[7] See also the CEMAC staff report and background note (Report No. 12/244).

Equatorial Guinea: Selected Social Indicators

	Latest Figure	Reference Year	Sub-Saharan Africa (latest)
Population (millions)			
United Nations estimate	0.7	2011	860
National authorities' estimate	1.6	2011	...
Poverty incidence1	77	2006	51
Mortality rate, infant (per 1,000)	93	2009	69
Primary school enrollment ratio (%, net)	51	2009	75
Ratio: female to male in primary enrolment (%)	97	2010	93
Life expectancy (years)	51	2011	54
Access to clean drinking water (% of population)	46	2006	61

Sources: Equatoguinean authorities (MDG report, 2009); UN (MDG report, 2010); and World Development Indicators 2012

[1]Equatorial Guinea: National Household Survey (2006); percentage living below national poverty line of US$2 a day. Sub-Saharan Africa: UN MDG Report (2010); percentage living below US$1.25 a day in 2005.

Box 1. Capital Expenditure, 2008–12

The first phase of the National Development Plan "Guinea Equatorial 2020" focused on the development of basic infrastructure to improve competitiveness and boost growth. Capital spending was scaled up rapidly, to a total of about US$23 billion during 2008–12, or 165 percent of annual GDP (650 percent of non-hydrocarbon GDP). Execution was roughly double the amount originally envisioned in the National Development Plan (NDP), partly reflecting higher budgetary provisions because of international events and partly budgetary overruns because oil revenue windfalls exceeded expectations. Capital spending exceeded 80 percent of total government expenditure in the period.

Capital Expenditure Budget and Realization (2008-13)
(Billions of CFA francs, unless otherwise indicated)

					Actual	
	NDP-2020	Budget	Actual	Ratio Actual to Budget	Percent of Total Expenditure	Percent of Non-Hydrocarbon GDP
2008	1,024	1,130	1,392	1.2	79.1	128.9
2009	1,065	2,000	2,482	1.2	87.8	157.3
2010	1,107	2,010	2,063	1.0	82.0	121.0
2011	1,152	1,770	2,266	1.3	81.9	117.7
2012	1,199	2,112	2,838 [1]	1.3	62.9	96.0
2013	796	1,762	...	...	...	...

Source: IMF staff estimates based on data from Equatoguinean authorities.

[1] Staff projection is reported for 2012 instead of actual.

In 2011, based on preliminary data, physical infrastructure accounted for nearly 50 percent of capital spending, with a focus on transport and electricity. The road network was extended; and the expansion and modernization of airports and ports in Malabo, Bata, and other locations was continued. Large capital projects completed in 2011 included the new city of Sipopo, involving a conference center; the construction of a 6-lane highway; electrification and public lighting; and new monuments, squares, and waterfront developments. Public administration absorbed around 22 percent of total capital expenditure, including work on the "Malabo 2" district. About 18 percent of capital spending was spent on behalf of "productive sectors," including commerce, telecommunications, industry, energy, hydrocarbons, transport, aeronautic, agriculture, hotels and tourism, and environment. Education and health accounted for about 3 percent of total capital spending.

Box 2. External Sector Vulnerabilities

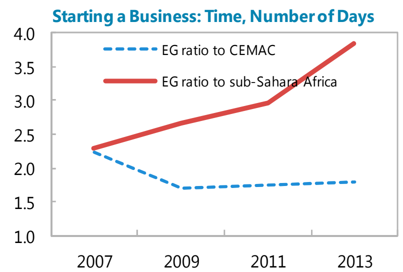
Overall assessment: an unsustainable external position in the long run, but not an urgent issue	**Background**. Despite a steady accumulation of current account deficits and weakening competitiveness, Equatorial Guinea's external position remains stable, supported by ample official reserves and a steady inflow of foreign direct investment (FDI). However, unless policies adjust, depletion of hydrocarbon resources in the future threatens eventually to undermine external stability. **Potential policy responses**. Lower levels of government capital spending and an improved business environment would reduce current account deficits by cutting investment related imports and strengthening competitiveness.
Current account: vulnerabilities stemming from public investment-related imports and hydrocarbon companies' profit repatriation	**Background**. Despite large hydrocarbon exports, Equatorial Guinea has accumulated current account deficits since 2006. The two major factors have been investment-related imports and profit repatriation by hydrocarbon extraction companies. **Assessment**. Current account deficits are tightly related to the size and composition of the fiscal expansion and the ownership structure of natural resource production. But the ownership structure also ensures ready financing of the deficits by hydrocarbon-related FDI inflows. When hydrocarbon resources decline, domestic factors and external competitiveness will become much more important.
Real exchange rate: overvalued, but limitations in data and methodology preclude realistic quantification	**Background**. Using the external stability approach proposed by Bems and Carvalho (2009)[1], the large current account deficit and a low assumed exchange rate elasticity would lead to an estimate that the real exchange rate is overvalued by about 60 percent. **Assessment**. Although the Bems and Carvalho methodology takes into account some important characteristics of resource-rich countries, it still has serious shortcomings. Neither the domestic production capacity of non-resource sectors nor profit repatriation by extraction companies is well addressed. Furthermore, weak data seriously hinder any assessment. Therefore, it is difficult to assess with any accuracy the magnitude of the real exchange rate overvaluation.
Capital and financial account: stable in short term, but vulnerable when hydrocarbon resources decline	**Background**. Equatorial Guinea has received large amounts of FDI inflows, which have been major sources of financing of current account deficits. **Assessment**. Because of recent successful oil and gas exploration, stable FDI inflows are expected in the medium term although their size will gradually shrink as hydrocarbon resources are depleted. Meanwhile, little is known about other financial transactions, because of data limitations.
Foreign exchange reserves: ample usable external resources	**Background**. Thanks to hydrocarbon wealth, Equatorial Guinea has accumulated substantial foreign reserves in the BEAC and continues to hold sizeable foreign currency deposits in commercial banks. **Assessment**. The amount of usable external resources (BEAC official reserves + government offshore savings) is about 8 months of imports.
Foreign assets and liabilities position: no issues	**Background**. Equatorial Guinea's external debt, more than 90 percent of which is public debt, is small (about 9 percent of GDP). **Assessment**. The government has no plans to take on additional external debt. Therefore, neither external nor public debt is an urgent concern.

[1] Bems and Carvalho Filho, 2009, "Exchange Rate Assessments: Methodologies for Oil Exporting Countries", IMF Working Paper, WP/09/281.

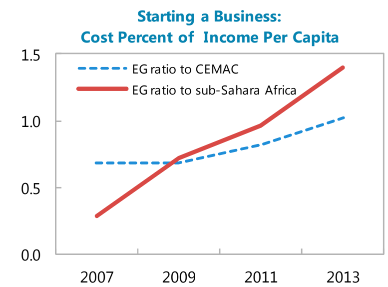
Figure 4. Equatorial Guinea: Governance and Business Climate

Equatorial Guinea has continued to score very poorly across a wide range of indicators of governance and the business climate. Like much of the CEMAC region, it performs worse than most other countries in sub-Saharan Africa (SSA) and is near the bottom of global rankings. Even in the relatively small number of indicators where Equatorial Guinea's scores have improved in recent years, the gains in other countries have generally been larger. The sample of business indicators below compares Equatorial Guinea's scores over time with average scores in CEMAC and SSA.

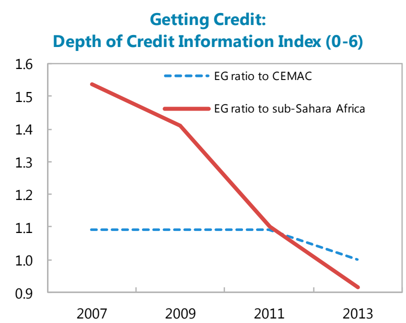
The number of days needed to start a business is four times as large as the average for SSA (and increasing) and almost twice that of CEMAC.



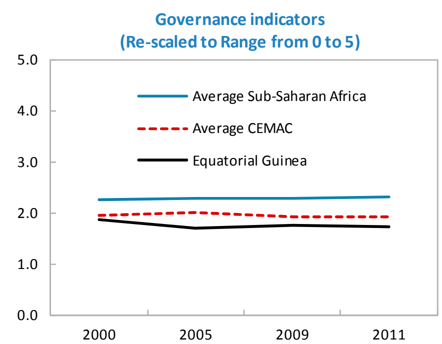
The cost of starting a business (relative to income per capita) has risen above the SSA average.



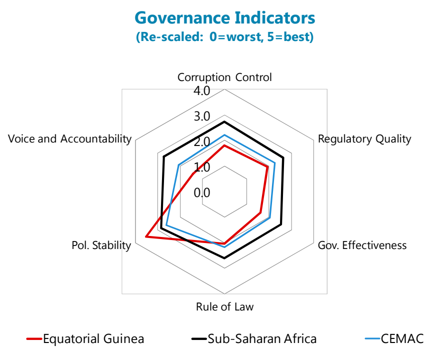
The index showing the strength of legal rights in supporting credit availability has improved, reaching the average in SSA and CEMAC.



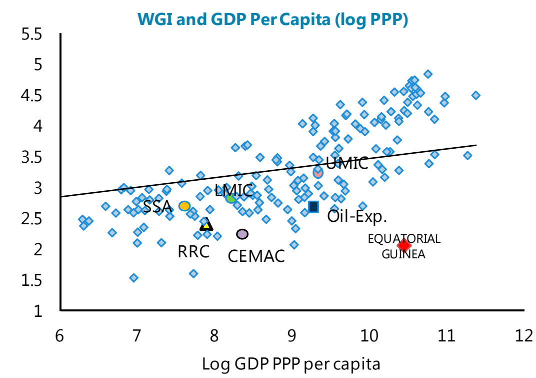
The average of the World Bank's six major governance indicators for EG is below CEMAC and SSA.



In 2011, the weakest areas of governance – all below SSA and CEMAC - were voice and accountability, government effectiveness, and control of corruption.



The World Governance Index shows a score for EG significantly lower than other countries with similar levels of income per capita.



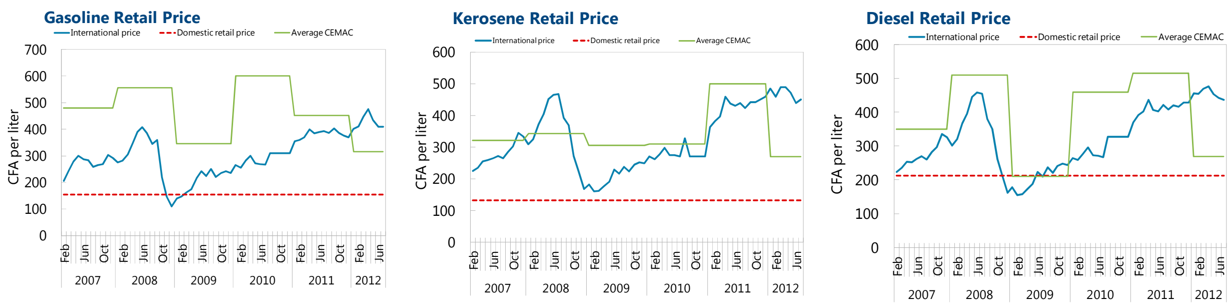
Sources: International Finance Corporation and World Bank's Doing Business Indicators years: 2007–12. World Bank's Governance Indicators, 2011, (average of control of corruption, government effectiveness, rule of law, regulatory quality, political stability and voice and accountability); and IMF staff calculations.

Box 3. Equatorial Guinea: Fuel Subsidies

Retail prices of refined fuel products have been fixed at current levels since February 2007. All refined oil fuel products are imported. The government has recently built facilities for the national company, GEPetrol, to distribute refined products as a competitor to Total Oil, which is currently the only bulk distributor of petroleum products to the private retail sector.

The total cost of fuel subsidies was CFAF 104 billion in 2011 (1.3percent of GDP). The authorities are considering a potential elimination of the subsidy for commercial users, who currently account for about 60 percent of total fuel consumption. Sales to private users of gasoline, diesel, and kerosene, and to foreign and domestic companies for aviation jet fuel, all of which are subsidized, account respectively for the remaining 25 and 15 percent.

Fuel prices



Sources: Equatoguinean authorities; and IMF staff estimates.

21. Staff suggested that deep-seated deficiencies in public financial management were impeding progress toward a better allocation and use of government resources.[8] The limited integration of the PIP into the budgetary planning and execution processes had made it more difficult to align the composition of budgetary outlays with plans, particularly when hit by external or internal shocks, such as the drive to complete large projects in time for the 2011–12 international events. Project appraisal has been limited, monitoring of spending has been stretched, little formal provision has been made for consequential recurrent spending, and payments to contractors are reported to have often been long delayed (although no arrears have been recorded in government accounts). Staff also pointed to the absence of detailed information on budget execution, including a functional or administrative breakdown of expenditure, as further confirmation of weaknesses in monitoring and control mechanisms.

22. The authorities refuted the implications of poor project selection and implementation. They noted however that a new budget decree would involve the finance ministry more closely in all planning and execution functions of the budget, as well as tightening up procedures for depositing revenue with the treasury. Technical assistance from the African Development Bank would also

[8] See, for example, World Bank 2010 Public Expenditure Review and IMF FAD technical assistance mission March 2011 (Box 4).

accelerate the computerization of public financial management, which is currently the major impediment.

Box 4. Equatorial Guinea: Recent Technical Assistance for Public Financial Management

Public financial management missions in May 2011 and September 2012 by AFRITAC (central) discussed fundamental legal and regulatory framework issues and public accounting practices and made recommendations on budget and project monitoring systems. Two follow-up technical assistance missions are scheduled. Following a request from the authorities for a renewal of backstopping arrangements for resident fiscal advisers, the IMF Fiscal Affairs Department is planning to conduct a diagnostic mission in early 2013.

B. Encouraging inclusive growth

23. Diversifying the economy and addressing poverty were core motivations of the NDP, but many fundamental policy issues remain unaddressed. Staff noted that making growth inclusive requires a comprehensive approach to policy that encompasses addressing social needs, developing human capital, and improving the challenging business climate to help create jobs. Resuscitation of subsistence and commercial agriculture would also offer substantial potential to raise household living standards and generate employment.

24. Staff emphasized the importance of ensuring adequate competition in product markets, encouraging a deeper financial sector, opening access to opportunities and information, and addressing broader governance concerns. Government should not crowd out the private sector by itself becoming involved in new commercial activities. An efficiently managed rules-based approach to regulation that does not involve ministerial intervention offers the most welcoming climate for business. Adherence to recent regional initiatives including on labor mobility and trade barriers would contribute further.

25. The authorities were unable to indicate how policy would evolve in the second phase of the NDP (beginning in 2013) because of the ongoing review of the first phase. They noted however that agriculture and fishing had already been accorded priority status in the NDP and that pilot initiatives had been launched in education and health. A one-stop shop for investment would also be introduced, but capacity limitations had slowed progress.

26. There is considerable scope for an expansion of financial sector lending to the private sector. The banking sector appears soundly based (Box 5) and a new, fifth bank—part of the pan-African Ecobank group, which has a track record of small business support—is poised to begin operations. The government is also closer to developing a loan guarantee scheme for small businesses, which have experienced considerable difficulty obtaining loans in the past, reportedly because of the owners' inability to provide adequate business plans, perceived biases toward companies working on government projects, and difficulties with contract enforcement. Staff noted however that such issues were generally better addressed at source, or using market-based incentives, because government guarantees tended to provide unwelcome opportunity for official discretion and could result in large contingent liabilities.

Box 5. Equatorial Guinea: Financial Sector

The financial sector currently consists of four banks. Three of these have foreign parent companies, whereas Banco Nacional de Guinea Ecuatorial (BANGE) is owned by the government. A fifth bank, part of the pan-African Ecobank group, is poised to start operations shortly. CCEI bank, a subsidiary of Afriland First bank, accounts for about 70 percent of total credits and 45 percent of total bank assets. Societe Generale and BGFI bank share about 13 and 11 percent of total credits, respectively. Microfinance is insignificant.

Financial depth in Equatorial Guinea is very low. The ratio of bank credit to the private sector to non-hydrocarbon GDP was about 35 percent in 2011 and the density of borrowers from commercial banks is about one tenth of the SSA average. The construction sector accounts for more than 60 percent of bank credits. Private companies are the primary source of bank funds (about 60 percent of total bank deposits).

The banking sector appears sound, with a capital ratio averaging about 18 percent, and an average non-performing loan rate of about 6 percent. Liquid assets account for about 40 percent of total assets. Banks with a higher share of non-performing loans hold relatively higher shares of liquid assets.

Financial Soundness Indicators (End of Period), 2009–11 (Percent)

	2009	2010	2011
Ratio capital / Assets	10.4	10.9	12.9
Ratio capital / Risk-weighted assets	31.5	26.6	24.2
Capital / Risk-weighted assets	23.3	20.2	18.2
Non-performing loans / Total loans	11.8	7.2	5.5
Provisions / Non-performing loans	64.4	88.6	101.7
Average return on assets	1.3	1.5	0.6
Return on average equity	18.5	14.9	5.4
Liquid assets / Total assets	44.0	45.4	37.4
Liquid assets / Current liabilities	192.9	220.5	185.7

Source: Central African Banking Commision (COBAC).

27. **Staff also highlighted the importance of transparency, accountability, and the enforcement of law as preconditions for a vibrant private sector.** A major effort, involving all levels of government, is required to answer the international community's concerns regarding the use of public resources, independence of civil society, human rights, and open access, as well as labor restrictions and hold-ups to business operations (Figure 4). The authorities observed however that external observers failed to give due weight to the national values and expectations that underpinned their methods of operation, including in the business sector, and to the progress that had already been made in difficult circumstances. They also noted developments in two areas:

- An action plan is under way to reactivate Equatorial Guinea's candidacy in the Extractive Industries Transparency Initiative (EITI). To facilitate civil society involvement in monitoring hydrocarbon activities and revenues, consultants would be advising on updating legislation, training programs are being provided, and an information center is planned. In response to staff's suggestions that regular reports of resource revenue would quickly advance the transparency agenda, the authorities said that these had not yet been considered in the absence of engagement with the EITI.

- Extensive work is being undertaken in conjunction with the CEMAC financial authorities to set up and enforce mechanisms to prevent money laundering and counter the financing of terrorism. Staff noted particularly in this respect the importance of implementing international standards on politically exposed persons, cross-border transportation of currency and bearer bonds, and an operational finance intelligence unit.

C. Meeting regional obligations

28. A large proportion of Equatorial Guinea's external financial assets is still held in foreign commercial banks rather than the BEAC. This contravenes the CEMAC region's foreign currency surrender requirements and reserve-pooling arrangements. The government held the equivalent of over CFAF 2140 billion in foreign currency deposits in overseas banks at end-2011, compared with holdings of CFAF 800 billion at the BEAC. However, the authorities noted that Equatorial Guinea had transferred CFAF 474 billion to the BEAC in 2011 (bringing BEAC deposits close to the level of M2 deposits) and that other oil-producing countries in the region also held assets outside the BEAC.

29. Staff noted two additional adverse consequence of Equatorial Guinea's continued deposits in commercial banks rather than the BEAC. First, because overseas deposits are not reported in budget documentation (and neither is the Chinese Eximbank loan) the fiscal and financial accounts are not fully reconciled. Second, Equatorial Guinea's potential leadership in attempts to reform the BEAC reserves framework (and particularly the remuneration of long-term savings) is compromised by not following current obligations.

D. Compiling and publishing reliable data

30. Staff observed that macroeconomic and socio-demographic statistics are still deficient and hamper surveillance. Progress toward the Millennium Development Goals cannot be effectively monitored. Statistical capacity is very low. Deficiencies are manifold and deep-rooted:

- National accounts statistics are very poorly grounded (using a 1985 base year) and lack the minimum indicators necessary to track annual developments in the non-hydrocarbon economy. Official data for economic growth are based on computations and projections, rather than survey evidence.

- The reliability of price statistics is unclear in the absence of an up-to-date household survey and adequate capacity to monitor price changes across the country.

- Fiscal data are only available on a cash basis; there is no functional breakdown; and there is no full reconciliation with financial data.
- Balance of payments data do not reflect transactions actually recorded by customs or the banking sector.
- Several planned surveys have been delayed. Poverty and population data have been challenged.

31. Noting that even the most basic data are very hard for the public to access, staff suggested that a clear publication timetable for critical macroeconomic and socio-demographic data would both assist transparency and act as a powerful incentive to improve statistical capacity. Another important step would be to implement the decree establishing an autonomous national statistics institute. Technical support on statistics and administration would be available under the General Data Dissemination System (GDDS) but, as in previous years, the authorities had not responded to staff's encouragement to join.

32. The authorities noted that the Ministry of Planning, Economic Development and Public Investment is undertaking an exercise to rebase the national accounts and improve the coordination of economic data within government. The World Bank has posted a long-term statistics expert to provide assistance and training. The nearly-completed demography and health survey and the four major surveys planned for 2013 (including the population and housing censuses) would provide much-needed additional source data.

STAFF APPRAISAL

33. Equatorial Guinea has laid down some important physical foundations to advance toward its goal of emerging market status. The upgraded national road network and new ports will provide better access to commercial opportunities, the enhanced power infrastructure will reduce costs and production bottlenecks, and modern public buildings and housing will raise administrative and living standards. Costs and wastage have been high, however, because of limitations in oversight and pressure for prestige projects.

34. A clear fiscal anchor is needed to help insulate the economy from oil price volatility and improve the allocation and efficiency of expenditure over time. Fiscal policy should be guided by a medium-term target path for the non-resource primary balance that establishes fiscal buffers sufficient to maintain expenditure commitments even when oil prices fluctuate. Some accommodation may need to be sought in CEMAC fiscal guidelines. The target path should reflect the expected future profile of hydrocarbon revenue, the likely efficiency of domestic investment, and immediate poverty and development needs, as well as short-term absorption and financing considerations. A first step would be to recast the 2013 budget proposals to highlight the non-resource primary balance and the implications for the overall fiscal balance of alternative hydrocarbon production and price profiles.

35. External stability would be reinforced by commitment to a prudent medium-term fiscal framework on the lines proposed. Analysis shows that the real effective exchange rate is above its equilibrium level (although the magnitude is uncertain), pointing to an erosion in external competitiveness. Lower levels of government capital spending, in conjunction with improvements to the business climate, will be critical in addressing this.

36. Broad guidelines should be set under the NDP for the composition of spending and revenue that would underpin the target path for the non-resource primary balance. Both expenditure rationalization and non-resource revenue mobilization will be required over the medium term. Expenditure should be rebalanced to provide adequate room for a higher level of real current spending, and revenue might be enhanced by improving customs collection and broadening the base and efficiency of income tax (including limiting tax holidays and other exemptions).

37. In the next phase of the NDP, improving the business climate and enhancing social services will need to take center stage. This will require decisive and sustained action by government to overcome its negative reputation for poor governance and to overhaul its weak infrastructure for delivering education, health and personal services. Priorities in capital spending should also switch from infrastructure toward education and health.

38. To enhance and extend business opportunities, bureaucratic procedures should be streamlined, and scope for political intervention should be curtailed. The proposed one-stop shop for investment would reduce some of the costs and delays that currently hinder business development. Problems that have slowed loan availability to small enterprises should, where possible, be addressed at source by enhancing training and business services. While local employment is a primary objective of economic regeneration, regulations that restrict the ability of local or foreign companies to recruit adequate personnel should be avoided.

39. Direct public sector involvement in commercial activities should be avoided. "Picking winners" by governments is rarely successful, particularly where commercial experience is limited and political connections can distort judgment. The government's comparative advantages lie instead in establishing infrastructure, ensuring a welcoming and predictable business climate, and supporting labor force enhancement.

40. A fast-track approach to making high-quality primary education available to all should be considered. Ambitious targets should be set for the number and quality of teachers, adequate financial resources should be committed, and programs should be developed to encourage student enrollment and attendance.

41. Equatorial Guinea should meet its obligations to the BEAC. The government's foreign currency deposits should be held in the BEAC rather than in commercial banks. Equatorial Guinea would then be in a stronger position to take a leadership role in discussions about the future of the reserves framework.

42. A strong political commitment to transparency could accelerate the production of basic economic and social statistics. Priority should be given to: developing and publishing evidence-based annual national accounts and balance of payments statements; reporting government expenditure commitments and arrears and all financial assets and liabilities; and conducting, in 2013, population and agricultural censuses and household and enterprise surveys. These should be reinforced by a clear publication timetable for economic data. Regular publication of reports on oil revenues would demonstrate Equatorial Guinea's continued commitment to EITI principles.

43. IMF staff recommends that the next Article IV consultation take place on the standard 12-month cycle.

Equatorial Guinea: Risk Assessment Matrix

Sources of Risk	Likelihood[1]	Impact if Realized[1]
A substantial decline in hydrocarbon prices stemming from a sustained global slowdown	**Low** Spillovers from Europe and/or unresolved US fiscal issues could lead to a marked and perhaps sustained softening of global growth, which in turn would lead to sustained lower hydrocarbon prices.	**Medium** Equatorial Guinea is highly dependent on hydrocarbon exports. Hydrocarbons account for about 75 percent of GDP, 98 percent of goods exports, and 90 percent of fiscal revenue. Experience suggests that EG authorities may prune capital spending sharply in response to lower hydrocarbon revenues. This would impact immediately on the construction sector. However, large international reserves provide buffers that could support spending for up to three years if the authorities wish to use them.
Continuous loose fiscal policy	**High** Capital spending has recently been on an unsustainable trajectory, although the authorities aim to keep an overall fiscal balance and staff expects capital spending to turn down. Since 2009, the government has failed to increase fiscal buffers despite their vast hydrocarbon revenues.	**High** Further scaling-up of capital spending would accentuate the strains on administrative and absorptive capacity, with consequential impacts on project selection, inflation, competitiveness, imports, and scope for corruption. Worsening competitiveness will further inhibit development of the non-hydrocarbon sector over the medium term. Fiscal buffers would be further eroded. Introducing a fiscal framework anchored on the non-resource fiscal balance would discipline expenditure practice and reduce risks.
Widening inequalities in income and job opportunities	**Medium** Poverty, governance, and business indicators suggest that growth has so far not been inclusive. Non-hydrocarbon sectors remain rudimentary and offer few opportunities to the local population.	**Medium** Continued social exclusion heightens the risk of political unrest. Exclusion will further reduce human capital and impede sustainable development. Strategies to revitalize the non-resource sector, including better governance and business climate, need to be considered. Resources should be directed particularly to primary education.
Unchanged data quality	**Medium** Despite several efforts, improvement of data quality and dissemination of official data are limited.	**Medium** Inaccurate understanding of the economy. Ineffective economic policies, in particular inappropriate reallocation of hydrocarbon wealth.

[1] Classified as high, medium/high, medium, low/medium, or low. The Risk Assessment Matrix shows events that could materially alter the baseline path discussed in this report (which is the scenario most likely to materialize in the view of staff). The relative likelihood of risks reflects the staff's subjective assessment (at the time of discussions with the authorities) of the risks surrounding this baseline.

Table 1. Equatorial Guinea: Selected Economic and Financial Indicators, 2009–17

	2009 Est.	2010 Est.	2011 Est.	2012 Proj.	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
	(Annual percentage change, unless otherwise specified)								
Production, prices, and money									
Real GDP	0.8	-1.7	4.9	2.5	-1.7	-0.3	-6.8	2.8	-4.4
Hydrocarbon sectors	-10.8	-3.9	4.7	-1.8	-4.2	-2.7	-12.8	3.1	-9.4
Oil and gas primary production	-18.9	-2.3	2.1	-0.6	-6.1	-3.0	-12.3	-1.0	-16.6
Hydrocarbons secondary production[1]	10.8	-6.9	10.0	-4.1	-0.6	-2.2	-13.8	10.8	2.8
Non-hydrocarbon sectors	40.9	3.0	5.5	11.1	2.8	3.7	2.5	2.4	2.3
GDP deflator	-30.0	26.3	24.4	11.1	1.0	-1.7	-2.5	-0.4	-0.9
Hydrocarbon sectors	-36.5	37.2	31.4	16.2	1.2	-2.4	-2.7	-2.5	-2.3
Oil and gas primary production	-34.2	36.1	26.9	12.2	1.1	-4.1	-3.9	-3.6	-3.9
Hydrocarbons secondary production[1]	-37.6	38.2	47.3	25.7	2.1	1.5	-0.4	-0.4	-0.1
Non-hydrocarbon sectors	3.7	4.9	7.0	1.9	3.5	2.8	3.6	3.8	4.4
Oil price (U.S. dollars a barrel)[2]	58.0	75.3	100.3	102.4	101.3	96.9	92.7	89.0	85.2
Consumer prices (annual average)	5.7	5.3	4.8	5.5	5.0	5.4	5.2	5.0	4.7
Consumer prices (end of period)	5.0	5.4	4.9	5.9	5.2	5.1	4.9	4.9	4.7
Broad money	18.8	48.9	6.1	4.7	7.1	6.1	10.6	4.5	5.7
Nominal effective exchange rate (- = depreciation)	-1.3	-4.5	-1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Real effective exchange rate (- = depreciation)	3.1	1.1	4.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
External sector									
Exports, f.o.b.	-42.3	21.2	38.5	3.7	-4.9	-4.2	-13.8	-1.0	-9.3
Hydrocarbon exports	-42.7	20.6	39.0	3.8	-5.1	-4.3	-14.1	-1.3	-9.9
Oil and gas primary production	-44.7	20.0	30.0	1.5	-6.9	-5.7	-14.0	-6.3	-16.5
Hydrocarbon secondary production[1]	-33.8	22.1	76.8	10.6	-0.4	-0.8	-14.3	9.7	2.5
Non-hydrocarbon exports	13.9	65.4	9.1	-2.7	4.3	3.9	7.0	13.5	18.4
Imports, f.o.b.	15.0	-2.0	27.1	12.1	-10.0	-2.8	-9.5	-3.6	-9.9
Terms of trade	-20.3	-9.1	11.9	18.0	2.5	-0.4	-2.6	-2.6	-3.6
Government finance									
Revenue	-22.4	-9.2	32.5	9.6	2.6	-5.2	-9.6	-10.6	-6.6
Expenditure	60.7	-11.0	9.9	21.0	-7.0	-4.1	-9.2	-3.1	-10.7
	(Percent of GDP, unless otherwise specified)								
Investment and savings									
Gross investment	68.2	63.8	54.0	51.0	44.1	43.5	42.9	40.4	37.8
Public	50.8	34.0	28.6	31.4	28.5	27.1	26.0	23.7	20.6
Private	17.5	29.9	25.4	19.6	15.5	16.3	17.0	16.7	17.1
Gross national savings	47.3	41.0	44.6	35.9	33.6	31.8	30.2	26.7	25.3
Public	41.4	27.9	29.6	28.9	29.5	27.7	26.4	21.5	19.9
Private	5.9	13.1	15.0	7.0	4.0	4.1	3.8	5.2	5.3
Government finance									
Revenue	48.4	35.4	35.9	34.6	35.7	34.5	34.4	30.0	29.6
Of which : resource revenue	43.7	31.0	32.6	30.7	31.6	30.2	29.7	25.3	24.5
Expenditure	57.8	41.4	34.9	37.1	34.7	34.0	34.0	32.1	30.3
Overall fiscal balance after grants	-9.4	-6.0	1.0	-2.5	1.0	0.6	0.4	-2.1	-0.7
Non-resource primary balance (percent of non-hydrocarbon GDP)[3]	-164.4	-130.9	-128.6	-137.4	-118.5	-105.6	-89.2	-81.2	-66.4
Gross government deposits (billions of CFAF)	3,368	3,262	2,961	2,834	2,731	2,571	2,422	2,255	2,206
External sector									
Current account balance (including official transfers; - = deficit)	-20.9	-22.8	-9.3	-15.0	-10.5	-11.7	-12.7	-13.7	-12.5
Outstanding medium- and long-term public debt	5.8	5.9	8.8	8.3	8.0	5.7	3.6	1.1	1.1
Debt service-to-exports ratio (percent)	0.2	0.3	0.3	1.1	3.3	3.5	3.5	0.0	0.1
External debt service/government revenue (percent)[4]	0.8	1.6	1.4	5.1	14.7	15.4	15.0	0.2	0.3
	(Millions of U.S. dollars, unless otherwise specified)								
External sector									
Exports, f.o.b.	8,526	10,332	14,306	14,838	14,104	13,515	11,649	11,537	10,464
Hydrocarbon exports	8,413	10,145	14,103	14,640	13,898	13,301	11,419	11,277	10,156
Oil and gas primary production	6,559	7,870	10,234	10,391	9,678	9,124	7,850	7,354	6,144
Hydrocarbons secondary production[1]	1,560	1,905	3,367	3,724	3,708	3,680	3,155	3,463	3,549
Non-hydrocarbon exports	113	187	204	198	206	214	229	260	308
Imports, f.o.b.	-5,597	-5,485	-6,972	-7,813	-7,034	-6,837	-6,190	-5,967	-5,375
Current account balance (- = deficit)	-2,170	-2,793	-1,565	-2,622	-1,774	-1,932	-1,898	-2,092	-1,798
Overall balance of payments	-1,328	-660	838	-382	137	34	-26	-263	-77
Outstanding medium- and long-term public debt	620	724	1,379	1,419	1,361	946	532	169	165
Usable external resources[5]	8,519	8,288	7,280	6,577	6,373	6,004	5,615	5,273	5,159
Reserve assets at the BEAC	3,252	2,354	3,054	2,550	2,683	2,707	2,669	2,396	2,309
Of which : government deposits at BEAC	2,101	664	1,579	1,292	1,427	1,502	1,552	1,292	1,211
Government bank deposits abroad	5,267	5,935	4,227	4,027	3,690	3,296	2,945	2,877	2,850
Usable external resources[5] (months of next year's imports)	13.4	10.2	8.3	8.3	8.3	8.6	8.3	8.6	n.a.
Nominal GDP (billions of CFA francs)	4,890	6,073	7,931	9,035	8,965	8,785	7,978	8,172	7,743
Non-hydrocarbon GDP (billions of CFA francs)	1,578	1,705	1,925	2,180	2,319	2,470	2,622	2,789	2,978

Sources: Equatoguinean authorities; BEAC; and IMF staff estimates and projections.

1 Including LNG, LPG, butane, propane, and methanol.

2 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.

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

4 The rise in external debt service starting in 2012 reflects the amortization of Chinese loans under a 2006 US$2 billion credit line from the Chinese government. The loans are earmarked for infrastructure, including four projects in electrification and improvements to Bata harbor. Loan terms are non-concessional, carrying an interest rate of 5½ percent, five years maturity with two years' grace.

5 Usable external resources include official reserves in the BEAC and government offshore deposits.

Table 2. Equatorial Guinea: Balance of Payments, 2009–17[1]

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

	2009 Est.	2010 Est.	2011 Est.	2012 Proj.	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Current account	-2170	-2793	-1565	-2622	-1774	-1932	-1898	-2092	-1798
Trade balance	2928	4847	7334	7024	7071	6678	5458	5570	5088
Exports of goods, f.o.b.	8526	10332	14306	14838	14104	13515	11649	11537	10464
Hydrocarbon exports	8413	10145	14103	14640	13898	13301	11419	11277	10156
Crude oil	6559	7870	10234	10391	9678	9124	7850	7354	6144
Liquefied natural gas	1333	1621	2921	3285	3234	3216	2748	3007	3103
Liquefied petroleum gas	0	0	0	0	0	0	0	0	0
Methanol	227	283	447	439	474	464	407	456	446
Non-hydrocarbon exports	113	187	204	198	206	214	229	260	308
Imports of goods, f.o.b.	-5597	-5485	-6972	-7813	-7034	-6837	-6190	-5967	-5375
Petroleum sector	-587	-1230	-1926	-1964	-1866	-1885	-1791	-1701	-1616
Petroleum products	-230	-323	-485	-590	-589	-588	-567	-579	-592
Public sector equipment	-4206	-3332	-3915	-4492	-3818	-3589	-3067	-2887	-2375
Other[2]	-575	-600	-646	-767	-760	-775	-766	-799	-792
Services (net)	-1802	-2055	-2638	-2882	-2646	-2586	-2346	-2309	-2150
Income (net)[3]	-3191	-5477	-6155	-6646	-6074	-5909	-4892	-5237	-4618
Current transfers	-106	-108	-107	-119	-124	-116	-119	-117	-118
Capital and financial account	641	2404	2602	2239	1911	1967	1872	1829	1721
Capital account	0	0	0	0	0	0	0	0	0
Financial account	641	2404	2602	2239	1911	1967	1872	1829	1721
Direct investment	1304	2734	1975	2015	1914	1933	1836	1745	1657
Portfolio investment (net)	0	0	0	0	0	0	0	0	0
Other investment (net)	-663	-330	627	225	-3	34	35	85	64
Medium- and long-term transactions	494	90	639	-77	-392	-437	-388	-29	-32
General government	503	104	656	-58	-370	-413	-364	-4	-7
Of which : amortization	-5	-5	-5	-103	-415	-413	-364	-4	-7
Banks	0	0	0	0	0	0	0	0	0
Other sectors	-9	-14	-17	-20	-22	-24	-25	-25	-26
Short-term transactions	-1157	-420	-12	302	390	471	424	114	96
General government[4, 5]	-1255	-655	33	204	338	394	352	68	27
Banks	104	157	-76	32	5	8	-16	2	8
Other sectors	-6	78	32	67	46	68	88	44	61
Errors and omissions	200	-272	-199	0	0	0	0	0	0
Overall balance	-1328	-660	838	-382	137	34	-26	-263	-77
Financing	1328	660	-838	382	-137	-34	26	263	77
Change in net international reserves[6] (- = increase)	1328	660	-838	382	-137	-34	26	263	77
Memorandum items:									
Reserve assets at the BEAC (a)	3252	2354	3054	2550	2683	2707	2669	2396	2309
Of which : government deposits at BEAC (b)	2101	664	1579	1292	1427	1502	1552	1292	1211
Government bank deposits outside BEAC (c)	5267	5935	4227	4027	3690	3296	2945	2877	2850
Usable external resource (a + c)	8519	8288	7280	6577	6373	6004	5615	5273	5159
Gross government deposits (b + c)	7368	6599	5805	5319	5116	4798	4497	4170	4061
Usable external resource (months of next year's imports)	13.4	10.2	8.3	8.3	8.3	8.6	8.3	8.6	n.a.
Current account balance (percent of GDP; - = deficit)	-20.9	-22.8	-9.3	-15.0	-10.5	-11.7	-12.7	-13.7	-12.5
Overall balance (percent of GDP; - = deficit)	-12.8	-5.4	5.0	-2.2	0.8	0.2	-0.2	-1.7	-0.5
Growth of hydrocarbon exports (percent)	-42.7	20.6	39.0	3.8	-5.1	-4.3	-14.1	-1.3	-9.9
Growth of non-hydrocarbon exports (percent)	13.9	65.4	9.1	-2.7	4.3	3.9	7.0	13.5	18.4
Growth of other imports[2] (percent)	42.1	4.4	7.8	18.7	-1.0	2.0	-1.1	4.3	-0.9

Sources: Equatoguinean authorities; BEAC; and IMF 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 the BEAC. IMF staff has made ad hoc adjustments to the data.

[2] Including private sector consumption and non-hydrocarbon sector 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 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 3a. Equatorial Guinea: Summary of Central Government Financial Operations, 2009–17

(Billions of CFA francs, unless otherwise specified)

	2009	2010	2011	2012 Budget	2012 Proj.	2013 Budget	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Revenue	2,368	2,151	2,849	2,808	3,122	2,361	3,202	3,035	2,744	2,452	2,290
Resource revenue	2,139	1,884	2,585	2,513	2,770	2,040	2,834	2,656	2,368	2,064	1,899
Tax revenue	747	436	509	455	546	530	766	742	699	576	600
Other revenue	1,392	1,449	2,076	2,058	2,224	1,510	2,068	1,915	1,668	1,488	1,300
Royalties	760	952	1,426	1,536	1,411	1,114	1,221	1,112	920	864	682
Profit sharing	632	485	649	519	813	394	845	802	748	624	618
Bonuses and rents	0	12	1	2	1	2	1	1	1	1	0
Non-resource revenue	229	267	264	296	351	320	368	379	376	387	391
Tax revenue	159	177	197	195	228	209	233	237	230	237	234
Taxes on income, profits, and capital gains	94	99	113	107	122	116	130	138	133	138	138
Domestic taxes on goods and services[1]	44	46	54	61	68	61	65	65	62	63	61
Taxes on international trade and transactions	10	12	14	15	18	18	17	17	16	17	17
Other taxes	11	20	16	12	20	14	20	18	19	19	19
Other revenue	70	90	66	100	123	111	136	141	146	151	157
Grants	0	0	0	0	0	0	0	0	0	0	0
Expenditure	2,828	2,517	2,767	2,638	3,349	2,355	3,114	2,985	2,711	2,626	2,345
Expense	345	454	501	526	511	593	554	602	639	692	747
Compensation of employees	71	78	80	84	111	105	112	112	103	106	102
Purchase of goods and services	154	187	211	197	251	241	253	252	231	240	229
Interest	3	20	28	64	30	64	31	31	28	3	3
Domestic	3	1	1	2	1	2	1	1	1	1	1
Foreign	0	18	26	62	29	62	30	30	27	2	2
Subsidies[2]	114	168	180	178	116	179	155	205	275	340	410
Other expense	2	2	2	3	2	3	2	3	3	3	3
Transfers	2	2	2	3	2	3	2	3	3	3	3
Domestic arrears payments	0	0	0	0	0	0	0	0	0	0	0
Net acquisition of non-financial assets	2,482	2,063	2,266	2,112	2,838	1,762	2,559	2,383	2,071	1,934	1,598
Gross operating balance	2,023	1,697	2,348	2,282	2,611	1,768	2,648	2,433	2,105	1,760	1,543
Net lending/borrowing (overall fiscal balance)	-459	-366	82	170	-228	6	88	50	33	-174	-55
Net financial transactions	-459	-366	82	170	-228	6	88	50	33	-174	-55
Net acquisition of financial assets	-47	-286	-241	417	-258	64	-108	-170	-161	-176	-59
Currency and deposits	-47	-286	-241	417	-258	64	-108	-170	-161	-176	-59
Change in government deposits abroad	768	321	-770	0	-105	0	-179	-209	-188	-37	-15
Government deposits outside BEAC	768	321	-771	0	-105	0	-179	-209	-188	-37	-15
Gepetrol/Sonagas deposits abroad	0	0	1	0	0	0	0	0	0	0	0
Monetary sector	-815	-608	528	417	-152	64	71	40	27	-140	-44
Deposits at BEAC	-828	-635	469	417	-152	64	71	40	27	-139	-44
Deposits at domestic banks	13	27	59	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0	0
Net lending	0	0	0	0	0	0	0	0	0	0	0
Shares and other equity	0	0	0	0	0	0	0	0	0	0	0
Net acquisition of equities	0	0	0	0	0	0	0	0	0	0	0
Other financing	0	0	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	237	51	280	247	-30	57	-196	-220	-194	-2	-4
Domestic	0	0	0	0	0	0	0	0	0	0	0
Foreign	237	51	280	247	-30	57	-196	-220	-194	-2	-4
Loans	240	54	287	245	24	208	24	0	0	0	0
Amortization (-)	-3	-3	-7	2	-53	-151	-220	-220	-194	-2	-4
Exceptional financing	0	0	0	0	0	0	0	0	0	0	0
Errors and omissions	-175	-28	603	0	0	0	0	0	0	0	0
Memorandum items:											
Tax revenue	906	612	706	650	774	739	999	979	929	813	834
Other revenue	1,462	1,539	2,143	2,158	2,348	1,622	2,203	2,056	1,814	1,639	1,456
Overall fiscal balance	-459	-366	82	170	-228	6	88	50	33	-174	-55
Percent of GDP	-9.4	-6.0	1.0	1.9	-2.5	0.1	1.0	0.6	0.4	-2.1	-0.7
Non-resource primary balance[3]	-2,595	-2,231	-2,476	-2,279	-2,996	-1,971	-2,749	-2,609	-2,338	-2,265	-1,978
Percent of non-hydrocarbon GDP	-164.4	-130.9	-128.6	-104.5	-137.4	-85.0	-118.5	-105.6	-89.2	-81.2	-66.4
Nominal GDP	4,890	6,073	7,931	9,035	9,035	8,965	8,965	8,785	7,978	8,172	7,743
Nominal non-hydrocarbon GDP	1,578	1,705	1,925	2,180	2,180	2,319	2,319	2,470	2,622	2,789	2,978

Sources: Equatoguinean authorities; BEAC; and IMF staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax.

[2] Includes social benefits.

[3] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and other revenue plus hydrocarbons revenue generated in the secondary LNG, LPG, and methanol production and purchase of share in hydrocarbons projects, minus interest on savings funds plus interest expenditure.

Table 3b. Equatorial Guinea: Summary of Central Government Financial Operations, 2009–17

(Percent of GDP, unless otherwise specified)

	2009	2010	2011	2012 Budget	2012 Proj.	2013 Budget	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Revenue	48.4	35.4	35.9	31.1	34.6	26.3	35.7	34.5	34.4	30.0	29.6
Resource revenue	43.7	31.0	32.6	27.8	30.7	22.8	31.6	30.2	29.7	25.3	24.5
Tax revenue	15.3	7.2	6.4	5.0	6.0	5.9	8.5	8.4	8.8	7.1	7.7
Other revenue	28.5	23.9	26.2	22.8	24.6	16.8	23.1	21.8	20.9	18.2	16.8
Royalties	15.5	15.7	18.0	17.0	15.6	12.4	13.6	12.7	11.5	10.6	8.8
Profit sharing	12.9	8.0	8.2	5.7	9.0	4.4	9.4	9.1	9.4	7.6	8.0
Bonuses and rents	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-resource revenue	4.7	4.4	3.3	3.3	3.9	3.6	4.1	4.3	4.7	4.7	5.0
Tax revenue	3.3	2.9	2.5	2.2	2.5	2.3	2.6	2.7	2.9	2.9	3.0
Taxes on income, profits, and capital gains	1.9	1.6	1.4	1.2	1.3	1.3	1.4	1.6	1.7	1.7	1.8
Domestic taxes on goods and services[1]	0.9	0.8	0.7	0.7	0.8	0.7	0.7	0.7	0.8	0.8	0.8
Taxes on international trade and transactions	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other taxes	0.2	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other revenue	1.4	1.5	0.8	1.1	1.4	1.2	1.5	1.6	1.8	1.8	2.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	57.8	41.4	34.9	29.2	37.1	26.3	34.7	34.0	34.0	32.1	30.3
Expense	7.1	7.5	6.3	5.8	5.7	6.6	6.2	6.9	8.0	8.5	9.7
Compensation of employees	1.4	1.3	1.0	0.9	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Purchase of goods and services	3.2	3.1	2.7	2.2	2.8	2.7	2.8	2.9	2.9	2.9	3.0
Interest	0.1	0.3	0.4	0.7	0.3	0.7	0.3	0.4	0.4	0.0	0.0
Domestic	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.3	0.3	0.7	0.3	0.7	0.3	0.3	0.3	0.0	0.0
Subsidies[2]	2.3	2.8	2.3	2.0	1.3	2.0	1.7	2.3	3.4	4.2	5.3
Other expense	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.1	0.0	0.0	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	0.0	0.0	0.0
Net acquisition of non-financial assets	50.8	34.0	28.6	23.4	31.4	19.7	28.5	27.1	26.0	23.7	20.6
Gross operating balance	41.4	27.9	29.6	25.3	28.9	19.7	29.5	27.7	26.4	21.5	19.9
Net lending/borrowing (overall fiscal balance)	-9.4	-6.0	1.0	1.9	-2.5	0.1	1.0	0.6	0.4	-2.1	-0.7
Net financial transactions	-9.4	-6.0	1.0	1.9	-2.5	0.1	1.0	0.6	0.4	-2.1	-0.7
Net acquisition of financial assets	-1.0	-4.7	-3.0	4.6	-2.9	0.7	-1.2	-1.9	-2.0	-2.2	-0.8
Currency and deposits	-1.0	-4.7	-3.0	4.6	-2.9	0.7	-1.2	-1.9	-2.0	-2.2	-0.8
Change in government deposits abroad	15.7	5.3	-9.7	0.0	-1.2	0.0	-2.0	-2.4	-2.4	-0.4	-0.2
Government deposits outside BEAC	15.7	5.3	-9.7	0.0	-1.2	0.0	-2.0	-2.4	-2.4	-0.4	-0.2
Gepetrol/Sonagas deposits abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary sector	-16.7	-10.0	6.7	4.6	-1.7	0.7	0.8	0.5	0.3	-1.7	-0.6
Deposits at BEAC	-16.9	-10.5	5.9	4.6	-1.7	0.7	0.8	0.5	0.3	-1.7	-0.6
Deposits at domestic banks	0.3	0.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	4.9	0.8	3.5	2.7	-0.3	0.6	-2.2	-2.5	-2.4	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	4.9	0.8	3.5	2.7	-0.3	0.6	-2.2	-2.5	-2.4	0.0	0.0
Loans	4.9	0.9	3.6	2.7	0.3	2.3	0.3	0.0	0.0	0.0	0.0
Amortization (-)	-0.1	0.0	-0.1	0.0	-0.6	-1.7	-2.5	-2.5	-2.4	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-3.6	-0.5	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Tax revenue	18.5	10.1	8.9	7.2	8.6	8.2	11.1	11.1	11.7	9.9	10.8
Other revenue	29.9	25.3	27.0	23.9	26.0	18.1	24.6	23.4	22.7	20.1	18.8
Overall fiscal balance (billions of CFA francs)	-459	-366	82	170	-228	6	88	50	33	-174	-55
Percent of GDP	-9.4	-6.0	1.0	1.9	-2.5	0.1	1.0	0.6	0.4	-2.1	-0.7
Non-resource primary balance[3] (billions of CFA francs)	-2,595	-2,231	-2,476	-2,279	-2,996	-1,971	-2,749	-2,609	-2,338	-2,265	-1,978
Percent of non-hydrocarbon GDP	-164.4	-130.9	-128.6	-104.5	-137.4	-85.0	-118.5	-105.6	-89.2	-81.2	-66.4
Nominal GDP (billions of CFA francs)	4,890	6,073	7,931	9,035	9,035	8,965	8,965	8,785	7,978	8,172	7,743
Nominal non-hydrocarbon GDP (billions of CFA francs)	1,578	1,705	1,925	2,180	2,180	2,319	2,319	2,470	2,622	2,789	2,978

Sources: Equatoguinean authorities; BEAC; and IMF staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax.

[2] Includes social benefits.

[3] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and other revenue plus hydrocarbons revenue generated in the secondary LNG, LPG, and methanol production and purchase of share in hydrocarbons projects, minus interest on savings funds plus interest expenditure.

Table 3c. Equatorial Guinea: Summary of Central Government Financial Operations, 2009–17

(Percent of non-hydrocarbon GDP, unless otherwise specified)

	2009	2010	2011	2012 Budget	2012 Proj.	2013 Budget	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Revenue	150.1	126.2	148.0	128.8	143.2	101.8	138.1	122.9	104.7	87.9	76.9
Resource revenue	135.5	110.5	134.3	115.2	127.1	88.0	122.2	107.5	90.3	74.0	63.8
Tax revenue	47.3	25.6	26.4	20.9	25.0	22.9	33.0	30.0	26.7	20.7	20.1
Other revenue	88.2	85.0	107.9	94.4	102.0	65.1	89.2	77.5	63.6	53.4	43.6
Royalties	48.2	55.8	74.1	70.5	64.7	48.0	52.7	45.0	35.1	31.0	22.9
Profit sharing	40.1	28.5	33.7	23.8	37.3	17.0	36.5	32.5	28.5	22.4	20.7
Bonuses and rents	0.0	0.7	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Non-resource revenue	14.5	15.6	13.7	13.6	16.1	13.8	15.9	15.3	14.3	13.9	13.1
Tax revenue	10.1	10.4	10.2	9.0	10.5	9.0	10.0	9.6	8.8	8.5	7.9
Taxes on income, profits, and capital gains	6.0	5.8	5.9	4.9	5.6	5.0	5.6	5.6	5.1	4.9	4.6
Domestic taxes on goods and services[1]	2.8	2.7	2.8	2.8	3.1	2.6	2.8	2.6	2.4	2.3	2.0
Taxes on international trade and transactions	0.6	0.7	0.7	0.7	0.8	0.8	0.7	0.7	0.6	0.6	0.6
Other taxes	0.7	1.2	0.8	0.5	0.9	0.6	0.9	0.7	0.7	0.7	0.6
Other revenue	4.5	5.3	3.5	4.6	5.7	4.8	5.9	5.7	5.6	5.4	5.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	179.2	147.6	143.7	121.0	153.6	101.5	134.3	120.8	103.4	94.2	78.7
Expense	21.9	26.6	26.0	24.1	23.4	25.6	23.9	24.4	24.4	24.8	25.1
Compensation of employees	4.5	4.6	4.1	3.9	5.1	4.5	4.8	4.5	3.9	3.8	3.4
Purchase of goods and services	9.8	10.9	10.9	9.0	11.5	10.4	10.9	10.2	8.8	8.6	7.7
Interest	0.2	1.1	1.4	2.9	1.4	2.7	1.4	1.3	1.1	0.1	0.1
Domestic	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Foreign	0.0	1.1	1.4	2.8	1.3	2.7	1.3	1.2	1.0	0.1	0.1
Subsidies[2]	7.3	9.9	9.4	8.2	5.3	7.7	6.7	8.3	10.5	12.2	13.8
Other expense	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transfers	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic arrears payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of non-financial assets	157.3	121.0	117.7	96.9	130.2	76.0	110.4	96.5	79.0	69.4	53.6
Gross operating balance	128.2	99.5	122.0	104.7	119.7	76.3	114.2	98.5	80.3	63.1	51.8
Net lending/borrowing (overall fiscal balance)	-29.1	-21.5	4.3	7.8	-10.4	0.3	3.8	2.0	1.3	-6.3	-1.8
Net financial transactions	-29.1	-21.5	4.3	7.8	-10.4	0.3	3.8	2.0	1.3	-6.3	-1.8
Net acquisition of financial assets	-3.0	-16.8	-12.5	19.1	-11.8	2.7	-4.7	-6.9	-6.1	-6.3	-2.0
Currency and deposits	-3.0	-16.8	-12.5	19.1	-11.8	2.7	-4.7	-6.9	-6.1	-6.3	-2.0
Change in government deposits abroad	48.6	18.9	-40.0	0.0	-4.8	0.0	-7.7	-8.5	-7.2	-1.3	-0.5
Government deposits outside BEAC	48.6	18.9	-40.0	0.0	-4.8	0.0	-7.7	-8.5	-7.2	-1.3	-0.5
Gepetrol/Sonagas deposits abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary sector	-51.6	-35.6	27.4	19.1	-7.0	2.7	3.1	1.6	1.0	-5.0	-1.5
Deposits at BEAC	-52.5	-37.2	24.4	19.1	-7.0	2.7	3.1	1.6	1.0	-5.0	-1.5
Deposits at domestic banks	0.8	1.6	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	15.0	3.0	14.5	11.3	-1.4	2.5	-8.5	-8.9	-7.4	-0.1	-0.1
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	15.0	3.0	14.5	11.3	-1.4	2.5	-8.5	-8.9	-7.4	-0.1	-0.1
Loans	15.2	3.2	14.9	11.2	1.1	9.0	1.0	0.0	0.0	0.0	0.0
Amortization (-)	-0.2	-0.2	-0.4	0.1	-2.5	-6.5	-9.5	-8.9	-7.4	-0.1	-0.1
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-11.1	-1.6	31.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Tax revenue	57.4	35.9	36.7	29.8	35.5	31.9	43.1	39.6	35.5	29.2	28.0
Other revenue	92.7	90.2	111.3	99.0	107.7	69.9	95.0	83.2	69.2	58.8	48.9
Overall fiscal balance (billions of CFA francs)	-459	-366	82	170	-228	6	88	50	33	-174	-55
Percent of GDP	-9.4	-6.0	1.0	1.9	-2.5	0.1	1.0	0.6	0.4	-2.1	-0.7
Non-resource primary balance[3] (billions of CFA francs)	-2,595	-2,231	-2,476	-2,279	-2,996	-1,971	-2,749	-2,609	-2,338	-2,265	-1,978
Percent of non-hydrocarbon GDP	-164.4	-130.9	-128.6	-104.5	-137.4	-85.0	-118.5	-105.6	-89.2	-81.2	-66.4
Nominal GDP (billions of CFA francs)	4,890	6,073	7,931	9,035	9,035	8,965	8,965	8,785	7,978	8,172	7,743
Nominal non-hydrocarbon GDP (billions of CFA francs)	1,578	1,705	1,925	2,180	2,180	2,319	2,319	2,470	2,622	2,789	2,978

Sources: Equatoguinean authorities; BEAC; and IMF staff estimates and projections.

[1] The VAT was legislated in early 2005; previously this was a sales tax.

[2] Includes social benefits.

[3] Equal to the overall balance excluding grants minus hydrocarbons sector corporate income tax and other revenue plus hydrocarbons revenue generated in the secondary LNG, LPG, and methanol production and purchase of share in hydrocarbons projects, minus interest on savings funds plus interest expenditure.

Table 4a. Equatorial Guinea: Depository Corporation Survey, 2009–17

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

	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec. Proj.	2013 Dec. Proj.	2014 Dec. Proj.	2015 Dec. Proj.	2016 Dec. Proj.	2017 Dec. Proj.
Depository corporations survey									
Net foreign assets	1,561	1,157	1,588	1,374	1,444	1,457	1,451	1,310	1,270
(Millions of U.S. dollars)	3,429	2,356	3,133	2,595	2,722	2,738	2,714	2,441	2,357
Net domestic assets	-882	-136	-516	-283	-331	-329	-324	-130	-32
Domestic claims	-699	84	-289	-42	-59	-40	-5	203	318
Claims on central government (net)	-1,125	-497	-1,022	-871	-942	-982	-1,009	-869	-825
Claims on other sectors	426	581	733	829	883	942	1,004	1,073	1,144
Other items (net)	-184	-220	-226	-241	-272	-289	-320	-333	-350
Broad money liabilities	695	1,035	1,098	1,150	1,232	1,307	1,446	1,510	1,596
Currency outside depository corporations	127	169	225	236	253	268	296	309	327
Deposits and other liabilities included in broad money	568	866	873	914	980	1,039	1,149	1,201	1,269
Memorandum items:									
CPI inflation (average annual)	5.7	5.3	4.8	5.5	5.0	5.4	5.2	5.0	4.7
Broad money (M2, annual percentage change)	18.8	48.9	6.1	4.7	7.1	6.1	10.6	4.5	5.7
Monetary base (MB, annual percentage change)	57.0	20.2	14.9	-7.8	-0.3	-4.1	-7.5	-1.0	0.9
Credit to the private sector (annual percentage chage)	11.0	33.7	30.8	13.9	6.7	6.8	6.7	7.0	6.8
Credit to the private sector (percent of non-hydrocarbon GDP)	25.5	31.5	36.5	36.7	36.8	36.9	37.2	37.4	37.4
Broad money (percent of overall GDP)	14.2	17.0	13.8	12.7	13.7	14.9	18.1	18.5	20.6
Velocity (Overall GDP/end-of-period M2)	7.0	5.9	7.2	7.9	7.3	6.7	5.5	5.4	4.8
Velocity (Non-hydrocarbon GDP/end-of-period M2)	2.3	1.6	1.8	1.9	1.9	1.9	1.8	1.8	1.9
Reserve money multiplier (M2/BM)	1.4	1.8	1.6	1.9	2.0	2.2	2.6	2.8	2.9
Currency/M2 ratio	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Lending rate[1] (annual average, percent)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deposit rate (annual average, percent)	3.3	3.3	3.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: BEAC and IMF staff estimates and projections.

[1] Lending rate is not regulated by BEAC, beginning July 2008.

Table 4b. Equatorial Guinea: Central Bank and Other Depository Corporations Surveys, 2009–17

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

	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec. Proj.	2013 Dec. Proj.	2014 Dec. Proj.	2015 Dec. Proj.	2016 Dec. Proj.	2017 Dec. Proj.
Central bank survey									
Net foreign assets	1455	1128	1524	1326	1398	1416	1403	1262	1220
(Millions of U.S. dollars)	3196	2298	3006	2504	2637	2661	2624	2350	2264
Net domestic assets	-970	-545	-854	-708	-783	-826	-857	-721	-675
Claims on central government (net)	-975	-340	-809	-657	-729	-769	-795	-656	-612
Claims on other depository corporations	0	0	0	0	0	0	0	0	0
Claims on other sectors	0	0	0	0	0	0	0	0	0
Other items (net)	5	-205	-45	-51	-54	-58	-61	-65	-62
Monetary base	485	583	670	617	616	590	546	541	546
Currency in circulation	127	169	225	236	253	268	296	309	327
Liabilities to other depository corporations	373	428	470	381	362	322	249	231	218
Currency	16	14	25	128	122	108	84	78	73
Deposits	357	414	444	253	240	213	165	153	145
Liabilities to other sectors	1	1	1	1	1	1	1	1	1
Other depository corporations survey									
Net foreign assets	106	29	65	48	45	41	49	48	50
(Millions of U.S. dollars)	233	58	128	91	86	77	91	90	93
Net domestic assets	461	837	808	806	814	819	781	822	861
Claims on central bank	373	428	470	381	362	322	249	231	218
Currency	16	14	25	128	122	108	84	78	73
Reserve deposits and securities other than shares	357	414	444	253	240	213	165	153	145
Required reserves	0	0	0	0	0	0	0	0	0
Excess reserves	357	414	444	253	240	213	165	153	145
Other claims	0	0	0	0	0	0	0	0	0
Domestic claims	276	424	520	615	670	729	791	860	931
Claims on government (net)	-150	-157	-213	-213	-213	-213	-213	-213	-213
Claims	2	3	6	5	5	5	5	4	4
Liabilities	152	160	219	219	219	218	218	218	218
Claims on other sectors	426	581	733	829	883	942	1004	1073	1144
Public enterprises	22	24	27	28	29	29	30	30	31
Private sector	402	538	703	801	854	913	974	1043	1113
Other items (net)	-188	-15	-181	-191	-218	-231	-259	-268	-288
Deposit liabilities to nonbank residents	568	866	873	914	980	1039	1149	1201	1269

Sources: BEAC; and IMF staff estimates and projections

Table 5. Equatorial Guinea: Financial Soundness Indicators for the Banking Sector, 2006–11
(Percent)

	2006	2007	2008	2009	2010	2011
Capital						
Regulatory capital to risk-weighted assets[1, 2]	13.0	8.6	5.3	9.3	6.6	7.4
Tier 1 capital to risk-weighted assets[2]	11.8	7.4	4.0	8.0	5.4	6.2
Capital to total assets[3]	7.6	8.3	7.9	10.4	10.9	12.9
Asset quality						
Non-performing loans (gross) to total loans (gross)	14.3	11.3	9.9	11.8	7.2	5.5
Loan loss provisions to non-performing loans	84.8	94.0	76.9	64.4	88.6	101.7
Earnings and profitability						
Return on assets[4]	1.2	1.0	1.7	1.3	1.5	0.6
Return on equity[5]	17.7	13.9	23.9	18.5	14.9	5.4
Liquidity						
Ratio of net loans to total deposits[6]	66.8	64.5	47.0	44.0	45.4	37.4

Source: COBAC.
[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 2008 are preliminary and to be confirmed by the authorities.
[6] Including government deposits.

Annex I. Anchoring Fiscal Policy: *Curbing Expenditure Volatility and Ensuring Fiscal Sustainability*

With limited proven hydrocarbon reserves, the authorities need to adopt a fiscal strategy that balances near-term development needs against finite resources, while maintaining macroeconomic stability and boosting financial management performance. The government has in the past considered different mechanisms to promote fiscal sustainability, such as using cautious oil price projections in budget planning and financing current expenditure only with non-hydrocarbon taxes. It has also looked at the implications of a permanent income framework and the establishment of a sovereign wealth fund. But these considerations have not yielded a firm framework that would guide fiscal policy over a sustained period.

In practice, two main guiding principles seem to have underpinned recent budget proposals. First, there has been a strong desire to follow the spending imperatives set out in the National Development Plan 2008–20 and to meet construction deadlines for major international events. Second, budget proposals have sought to deliver at least an overall fiscal surplus, in line with CEMAC convergence commitments on the basic fiscal balance.

To insulate public spending from volatility in oil revenue requires fiscal mechanisms that can establish and maintain strong fiscal buffers and effectively manage oil revenues over time. Without such fiscal buffers, government spending is likely to rise and fall with global price developments, thus amplifying economic cycles at home and impeding progress toward inclusive growth.

Equatorial Guinea currently has fiscal buffers sufficient to protect the budget from oil price volatility over a three-year horizon, provided the fiscal consolidation projected in this report's baseline framework is undertaken. Staff estimates based on value-at-risk analysis suggests that resources at the BEAC, together with the government's foreign currency deposits in commercial banks, provide sufficient liquidity to offset the impact of most conceivable fluctuations in oil prices for this period. The minimum required size of the stabilization buffer is estimated by simulating stochastically the impact of different oil prices on the fiscal accounts using a specified framework of the oil production profile and fiscal regime.[1] The oil price is simulated 5,000 times.

A fiscal sustainability analysis based on the framework described in recent IMF work on resource–rich developing countries[2] suggests there is sufficient fiscal room to maintain a moderately high level of investment over the medium term without jeopardizing fiscal stability. The analysis follows the steps outlined below:

- *Establish a medium-term path for spending consistent with a declining path for the non-resource primary fiscal deficit (NRPD)*. Having completed the first phase of the NDP aimed at building up basic infrastructure, the authorities can now accommodate a significant scaling-down in capital spending in 2012–20. This would also bring capital spending more in line with the country's execution and absorption capacity and allow room for growth in current spending. The illustrative assumption incorporated here is that the level of capital spending will halve relative to non-hydrocarbon GDP over the next four years, establishing a baseline scenario that permits a phased, yet significant, fiscal consolidation during the second half of the NDP, reducing the NRPD from 135 percent of non-hydrocarbon GDP in 2013 to 36 percent in 2020. This would also keep net financial assets positive and help to secure external stability.

- *Determine the impact of both the scaling up of investment and subsequent consolidation on real growth*. It is expected that the scaling up of investment in 2008–12 will have a positive impact on the productivity of the private sector and boost short-run growth. This will limit the direct negative impact on activity of the consolidation that is assumed to follow. The negative impact will also be limited because foreign companies and labor have been responsible for constructing much of the public investment. Real non-hydrocarbon growth is assumed to rise to a peak of 5.0 percent in 2023 and then slow down to a long-term growth of 3.0 percent.

[1] Oil prices are modeled using an AR(1) process in logarithms. The current year's oil price is estimated using the previous year price and a random variable (ε): $log(P_t)=\alpha + \beta\ log(P_{t-1}) + \varepsilon_t$, where α=0.058, β=0.90, and $\varepsilon \sim N(0,0.29)$. These parameters were estimated using data from the BP Statistical Review 2011 covering 1969–2010 controlling for a possible regime change in the oil market in 1974.

[2] Macroeconomic Policy Frameworks for Resource-Rich Developing Countries (IMF Policy Paper; August 24, 2012).

Table I.1. Equatorial Guinea: Selected Economic Indicators, 2012–30

	2012	2013	2016	2020	2025	2030
	(Annual percent change, unless otherwise indicated)					
Real non-hydrocarbon GDP	11.7	2.8	2.4	4.4	4.0	3.2
Real hydrocarbon GDP	-1.8	-4.2	3.1	-15.9	-16.5	-16.6
Real GDP	2.7	-1.7	2.8	-4.8	-0.9	1.6
Oil price (U.S. dollars a barrel)	102	101	89	85	85	85
Remaining reserves (million Bbls.)	829	734	472	251	113	60
Consumer prices (annual average)	5.5	5.0	5.0	3.2	2.8	2.5

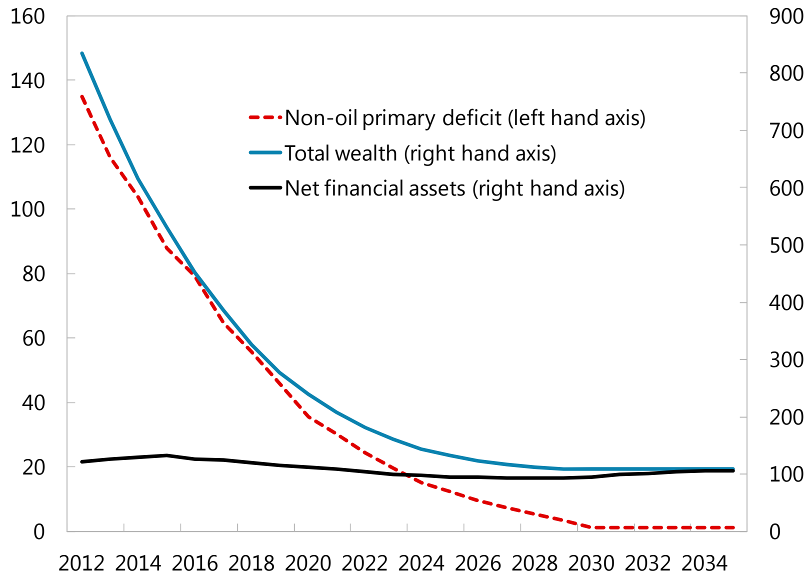
Source: IMF staff calculations

- *Estimate the long-run level of the NRPD needed to maintain a given level of wealth.*[3] After 2020, it is assumed that the NRPD would decline gradually to reach a level of just over 1 percent of non-hydrocarbon GDP, which would be consistent with maintaining total net wealth at about 100 percent of non- hydrocarbon GDP in 2030. Interest rates are assumed to average 6.5 percent, 1 percent above the long-run growth of nominal GDP (Figure I.1).

[3] Net wealth is defined as the sum of the present value of future oil revenue plus net financial assets. For a formal definition of the net wealth-stabilizing level of the NRPD, see the annex to "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries" (IMF Policy Paper; August 24, 2012).

Figure I. 1. Equatorial Guinea: Non-Resource Primary Deficit, Financial Assets and Wealth

(Percent of non-hydrocarbon GDP)



Source: IMF staff calculations.

- *Calibrate assumptions of fiscal policy to ensure consistency with the fiscal sustainability framework assumed.* An illustrative fiscal composition is presented in Table I.2. Reflecting lower levels of revenue in the long term, because of the depletion of hydrocarbon wealth, government capital spending declines to around 5 percent of non-hydrocarbon GDP. This is similar to the ratio observed in other high-income economies and would follow more than two decades of rising government capital stock. At the same time, primary current expenditure is expected to increase (to around 25 percent of non-resource GDP), driven by the higher costs of utilizing the enhanced capital stock and improved provision of social services. A substantial increase in non-resource revenue mobilization (almost doubling from 15 to 30 percent of non-hydrocarbon GDP) will be required to cover this level of expenditure when hydrocarbon revenues fall. This would likely entail a comprehensive approach to revenue mobilization that would include reforms of tax administration and enforcement aimed at increasing tax collection (the process is already starting in the customs area), the centralization of tax authority and collection, and the curtailment of tax exemptions (in line with the 2013 budget decree) and broadening the income tax base.

Table I.2. Equatorial Guinea: Selected Fiscal and Financial Indicators 2011–2030

	2011	2012	2013	2016	2020	2025	2030
	(Percent of non-resource GDP)						
Non-hydrocarbon revenue	13.7	16.5	16.3	14.3	13.4	19.5	29.9
Primary expenditure	142.3	151.3	132.4	93.5	49.1	31.7	30.9
Capital	117.7	129.3	109.7	69.0	23.4	5.9	5.5
Primary current	24.6	22.0	22.7	24.5	25.7	25.8	25.4
Non-hydrocarbon primary balance (NRPB)	-128.6	-134.8	-116.1	-79.2	-35.7	-12.2	-1.1
Hydrocarbon revenue	134.3	126.0	121.2	73.5	33.1	10.2	2.5
Net financial assets	139.7	121.4	126.7	126.3	111.8	95.4	95.4
Natural hydrocarbon wealth	0.0	712.4	592.3	324.9	127.3	36.3	13.8
Total wealth	930.0	829.3	719.0	451.2	239.1	131.7	109.2

Sources: Equatoguinean authorities; and IMF staff estimates and projections.

As the exercise above demonstrates, while a gradual consolidation of capital expenditure that would allow completion of the NDP can be consistent with fiscal sustainability, it would entail drawing down a majority of the public sector's existing wealth. This policy, if coupled with reforms aimed at strengthening public financial management and transparency, could transform financial wealth into growth-enhancing physical and social infrastructure. Sustainability of the fiscal position in the long run would also require a pronounced increase in non-oil revenues.

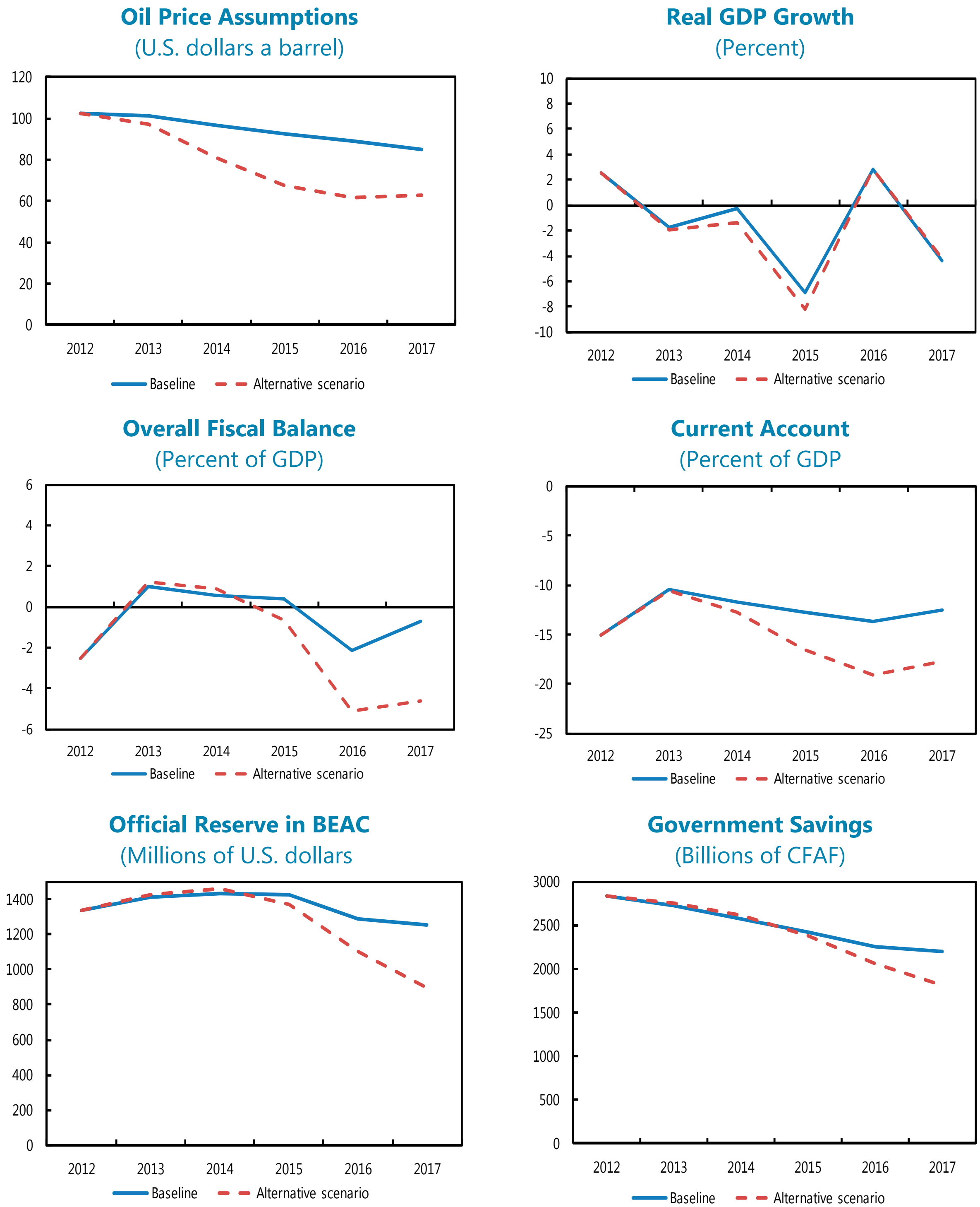
Annex II. Downside Scenario Analysis

In the main projections in this report, oil prices are assumed to decline only modestly in real terms over the medium term, consistent with a steady but modest recovery in the world economy as outlined in the baseline case of the *World Economic Outlook* (WEO), October 2012. However, among the more prominent global risks identified in the WEO, is a “lower global growth” scenario that would depress demand for commodities over a sustained period and lead to substantially lower commodity prices, particularly for energy. By 2016, global oil prices would be 30 percent below the levels of the baseline case.

The implications of the “lower global growth” scenario for the economy of Equatorial Guinea would be substantial, given the dependence of both government revenue and foreign currency earnings on hydrocarbon production. Indeed, if government spending were to follow the same path as in the main projections in this report, simulations suggest the reduction in hydrocarbon receipts would drain the bulk of government savings and official reserves within five years, with both falling to about 20 percent of their 2012 levels. In contrast, provided confidence was maintained, the impact on GDP would be relatively small because, outside the hydrocarbon sectors, the economy is not directly dependent to any significant extent on world demand, investment, or transfers, and lower energy prices would buttress investment and consumption.

Assuming, however, that the government would in fact cut spending in response to the lower oil revenue , the drain on savings and reserves would be considerably reduced—but at a cost in terms of domestic demand and hence GDP. In the example below, expenditure is reduced in parallel to the fall in prices, but less than proportionately. This mitigates the potential impact on GDP, but is not enough to preserve fiscal balance. Under such a scenario, government savings would maintain about 70 percent of its 2012 levels without a substantial decline of real GDP growth.

Alternative Scenario with Policy Reaction



Source: IMF staff calculations.

INTERNATIONAL MONETARY FUND

REPUBLIC OF EQUATORIAL GUINEA

STAFF REPORT FOR THE 2012 ARTICLE IV CONSULTATION —INFORMATIONAL ANNEX

December 19, 2012

Prepared By

The African Department
(in consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of November 30, 2012)

I. Membership Status: Joined: 12/22/1969 Article VIII

II. General Resources Account:

	SDR Million	Percent Quota
Quota	52.30	100.00
Total holdings of currency	47.38	90.59
Reserve position in the Fund	4.93	9.42

III. SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	31.29	100.00
Holdings	21.16	67.62

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

Type	Date of Arrengement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF (Formerly PRGF)	Feb. 03, 1993	Feb. 02, 1996	12.88	4.60
SAF	Dec. 07, 1988	Dec. 06, 1991	12.88	9.20
Stand-By	Jun. 28, 1985	Jun. 27, 1986	9.20	5.40

VI. Projected Payments to the Fund

(SDR Million; based on existing use of resources and present holdings of SDRs):

	2013	2014	2015	2016
Principal				
Charges/Interest	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01

VII. Implementation of HIPC Initiative: Not Applicable

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

IX. Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

X. Safeguard Assessments: The Bank of the Central African States (BEAC) is the regional central bank. The most recent safeguards assessment of the BEAC was completed on July 6, 2009. The findings of this assessment indicated that implementation of previous safeguards recommendations on financial reporting, internal audit, and internal control was limited, and that the changing risk profile of the BEAC foreign exchange holdings required further actions to strengthen safeguards at the BEAC. Subsequent to the revelation of Paris office fraud, a series of initial measures and longer-term reforms was agreed between the IMF and the BEAC in order to continue with country programs. The BEAC adopted an action plan for 2010 with the aim of reforming its own governance and strengthening key safeguards. Implementation delays and additional safeguards concerns raised in the first special audit triggered a suspension of IMF disbursements to CEMAC countries from June to early August 2010, after which they resumed. In addition, since 2010, the BEAC and the IMF agreed on additional periodic measures to address the weaknesses highlighted by the special audit and to strengthen governance bodies. A recent safeguards monitoring mission identified a new series of rolling benchmarks to address outstanding safeguards concerns going forward.

XI. Exchange System: The regional currency is the CFA franc. From 1948 to 1999, it was pegged to the French franc. Since the euro was introduced in 1999, it has been pegged to the euro at the 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 authorization of the General Directorate of Banking prior to rapid money transfers abroad by non-bank financial institutions.

XII. 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 April 22, 2011 (Press Release No. 11/234).

XIII. 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 PEF and tax administration systems in 1997.

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

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

STA conducted a diagnostic mission on government financial 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 conducted a technical assistance mission on national accounts and consumer price statistics in October 2007.

AFRITAC Central conducted technical assistance missions in price statistics in March 2008 and June 2008.

Two macrofiscal advisors, backstopped by AFR, and paid for by the government through a reimbursement agreement with the Fund, were redeployed in April 2008 for a one-year period. Their contract was extended in 2009 and 2010, and expired December 31, 2011.

AFRITAC Central conducted a technical assistance mission on trade statistics in July 2008.

AFRITAC Central conducted technical assistance missions on national accounts statistics in June and July 2008, January, May, and December 2011.

AFRITAC Central conducted technical assistance missions in public financial management statistics in February 2008, February 2009, July 2010, May 2011, and March 2012.

AFRITAC Central conducted a technical assistance mission on the budget accounting system and practices in September 2012.

XIV. Resident Representative: None

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	October 2012 (EITI workshop), March 2013 (Presentation of civil society legislation review)	August 2013
	2. Technical assistance to statistics office (national accounts)	Resident technical assistance extended to November 2013	January 2013: 2006 National Accounts March 2013: 2007 National Accounts November 2013: Enterprise Census
	3. Investment climate survey	TBD	TBD
	4. Growth analysis	January 2013 (Presentation of preliminary results and diversification conference)	February 2013
	5. Debt management diagnostic and reform	October 2012 (Debt Management Analysis), ~February 2013 (Debt Management Reform Plan)	August 2013
The IMF work program in the next 12 months	1. Article IV consultation	October 2012 mission	January 2013 IMF Executive Board
B. Requests for work program inputs			
Fund request to Bank		Data sharing, in particular the outcome of technical assistance to the statistical office	
Bank request to Fund	Update on macroeconomic framework Article IV documents		
C. Agreement on joint products and missions			
Joint products in the next 12 months			

STATISTICAL ISSUES

EQUATORIAL GUINEA—STATISTICAL ISSUES As of December 12, 2012
I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that significantly hamper surveillance. National accounts, government finance statistics, and balance of payments data are all deficient in quality, timing, and coverage. A decree to establish an autonomous National Statistics Institute has not been followed through and staff vacancies in the General Directorate of Statistics have not been filled. Poor centralization of information between the island and continental regions is also an issue. Limited use has been made of technical assistance.
National Accounts: National accounts are constructed by the Bank of Central African States (BEAC) as part of their regular Monetary Programming exercise. They are based largely on estimates, without the benefit of survey information except in the hydrocarbon sector. The current base year is 1985. An exercise is under way by the General Directorate of Statistics, supported by the World Bank resident adviser, to compile complete accounts for 2006 and 2007. The initial outcomes are expected to be available in early 2013. A demographic and health survey was conducted in 2011 and is currently being processed. A population and housing survey, a household survey, an employment survey, and an agricultural survey are planned for 2013.
Price statistics: Compilation of the official CPI resumed in January 2009, with data collected in five major cities. However, a number of deficiencies remain, including outdated weights and composition of the basket of goods and services, and gaps in the time series corresponding to the period for which data was not collected (June 2005 – February 2006, and 2008). Imputations for missing data do not always reflect underlying trends. In general, the CPI tends to underestimate inflation.
Government finance statistics: The authorities provide budget execution data to the African Department, but these are limited in detail (with, for example, a poor delineation between capital and current spending and no functional classification) and are not fully reconciled with the monetary accounts. The fiscal data are not subject to any internal process of verification because internal and external audit capability remains weak. The authorities are discussing with IMF FAD their request for TA contracts covering recruitment and backstopping for three residential advisors for public finance, budgeting, and accounting. Gains in transparency were made temporarily through the Extractive Industries Transparency Initiative process, with a reconciliation report posted on the World Bank website in March 2010 that included information on state owned oil companies.
Monetary statistics: The accuracy of monetary statistics may be affected by large cross-border movements of BEAC-issued banknotes among 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.
Balance of payments: Although the BEAC produces balance of payments data for its monetary programming exercise, they are in general not derived from records of current stocks or flows and are not fully consistent with other datasets. Statistics are largely constructed from estimates rather than actual financial and customs records, even though information on the hydrocarbons sector is available to some parts of the government and customs data have improved since the implementation of the

Central African Customs and Economic Union reform and the deployment of customs brigades. A balance of payments statistics mission is scheduled in March 2013.	
II. Data Standards and Quality	
Equatorial Guinea does not participate in the GDDS.	Equatorial Guinea has not yet received a mission to produce the data module of the Reports on the Observance of Standards and Codes (data ROSC).
III. Reporting to STA (Optional)	
Real sector statistics reported to STA for publication in the *International Financial Statistics (IFS)* are limited to GDP (without breakdown by sector or expenditure category), exports, and imports. The November 2012 issue of the *IFS* included data for GDP through 2009 and exports and imports through 2010. The authorities agreed to submit CPI data for the *IFS* publication and STA is communicating with the authorities regarding the procedure. The BEAC reports monetary, interest rates, and exchange rate statistics for publication in the *IFS,* but delays are persistent (currently the lag is about three months). Balance of payments data are not submitted to STA for publication in the *IFS* or the *Balance of Payments Statistics Yearbook*. The latest year for which balance of payments data are available is 1996. Equatorial Guinea does not report fiscal data to STA for publication in the *IFS* or the *Government Finance Statistics Yearbook*.	

Equatorial Guinea: Table of Common Indicators Required for Surveillance

(As of December 12, 2011)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	11/29/12	11/29/12	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	June 2012	10/17/12	M	M	I
Reserve/Base Money	Sept 2012	12/5/12	M	M	M
Broad Money	Sept 2012	12/5/12	M	M	M
Central Bank Balance Sheet	Sept 2012	12/5/12	M	M	M
Consolidated Balance Sheet of the Banking System	Sept 2012	12/5/12	M	M	M
Interest Rates[2]	Nov 2012	12/4/12	M	M	I
Consumer Price Index	Apr 2012	11/19/12	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	June 2012	10/17/12	Q	Q	I
Stocks of Central Government and Central Government-Guaranteed Debt[56]	July 2012	10/17/12	A	A	I
External Current Account Balance	2011	10/17/12	A	A	I
Exports and Imports of Goods and Services	2011	10/17/12	A	A	I
GDP/GNP	2011	10/17/12	A	A	I
Gross External Debt	July 2012	10/17/12	M	M	I
International Investment Position[7]			NA	NA	NA

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, and rates on treasury bills, notes and bonds.
[3] Foreign and domestic bank, 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] Includes 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); and not available (NA).

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 13/37
FOR IMMEDIATE RELEASE
March 28, 2013

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

IMF Executive Board Concludes 2012 Article IV Consultation with Equatorial Guinea

On January 11, 2013, the Executive Board of the International Monetary Fund (IMF) concluded the 2012 Article IV consultation with Equatorial Guinea.[1]

Background

Driven by hydrocarbon extraction, which accounts for about three-quarters of estimated gross domestic product (GDP), Equatorial Guinea has the highest level of per capita income in sub-Saharan Africa. Over the last five years, a burst in public investment under the 2008–20 National Development Plan (NDP), largely financed by hydrocarbon revenue, has upgraded transport and power infrastructure and established several national prestige facilities. The resulting stimulus to construction is estimated to have helped raise average growth rates in the non-hydrocarbon sector to about 15 percent.

Reducing poverty and generating sustained productive private sector activity remain urgent challenges. The most recent poverty estimates suggest that three-quarters of the population were living below the national poverty line in 2006. Reflecting high government sector demand and limited production capacity, inflation has remained above the regional convergence criterion (3 percent), eroding external competitiveness.

[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. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Higher oil prices restored the overall fiscal balance to a small surplus in 2011 despite government capital spending levels that continued to exceed non-hydrocarbon GDP. The external current account also improved, but remained in deficit because of high imports of capital goods and hydrocarbon earnings to overseas parent companies. The external deficit was largely financed by foreign direct investment. The government deposited CFAF 474 billion at the Bank of Central African States (BEAC) and other government foreign currency deposits, held at commercial banks in contravention of regional surrender requirements, fell sharply.

Perceptions of an unwelcoming business climate continue to deter investment in the non-hydrocarbon sector and broader governance issues remain of considerable concern to the international community. Limitations on civil society participation undermined Equatorial Guinea's unsuccessful candidacy in the Extractive Industries Transparency Initiative (EITI). Macroeconomic and socio-demographic data are also deficient in quality, timing and coverage, and even the most basic data are very hard for the public to access.

With hydrocarbon production now past its peak, according to official projections, the outlook for GDP is slow or negative growth over the medium term. To address fiscal and external sustainability concerns, fiscal policy will need to target a declining path for the non-resource primary fiscal deficit, which stood at 130 percent of non-hydrocarbon GDP in 2011. There should nevertheless be room for higher pro-poor current spending because government investment is expected to be significantly lower in the next phase of the NDP.

Executive Board Assessment

Executive Directors noted that, despite substantial revenues from oil, natural gas, and derivative production, reducing poverty remains an urgent challenge. Accordingly, Directors encouraged the Equatorial Guinea authorities to improve policy frameworks and undertake further reforms in a variety of areas to promote inclusive growth and bolster the business environment.

Directors considered that the adoption of a transparent medium-term fiscal framework would anchor spending decisions in the face of oil price volatility and the expected decline in hydrocarbon production. They recommended targeting a path for the non-resource primary balance that would establish fiscal buffers and reflect financing and absorption constraints. In this context, Directors saw the need to reduce public investment levels, rebalance public spending toward social programs, better target subsidies, broaden the revenue base, and enhance tax collection. More broadly, they encouraged the authorities to strengthen public financial management.

Directors agreed that scaling down public works after the recent surge would safeguard external stability. They observed that infrastructure-related imports are a major factor in the high deficit in the external current account. At the same time, the pressure on domestic demand has kept inflation rates above those in other Central African Economic and Monetary Community (CEMAC) member countries, leading to a substantial appreciation of the real effective exchange rate and a loss of external competitiveness.

Directors welcomed Equatorial Guinea's recent contributions to the regional pool of official foreign exchange reserves, but noted that the bulk of the government's foreign currency deposits remains outside the BEAC. They urged the authorities to hold these deposits at the BEAC to comply with the monetary union's surrender obligations.

Directors underscored that improving the business climate is critical to fostering private sector participation in the economy and broad-based growth. They called for stepped up efforts to strengthen governance and improve workers' skills and health. Promoting greater access to credit for small- and medium-sized enterprises should also be a priority. Directors looked forward to Equatorial Guinea's reinvigorated efforts to participate in the Extractive Industries Transparency Initiative.

Noting the persistent inadequacy of economic statistics, Directors encouraged the authorities to participate in the General Data Dissemination System and establish a publication timetable for macroeconomic 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 staff report (use the free Adobe Acrobat Reader to view this pdf file) for the 2012 Article IV Consultation with Equatorial Guinea is also available.

Equatorial Guinea: Selected Economic and Financial Indicators, 2009–13

	2009	2010	2011	2012	2013
	Est.	Est.	Est.	Proj.	Proj.
Production, prices, and money					
Real GDP	0.8	-1.7	4.9	2.5	-1.7
Hydrocarbon sectors	-10.8	-3.9	4.7	-1.8	-4.2
Oil and gas primary production	-18.9	-2.3	2.1	-0.6	-6.1
Hydrocarbon secondary production[1]	10.8	-6.9	10.0	-4.1	-0.6
Non-hydrocarbon sectors	40.9	3.0	5.5	11.1	2.8
Oil price (U.S. dollars a barrel)[2]	58.0	75.3	100.3	102.4	101.3
Consumer prices (end of period)	5.0	5.4	4.9	5.9	5.2
Broad money	18.8	48.9	6.1	4.7	7.1
Nominal effective exchange rate (- = depreciation)	-1.3	-4.5	-1.1	n.a.	n.a.
Real effective exchange rate (- = depreciation)	3.1	1.1	4.0	n.a.	n.a.
Production, prices, and money					
Real GDP	0.8	-1.7	4.9	2.5	-1.7
Hydrocarbon sectors	-10.8	-3.9	4.7	-1.8	-4.2
Oil and gas primary production	-18.9	-2.3	2.1	-0.6	-6.1
Hydrocarbon secondary production[1]	10.8	-6.9	10.0	-4.1	-0.6
Non-hydrocarbon sectors	40.9	3.0	5.5	11.1	2.8
Oil price (U.S. dollars a barrel)[2]	58.0	75.3	100.3	102.4	101.3
Consumer prices (end of period)	5.0	5.4	4.9	5.9	5.2
	(Percent of GDP, unless otherwise specified)				
Government finance					
Revenue	48.4	35.4	35.9	34.6	35.7
Of which: resource revenue	43.7	31.0	32.6	30.7	31.6
Expenditure	57.8	41.4	34.9	37.1	34.7
Overall fiscal balance after grants	-9.4	-6.0	1.0	-2.5	1.0
Non-resource primary balance (percent of non-hydrocarbon GDP)[3]	-164.4	-130.9	-128.6	-137.4	-118.5
Gross government deposits (billions of CFAF)	3,367.9	3,261.9	2,961.2	2,833.8	2,730.7
External sector					
Current account balance (including official transfers; - = deficit)	-20.9	-22.8	-9.3	-15.0	-10.5
Outstanding medium- and long-term public debt	5.8	5.9	8.8	8.3	8.0
Debt service-to-exports ratio (percent)	0.2	0.3	0.3	1.1	3.3
External debt service/government revenue (percent)[4]	0.8	1.6	1.4	5.1	14.7

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

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

[2] 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.

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

[4] The rise in external debt service starting in 2012 reflects the amortization of Chinese loans under a 2006 US$2 billion credit line from the Chinese government. The loans are earmarked for infrastructure, including four projects in electrification and improvements to Bata harbor. Loan terms are non-concessional, carrying an interest rate of 5½ percent, five years maturity with two years grace.

Statement by Mr. Ngueto Yambaye, Alternate Executive Director for the Republic of Equatorial Guinea
January 11, 2013

On behalf on my Equatorial Guinean authorities, I would like to thank staff for the fruitful dialogue held in Malabo during the 2012 Article IV Consultation. My appreciation also goes to management, for the continued support of the Fund to the development efforts the authorities are undertaking. My Equatoguinean authorities are especially thankful of the Fund's valuable technical assistance (TA) which has benefitted Equatorial Guinea in recent years.

Recent Economic Developments

Economic development in Equatorial Guinea remains mostly driven by the oil sector, notably by gas derivatives, which partly compensate for the sharp decline experienced in primary oil output. Robust investment in the construction and infrastructure-related sectors also contribute to economic activity. As a result, real GDP which grew by 4.9 percent in 2011 is estimated to have decreased to 2.5 percent in 2012, with a decline of about 1.7 percent, projected for 2013, mostly due to lower output in the hydrocarbon sector. Inflation has remained stable at single digit, although above regional average, as a result of intense construction activities and the related increased domestic demand. The external current account remains in deficit, mainly due to high level of imports of capital goods and services.

As regards **fiscal policy**, the focus has been to use revenue from oil to build and upgrade basic infrastructure. The infrastructure created and upgraded has generated new opportunities for private sector activity and raised living standard. As staff note, the public investment program has been undertaken in a fiscally responsible manner, with limited external borrowing. As a result, the fiscal accounts have returned to surplus in 2011, in line with CEMAC convergence criteria.

With the culmination of the first phase of the National Development Plan (NDP) (2008-2012) mainly focused on putting in place the basic infrastructure that would support economic diversification, attention is now to tighten policy targets. Thus, the volume of public investment is planned to be scaled down to 2010 levels, as contemplated in the 2013 budget framework, focusing on economic diversification and social sectors development.

For the medium-term, in view of the decreasing available revenue and needed urgent actions to productive and social sectors, my authorities are contemplating a more conservative spending program that is closely adaptive to broad base growth. In this regard, the authorities are giving full consideration to the staff's advice and recommendations. However, a major issue is weak capacity in fiscal administration. My authorities are addressing this issue with Fund technical assistance and are hopeful that their request for renewal for the contract of the resident advisor will be approved soon.

In the **monetary and financial sector**, memberships in the Bank of Central African States (BEAC) and the pegged exchange rate regime have served the economy of Equatorial Guinea well. Key fundamental financial indicators are sound. Additionally, limited exposure to outside risky banking systems have also contributed to the resiliency of the sector. Nonetheless, steps to enhance competitiveness will be ongoing. Although the financial system remains healthy, further efforts are needed to increase private sector development and financing, while maintaining a lower rate of None Performing Loans (NPLs), so as to further boost the non-oil economic growth and deepen financial intermediations.

Outlook

Over the medium term, the authorities expect the growth rate to slow down, along with the declining production activities in oil sector, together with the scaled down capital spending in the construction sector. However, the authorities would note the accelerated pace to which the first phase of NDP was implemented, and which have resulted in important outcomes, as several of the desired social, economic and financial objectives are being accomplished. The authorities are undertaking a review of the first phase of implementation, and lessons learned from that exercise will help to improve on the implementation of the next phase of their development planning. The hydrocarbon sector will continue to support the diversification initiatives at least beyond this second phase of the strategy, which should make its objectives a bit more achievable.

The authorities will pursue their efforts to reduce the non-oil primary deficit as the focus of this second phase is to strengthen economic diversification away from resource sectors. Fiscal targets are currently met through quarterly reviews of the budget and subsequent adjustments when needed. Targeting expenditure on priority sectors, including public service provision, poverty reduction initiatives will be improved. On the revenue side, efforts will continue towards the broadening of the tax base and revenue collection, including better monitoring, with the provision of taxpayer identification number, strengthening custom administration through computerization, and the adoption of pre-shipment inspections. These, together with the creation of a single unit in charge of large tax-payers should enhance non-resources revenue collection. My authorities remain committed to pursue their efforts geared towards combating over invoicing and tax evasion. They will also continue their efforts to strengthen capacity in the fiscal sector with assistance from the Fund, the World Bank and the African Union.

Improving the business climate and external competitiveness, coupled with promoting the private sector led growth, and reducing poverty constitute the main focus and key objectives of the authorities' next development phase. Structural reforms toward achieving such objectives are being undertaking. Important emphasis is being placed on capacity building within the local work force, together with efforts to improve access to credit, in addition to improving financial and property legal framework. With regard to data shortcomings, the recent changes and improvements within the Ministry of Planning and Statistics Department should help address the issue.

Reducing poverty and improving the standard of living of the population remain major objectives of the authorities. Much has been accomplished in the past few years and the data referred to by the staff which is from 2006 do not reflect fully the progress that has been achieved. Progress is continuing in all areas: education, health and importantly in infrastructure building. My authorities agree that that much remains to be done and they intend to pursue their efforts to improve the standard of living of the Equatoguinean population with determination.

Conclusion

Despite the many challenges, Equatorial Guinea has made considerable progress towards achieving its development goals. Lack of readily available statistics constitutes one of those challenges preventing a full appreciation of the progress achieved. While there are downside risks to the economy due to its dependency on the hydrocarbon sector, there are also upside opportunities. The hydrocarbon sector has supported the development of the country and the authorities expect this sector to continue playing a vital role in future development, and enabling the country to implement the required policies. Strengthening human capital, developing a strong non-hydrocarbon sector, and creating a conducive environment for private sector development constitute some of the upmost objectives presently at the authorities' development agenda.

Republic of Equatorial Guinea
Ministry of Finance and Budget

Number: **627**

Malabo, February 28, 2013

COMMUNIQUÉ FROM THE GOVERNMENT OF THE REPUBLIC OF EQUATORIAL GUINEA ON THE 2012 ARTICLE IV CONSULTATIONS BY A MISSION OF THE INTERNATIONAL MONETARY FUND

The Republic of Equatorial Guinea would like to thank the International Monetary Fund (IMF) for its very useful economic policy advice in the context of the 2012 Article IV consultations.

The government is aware that economic and social policy formulation is handicapped by the absence of a system for the preparation, compilation, and dissemination of macroeconomic, social, and demographic data. For that reason, the National Statistics Institute was recently established and has already begun working on the preparation of the censuses and surveys planned for 2013, including the population and housing censuses. Nevertheless, we acknowledge that the paucity of data makes it is difficult to measure changes in the economic and social indicators, as was discussed during the Article IV consultations.

The government would like to highlight the efforts made to achieve the Millennium Development Goals and implement the National Economic and Social Development Plan (PNDES), under which the infrastructure needed to develop the productive sector and significantly improve the living conditions of the population was built during the first phase from 2008 to 2012. Today, following the implementation of the PNDES, potable water and electricity are in regular supply and telecommunications systems, social housing, a hospital network, school buildings, hotels, convention centers, as well as road infrastructure, and ports and airports of international standard have all been put in place.

The government remains committed to strengthening public administration management and fostering transparency as well as to supporting productive and business development with a view to generating sustainable economic growth over the medium- and long-term. Against that backdrop, a referendum was held in 2011 to update the Basic Law of the Republic of Equatorial Guinea, resulting in the creation of several important institutions such as the Court of Auditors, the National Economic and Social Development Council, and the Office of the Ombudsman. Further, with support from the World Bank, great strides have been made towards accession to the Extractive Industry Transparency Initiative (EITI).

With a view to putting government finances on a stable and sustainable path, short-term measures, for immediate implementation, have been taken to streamline public expenditure and increase non-oil revenues. In parallel, work is continuing on several projects, including, the recently launched "Strengthening Public Finances" project supported by the African Development Bank, which has an important capacity-building component in addition to its focus on computerization of the public sector. IMF Technical Assistance is also being stepped up, a massive effort is underway to strengthen the capacities of public servants, and a faculty of Public Financial Administration is being set up with support from the World Bank.

In relation to compliance with regional commitments, the government has asked the Bank of Central African States (BEAC) to prepare a proposal to resolve the issue and facilitate compliance with the CEMAC Agreements with respect to community reserves and bilateral agreements signed with friendly countries with which the Republic of Equatorial Guinea enjoys good economic relations and cooperation.

Concerning investments made during the first phase of the National Development Plan, we welcome the IMF's commendation on the creation and coming on stream of economic and social infrastructure. However, we think it is inappropriate to talk about waste[1] in this context bearing in mind that the administration faces a factual technical capacity deficit in the areas of awarding contracts and inspecting projects. In that regard, the government has established a dedicated, independent entity to deal with the evaluation, design, monitoring, and inspection of public works, which over time has been strengthening its project evaluation, design, and monitoring capabilities. We are, therefore, confident and can affirm that the government is moving in the right direction.

Taking into account the above observations, the government of the Republic of Equatorial Guinea consents to the publication of the attached 2012 Article IV Report, together with this communiqué.

/s/ /stamp/

The Minister of Finance and Budget

[1] Translation note: the word 'despilfarro' was used in paragraph 33 of the Spanish text provided to the Equatorial Guinean authorities as a translation of the English word 'wastage'. 'Despilfarro' can sometimes imply a strong element of intent. An alternative translation could have been 'desperdicio'.