

AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF EQUATORIAL GUINEA
COUNTRY STRATEGY PAPER (CSP): 2008-2012

CENTRAL REGIONAL DEPARTMENT (ORCE)
LIBREVILLE REGIONAL OFFICE (GAFO)

AUGUST 2008

TABLE OF CONTENTS

	Pages
I. INTRODUCTION	1
II. COUNTRY CONTEXT AND OUTLOOK	1
2.1 Political, Economic and Social Context	1
2.2 Strategic Options and Country Outlook	7
2.2.1 Strategic Framework	7
2.2.2 Challenges and Weaknesses	8
2.2.3 Strengths and Opportunities	9
2.3 Recent Developments in Aid Coordination and the Bank's Position in the Country	11
III. BANK GROUP ASSISTANCE STRATEGY	13
3.1 Rationale of Bank's Intervention Strategy in REG	13
3.2 Results and Targets	15
3.3 Themes of Dialogue	19
3.4 Risk related to the Strategy and mitigation measures	20
IV. CONCLUSION AND RECOMMENDATIONS	20

This CSP was written following a preparation mission to Malabo, Equatorial Guinea, from 25 February to 7 March 2008. The mission was led by Mr. Bassary TOURE, Resident Regional Representative of the Regional Office of the Bank in Libreville, which covers Equatorial Guinea and Gabon (GAFO). The mission comprised Mrs. Assitan DIARRA-THIOUNE, Macroeconomist, GAFO and Messrs: Taoufik RAJHI, Macroeconomist (ECON); Abdoulaye ADAM, Statistician, Statistics Department; Gabriel BAYEMI, Education Expert, Human Development Department (OSHD); Ibrahim SANOGO, Health Expert, Human Development Department (OSHD); Samba KAMARA, Transport Economist, Infrastructure Department (OINF); Mohamed EL ARKOUBI, Engineer, Water and Sanitation Department (OWAS); Driss KHIATI, Rural Engineering Expert, Agriculture Department (OSAN), Patrice MEZUI, Financial Analyst, GAFO, Issa BARRO, Consultant representing the Economic Reforms and Governance Department (OSGE); Slim Ferjani, Consultant OSHD, and Mohamed Ben Slimane, Consultant, OSHD.

TABLES

Table 1	Strategic Development Plan for REG	7
Table 2	Country Policies and Institutions Assessment(CPIA 2005-2007)	9
Table 3	Sources of Growth	11
Table 4	Aid Matrix	13

BOXES

Box 1	Basic information on oil resources	3
-------	------------------------------------	---

ANNEXES

Annex I (A)	: Table 5 –Bank Group Strategy	1
Annex I (B)	: Box 2: Major projects that should stimulate growth in REG by 2020	1
Annex I (C)	: Table 6: Bank’s Tentative Lending Programme for REG for the 2008-2012 period	1
Annex I (D)	: Equatorial Guinea: CSP Matrix - 2008-2012	2
Annex II (A)	: Comparative Socioeconomic Indicators	1
Annex II (B)	: Table of Economic and Financial Indicators	1
Annex II (C)	: Table of Government Financial Operations	3
Annex III	: Millennium Development Goals	3
Annex IV	: Aid Table (EU) in 2007.	1

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
AFD	:	Agence française de développement (French Development Agency)
AIDS	:	Acquired Immune Deficiency Syndrome
BEAC	:	Bank of Central African States
CEMAC	:	Economic and Monetary Community of Central Africa
CSP	:	Country Strategy Paper
ECCAS	:	Economic Community of Central African States
EDF	:	European Development Fund
EEZ	:	Exclusive Economic Zone
EITI	:	Extractive Industries Transparency Initiative
EU	:	European Union
GDP	:	Gross Domestic Product
HDI	:	Human Development Index
HIV	:	Human Immunodeficiency Virus
IMF	:	International Monetary Fund
MDG	:	Millennium Development Goals
MSBES	:	Ministry of Health and Social Welfare
NA	:	National Assembly
OECD	:	Organization for Economic Cooperation and Development
PDGE	:	Democratic Party of Equatorial Guinea
NESDP	:	National Economic and Social Development Plan
REC	:	Regional Economic Community
REG	:	Republic of Equatorial Guinea
SME	:	Small and Medium-size Enterprises
SMI	:	Small and Medium-size Industries
UNDP	:	United Nations Development Programme
UNICEF	:	United Nations International Children's Emergency Fund
UNO	:	United Nations Organization
VAT	:	Value Added Tax
WTO	:	World Trade Organization

CURRENCY EQUIVALENTS

August 2008

Currency Unit	=	CFA F
UA 1	=	EUR 1.04507
UA 1	=	CFAF 685.521

FISCAL YEAR

1 January – 31 December

I. INTRODUCTION

1.1 This Country Strategy Paper (CSP) 2008-2012 of the African Development Bank (the Bank) for the Republic of Equatorial Guinea (REG) is designed to support the country's National Economic and Social Development Plan (NESDP) known as "Equatorial Guinea 2020: Agenda for the diversification of sources of growth". The NESDP defines the national priorities for eliminating poverty and making the REG an emerging country by 2020, i.e. a "centre for attracting foreign direct investments that generates strong economic growth and successfully integrates into the world economy on account of its export capacities". The NESDP was presented to the national and external partners of the REG at the 2nd Economic Conference of November 2007. The institutional mechanism for its implementation and monitoring was adopted by the National Assembly (NA) in February 2008.

1.2 To support the preparation of the NESDP and dialogue with the country on policies in this context, the Board of Directors of the Bank, in June 2004, approved the interim Country Strategy Paper (CSP) 2004-2006 (ADB/BD/WP/2004/62). As at 31 December 2006, which was the end of the interim CSP period, the national strategy had not yet been finalized and adopted. Since then, the Bank has made the existence of a national strategy prepared in a participatory manner a precondition for its future interventions in the REG.

1.3 This CSP was prepared following a CSP preparation mission to the REG from 26 February to 7 March 2008. The basic documents used for its preparation are the NESDP and data collected from the administration of Equatorial Guinea, external partners of the REG, and the Statistics Department of the Bank. In addition to this introduction, the paper is divided into three chapters: (i) country context and outlook; (ii) Bank Group strategy; and (iii) conclusion and recommendations.

II. COUNTRY CONTEXT AND OUTLOOK

2.1 Political, Economic and Social Context

Political Context

2.1.1 The current political regime in the REG, which came to power following a coup d'état in 1979, has since then been running the country. The year 2009 will mark the end of the 2nd seven-year term of the President of the Republic (since 1991, the beginning of the multiparty system). It is also the year of the next Presidential election. The National Assembly is dominated by the Presidential majority which obtained 99 of the 100 seats during the legislative and municipal elections of 4 May 2008. A new Government of 42 members, of whom 11.9 % are women, was appointed by Presidential decree on 14 July 2008, headed by a new Prime Minister and Head of Government. As regards judicial branch, it has weak institutional capacities.

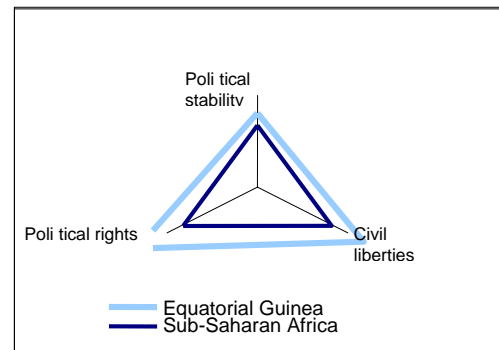


Figure 1 – Political context
Source: Governance indicators, World Bank 2006, Freedom in the world 2006, Freedom House.

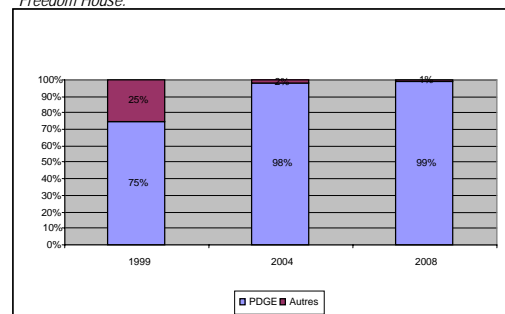


Figure 2 – Trend of parliamentary seats
Source: National Authorities

2.1.2 The opposition parties not affiliated to the Presidential majority obtained only one Member of Parliament. Within such a context, the opposition lacks the critical mass to act as an alternative driving force in the ongoing democratic process in the REG, to strengthen institutional governance. Furthermore, although Non-Governmental Organizations (NGO) operate in the REG, the impact of their action on enhancing the efficient use of public resources and reducing poverty is extremely limited.

Economic Context

2.1.3 Located in the Central African sub-region comprising mainly French-speaking countries, the REG joined the Economic and Monetary Community of Central Africa (CEMAC) in 1995. It has a population of one million one hundred thousand inhabitants (1.1 million) according to official sources. Its membership of the Economic Community of Central African States (ECCAS), an economic integration area of 124 million consumers, constitutes an opportunity in terms of development of the country's huge fish, mining and forestry resources. Oil exploitation and gas liquefaction (which started in 2007) are the first major attempts to develop these natural resources. Thus, the per capita Gross Domestic Product (GDP) which was estimated at USD 19 174 in 2007, that is, more than 26 times its 1996 level, and which is far higher than the African average (see figure opposite), stands in contrast to the chronic poverty that affects more than 77% of the populations of Equatorial Guinea (according to the 2006 poverty profile survey) and the life expectancy of 52 years in 2007 against 54 years in sub-Saharan Africa.

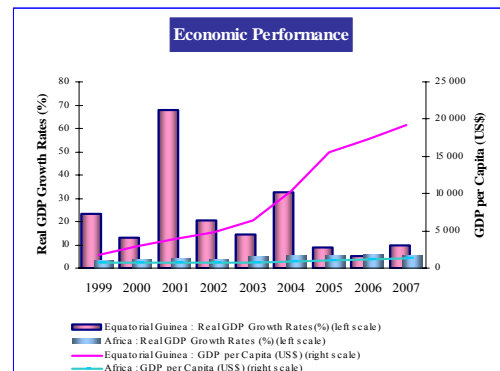
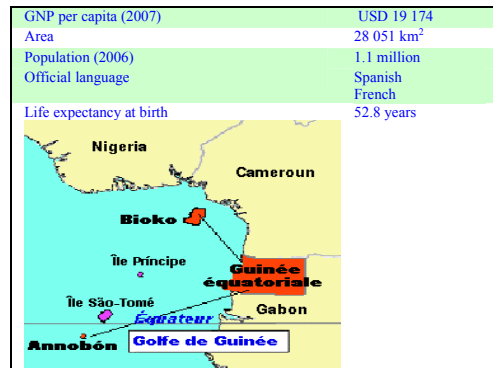


Figure 3: Source: ADB: Statistics Department

Economic Performance and Sources of Growth

2.1.4 The real GDP growth rate, after reaching a mean level of above 20% over the 2000-2005 period, has recorded a downward trend to 7.6 % on average over the last two years (2006-2007). In fact, the oil sector's contribution to growth was negative (by -2.9%) in 2006, with a crude oil production (17.1 million tonnes) that fell 4.5% below its 2005 level (17.9 million tonnes). The reduced output of the main oil field (Zafiro) and some changes in the nomenclature of oil by-products could be the leading causes. In 2007, this fall was slightly offset by: (i) the exploitation of the Okoumé field; and (ii) the commencement of gas liquefaction activities.

2.1.5 GDP growth is driven by: (i) major hydrocarbons sector investments, estimated at an annual average of 86% of the overall considerable private investments in the REG since 2000, and evaluated at an annual average of 35% of GDP over the 2000-2007 period; (ii) the dynamism of the construction and infrastructure sectors, as a result of the substantial public investment spending in these sectors; and (iii) a sustained external demand for petroleum products.

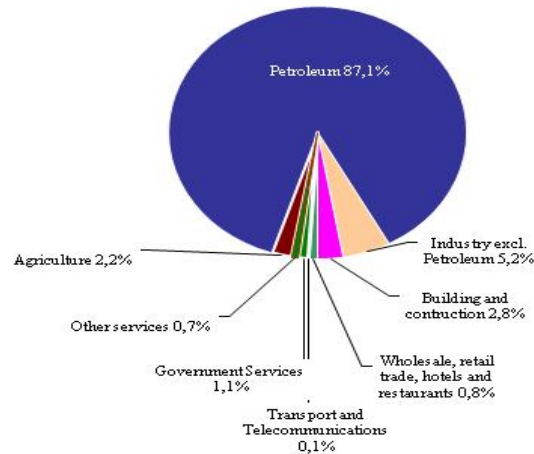
Box 1**Basic information on the hydrocarbons sector**

The REG has huge oil reserves. Those proven are estimated at 1.8 billion barrels. The proven reserves would support an economically profitable level of production for the next 20 years given the prospects for per barrel price trends. Since 1997, oil production has shown a net increase, from 57 200 barrels/day to 370 000 barrels/day in 2007. However, the production peak might already have been reached, and the stagnation or even decline phase may have already begun. Of the three main fields being exploited (Zafiro, Alba and Céiba), the production of Zafiro (controlled by Mobil, Exxon and the Guinean State) dropped by approximately 4.5% in 2006. The impact of this drop was slightly offset by the exploitation in 2007 of the Okoumé field and gas production which seems to be an alternative source of income in view of the exhaustion of the resource.

The REG indeed has numerous gas reserves, whose exploitation in the form of liquid gas started in 2007. Proven reserves are estimated at 40 million m³. In 2007, the production of methanol and liquid gas increased significantly to a level of 3.16 million m³. Gas production, particularly methanol, now seems to be an alternative to the decline in oil production in the REG.

Figure 4 : GPD by Sector (2006)
Source : African Economic Outlook, ADB-OCDE 2007/2008

2.1.6 The oil sector thus generated 87% of GDP in 2006. The other sectors accounted for less than 15% of GDP despite the relative dynamism of the infrastructure and construction sectors. The REG has not signed any reform programme with the IMF since the last Growth and Poverty Reduction Facility (GPRF) (covering the February 1993 - February 1996 period) and the start in 1997 of oil activity which has since



then been fetching the Government substantial financial incomes. However, given the country's weak financial resources planning, programming and allocation capacities, the IMF has continued to provide advisory services to the authorities so as to: (i) improve allocation of the country's financial resources (resulting in the reduction of the country's debt, the creation of a Fund for future generations, financial investments, investments in the social sectors, adhesion to the EITI, etc.) and (ii) ensure long-term sustainability of public finance by promoting tax and business environment-related reforms and supporting the economic diversification strategy. To that end, three missions have been undertaken since 2005 under Article IV. The report on transparency standards in public finance management was also prepared in 2006. Lastly, a technical assistance service agreement concerning public finance management was concluded with the IMF in 2006.

2.1.7 The Government's initiative to give fresh impetus to the diversification of sources of growth is encouraged by external partners, including the Bank and the Bretton Woods Institutions. In this regard, an analysis of the economy's competitiveness profile has made it

possible to target major projects that should foster growth in the REG by 2020. This could be achieved through four major sectors, in particular energy and mining, fisheries and aquaculture, agriculture and services (cf. Annex I (B)). On the basis of projections made by the country's authorities, these sectors could generate at least one quarter of GDP by 2020, thereby effectively contributing to the process of diversification of the sources of growth.

2.1.8 The net budget balance surplus is estimated at an annual average of 16.5 % of the GDP over the period 2000-2007 with a peak of 23.5 % of the GDP observed in 2006, despite the sharp rise in budget expenditure in support of the large-scale program of development of infrastructure (roads) and construction (concerning education, health and administrative buildings) and the drop in oil production. This positive trend of the net budget balance is maintained by (i) the good performance of oil prices and the February 2005 tax reform which contributed to improved collection of revenue from non-oil sector activities.

2.1.9 In May 2005, the REG adhered to the Extractive Industries Transparency Initiative (EITI), but should demonstrate more commitment, particularly by publishing information on oil revenues, ensuring reconciliation of the figures published by oil companies with those of the Government by an independent auditor, and publishing oil contracts. The REG makes investments in commercial banks, but without a rigorous mechanism for anticipating any risks inherent in such transactions. It finances the Fund for Future Generations and other types of deposits domiciled at BEAC. Inflation was estimated at 4.9 % in 2007, and has stabilized at this level since 2005. Although its level is above the Community standard (3%), it is relatively controlled within a context of significant flows of oil incomes, thanks to the country's wage policy and monitoring of the monetary policy by BEAC within CEMAC countries. The current account deficit, resulting from huge oil sector investments, has been absorbed, moving from a deficit of about -49% of GDP in 2001 to a surplus estimated at 1.8% of GDP in 2007. The gross external reserves, estimated at more than USD 3 billion in 2007, represent 7.4 months of imports making it possible to safely maintain a debt level well below the continental average.

Governance

2.1.10 Despite the efforts made over the past few years, the REG continues to face the problem of transparency in public resources management, accountability and corruption in the public sector, which ranks it below the African average. Public administration faces serious problems of capacity related mainly to the fact that the Ministries have no experience in public administration and are not sufficiently prepared for their assigned tasks. In particular, they have no information and staff management

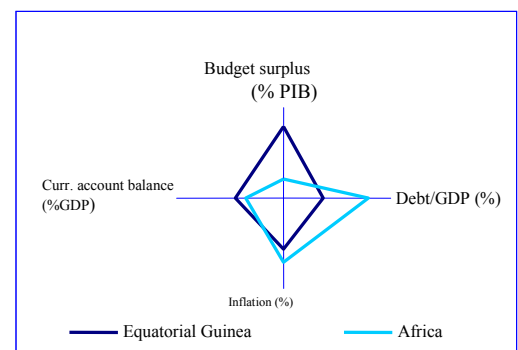


Figure 5 – Macroeconomic Management
Source: ADB Statistics Department

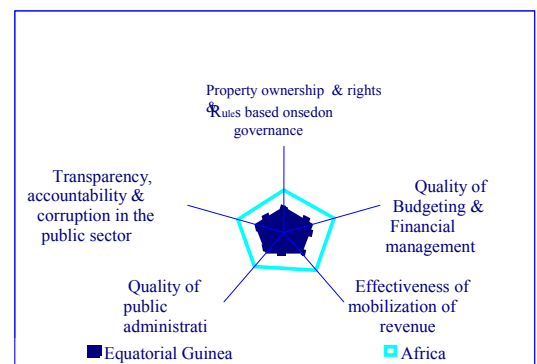


Figure 6 – Management of the public sector and institutions
SOURCE : ADB, Statistics Department

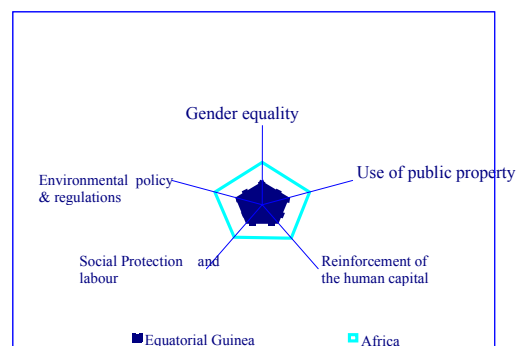


Figure 7 – Integration policies / Equity
SOURCE: ADB, Statistics Department

system, and no planning, organization and method. There are also shortcomings at a more general level relating to: (i) public accounting rules; (ii) the budget process and expenditure authorization; (iii) audit structures; and (iv) public procurement procedures. Moreover, the lack of procedures and management tools to control expenditure limits the effectiveness of public resources.

Social Context

2.1.11 The levels of almost all the social indicators are lower than the continental averages. In fact, life expectancy at birth was estimated at 51.6 years in 2007, as against 54.2 years on average for Africa. The infant mortality rate is 92.3 per 1000, as against 85.3 per 1000 in Africa. The secondary education enrolment rate is 31.9%, with 23% for girls, as against 44.5% and 41.8% respectively at the continental level. Furthermore, the budgets for education and health in the REG, compared to GDP in 2007 are 1.2% and 0.6% of GDP respectively, as against average ratios for Africa of 2.4% and 4.7%. However, the REG is making some progress as concerns vaccination coverage for children and access to health services. All in all, the REG is ranked 127th (among 177 countries) according to the Human Development Index (HDI) published by UNDP in 2007.

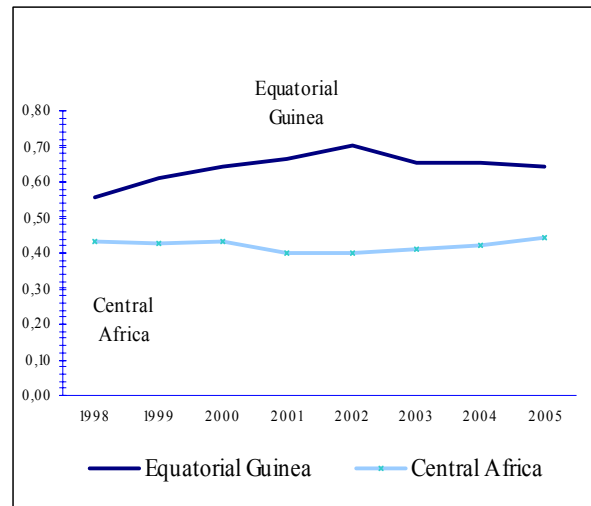


Figure 8—Human Development Indicator (HDI)
Source : UNDP statistics.

2.1.12 In order to achieve the Millennium Development Goals (MDGs), the Government is gradually strengthening its co-operation with its technical and financial partners. To that end, in June 2008, it signed a service agreement of an amount of USD 10 million with the UN Agencies. It is also pursuing dialogue with other partners, including the Bank, for additional support to supplement technical assistance from the UN Agencies, particularly in the form of investments required for achieving the MDGs.

Business Environment and Regional Integration

2.1.13 The weak *economic infrastructures* and *legal and regulatory framework* are an obstacle to the creation of value added from the country's enormous mining, water, fishery and forestry potential. For instance, prospects for developing the immense fishery resources are hampered by the lack of an incentive private sector development policy.

There are no financing structures to attract promoters into the sector, such as a flexible tax

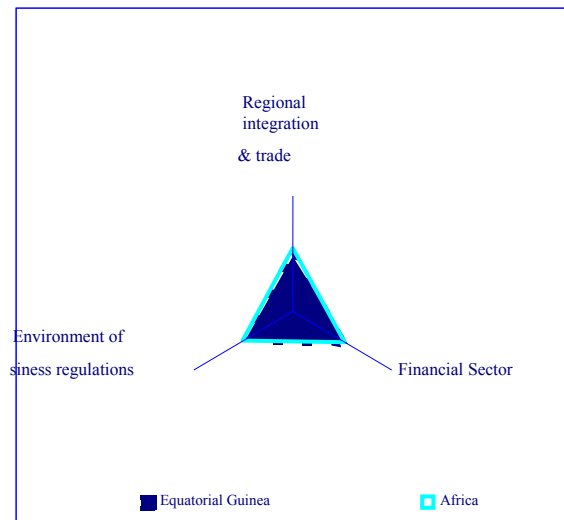


Figure 9 – Structural policies
SOURCE : ADB, Statistics Department

system and a financing line. The lack of ports of landing, repair workshops, small-scale processing areas and power plants capable of supplying energy to enterprises limits the sector's development prospects. The limited interconnection with national and regional transport networks renders accessibility to fishing and marketing areas very difficult. In addition, the difficulties of monitoring the Exclusive Economic Zone (EEZ) undermine sustainable management of the resource. The lack of skilled labour that meets the requirements of the economic diversification strategy and delays at the national level in the liberalization of the labour market and adoption of an immigration policy that would offset its inadequacies are major constraints on the implementation of the NESDP. In general, according to the analyses of *Doing Business*, the REG ranks 165th among 178 countries considered in 2008, making it a highly unattractive environment for business.

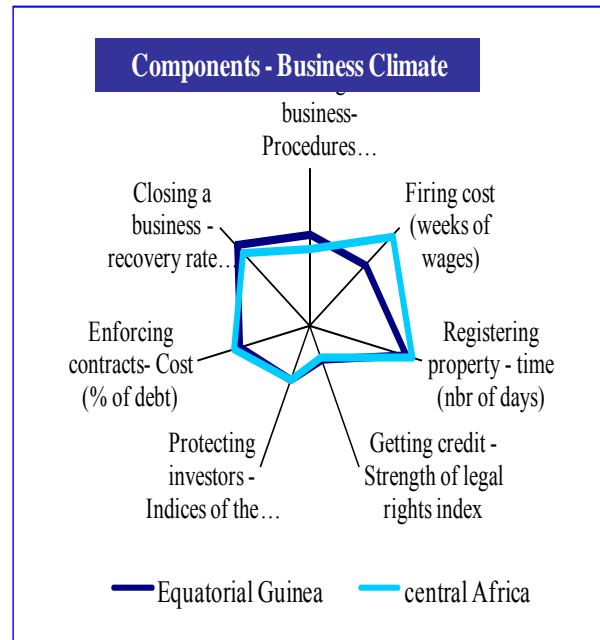


Figure 10 – Components – Business Climate
Source: WB: Business climate data base, 2008

2.1.14 The authorities have become aware of the importance of strengthening the process of **regional integration** and trade as key aspects of their strategy for diversification of sources of growth. In fact, besides belonging to two RECs (CEMAC and ECCAS), the REG is closely monitoring ongoing negotiations on a sub-regional approach to Economic Partnership Agreements with the European Union. In January 2008, the REG also applied for WTO membership and set up a working group to conduct the related negotiations. The REG financed studies to support the ongoing institutional reform process within CEMAC. It observes the Community rules of exemption from import duties of products within the CEMAC space, as well as the common external tariff in force with a maximum rate of 30%. However, the average rate applied by the REG is higher than the average in sub-Saharan Africa, which further limits the country's attractiveness. In order to successfully diversify the economy, the country needs to demonstrate sustained commitment to the economic integration process to offset the weak institutional capacities, the inadequate labour force and the narrow domestic market.

2.2 Strategic Options and Outlook

2.2.1 Strategic Framework

2.2.1.1 The new cooperation framework of the Bank with REG is expected to support the country's NESDP. The NESDP will be implemented in two phases covering the

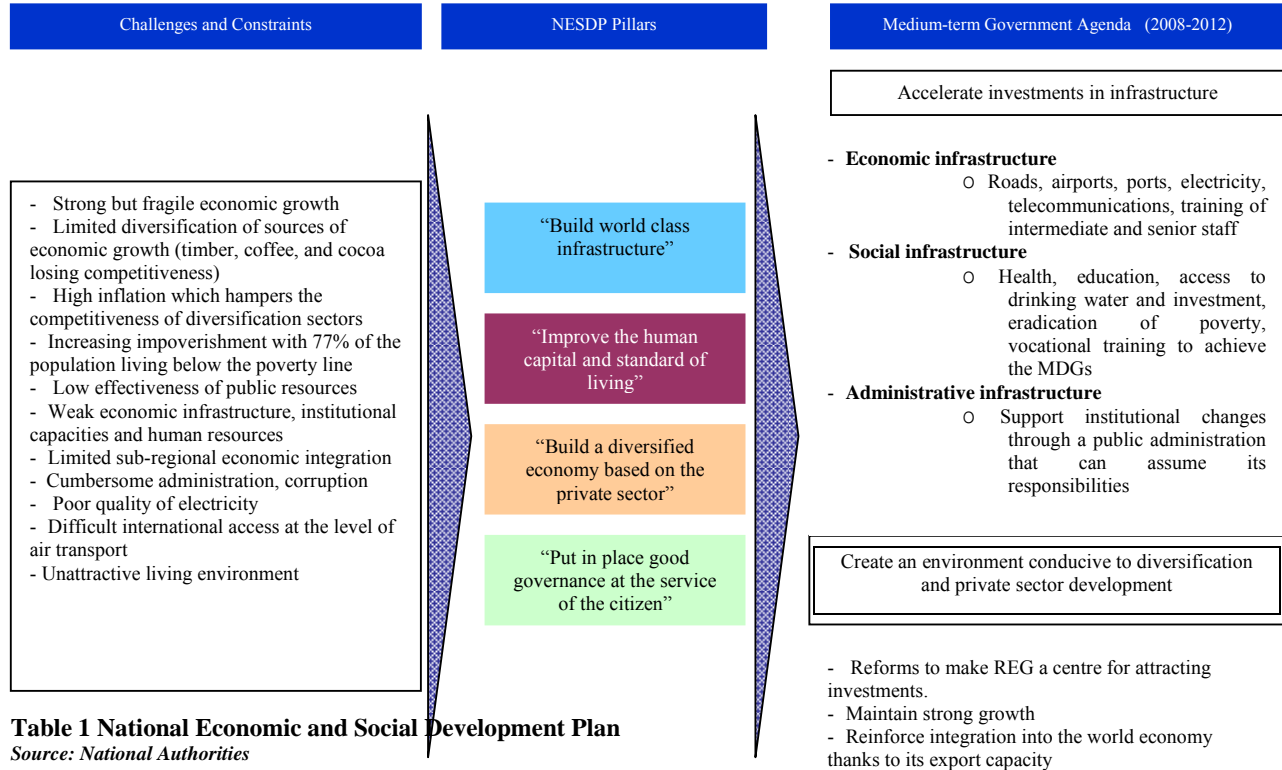


Table 1 National Economic and Social Development Plan
Source: National Authorities

2008-2012 and 2013-2020 periods. The development prospects set out in the NESDP are based on **four sectors identified as generating value added** to support the economic diversification strategy, namely: (i) energy and mining sectors; (ii) fishery and the aquiculture; (iii) agriculture; and (iv) tourism and financial sector. The strategic objectives, expected outcomes and lines of action are defined under **four strategic actions** which are: (i) build world class infrastructure to improve productivity and accelerate economic growth; (ii) strengthen human capital and improve the quality of life of every citizen; (iii) build a diversified economy based on the private sector; and (iv) put in place good governance at the service of the citizen.

2.2.1.2 With the support of its development partners, including the Bank, the REG is pursuing the operationalization of the NESDP. Since the institutional framework of its implementation was adopted in February 2008, the Bank provided the Government with a high-level consultant to help it to prepare the request that would mobilize resources for the Technical Assistance Fund for Middle-Income Countries (MIC). The MIC grant is designed to support preparation of the NESDP action plan in terms of technical assistance resources and equipment and logistical support requirements for complete ownership of the NESDP implementation process.

2.2.2 Challenges and Weaknesses

An analysis of the 1st decade of the oil income era in the REG and a diagnosis of the economy conducted during the preparation of the NESDP bring out four major constraints and challenges.

2.2.2.1 Economic growth in REG is strong but fragile: it fuels inflation and weakens the competitiveness of the other sectors. In addition to their contribution to real GDP (more than 80% of the total), the oil and gas sectors generate 94% of budget revenues and more than 90% of export earnings. Furthermore, oil activity fuels inflation which, on account of its knock-on effects on the production costs of the entire economy, exacerbates the low competitiveness of the other sectors. The exploitation of timber, cocoa and coffee, which formed the basis of economic activity in the 1990s had almost been abandoned. A slight recovery has been observed over the past few years following stronger global demand for these products. The low competitiveness of the potential job-creating sectors limits foreign

direct investment flows to these sectors, although the REG is one of the countries which attract the most foreign direct investments estimated in 2005 at 304.2% of gross fixed capital formation, as against 40% for the Central African region and only 19.1% for the African continent. Furthermore, the limited development of the national private sector and difficulties of access to credit from the national banking system, as well as its high cost are some of the constraints on the development of sectors other than hydrocarbons which have absorbed almost all foreign direct investments to date.

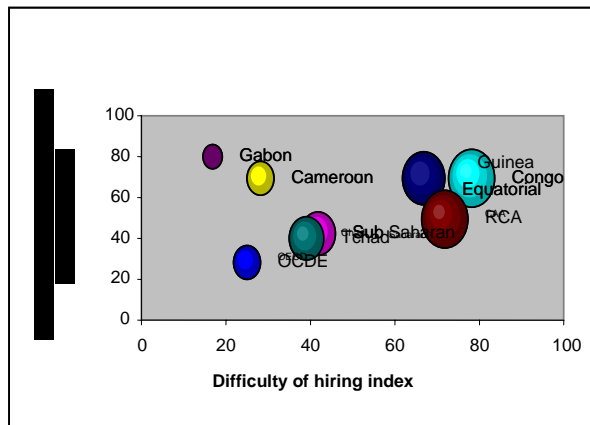


Figure 11- Labour market
Source: *Ease of Doing Business, 2006*

2.2.2.2 New sources of growth are required to provide sustainable support for the social development and poverty reduction strategy. Income disparities are widening from year to year, and the decline in crude oil production seems to have begun. Approximately 77% of the population are considered to be living below the poverty line, according to findings of the poverty profile study conducted in August 2007. Although a middle-income country, the REG is ranked 127th out of 177 countries considered on the basis of the HDI. The development strategy of the past ten years, which consisted in investing the oil revenues in: (i) the infrastructure sectors; (ii) the social sector, and (iii) financial investment **is not sustainable**. It rather reinforces the vulnerability of the economy, and does not foster the development of a competitive environment and various technical skills for sustainable support of the diversification of the economy. Compared to the average in sub-Saharan Africa or in OECD countries, the labour market in REG seems to present relative difficulties of hiring and firing, due to inadequate skilled labour within a context of unfilled vacancies.

2.2.2.3 Regional integration is necessary for the stability, security and competitiveness of the RGE. The domestic market with slightly over one million consumers and the lack of a labour force with the necessary skills to support the development strategy are real constraints on the sustainable development of the RGE and diversification of its economy. The authorities are becoming aware of these constraints. Since 2005, the RGE has chaired the

Institutional Reforms Committee of CEMAC and has, within this framework, financed the required preliminary studies. It continues to provide the Community with international Experts to advance the reforms. Indeed, the RGE intends to play a political role commensurate with its financial weight within the community. It should also increasingly consider the two communities (CEMAC and ECCAS) as markets and sources of labour to support its economic diversification strategy.

2.2.2.4 The huge investments made to date in the infrastructure sector must be more coherent and better targeted to lay the foundations of a more competitive economy. Despite the huge financial resources invested in the infrastructure sector, the REG still does not have infrastructures (road, port, airports) that meet international standards to support the economic diversification strategy.

Year	A. Economic Management			B. Structural Policies			C. Policies for Social Inclusion / Equity					D. Public Sector Management and Institutions					Overall Rating
	1 Macro	2 Fiscal	3 Debt	4 Regional Int./Trade	5 Fin. Sec.	6 Business Reg. Frame	7 Gender Equality	8 Equity Pub. Resource	9 Human Resources	10 Social Protection	11 Environmt .	12 Property Rights	13 Budget Management	14 Revenue Mobilization	15 Public Admin.	16 Corruption Pub. Sector	
2005	3	4	4	3.0	3.5	3	2	2	2	2	2	2	2	2	2	2	2.71
2006	4	4	4	3	3.5	3	2	2	2	2	2	2	2	2	2	2	2.79
2007	4	4	4	3	3.5	3	2	2	2	2.5	2	2	2	2	2	2	2.82

Table 2- Equatorial Guinea: Policies and institutions performance assessment (2005-2007 PIPA)
Source: ADB, Statistics Department

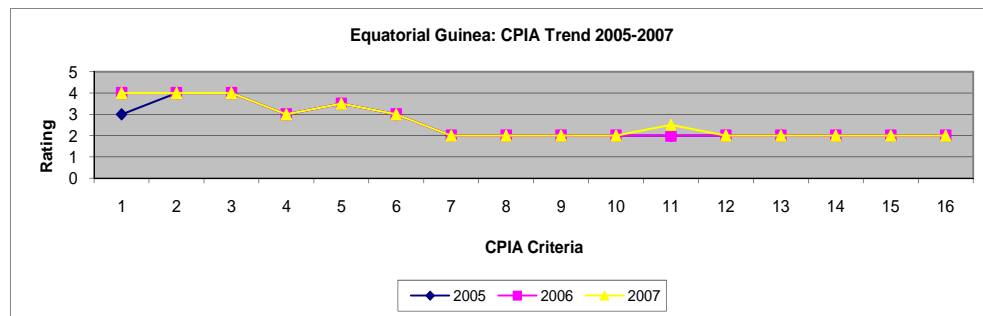


Figure 12 – PIPA trend 2005-2007

2.2.2.5 During the 2005-2007 period, weaknesses are noted in the performance of the REG as regards the social inclusion and equity policies and concerning the management of institutions. The areas of focus of the NESDP have been selected on the basis of this observation; the NESPD aims at: (i) strengthening the efficiency of institutions by providing public services, particularly health, education, transport and the design of a reliable statistical apparatus (indispensable for informed planning and programming of the national development process); and (ii) increasing the incomes and improving the wellbeing of the populations who would be supported by an economic diversification policy that is geared more towards the job-creation sectors (fishery, agriculture, forestry, and financial services).

2.2.3 Strengths and Opportunities

2.2.3.1 The national development strategy of the REG aims at (i) creating value added in the sectors where the country potentially has a comparative advantage at the national, sub-regional and/or world levels; (ii) implementing institutional reforms and those relating to the legal and judicial environment so to make the REG a country that attracts foreign and

national investors; and (iii) constructing world class infrastructures to support the economic diversification strategy so provide access to production areas, as well as creating an incentive framework for private initiative and attractive conditions for access to national, regional and world markets.

2.2.3.2 The comparative advantage of the REG over neighboring countries lies mainly in the availability of natural resources in the mining, forestry and fishery sectors, which are highly coveted at the regional and world levels. Consequently, over the past ten years, the REG is the country that has recorded the most foreign direct investments (although concentrated primarily in the mining sector), as well as the highest economic growth rate in the sub-region. Currently, the REG has the highest level of foreign reserves of all CEMAC countries, estimated at more than 8 months of imports.

2.2.3.3 Furthermore, taking into account world demand trends, a diagnosis of economic diversification in Equatorial Guinea indicates niches for these resources in which the REG could build its strategy of diversification of sources of growth. Indeed, the leading trading partners of the REG which are, as concerns exports, the USA (50% of total exports in 2005), followed by Spain (11%), Canada (7.7%) and China, are all countries with good growth prospects and are potential markets to support the economic diversification strategy. The dynamism of the traditional export sectors will help to maintain domestic demand for investment and consumption; consumption will be sustained by the induced employment and incomes for the populations. The key supplying countries of the REG are the USA (24.6% of total imports in 2005); Italy (20.7%); France (12.1%), and Spain (10.8%).

2.2.3.4 The REG has started extension works on the Luba port to make it a deep water port of international dimension that would foster economic diversification. This initiative is positive, and the country has programmed several major infrastructure works (roads, airport) which should help to modify the competitiveness profile of the REG by 2012. The country intends to take sustainable action geared towards strong growth.

2.2.3.5 The option taken by the authorities to break with the past while adopting a long-term vision for the country is also a strategic choice likely to reassure potential investors. The country's commitment to revitalizing the integration process will contribute to improving the prospects for markets. Within this context, the strict implementation of the guidelines in the NESDP as regards macroeconomic and structural reforms is a key factor in building sustainable confidence among potential investors. Consequently, strengthening the process of democratization of institutions would constitute an asset for the economic diversification strategy of Equatorial Guinea so as to gear foreign direct investments towards sectors other than mining. The diagram below summarizes the foregoing analysis.

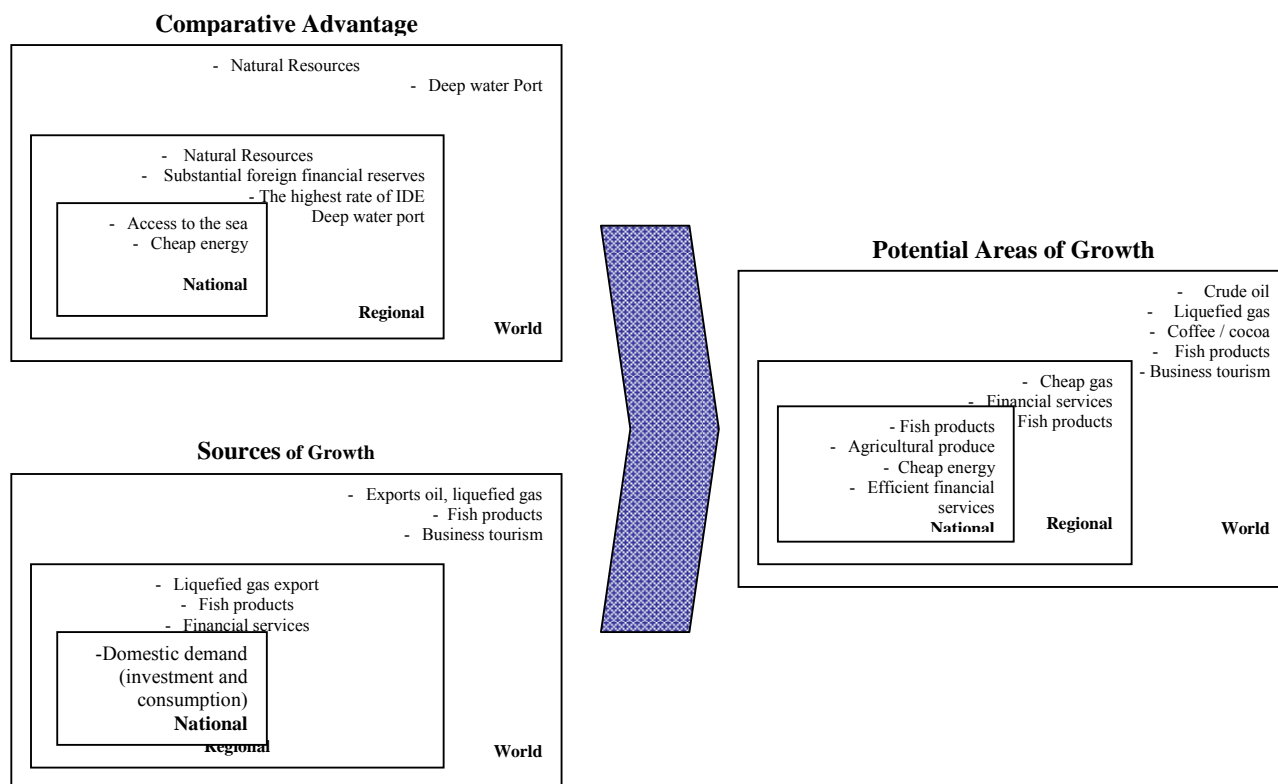


Table 3 - Sources of Growth

2.3 Development of aid coordination and harmonization and the Bank's position in the country

2.3.1 As a result of its new status as middle-income country and the size of the budget surpluses generated (on average 16.5 % of GDP over the 2000-2006 period), the REG is relying less and less on external aid resources to finance its development. The huge public investments made over the 1999-2004 period, particularly for the development of the road infrastructure and estimated at CFAF 765 billion (according to AFD sources), were financed with the country's own resources. This figure is equivalent to USD 730 per capita, as against USD 875 per capita for the United States, USD 667 per capita for France, USD 265 per capita for Gabon, and USD 36 per capita for Senegal.

2.3.2 Consequently, several development aid organizations and institutions give priority to the supply of advisory services and technical assistance in their cooperation with the REG. The interventions of the external partners of the REG are coordinated and harmonized within this framework and within the context of the Government's weak capacity to ensure strategic management of such coordination. Thus, in June 2006, a Service Agreement was concluded with the IMF to improve public finance management. Progress had been made in the implementation of this agreement up to April 2007 when, due to *force majeure* related to the personnel involved in this assistance, it was temporarily suspended. However, the national authorities intend to request the technical opinion of the IMF to conduct a study on the comparative advantage for the country between investing its financial incomes in BEAC and

on the international money market. Furthermore, AFRITAC/Centre supports the country in public finance management. The Bank's future support in this area will be coordinated with that of the other external partners, namely the IMF and AFRITAC/Centre.

2.3.3 The REG also solicited advice from the World Bank following its adherence to the EITI. However, this support has difficulty producing concrete results since the REG is yet to publish its maiden EITI report or engage an independent auditor to reconcile the oil revenues declared by the Government with those paid by the oil companies under the contractual and fiscal obligations binding the companies to the REG. In order to boost their co-operation within this framework and strengthen the statistics system, the REG and the World Bank concluded a Service Agreement in November 2007, aimed at supporting the implementation of the EITI and strengthening the statistics system. Furthermore, the UN Agencies represented in Malabo have worked closely with the Government to fine-tune the social aspects of the national development strategy. To that end, a Service Agreement was concluded in June 2008 to support the implementation of the NESDP. Other partners, including the EU, have also revitalized their partnership with REG since the 2nd Economic Conference. Since then, a Partnership Agreement within the framework of the 10th EDF is under negotiation between the EU Commission and the REG. Traditional bilateral partners (particularly Spain) are gradually redefining the framework of their co-operation with the REG.

2.3.4 Concerning the Bank, although it currently has no active operations in the REG, in accordance with its interim assistance strategy, it supported the participatory process of NESDP preparation, and helped to compile the documents and statistics required for its preparation. The Bank also provided appropriate advisory services to the authorities for the operationalization of the NESDP. In particular, it pointed out the need to draw up an Action Plan for the implementation of the NESDP; consequently, the Bank recruited a high-level Consultant to prepare a request aimed at mobilizing support for the NESDP implementation process (in the form of a grant from the MIC Fund). In its future co-operation with the REG, it will work in synergy with the other external partners to support the above-mentioned strategic areas for the development of the REG.

2.3.5 The Bank's future support under the NESDP will draw on **lessons learnt from previous Bank Group operations in the REG.** Indeed, the main objective of the Bank's interim assistance strategy over the 2004-2006 period was to help the Government to ensure judicious and rational management of oil resources. However, (i) weak institutional capacities and inadequate human resources, (ii) major problems of coordination, and (iii) administrative red-tape limited the effectiveness of Bank resources in supporting national priorities. At the end of the interim CSP, the NESDP had not been finalized. In its dialogue with the REG, the Bank has underscored the need to prepare a framework for the coherence of governmental action by making the preparation of a national development Plan a prerequisite for Bank operations in the REG.

2.3.6 The following three projects financed by the Bank had been approved during the 1990s: (i) the Basic Health Services Strengthening Project; (ii) the Poverty Reduction Project, and (iii) the Institutional Capacity Building Project for the Ministry of Planning, **but none of these operations is now active.** The last project approved by the Bank for the REG, namely the Basic Health Services Strengthening Project dates back to 1998. With regard to the other two projects mentioned above (Poverty Reduction and Institutional Capacity Building for the Ministry of Planning), they could not be fully implemented because of limited human

resource capacities, inadequate knowledge of Bank rules of procedure by project officials, and difficulties of communication between the Bank and the implementation units of the said projects. The non-committed resources of the Poverty Reduction Project were cancelled.

<u>Development Partners</u>	<u>Support by Sector (in Euros)</u>			
	Economic Development	Social	Agriculture	Governance
European Commission		3 397 872		7 300 000
Spain		5 532 659		228 034
France		1 427 676		679 607

Table 4 – Aid Matrix 2007

Source: EU

III. BANK STRATEGY FOR THE COUNTRY

3.1 Rationale of the Strategy

3.1.1 *Paradox of abundance and weak national capacities:* The Bank's analysis of the political, economic and social situation of the REG and its experience of three decades of co-operation with the country show that the REG has substantial financial resources (evaluated at per capita income of USD 8,250 in 2007) and enormous fishery, mining and forestry resource potential. However, the REG faces major structural constraints, in particular: (i) increasing impoverishment; (ii) inadequate human resources in terms of number and appropriate qualifications to support the economic diversification development strategy; and (iii) significant institutional weaknesses making it impossible to build an efficient public administration and ensure efficient management of these resources. The national authorities have arrived at the same conclusion of a paradox, and have become aware of the need to diversify the sources of economic growth, since the oil production decline phase has already begun. They prepared and adopted in February 2008 an Economic and Social Development Plan, which benefited from the contributions of various external partners of the REG, including the Bank. This plan defines the long-term national development vision for 2020, and is based on the diversification of sources of economic growth, progress and social cohesion.

3.1.2 *The REG would like to revitalize its co-operation with the Bank:* To support the implementation of this Plan, the Government, by mail dated 10 March 2008, requested the Bank to play a key role in the implementation of the NESDP by providing advisory services and support for the financing of priority projects and programmes. Furthermore, during several high-level missions of the Bank to the REG, the authorities of the country have expressed their desire to see the institution revitalize its co-operation with the REG so as to address the institutional and human resource weaknesses that slow down the development process. Consequently, the country is open to dialogue with the Bank with a view to concluding a service agreement to benefit from the expertise of Bank staff in the implementation of its development priorities. This proposal is a renewed mark of confidence and open-door policy to develop a new framework of co-operation with the Bank.

3.1.3 *The Strategy will be based mainly on capacity building:* Given this paradox of abundance of financial and natural resources on the one hand, and the persistence of social inequalities on the other, as well as the renewed confidence of the Government in its co-

operation with the Bank, the Bank's operational strategy in the REG intends to be innovative. It is aimed at: (i) **building national capacities for managing the immense financial resources** so as to rationalize the use of the resources and improve their effectiveness for the wellbeing of the population; (ii) **providing increased advisory assistance to gradually build institutions and human capital** capable of managing the economic diversification process, with: (a) an administration that is better able to discharge its public service missions, (b) a labour force with technical skills tailored to the requirements of creation of added value; and (c) a private sector playing a key role in the national production process within a competitive environment, while the Bank's strategy helps to **diversify the economy** of Equatorial Guinean; and (iii) **providing support for the financing of priority projects of the NESDP** so as to promote the economic diversification strategy.

3.1.4 *The strategy is in line with the priority objectives in the NESDP:* The Bank is mobilizing resources from the Technical Assistance Fund for Middle-Income Countries (MIC) to build the institutional capacities of the Ministry of Planning, which is the supervisory structure for the implementation of the NESDP. Moreover, the Bank's strategy aims at providing **advisory support and financing for development projects and programmes** in order to: (i) *ensure institutional and human capital development;* and (ii) *create the conditions required for economic diversification,* as described in the NESDP.

3.1.5 *The strategy will initially support the public sector in particular, so as to:* (i) eliminate the structural constraints identified above; and (ii) create the conditions required for **private sector** development, with a view to gradually creating a national private sector capable of developing strategic partnership relations with sub-regional and international private operators to support the implementation of major development projects. The Bank's strategy will therefore support: (i) **national public policies** for strengthening public administration in the management of financial resources and the human capital and for creating an environment conducive to private sector development (promotion, advisory, and guidance activities and assistance to economic operators, as well as financing facilities through private sector support structures) to support economic diversification; (ii) **institutional reforms required** to establish the principles of financial, economic and institutional governance, which would increase transparency in the management of public resources and their effectiveness in supporting the national development process; and (iii) **infrastructures** aimed at stimulating production at the national level.

3.1.6 *The financing methods of the strategy* will give priority to joint financing with the Government, with a minimum of 50% of the project cost being financed by own resources. The Bank's share of the financing will be put in place mainly to enable the REG to benefit from appropriate advisory services by Bank experts. The strategy will give priority to dialogue on the conditions for mobilizing these resources and will encourage the Government to adopt the Bank's procurement rules and procedures for the disbursement of its own resources in order to avoid slippages in the implementation schedules of projects and programs, and thereby enhance the effectiveness of the public resources thus mobilized. Furthermore, the strategy will be implemented in synergy with the other technical and financial partners.

3.1.7 *Lending activities to support the Public Sector:* The Bank's operational strategy as regards lending activities for the public sector will focus mainly on two areas or **pillars** - "**Capacity building**" (institutional, multi-sector and human resources) and **-"Creating conditions for economic diversification"**. These areas of focus were identified following the

strategy preparation mission to Malabo from 26 February to 7 March 2008. A participatory process was adopted in a seminar held on 3 and 4 March 2008 bringing together senior officials of the administration, representatives of the technical and financial partners, private sector and civil society. The Bank resources programming cycle (**2008-2012**) is consistent with the 1st phase of the NESDP implementation, which aims at creating conditions that are necessary but not sufficient for successful diversification policy. During this programming period 2008-2012, the maximum sustainable cumulative commitments are estimated at **UA 1,381 million**, on the assumption that the Bank will grant only project loans. This amount is indicative and well beyond the country's needs as shown in the lending programme in the Annex.

3.1.8 **Activities in support of the private sector:** The Bank strategy will contribute to the emergence of a class of **entrepreneurs through targeted training programmes** according to major projects identified in the NESDP. Moreover, it will give priority to **dialogue on strategic themes** including the strengthening² of sub-regional *economic integration, the implementation of an immigration policy* in conformity with the commitments made by the country in its partnership agreements with neighbouring countries, in support of economic diversification strategy. Concerning the two pillars identified, the Bank will support public and private partnerships in key diversification sectors or Government initiatives for the private sector, particularly the SME/SMIs with a view to gradually building a critical mass of entrepreneurs in the REG. Taking into account the weak capacities of the administration, the Bank's strategy will aim at encouraging the use of private sector skills to remedy the said weaknesses.

3.1.9 **As regards non-lending activities,** the Bank will support: (i) *the conduct of studies* aimed at improving its knowledge of potential value added sectors; and (ii) *targeted advisory activities* for the financial management the country's resources.

3.1.10 The various components of the strategy will take into account *gender and environmental issues* and the strengthening of *governance* for harmonious and sustainable development. These aspects will be reiterated regularly in dialogue with the country, and will be monitored closely during project and programme implementation in order to measure the progress made in the said themes.

3.2 Outcomes and Targets

3.2.1 Pillar 1: Capacity building: Two areas of intervention were adopted: "Improvement of human capital" and "multi-sector institutional strengthening".

3.2.2 Action 1.1 - Improvement of human capital will support the delivery of quality public services, particularly in *health and education*. Indeed, the REG suffers from major weaknesses in terms of human resources in all sectors of economic and social life. As concerns the administrative and financial management of the country, the weak human resource capacities make it impossible for administrative services to fully play their key role of planning and managing development. At the economic level, the weak human resource capacities limit the competitiveness and productivity of enterprises, which are unable to obtain diversified and multifaceted expertise in sufficient quantity and at a competitive cost. The technical skills are necessary for the implementation of their development plan, and constitute a key criterion in analyzing the country's ability to attract foreign capital.

3.2.3 **As regards education,** the Bank's strategy in the REG will consist in supporting the Ministry of Education to prepare a strategy and action plan for technical and vocational training to ensure coherence among the various interventions in the sub-sector. It will support: (i) the Directorate-General for planning and educational programs in the collection, processing, analysis and publication of statistical data required for planning the development of the education sector and decision-making; (ii) the Directorate-General for Labour and Employment to enable this structure to fulfil its mission of evaluation, information, orientation and forward management, and (iii) training of trainers for the benefit of technical and vocational training structures. Bank support will also include the creation of trades centres specializing in the priority sectors (energy, fishery, timber processing, tourism, maintenance, economic and financial management, etc.) and support to the University of the REG for diversification of the economy, preparations for the post-oil era, and establishment of sustainable development.

3.2.4 Bank support will help to foster an employment culture based on skills so as to meet labour market needs in rural and urban areas. In this respect, the Government will finance: (i) the conduct of a prospective study on job demand and supply; (ii) mechanisms which facilitate the integration of the REG into the Regional Centre for Labour Administration; (iii) the computerization of the services of the National Employment Office; (iv) an update of the national employment policy; and (v) the establishment of an agency for the execution of public interest works, which are all initiatives aimed at offering job prospects for those who will be trained, notably with Bank support. Bank support will lay special emphasis on women's access to these training programmes, and will comprise modules aimed at ensuring that the beneficiaries of the said programs are acquainted with issues related to climate change and the environment. ***The training programme for intermediate and senior staff is shown in the lending programme for an indicative amount of UA 40 million.***

3.2.5 **As regards health,** the Bank's strategy aims at improving the management of the health system, and will mainly consist in: (i) institutional support to the Ministry of Health and Social Welfare (MSBES). The institutional support to MSBES to improve management of the entire health system will be provided through the following priority actions: (i) provision of international technical assistants, who will also train their national counterparts in the preparation and coordination of the implementation of the NESDP using the sector-based approach in collaboration with the other partners; (ii) training of technical experts of the MSBES in epidemiology, public health, health economy, information management and health statistics, human resources management, nutrition, administration and financial management; (iii) training of a pool of national trainers and management teams at all the levels; (iv) conduct of studies and surveys to improve management of the system (health information system, health care financing alternatives, population and health survey). The gender dimension will be reflected in the selection of trainees and access to the health care provided. Furthermore, ensuring that the trained health personnel become acquainted with environmental issues, notably those relating to the processing of waste in health services, will be a key aspect. ***The health system development project for an indicative loan amount of UA 15 million and a grant from the MIC Fund of an amount of UA 0.6 million is shown in the tentative lending program.***

3.2.6 ***Action 1.2 – Strengthening of multi-sector capacities*** will support: (i) the strengthening of the Administration and public finance management; and (iii) improvement of the national statistics system.

3.2.7 *As concerns strengthening the Administration,* Bank support aims to: (A) *strengthen the capacities of officials and employees through:* (i) training in administrative management in a National School of Administration and Magistracy (ENAM) in the following courses of study: Taxation, Lands, Treasury, Customs, Magistracy, law officers, Inspection and control; (ii) further training of officials and employees through short courses and study tours in administrative work; and (iii) the training of national trainers; (B) *Improve human resources management through:* (i) the definition of needs, establishment of job profiles; (ii) improvement of the recruitment system, (iii) performance evaluation and establishment of a system of incentives; (iv) promotion of a work ethic; (v) restoration of legality and ethics; and (vi) modernization of human resources management; and (C) *Rationalize and control recurrent costs through:* (i) improvement of the internal work organization by making the best use of new technologies, and (ii) promotion of delegation, decentralization and devolution.

3.2.8 *Concerning public finance management,* the Bank's strategy aims to: (A) *improve the programming, implementation and monitoring of the budget through:* (i) providing the Directorate-General of the Budget with a tool (software) and capacities to enable it to control the entire budget preparation process and monitor the budget, as well as know at any given time the actual status of its execution, and (ii) the training of officials and employees in charge of programming and monitoring the implementation of the budget; (B) *provide computerized public accounts through:* (i) effective establishment of a Directorate of Public Accounts; (ii) provision of the necessary tools (development of a procedures manual and software) and (iii) training of officials and employees; (C) *operationalize supervision and control structures through:* (i) effective establishment of the Court of Auditors with adequate operating resources (procedures, tools); (ii) strengthening of the Directorate-General of the Budget and Directorate-General of Finance, as well as the improvement of transparency in the execution of public expenditure; and (D) *improve the procurement process through:* (i) the establishment of a national procurement board; (ii) the development of procurement procedures; (iii) training of the Members of the National Procurement Board, (iv) improvement of transparency and information on contracts. The gender dimension will be taken into account in the choice of beneficiaries of this project. ***An Administration and Finance Management Support Project which will be implemented in two phases is included in the tentative lending programme under the heading "Support for Governance". The indicative amount of the loan is UA 30 million at the rate of 15 million for each phase.***

3.2.9 *Improvement of the National Statistics System (NSS):* The Bank strategy aims to: (i) improve the national statistics system, notably activities to generate the data necessary for the implementation of the NESDP and the CSP at the level of the Directorate-General of Statistics and National Accounts (DGSCN), and the Ministries of Agriculture, Health and Education. The Bank will support: (i) institutional organization; (ii) training; (iii) data collection and analysis (preparation of national accounts, conduct of surveys on households, agricultural survey, preparation of directory of non-profit institutions from households and modern production units); (iv) data conservation and dissemination; and (v) equipment of buildings. Special emphasis will be laid on gender-disaggregated data collection in order to provide policy makers with relevant data for rigorous planning of the development process. ***A national statistics system strengthening support project was identified following the general projects identification mission for an amount of UA 5.7 million.***

3.2.10 **As regards the strengthening of multi-sector capacities**, Bank support will aim at Improving the business environment for the promotion of SME/SMIs through: (i) support for institutional reforms to improve the business climate in general; and (ii) strengthening the capacities of SME/SMI support structures.

3.2.11 **Pillar 2: "Creating conditions for economic diversification.** Bank support will aim mainly at: developing infrastructures and growth-oriented sectors.

3.2.12 As regards road and transport infrastructures, Bank support aims at: (i) conducting or updating feasibility studies, and final and socio-economic designs of several road sections, and the creating an urban and inter-city transport company to finance related projects; (ii) strengthening the capacities of the Ministry of Infrastructures through the formulation of sector-based policies and the establishment of an appropriate institutional structure for the implementation of projects and maintenance of infrastructures. At the end of the studies, the project envisaged will concern: (i) the national urban and inter-city transport company; and (ii) construction of roads between Evinayong and Cogo (130km) and between Evinayong and Assoc (120km). The financing of projects from these studies will, in particular: (i) foster trade as a result of the drop in internal and external transport costs; (ii) improve the living conditions of the rural populations through improved accessibility to production areas and basic social services; (iii) improve accessibility to 9 isolated localities for the evacuation of products and movement of people by sea and by land; (iv) contribute to the development of agricultural production through accessibility to many agricultural and fishing zones. Bank support will pay special attention to the environmental impact of this project. The gender dimension will be reflected in terms of access to the products generated by the support in order to ensure the improvement of the living conditions of women through this project. *In this respect, a study that should lead to a project was identified and is evaluated at UA 10 million. The cost of the project which would result from it will be specified; an indicative amount of UA 60 million has been included in the lending program.*

3.2.13 As regards water and sanitation infrastructures: Bank support is aimed at: (A) drinking water supply and sanitation of Malabo and Bata; and (b) drinking water supply and sanitation in rural areas after producing the master plan and the water resources map. As regards water and sanitation, the Bank's resources will contribute to: (i) the formulation of policies and strategic plans for the control, protection and management of water resources; (ii) the preparation of policy and planning documents in the water and sanitation sector; (iii) the design of a hydrological map for better knowledge of the available water resources; (iv) institutional reorganization and capacity building of the sector; (iv) drinking water supply and sanitation infrastructures in Malabo and Bata, as well as rural areas including studies on the **master plans**; and (v) development of educational programmes on good hygiene practices in schools and communities, and promotion of individual and collective hygiene. *A drinking water supply and sanitation project for Malabo and Bata and a rural water supply Project were identified at the end of the mission, for a total amount of UA 32 million.*

3.2.14 As concerns building the capacities of the added value-oriented sectors, the Bank's strategy is aimed at conducting a study which could lead to an investment and institutional support project to support structures for: production (fishery, agro-pastoral, tourist services), conservation, marketing and protection of natural resources. Equatorial Guinea has decided to make Agriculture and Fisheries two important and essential poles of diversification of the economy in order to promote employment and encourage the populations to remain in rural areas under the NESDP. *A Project to support production support structures (agricultural, fishery, tourism) was identified by the mission for an amount of UA 35 million.*

3.2.15 ***Monitoring of the implementation of its strategy:*** The Bank will strengthen the capacities of the national structures that will be involved. In order to ensure better monitoring of the impact of its assistance, the Bank will ensure that the National Agency for the implementation of the NESDP, which was set up and reinforced for this purpose, plays a key role in managing all the identified support activities. The various monitoring reports that will be prepared by this Agency will also be used as basic documentation for the preparation of various monitoring reports of the Bank. It will benefit from the close monitoring and opinions of the Bank. To that end, the proximity of the Regional Office of the Bank and the reinforcement of its technical capacities and its decision-making powers are assets for the strategy. The Bank will also coordinate the support with that of the other partners. The expected outcomes of the assistance will be fine-tuned and better targeted after the preparation of the NESDP action plan. An indicative matrix of CSP results monitoring is shown in Annex 1 (B).

3.3 **Themes of Dialogue with the Country**

3.3.1 With reference to the lessons learnt from previous assistance and the major persistent constraints on institutional capacities, the dialogue on policies will concern the following points:

3.3.2 ***Need for the REG to define a clear strategy as regards technical assistance and immigration*** to, first of all, offset its weak institutional and human resource capacities. To that end, the Bank will underscore the fact that furthering the **regional integration** process is definitely a necessity though not a sufficient condition to enable the REG to cope with the challenges related to insufficiency of skilled labour required for the implementation of the NESDP.

3.3.3 ***Transparency in the public procurement process to ensure greater effectiveness of public resources and strengthen control structures:*** The Bank will carry out sustained dialogue with the authorities so as to enable the country to adopt a procurement system that meets the relevant international standards. The current procurement system should be better known and understood by development agents. The dialogue will seek to enhance the efficiency of public resources control structures.

3.3.4 **Project financing mechanism:** The Bank will pursue dialogue with the country to consolidate the agreement in principle on a mechanism of joint project financing of up to 50% for each party. The dialogue will seek to reach agreement on the execution of the resources of the country according to Bank rules and procedures so as to increase the effectiveness of the public resources thus mobilized.

3.3.5 **Efficiency of the social policy:** The dialogue to be carried out by the Bank will consist in permanent sensitization of the national authorities on the urgency of making progress as regards social policy so as to ensure sustainable development. The dialogue will, in particular, aim at increasing the budget allocations to the social sectors.

3.3.6 **Gender and environmental issues:** The dialogue with the country will seek to ensure: (i) mainstreaming of gender, as well as climate change and environment-related issues in its support activities, and (ii) the establishment of a mechanism to closely monitor progress regarding these themes.

3.3.7 Governance: The inadequacies noted in governance will be at the core of dialogue with the Government, so as to ensure the implementation of appropriate structural and institutional reforms aimed at reversing the current trends. The dialogue will underscore transparent and efficient use of public resources, as well as the consolidation of democratization of institutions and involvement of national stakeholders (other than public administration and corporate bodies) in the national development process.

3.3.8 Oil resources management: The Bank will strengthen dialogue with the Government in order to reach agreement on the proposals already submitted for consideration by the Government to support the management of oil revenues.

3.4 Risks related to the strategy and mitigation measures

3.4.1 The risks related to the Bank's intervention strategy in the REG are of three types. ***The first risk*** could result from a sharp drop in oil prices. Such a situation would generate losses of income, which could compromise the implementation of projects to strengthen the human capital and develop infrastructures since the expected counterpart financing from the State would not be available. ***This risk is however mitigated*** by the prospects for overall favourable trends on the world crude oil market. ***The second risk*** could come from political instability which could compromise the consolidation of the current democratic process. ***This risk is mitigated*** by the strong representation of the Presidential majority in the National Assembly, confirmed by the legislative and municipal elections in May 2008. Furthermore, more and more technocrats and senior officials of the administration occupy positions of responsibility, and can provide appropriate advice to meet the challenge of economic diversification. This trend, which is consolidated and reflected in the successive Governments, will contribute to mitigate this risk. ***The third risk*** could come from the investors' lack of interest in the development of value added-oriented sectors, which will also provide the highest number of jobs. Since the Bank's strategy focuses on strengthening human capital and developing infrastructures to support this diversification, it could have a limited impact if there is no truly dynamic private sector. ***This risk is mitigated*** by the concrete actions already taken to provide energy throughout the national territory at a competitive price, build a world class port, and implement an immigration policy within the framework of the RECs; all these initiatives are designed to increase the attractiveness of the REG and minimize this risk.

IV. CONCLUSION AND RECOMMENDATIONS

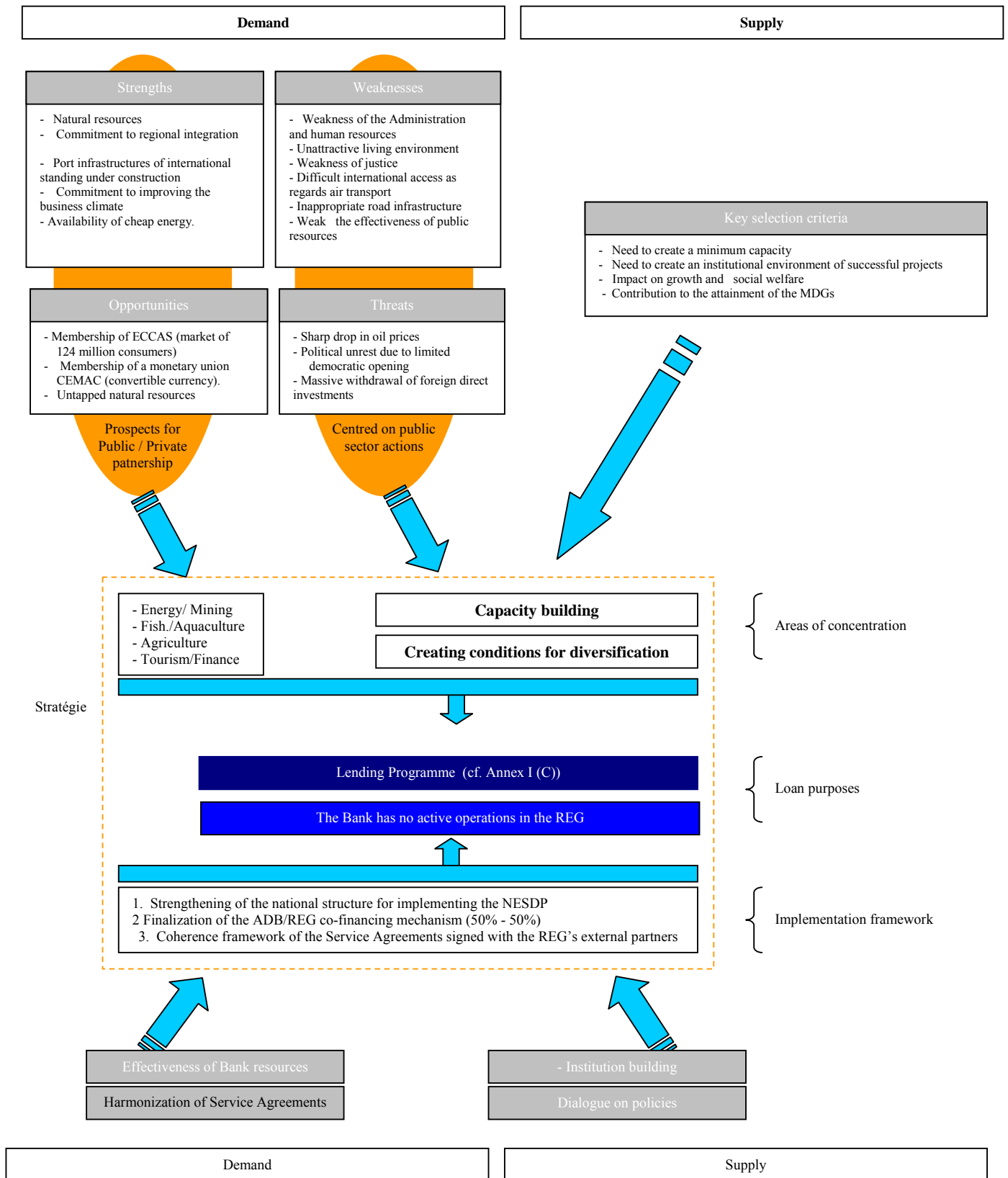
4.1 Conclusion

This CSP is designed to support the implementation of the NESDP. Since February 2008, following the adoption of the executive enactment relating to the institutional mechanism for its implementation, the NESDP is henceforth the reference framework for policies and programmes to support the economic diversification strategy of the REG. The CSP analyzes the constraints and potentials of the REG, and proposes a strategy of co-operation with the Bank to support of a national development process marked by strong and diversified economic growth, capable of eliminating poverty in the REG. This strategy concerns the two pillars of the Bank's assistance, namely: (i) "**Capacity building**" and (ii) "**Creating conditions for economic diversification**". It aims at strengthening the competitiveness of the economy, improving the human capital, and creating an environment that is conducive to

private sector development so as to foster the economic diversification process and reinforce social cohesion.

4.2 Recommendations

The Boards of Directors are invited to approve this Bank assistance strategy paper for the Republic of Equatorial Guinea over the 2008-2012 period. The indicative lending programme (Annex I C) submitted to the Boards for approval is well below the ceiling of sustainable commitments estimated by **FFMA** for the 2008-2012 period, given the substantial financial resources of the REG. The Bank's resources will support the implementation of multi-sector institutional and human capital strengthening programmes, road infrastructure development and water and sanitation programmes, and improvement of the business environment, thus helping to create conditions necessary for economic diversification and improvement of the living conditions of the population.



Annex I (A): Table 5 –Bank Group Strategy

Box 2**Major projects that should stimulate growth in the REG by 2020****Growth could be generated from four major sectors, namely:**

1. *A better developed energy and mining sector* whose first two gas refining and liquefaction plants have been operational since 2007; the electricity sub-sector in particular recorded strong growth in 2007 with an output estimated at 181 375 kWh in 2007 against 136 950 kWh in 2006;
2. *A fisheries and aquiculture sector* benefiting from a maritime territory estimated at the equivalent of 9/10^{ths} of the territory to develop a competitive seafood industry on the continent and generate employment; a sector ranking 4th in terms of share of contribution to the formation of the primary sector GDP (after crude oil, agriculture and forestry resources);
3. *Agriculture* through the development of modern farms benefiting from State supervision to ensure food security and provide incomes to the 61% of the population living in rural areas; and
4. *Services*, notably financial and tourist: Regarding tourism, the niche targeted by the REG is "lucrative tourism with guests spending EUR 300 to 350 per day to watch gorillas, green turtles laying eggs or to admire whales" as against beach tourism in Morocco or Tunisia, where a one-week stay costs less than EUR 300 to 350. Regarding financial services, the objective of the strategy is "to improve the viability of the financial sector and make it more efficient and competitive, so that it can support the economic diversification policies".

Table 6
Bank's indicative lending programme for the REG for the 2008-2012 period

Pillars and project names	Project scheduled for Board Presentation	Indicative Loan	Area covered
Public sector window (in UA million)			
PILLAR I: CAPACITY BUILDING			
A. Reinforcement of the human capital			
1. Training scheme for intermediate and senior staff	2008	40.0	National
2. Health system development Project (Loan and grant)	2008	15.6	National
Sub-total		55.60	
B. Building of multi-sector capacities			
3. Financial governance support project Phase 1	2008	15	National
4. Financial governance support project Phase 2	2012	15	National
5. National statistics system capacity building Project	2008	5.7	National
6. Support to the reinforcement of private sector promotion structures	2010	To be determined	National
Sub-total		35.7	
PILLAR II: CREATING CONDITIONS FOR ECONOMIC DIVERSIFICATION			
A. Improvement of support to production			
7. Study on the financing of the support project for the improvement of road infrastructures	2009	10.00	National
8. Road Infrastructures improvement support Project	2010	60.00	National
9. Drinking water supply and sanitation project in Malabo and Bata	2010	12.00	Bata and Malabo
10. Rural drinking water supply and sanitation project	2010	20.00	Rural areas
11. Projects to support production support structures (agriculture, fishing, tourism)	2010	35	National
Sub-total		137	
NON-LENDING ACTIVITIES			
12. Economic survey on the private sector	2010	To be determined	National
13. Support for financial reserves management	2009	To be determined	National
Total			
Private sector window (in USD million)			
PILLAR II : CREATING CONDITIONS FOR ECONOMIC DIVERSIFICATION			
Support for SME/SMIs and promotion of public and private partnerships	To be determined	To be determined	To be determined
Total			

Equatorial Guinea: CSP Matrix: 2008-2012

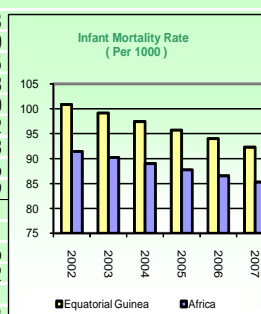
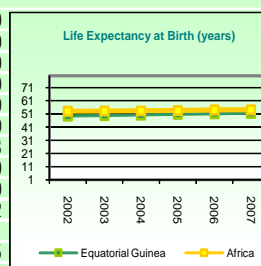
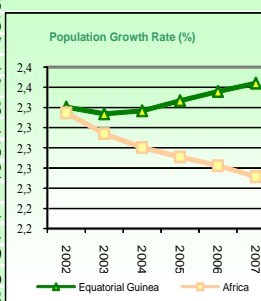
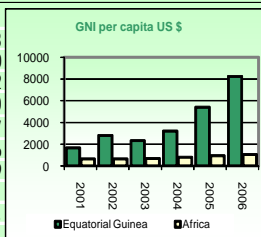
Country development goals (NESDP)	Sector constraints on achievement of goals (= sector issues)	FINAL OUTCOMES (at end of CSP in 2012)	FINAL IMPACTS (expected at end of CSP in 2012)	MID-TERM OUTCOMES OF CSP (expected at mid-term in 2010)	MID-TERM IMPACTS (expected from CSP by 2010)	ADB Operations (new and ongoing)
PILLAR I : CAPACITY BUILDING						
1.1 Strengthening of human capital						
(I) Qualified intermediate and senior staff are available in 2013	(i) The low quality of training offered by the existing structures; and (ii) inadequate qualified human resources hamper long-term development prospects.	(i) 25% of the objectives of the NESDP achieved under ADB support ; (ii) About 30 000 people have received qualification training of which at least 1/3 women	(i) The availability of skilled labour is improved (the number of skilled job applicants has increased by 35 % of which 1/3 women); (ii) The national foreign labour requirement is reduced by 40%.	(i) the number of qualified teachers increases by 35% in the sub-sector of technical and vocational training; (ii) Five (5) regional polytechnic institutes (RPI) are almost completed; The training schemes are developed according to the building block approach by competency (APC).	(i) The quality of infrastructure and the teaching staff is improved; (ii) The relevance of the training schemes is increased.	Programme 1: Training of intermediate and senior staff
(i) Improve the health of the population (maternal health and control of communicable diseases)	(i) Health problems limit the contribution of the populations to the national development process due to difficulties of access to health structures.	Reduce by 50 %: (i) morbidity due to communicable diseases; and (ii) maternal and infant mortality	(i) Improvement of the public health conditions of the population (of which the majority are women)	Approximately 40 % of the project objectives are achieved	The maternal and infant morbidity and mortality rates are reduced by 25 %	Project 2 Health System Development Project
1.2. Strengthening of multi-sector capacities						
(i) Foster healthy and better shared economic growth, through transparent and efficient public finance management	(i) Inadequate inclusion of sectoral priorities in the budget;	(i) The rates of allocation and implementation of the budget of the social sectors rise respectively from 6% and 44% (2006) to 15% and 80%.	The incidence of poverty estimated at 76.8% in 2006 is reduced	I) The rates of allocation and implementation of the budget of the social sectors reach 10% of the budget	The incidence of poverty estimated at 76.8% is reduced	Project 3 Support to Public Finance Management (PFMS) (e.g. Budget Support)

(i) Set up an efficient national statistics system	(i) The weak capacities of the statistics apparatus skews all the forecasts and estimates of financial and natural resources and bogs down the development planning process	(i) An efficient national statistics system is put in place with gender-disaggregated information	(I) Planning, programming, monitoring and evaluation of development actions are carried out on the basis of reliable, gender-disaggregated and updated data	(i) The development of the national statistics development strategy (SNDS) is completed. The implementation of the SNDS, especially the training of officers of the various structures involved in statistics production is started	(i) Better programming of the economic and social development process	Project 4 Project of enhancement of the capacities of the national statistics system
PILLAR II - CREATING CONDITIONS FOR ECONOMIC DIVERSIFICATION						
2.1 Improvement of the infrastructures to support production						
(i) Opening up of production areas; (ii) Facilitate access of products to the national, regional and international markets	(i) Weakness of the local market with merely 0.5 million consumers; (ii) Need to develop integrative roads to support the NESDP	90 % of the areas concerning sectors potentially generating value are isolated: (ii) All the integrative roads are asphalted. Activities initiated by women benefit from the spin-offs of the project	70 % increase of the average income of rural producers (including 1/3 women) of the project area; (ii) 50 % increase in sub-regional trade	40 % of the project objectives are attained	40% increase in the incomes of the populations of the project area	Project 6 Road infrastructures improvement support Project
(i) Access to drinking water and sanitation provided to 100 % of the population of Malabo and Bata; (ii) 80 % of the population in rural areas have access to drinking water	(i) The lack of drinking water and sanitation infrastructure creates public health and environmental problems	Water and sanitation infrastructure available covering 90 % of the country's needs. At least 1/3 of the women of the project area benefit from its spin-offs	(i) The health of the population including women is improved; (ii) the availability of water for economic activities is reinforced in support of the strategy of diversification	Approximately 50 % of the objectives set in terms of access to water and sanitation are attained	(i) Reduction in the maternal and infant mortality rate in the project area	Project 7 Drinking water supply and sanitation Project in the cities of Malabo and Bata
(i) Enhance the capacities of all structures supervising producers to support economic diversification	(i) The weak national capacities limit the contribution of national economic operators and producers to economic activity	(i) The ministry of Agriculture is reinforced to provide informed advice and appropriate guidance to strengthen food security	(i) National production is increased and food security is ensured (ii) The incomes of supported farmers (of which at least 1/3 women) has increased by 50 %	(ii) The producer advisory and guidance structures are operational, and have sufficient human and material resources to carry through their mission	(i) Food stuff imports are reduced by 50%; (ii) producers' incomes have increased by 50%	Project 5: Projects of institutional support to production (agriculture, fishing, tourism) support structures

Equatorial Guinea

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Equatorial Guinea	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)		28	30 307	80 976	54 658
Total Population (millions)	2007	0,5	963,7	5 448,2	1 223,0
Urban Population (% of Total)	2007	39,3	39,8	43,5	74,2
Population Density (per Km²)	2007	18,1	31,8	65,7	23,0
GNI per Capita (US \$)	2006	8 250	1 071	2 000	36 487
Labor Force Participation - Total (%)	2005	42,5	42,3	45,6	54,6
Labor Force Participation - Female (%)	2005	36,0	41,1	39,7	44,9
Gender -Related Development Index Value	2005	0,631	0,486	0,694	0,911
Human Develop. Index (Rank among 174 countries)	2005	127	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2002-04	38,1	34,3
Demographic Indicators					
Population Growth Rate - Total (%)	2007	2,4	2,3	1,4	0,3
Population Growth Rate - Urban (%)	2007	4,0	3,5	2,6	0,5
Population < 15 years (%)	2007	42,2	41,0	30,2	16,7
Population >= 65 years (%)	2007	4,0	3,5	5,6	16,4
Dependency Ratio (%)	2007	86,1	80,1	56,0	47,7
Sex Ratio (per 100 female)	2007	98,0	99,3	103,2	94,3
Female Population 15-49 years (% of total population)	2007	23,0	24,2	24,5	31,4
Life Expectancy at Birth - Total (years)	2007	51,6	54,2	65,4	76,5
Life Expectancy at Birth - Female (years)	2007	52,8	55,3	67,2	80,2
Crude Birth Rate (per 1,000)	2007	38,5	36,1	22,4	11,1
Crude Death Rate (per 1,000)	2007	14,8	13,2	8,3	10,4
Infant Mortality Rate (per 1,000)	2007	92,3	85,3	57,3	7,4
Child Mortality Rate (per 1,000)	2007	155,4	130,2	80,8	8,9
Total Fertility Rate (per woman)	2007	5,4	4,7	2,8	1,6
Maternal Mortality Rate (per 100,000)	2005	680,0	723,6	450	8
Women Using Contraception (%)	2006	...	29,9	61,0	75,0
Health & Nutrition Indicators					
Physicians (per 100,000 people) *	2004	32,4	39,6	78,0	287,0
Nurses (per 100,000 people) *	2004	48,2	120,4	98,0	782,0
Births attended by Trained Health Personnel (%)	2001-05	65,0	50,4	59,0	99,0
Access to Safe Water (% of Population)	2006	43,0	62,3	80,0	100,0
Access to Health Services (% of Population) *	2004	...	61,7	80,0	100,0
Access to Sanitation (% of Population)	2004	53,0	45,8	50,0	100,0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2005	3,2	4,7	1,3	0,3
Incidence of Tuberculosis (per 100,000)	2005	232,7	300,7	275,0	18,0
Child Immunization Against Tuberculosis (%)	2006	73,0	83,7	85,0	93,0
Child Immunization Against Measles (%)	2006	51,0	75,4	78,0	93,2
Underweight Children (% of children under 5 years)	2000-06	18,6	28,6	27,0	0,1
Daily Calorie Supply per Capita	2004	...	2 436	2 675	3 285
Public Expenditure on Health (as % of GDP)	2004	1,2	2,4	1,8	6,3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2005	122,0	96,4	91,0	102,3
Primary School - Female	2005	119,0	92,1	105,0	102,0
Secondary School - Total	2002-05	31,9	44,5	88,0	99,5
Secondary School - Female	2002-05	23,0	41,8	45,8	100,8
Primary School Female Teaching Staff (% of Total)	2003-05	30,3	47,5	51,0	82,0
Adult Illiteracy Rate - Total (%)	2007	11,4	33,3	26,6	1,2
Adult Illiteracy Rate - Male (%)	2007	5,2	25,6	19,0	0,8
Adult Illiteracy Rate - Female (%)	2007	17,5	40,8	34,2	1,6
Percentage of GDP Spent on Education	2003-05	0,6	4,5	3,9	5,9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-07	4,6	6,0	9,9	11,6
Annual Rate of Deforestation (%)	2000-07	0,6	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2000-07	...	10,9
Per Capita CO2 Emissions (metric tons)	2005-07	0,4	1,0	1,9	12,3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : juillet 2008

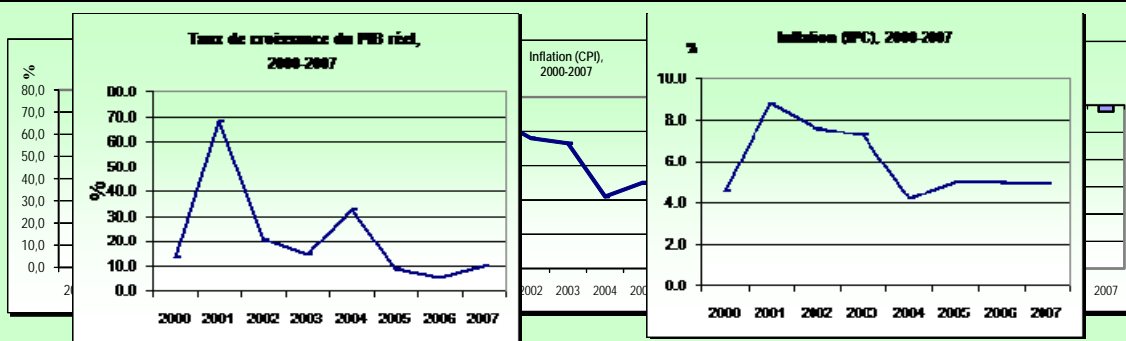
UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports

Note : n.a. : Not Applicable; ... : Data Not Available;

Table of Economic and Financial Indicators

Equat. Guinea
Selected Macroeconomic Indicators

Indicators	Unit	2000	2002	2003	2004	2005	2006	2007
National Accounts								
GNI at Current Prices	Million US \$	637	1 273	1 081	1 513	2 619	4 089	...
GNI per Capita	US\$	1 480	2 820	2 340	3 200	5 410	8 250	...
GDP at Current Prices	Million US \$	1 254,2	2 165,9	2 966,4	4 898,9	7 520,4	8 563,2	9 730,8
GDP at 2000 Constant prices	Million US \$	1 254,2	2 534,5	2 898,6	3 847,3	4 186,3	4 409,0	4 842,8
Real GDP Growth Rate	%	13,1	20,4	14,4	32,7	8,8	5,3	9,8
Real per Capita GDP Growth Rate	%	10,5	17,7	11,8	29,7	6,3	2,9	7,3
Gross Domestic Investment	% GDP	58,1	30,6	58,2	43,7	35,3	40,1	47,4
Public Investment	% GDP	0,9	6,9	7,6	11,8	6,0	14,5	19,8
Private Investment	% GDP	57,2	23,7	50,6	31,9	29,2	25,6	27,6
Gross National Savings	% GDP	46,0	32,5	26,2	23,7	34,0	45,2	49,1
Prices and Money								
Inflation (CPI)	%	4,6	7,6	7,3	4,2	5,0	5,0	4,9
Exchange Rate (Annual Average)	local currency/US\$	712,0	697,0	581,2	528,3	527,5	522,9	479,3
Exchange Rate (End of Period)	local currency/US\$	705,0	625,5	519,4	481,6	556,0	498,1	445,6
Monetary Growth (M2)	%	36,2	53,1	56,7	33,5	34,7	14,1	9,9
Money and Quasi Money as % of GDP	%	5,4	6,6	9,0	8,0	7,0	7,1	7,5
Government Finance								
Total Revenue and Grants	% GDP	20,7	28,5	28,6	31,3	37,5	47,6	45,7
Total Expenditure and Net Lending	% GDP	12,1	15,6	15,6	19,7	16,4	21,4	22,8
Overall Deficit (-) / Surplus (+)	% GDP	8,6	12,9	13,0	11,6	21,2	26,2	22,8
External Sector								
Exports Volume Growth (Goods)	%	13,9	19,0	13,4	34,4	5,0	-9,2	11,0
Imports Volume Growth (Goods)	%	13,7	-37,6	115,7	13,6	24,6	18,7	32,0
Terms of Trade Growth	%	45,6	1,6	4,3	10,5	35,1	17,6	-7,4
Current Account Balance	Million US \$	-194,4	-282,6	-1 191,0	-1 233,6	-738,4	-177,8	-229,7
Current Account Balance	% GDP	-15,5	-13,0	-40,2	-25,2	-9,8	-2,1	-2,4
External Reserves	months of imports	0,3	0,9	1,3	3,9	7,0	8,6	7,4
Debt and Financial Flows								
Debt Service	% exports	0,8	0,3	0,3	0,2	0,5	1,2	0,4
External Debt	% GDP	34,1	20,6	10,1	6,5	3,3	1,8	1,3
Net Total Financial Flows	Million US \$	21,9	-414,6	844,8	847,5	470,7	1 131,8	...
Net Official Development Assistance	Million US \$	21,3	20,2	21,0	29,5	38,5	26,8	...
Net Foreign Direct Investment	Million US \$	111,4	323,4	1 443,6	1 650,6	1 873,1	1 655,8	...



Source : ADB Statistics Department; IMF: World Economic Outlook, September 2007 and International Financial Statistics, October 2007;
ADB Statistics Department: Development Data Platform Database, April 2008. United Nations: OECD, Reporting System Division, January 2008.

Notes: ... Data Not Available

Last Update: April 2008

Equatorial Guinea: Consolidated Financial Operations

(In CFAF billion, except otherwise indicated):

	2004	2005	Budget 2006	Revised Budget 2006	Actual 2006	Budget 1 2007	Proj. 2007
Total revenue and grants	824.3	1504.1	999.7	1768.1	2047.0	2303.2	2230.2
Receipts	824.3	1504.1	999.7	1768.1	2047.0	2298.0	2230.2
Revenue from taxes	226.6	371.0	243.1	494.4	510.0	399.2	406.6
Tax on income, on profit and on capital income	190.2	337.9	204.3	454.5	466.9	356.6	365.0
Personal income tax	26.2	33.3	27.0	38.7	34.4	37.5	38.8
Corporate profits tax	163.7	304.4	177.0	415.7	432.3	319.0	326.2
Other income tax	0.3	0.1	0.2	0.1	0.2	0.1	0.0
V.A.T. and turnover tax 2	22.6	22.1	24.0	28.3	28.8	27.6	31.6
Taxes on international transactions	8.3	8.1	9.7	8.4	10.2	9.8	5.6
Other taxes	5.5	2.9	5.2	3.2	4.0	5.2	4.4
Non-tax revenue	597.7	1133.0	756.7	1273.6	1537.1	1898.8	1823.6
Hydrocarbons sector	580.9	1089.3	739.7	1236.1	1475.9	1855.8	1715.2
Royalties	381.6	462.6	319.3	651.5	970.0	650.1	568.7
Dividends	195.3	573.4	417.5	584.0	500.2	1204.0	1139.5
Other incomes (bonuses & revenues)	4.1	53.2	2.9	0.6	5.8	1.7	7.0
Sectors other than hydrocarbons	16.7	43.7	17.0	37.5	61.1	42.9	108.3
Non-tax incomes excluding interest on savings	16.7	31.2	15.5	21.5	43.9	22.9	35.4
Interest on savings funds	0.0	12.6	1.5	16.0	17.2	20.0	72.9
Grants	0.0	0.0	0.0	0.0	0.0	5.2	0.0
Total expenditure and Net loans	501.6	736.5	595.6	872.9	997.2	1196.1	1191.5
Recurrent expenses	121.1	163.3	160	207.3	199.4	208.1	203.5
Salaries and wages	30.9	36.6	38.9	39.7	40.6	48.6	48.6
Purchases of goods and services	50.5	82	68.4	88.6	87.5	92.4	92.4
Payment of interests	1.7	1.7	5.8	5.9	1.2	5.8	1.2
Domestic	0.4	0.5	0.6	0.7	0.3	0.6	0.6
External	1.3	1.2	5.2	5.2	0.8	5.2	0.7
Subsidies and Transfers	38	43	46.9	73.2	70.2	61.3	61.3
Capital expenditure	378.8	560.6	427	657	795.2	979.4	979.4
Shareholding in hydrocarbons projects	15.8	114.6	60	60	127.7	80	80
Net loan	0	0	0	0	0	0	0
Payment of domestic arrears	1.7	12.6	8.6	8.6	2.6	8.6	8.6
Reimbursement of depositors 3	1.7	12.6	8.6	8.6	2.6	8.6	8.6
Overall balance	322.7	767.5	404.2	895.2	1049.8	1107.1	1038.7
Total financing	-322.7	-767.5	-404.2	-895.2	1049.8	-1107.1	-1039
Net foreign borrowing	-55.8	-74.8	-37.4	-37.4	-721.0	-27.4	-417.8
Budget support loan	0.0	0.0	0.0	0.0	0.0	10.0	0.0
Amortization (-)	-4.2	-19.1	-37.4	-37.4	-49.8	-37.4	-17.2
Special financing	-51.6	-55.7	0.0	0.0	-671.2	0.0	-400.6
Payment of arrears (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury deposits abroad (- = increase)	-16.6	-60.7	0.0	0.0	-578.5	0.0	-400.6
Deposit of Gepetrol/Sonagas abroad (- = increase)	-35.0	5.0	0.0	0.0	-92.7	0.0	0.0
Domestic loan (Net)	-284.7	-695.4	-366.8	-857.8	-326.6	-1079.7	-620.9
Errors and Omissions / Financing requirements	17.8	2.7	0.0	0.0	-2.2	0.0	0.0
Memorandum items							
Overall balance, excluding grants	322.7	767.5	404.2	895.2	1049.8	1101.9	1038.7
As percentage of GDP	12.5	19.3	9.0	20.0	23.4	24.1	22.7
Primary balance of non-oil sector, excluding grants	-367.0	-458.2	-402.8	-578.6	-580.0	-826.4	-808.5
As percentage of non-oil sector GDP	-73.9	-64.3	-44.7	-64.2	-64.4	-65.2	-63.8
Nominal GDP	2588.0	3966.8	4477.6	4477.6	4477.6	4573.6	4573.6
Nominal GDP of non-oil sector	496.4	713.0	900.7	900.7	900.7	1267.4	1267.4

Sources: data provided by Equatorial Guinean authorities and estimates and projections of IMF.

¹ Based on a price of USD 57 per barrel

² VAT was adopted in 2005. Hitherto, it was a turnover tax. However, 40 percent of companies operating in sectors

Other than hydrocarbons continue to pay the turnover tax.

³ Relating to the banking system crisis in the Eighties.

Equatorial Guinea : Consolidated Government Operations, 2004–07

(As % of GDP, except otherwise indicated) :

	2004	2005	Budget 2006	Revised Budget 2006	Actual 2006	Budget 2007	Proj. 2007
Total revenue and grants	31.9	37.9	22.3	39.5	45.7	50.4	48.8
Receipts	31.9	37.9	22.3	39.5	45.7	50.2	48.8
Revenue from taxes	8.8	9.4	5.4	11.0	11.4	8.7	8.9
Tax on income, on profit and on capital income	7.3	8.5	4.6	10.2	10.4	7.8	8.0
Personal income tax	1.0	0.8	0.6	0.9	0.8	0.8	0.8
Corporate profits tax	6.3	7.7	4.0	9.3	9.7	7.0	7.1
Other income tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
V.A.T. and turnover tax 2	0.9	0.6	0.5	0.6	0.6	0.6	0.7
Taxes on international transactions	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Other taxes	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	23.1	28.6	16.9	28.4	34.3	41.5	39.9
Hydrocarbons sector	22.4	27.5	16.5	27.6	33.0	40.6	37.5
Royalties	14.7	11.7	7.1	14.6	21.7	14.2	12.4
Dividends	7.5	14.5	9.3	13.0	11.2	26.3	24.9
Other incomes (bonuses & revenues)	0.2	1.3	0.1	0.0	0.1	0.0	0.2
Sectors other than hydrocarbons	0.6	1.1	0.4	0.8	1.4	0.9	2.4
Non-tax incomes excluding interest on savings	0.6	0.8	0.3	0.5	1.0	0.5	0.8
Interest on savings funds	0.0	0.3	0.0	0.4	0.4	0.4	1.6
Grants	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Total expenditure and Net loans	19.4	18.6	13.3	19.5	22.3	26.2	26.1
Recurrent expenses	4.7	4.1	3.6	4.6	4.5	4.5	4.5
Salaries and wages	1.2	0.9	0.9	0.9	0.9	1.1	1.1
Purchases of goods and services	1.9	2.1	1.5	2.0	2.0	2.0	2.0
Payment of interests	0.1	0.0	0.1	0.1	0.0	0.1	0.0
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.1	0.0	0.1	0.1	0.0	0.1	0.0
Subsidies and Transfers	1.5	1.1	1.0	1.6	1.6	1.3	1.3
Capital expenditure	14.6	14.1	9.5	14.7	17.8	21.4	21.4
Shareholding in hydrocarbons projects	0.6	2.9	1.3	1.3	2.9	1.7	1.7
Net loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment of domestic arrears	0.1	0.3	0.2	0.2	0.1	0.2	0.2
Reimbursement of depositors 3	0.1	0.3	0.2	0.2	0.1	0.2	0.2
Overall balance	12.5	19.3	9.0	20.0	23.4	24.2	22.7
Total financing	-12.5	-19.3	-9.0	-20.0	-23.4	-24.2	-22.7
Net foreign borrowing	-2.2	-1.9	-0.8	-0.8	-16.1	-0.6	-9.1
Budget support loan	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Amortization (-)	-0.2	-0.5	-0.8	-0.8	-1.1	-0.8	-0.4
Special financing	-2.0	-1.4	0.0	0.0	-15.0	0.0	-8.8
Payment of arrears (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury deposits abroad (- = increase)	-0.6	-1.5	0.0	0.0	-12.9	0.0	-8.8
Deposit of Gepetrol/Sonagas abroad (- = increase)	-1.4	0.1	0.0	0.0	-2.1	0.0	0.0
Domestic loan (Net)	-11.0	-17.5	-8.2	-19.2	-7.3	-23.6	-13.6
Errors and Omissions / Financing requirements	0.7	0.1	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Primary balance of non-oil sector, excluding grants 4							
As percentage of non-oil sector GDP	-73.9	-64.3	-44.7	-64.2	-64.4	-65.2	-63.8

Sources: data provided by the authorities of Equatorial Guinea and estimates and projections of the IMF.

¹ Based on a price of USD 57 per barrel

² VAT was adopted in 2005. Hitherto, it was a turnover tax. However, 40 percent of companies operating in sectors

Other than hydrocarbons continue to pay the turnover tax

Relating to the banking system crisis in the Eighties.

Equatorial Guinea: Consolidated Government operations, 2006–2011

(In CFA F billion, except otherwise indicated) :

	Actual 2006	Budget 2007	Proj.				
			2007	2008	2009	2010	2011
Total revenue and grants	2047.0	2303.2	2230.2	2461.0	2514.5	2555.3	2545.0
Receipts	2047.0	2298.0	2230.2	2461.0	2514.5	2555.3	2545.0
Revenue from taxes	510.0	399.2	406.6	467.2	482.4	485.2	481.2
Tax on income, on profit and on capital income	466.9	356.6	365.0	418.2	425.1	420.3	410.0
Personal income tax	34.4	37.5	38.8	44.2	45.6	46.2	46.3
Corporate profits tax	432.3	319.0	326.2	374.0	379.5	374.2	363.7
Other income tax	0.2	0.1	0.0	0.0	0.0	0.0	0.0
V.A T. and turnover tax 2	28.8	27.6	31.6	35.1	38.5	42.4	46.4
Taxes on international transactions	10.2	9.8	5.6	9.1	13.4	16.6	18.4
Other taxes	4.0	5.2	4.4	4.9	5.3	5.9	6.4
Non-tax revenue	1537.1	1898.8	1823.6	1993.7	2032.1	2070.1	2063.8
Hydrocarbons sector	1475.9	1855.8	1715.2	1838.1	1827.1	1813.7	1756.7
Royalties	970.0	650.1	568.7	656.5	640.5	624.7	599.5
Dividends	500.2	1204.0	1139.5	1162.8	1168.4	1171.1	1140.1
Other incomes (bonuses & revenues)	5.8	1.7	7.0	18.8	18.3	17.8	17.1
Sectors other than hydrocarbon	61.1	42.9	108.3	155.6	205.0	256.4	307.1
Non-tax incomes excluding interest on savings	43.9	22.9	35.4	39.3	43.1	47.5	51.9
Interest on savings funds	17.2	20.0	72.9	116.4	161.9	208.9	255.1
Grants	0.0	5.2	0.0	0.0	0.0	0.0	0.0
Total expenditure and Net loans	997.2	1196.1	1191.5	1397	1504	1613.7	1705.2
Recurrent expenses	199.4	208.1	203.5	263.9	327.7	395.2	463.8
Salaries and wages	40.6	48.6	48.6	56.2	64.8	70.6	76.8
Purchases of goods and services	87.5	92.4	92.4	127.2	164.6	205.7	247.7
Payment of interests	1.2	5.8	1.2	1	1	0.9	0.9
Domestic	0.3	0.6	0.6	0.6	0.6	0.6	0.6
External	0.8	5.2	0.7	0.5	0.4	0.4	0.4
Subsidies and Transfers	70.2	61.3	61.3	79.5	97.3	117.8	138.4
Capital expenditure	795.2	979.4	979.4	1133.1	1176.3	1218.5	1241.3
Shareholding in hydrocarbons projects	127.7	80	80	86	93.4	98.7	102.5
Net loan	0	0	0	0	0	0	0
Payment of domestic arrears	2.6	8.6	8.6	0	0	0	0
Reimbursement of depositors 3	2.6	8.6	8.6	0	0	0	0
Overall balance	1049.8	1107.1	1038.7	1064	1010.5	941.6	839.8
Total financin	-1049.8	-1107.1	-1038.7	-1064	-1010.5	-941.6	-839.8
Net foreign borrowing	-721.0	-27.4	-417.8	-383.1	-336.2	-292.9	-250.7
Budget support loan	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Amortization (-)	-49.8	-37.4	-17.2	-4.2	-2.6	-2.7	-2.4
Special financing	-671.2	0.0	-400.6	-378.9	-333.6	-290.3	-248.2
Payment of arrears (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury deposits abroad (- = increase)	-578.5	0.0	-400.6	-378.9	-333.6	-290.3	-248.2
Deposit of Gepetrol/Sonagas abroad (- = increase)	-92.7	0.0	0.0	0.0	0.0	0.0	0.0
Domestic loan (Net)	-326.6	-1079.7	-620.9	-680.9	-674.3	-648.7	-589.1
Errors and Omissions / Financing requirements	-2.2	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Overall balance, excluding grants	1049.8	1101.9	1038.7	1064.0	1010.5	941.6	839.8
As percentage of GDP	23.4	24.1	22.7	20.3	18.6	16.7	14.6
Primary balance of non-oil sector, excluding grants	-580.0	-826.4	-808.5	-927.9	-981.1	-1052.3	-1129.1
As percentage of GDP of non-oil sector	-64.4	-65.2	-63.8	-55.6	-50.0	-46.9	-46.0
Revenue from the hydrocarbons sector	1882.4	2153.8	2015.2	2183.1	2174.8	2152.9	2082.1
Revenue from sectors other than hydrocarbons	164.6	144.2	215.0	277.9	339.7	402.4	462.8
Nominal GDP	4477.6	4573.6	4573.6	5242.2	5441.9	5637.4	5742.9
Nominal GDP of non-oil sector	900.7	1267.4	1267.4	1668.5	1961.9	2243.5	2454.5

Sources: data provided by the authorities of Equatorial Guinea and estimates and projections of the IMF.

IMPLEMENTATION STATUS OF THE MILLENNIUM DEVELOPMENT GOALS (MDGs)

Millennium Development Goals (MDGs)	Situation at the beginning of the CSP period (ADB Strategy) 2008	Objectives of the National Economic and Social Development Plan " 2020 " of the Government	Forecasts at end- 2012 (Likelihood of MDGs being achieved in 2015)	Does the Bank strategy contribute to the MDGs? (Yes/No)
1. Halve between 1990 and 2015 the number of the people living in extreme poverty and suffering from hunger	<input type="checkbox"/> <i>Proportion of people living in extreme poverty: 76.8% (Households survey - 2006)</i> <input type="checkbox"/> <i>Life expectancy at birth: 51.6 years</i>	<ol style="list-style-type: none"> Promote women's economic empowerment Promote free access of women and children to the basic social services of quality Guarantee the entire population sufficient food and a balanced diet Extend the coverage of social protection services to the vulnerable population Promote culture 	<p><i>The level of extreme poverty is reduced to levels as low as possible</i></p> <p><i>The proportion of women and children who have access free basic social services of quality reaches satisfactory levels</i></p> <p><i>The prevalence of malnutrition among children and pregnant women and those of childbearing age is reduced to levels as low as possible</i></p> <p><i>At least 60% of vulnerable groups benefit from social protection of the vulnerable population</i></p> <p><i>Development of a veritable industry for the promotion and dissemination of the cultural heritage</i></p>	Yes
Millennium Development Goals (MDGs)	Situation at the beginning of the period of the CSP (ADB Strategy) 2008	Objectives of the National Economic and Social Development Plan " 2020 " of the Government	Forecast at end- 2012 (Likelihood of MDGs being achieved in 2015)	Does the Bank strategy contribute to the MDGs? (Yes/No)
2. Extend primary education to all (boys and girls) by 2015	<input type="checkbox"/> <i>Pre-school enrolment rate : 39% (Data MINEDUC – 2006)</i> <input type="checkbox"/> <i>Crude rate of primary school enrolment: 89% (Data MINEDUC – 2006)</i> <input type="checkbox"/> <i>Net rate of primary school enrolment: 51% (Data MINEDUC – 2006)</i> <input type="checkbox"/> <i>Repeat rate in primary schools: 42.4% (MINEDUC – 2006)</i> <input type="checkbox"/> <i>School drop-out rate: 10.2% (Data MINEDUC – 2006)</i> <input type="checkbox"/> <i>Crude rate of secondary school enrolment 23% (MINEDUC – 2006)</i> <input type="checkbox"/> <i>Crude rate of higher education enrolment: 3% (MINEDUC – 2006)</i>	<ol style="list-style-type: none"> Improve coverage of basic education and training at all levels Improve quality of teaching and training at all levels Adapt technical and vocational training to the 7 Provincial Capitals 	<p><i>The crude pre-school enrolment rate reaches 75%</i></p> <p><i>The net rate of primary school enrolment reaches 75 %</i></p> <p><i>The proportion of qualified teachers and lecturers reaches 70%</i></p> <p><i>The crude rate of secondary school enrolment reaches 70%</i></p> <p><i>The crude rate of higher education enrolment reaches 50%</i></p>	Yes
3. Eliminate gender disparity in primary schools by 2005 and at all levels by 2015	<input type="checkbox"/> <i>Crude rate of girl child enrolment 24.9% (MINEDUC – 2006)</i>	<ol style="list-style-type: none"> Eliminate gender disparities for equitable access to education and training Ensure the promotion of women and gender equality of kind and improve the institutional framework for the promotion and protection of women's rights 	<p><i>Vocational training extended to the 7 Provinces</i></p> <p><i>The effective mechanisms for monitoring the application of women's rights are available</i></p>	Yes

Millennium Development Goals(MDGs)	Situation at the beginning of the period of the CSP (ADB Strategy) 2008	Objectives of the National Economic and Social Development Plan " 2020 " of the Government	Forecast at end- 2012 (Likelihood of MDGs being achieved in 2015)	Does the Bank strategy contribute to the MDGs? (Yes/No)
<p>4. Reduce by two- thirds infant mortality and by three- quarters maternal mortality between 1990 and 2015</p>	<p><input type="checkbox"/>Vaccine coverage rate of children aged 0 – 11 months: 34% (Routine EPI-2006)</p> <p><input type="checkbox"/>Antenatal cover rate: 61% (SOU – 2006)</p> <p><input type="checkbox"/>Rate of acceptance of the voluntary HIV screening in antenatal consultation: 44% (SOU – 2006)</p> <p><input type="checkbox"/>Rate of childbirths attended by trained personnel: 51% (Data SOU – 2006)</p> <p><input type="checkbox"/>Rate of Caesarean sections performed: 7% (Data SOU – 2006)</p> <p><input type="checkbox"/>Prevalence of modern contraceptive: 2.8% in the urban environment and 0.7% in rural areas (GPHC 1994)</p> <p><input type="checkbox"/>Infant mortality rate: 93 per 1.000 (GPHC 2001)</p> <p><input type="checkbox"/>Maternal mortality rate: 352 per 100.000 live births (GPHC 2001)</p>	<p>8. Reinforce the official institutional mechanisms of the civil society to meet women's rights requirements</p> <p>9. Reinforce the mechanisms of organization and management of the health system</p> <p>10. Improve the offer, access and quality of health services to all.</p> <p>11. Improve maternal and child health</p> <p>12. Improve health of children, teenagers and young people</p> <p>13. Develop a specific program for the health of men and their participation in health within the family</p> <p>14. Step up the fight against malaria, HIV/AIDS and Tuberculosis</p> <p>15. Reinforce control of the other endemic diseases and health problems</p>	<p><i>The managerial capacities of the Ministry of Health are reinforced</i></p> <p><i>At least 80% of the population has access to quality health services</i></p> <p><i>Infant mortality is reduced by at least 50%</i></p> <p><i>Maternal mortality is reduced by 75%</i></p> <p><i>The vaccine coverage rate of children aged 0 – 11 months reaches 80 %</i></p> <p><i>The antenatal cover rate reaches 85% 100% of women seen in ANC accept voluntary screening for HIV</i></p> <p><i>The rate of childbirths attended by trained personnel reaches70%</i></p> <p><i>The rate of Caesarean sections is maintained between 10 and 12 %</i></p> <p><i>The proportion of obstetric complications managed reach at least 80%</i></p> <p><i>Modern contraceptive prevalence reaches 20%</i></p> <p><i>Access to obstetric fistula and cervical cancer prevention and treatment services for all women.</i></p>	<p>Yes</p>
<p>Millennium Development Goals(MDGs)</p>	<p>Situation at the beginning of the period of the CSP (ADB Strategy) 2008</p>	<p>Objectives of the National Economic and Social Development Plan " 2020 " of the Government</p>	<p>Forecast at end- 2012 (Likelihood that the MDGs will be achieved in 2015)</p>	<p>Does the Bank strategy contribute to the MDGs? (Yes/No)</p>
<p>5. Stabilize and reverse the spread of HIV/AIDS by 2015</p>	<p>16 HIV prevalence rate : 7.2% (Survey 2001)</p> <p>17 Rate of condom use during casual sex: 15% (CAPSurvey-2006)</p> <p>18 Rate of abstinence before marriage: 26 % (CAPSurvey-2006)</p>	<p>16 Reverse and reduce the spread of HIV/AIDS</p>	<p><i>Access to mother - child HIV transmission prevention services for all women</i></p> <p><i>Rate of condom use during casual sex reaches 80%</i></p> <p><i>Rate of abstinence before marriage reaches at least 60%</i></p>	<p>Yes</p>

			<p>100% of AIDS patients have access to free treatment and counselling</p> <p>100% of people living with HIV and AIDS patients have access to free biological follow-up.</p> <p>100% of people living with the HIV and AIDS patients benefit from protection of their rights and fulfil their obligations.</p>	
6. Reduce the incidence of malaria and other major endemic diseases by 2015	<p>19 Malaria incidence: 3 300 per 100 000 (61% of outpatients)</p> <p>20 Mortality rate among malaria patients aged below 5 years: 37.5%</p> <p>21 Incidence of Tuberculosis: 500 cases per 100 000 inhabitants</p>	17 Step up the fight against malaria, Tuberculosis and Other local endemic diseases	<p>The availability of insecticide-treated mosquito nets in the community reaches 100%</p> <ul style="list-style-type: none"> ▪ The rate of use of insecticide-treated mosquito nets by pregnant women and children reaches 100% ▪ 100% of pregnant women have access to free interval treatment of malaria <p>100% of the patients have access to a free curative treatment of malaria</p> <ul style="list-style-type: none"> ▪ 100% of the confirmed patients of tuberculosis have access to free curative treatment ▪ The elimination of Onchocerciasis is effective on the Island of Bioko 	Yes
Millennium Development Goals(MDGs)	Situation at the beginning of the period of the CSP (ADB Strategy) 2008	Objectives of the National Economic and Social Development Plan " 2020 " of the Government	Forecast at end- 2012 (Likelihood of the MDGs being achieved in 2015)	Does the Bank strategy contribute to the MDGs? (Yes/No)
7. Guarantee a better protected environment and better access to drinking water	<p>22 Proportion of the population with access to drinking water: 44% (GPHC 2001)</p> <p>23 Availability of improved latrines: 33.5% (GPHC 2001)</p>	<p>18 Guarantee access to drinking water and hygiene and sanitation to the entire population</p> <p>19 Guarantee environmental protection and the conservation natural resources</p>	<p>The proportion of the population with access to drinking water reaches 80%</p> <p>The proportion of the population with access to improved latrines reaches 80%</p> <p>The proportion of the population with access to a healthy environment reaches 80%</p> <p>100% of natural and environmental resources benefit from sustainable protection</p>	Yes
8. Develop a global partnership for development	<p>24 Demand for skilled labour largely higher than supply</p> <p>25 Deficiency of mass communication to meet the population's needs in terms discussions to instill a culture of development.</p>	<p>20 Adapt technical, vocational and university education to labour market needs</p> <p>21 Enhance the capacities of national human resources in the various sectors of the national economy</p> <p>22 Increase the involvement mass communication facilities in development</p>	<p>Technical capacities of vocational training Centres reinforced</p> <p>Existence of a National Policy of mass communication for development</p>	Yes

Donors Matrix (European Union) in Equatorial Guinea (2007).

	Economic Development	Social Development	Productive Sector Activity	Thematic/ Cross-cutting issues
1. European Commission		<ul style="list-style-type: none"> ➤ Fight against poverty - <i>Malabo Water</i> (€2 811 000). ➤ Rehabilitation of "Casa Verde" (civil society house) (€ 586 872) 		<ul style="list-style-type: none"> ➤ Program support for human rights, democratization and the rule of law (€3 000 000). ➤ Good Governance Program (€4 300 000)
2. Spain		<ul style="list-style-type: none"> ➤ Fight against poverty - <i>Rehabilitation, reforms and harnessing of water at Baloeri health Centre</i> (€31 252) - <i>Rehabilitation of Ncue water supply system</i> (€45 772.18) - <i>Rehabilitation and construction of the Basilé school tank</i> (€12 957). - <i>Construction of drinking water supply network in Rebola town</i> (€497 841). - <i>Rehabilitation and improvement of water supply of S. Antonio de Palé. Annobon.</i> (€48 521.44) ➤ Support to the educational sector - <i>EG education system reform support Project</i> - <i>Development and adaptation of the Baccalaureat curriculum</i> (€175 000). - <i>Reinforcement of public education system in primary, secondary education and vocational training</i> (€3 005 060) - <i>Support to public education system – training of teaching Staff</i> (€440 000). - <i>Support to the Spanish Schools of Malabo and Bata</i> (€1 275 699.91). - <i>Support to Centres affiliated to UNED in Malabo and Bata</i> (€555 480) - <i>University co-operation and development Program</i> (€199 800). - <i>Program of qualification of teaching personnel</i> (€35 265). - <i>Program of qualification of teachers without certificates</i> (€40 000) - <i>Program of s MAEC-AECI scholarships</i> ➤ Support to the health sector - <i>Referral Centre for the control of endemic diseases in EG of ISCHII</i> - <i>Technical assistance for the national programs of malaria, tuberculosis and HIV/AIDS</i> (€1100 000) - <i>Strengthening of health system institutions and improvement of social and medical assistance by operating health posts and centres of qualification professionals</i> (€1 577 342) - <i>Training scheme for health human resources - Vita Program</i> (€199 808.41) - <i>Project of support to the health system through health personnel training and hospital management to cover the basic social needs</i> (€312 000). 	<ul style="list-style-type: none"> ➤ Moka Horticultural farm (€36 023) ➤ SIPOLO Farm (€56 046). ➤ Eoko Farm (€52 175). ➤ ONDENG Farm: (€59 885). <p>Horticultural Farm of the Association of the United women of Barrio Alcaide (MUBA) - Baloeri (€23 905)</p>	<ul style="list-style-type: none"> Institutional support - Technical assistance for the poverty reduction strategy (€44 196). - Technical assistance for support to the Ministries of Public Service, Interior and Local Authorities and the Economy (€31 055) - Social Economy Days (€3 000). - of civil society –Pablo Iglesias Foundation (€ 77 500) - Project for the strengthening of women's rights in EG in the sector of reinforcement of civil society and gender equality (€ 160 000) - Week of the Equatorial Guinean woman (€ 40 123)
3. France		<ul style="list-style-type: none"> ➤ Support to the education sector (€1 427 676) - <i>Support to the dissemination of French (PADIF).</i> - <i>Support to the development of the media.</i> - <i>French cultural centre.</i> - <i>University co-operation.</i> 		<ul style="list-style-type: none"> ➤ Institutional support (€542 847) - <i>Support to financial and economic services (PAAFIE).</i> - <i>Support to airport security and civil protection.</i> ➤ Support to biodiversity and environmental protection and urban development project (€ 136 760).