Equatorial Guinea

With a rate of 5.5% in 2012 and a forecast of 4.9% for 2013, GDP growth is slowing down, a disappointing performance mainly due to a sluggish oil sector and a lower contribution from construction and services.

The balanced budget achieved in 2012 shows considerable improvement in the management of public resources, but it is at risk from the high level of public investments currently underway.

High cash inflows from oil have brought about deep structural changes in Equatorial Guinea in the past twenty years, especially in construction and basic-infrastructure development, but human development and job creation have fallen short of the country's financial and economic potential.

Overview

Growth in Equatorial Guinea's gross domestic product (GDP) is estimated to have fallen back to 5.5% in 2012 from 7.7% in 2011 because of a fall in production at the Ceiba-Okouméhed oil complex, which had reached its peak. The fall was partially offset by the exploitation of new fields in Aseng. The main drivers for growth were oil and gas, with manufactured products, services and construction providing a smaller contribution.

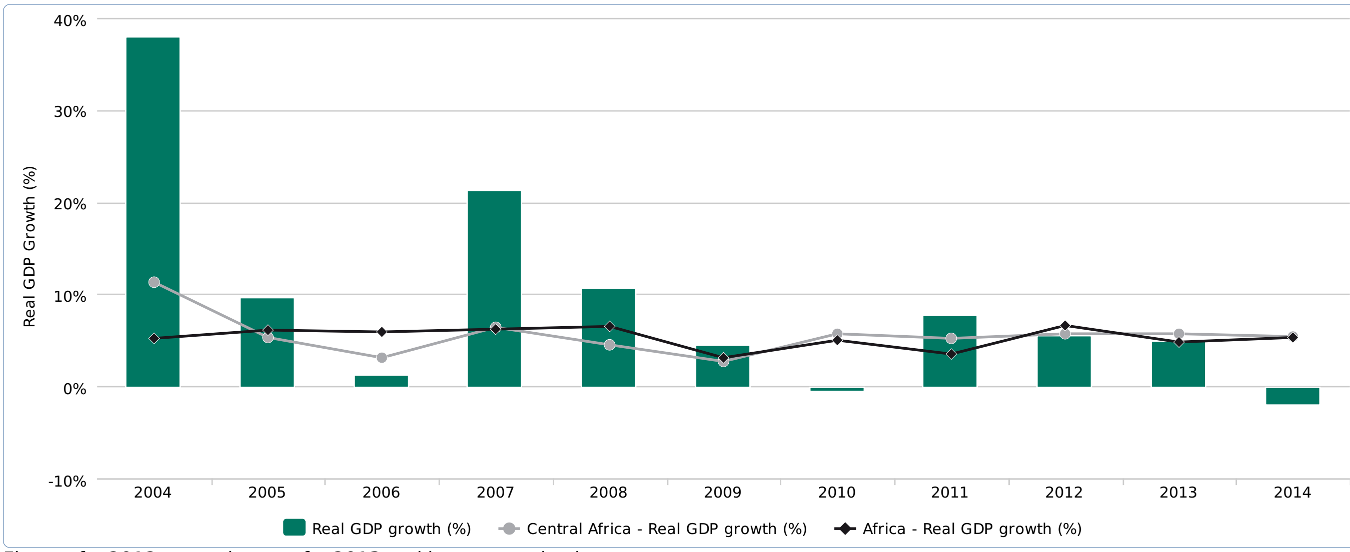
The growth outlook for 2013 and 2014 should confirm this downward trend. Growth of 4.9% in 2013 is expected to turn negative in 2014. The downturn in crude oil output is the reason for this fall. Natural gas, however, is a serious alternative that might allow the country to compensate for falling oil production, provided the productivity of its exploitation can be improved.

In 2012, monetary policy endeavoured to counter the effects of rising liquidity in the economy in order to achieve price stability. This was largely successful as shown by the average price level of foodstuffs and fuel. Inflation was thus contained. According to the latest estimates of the national statistics and audit bureau, the consumer-goods price index (CPI) was 4.5% in 2012, thanks to falls in the cost of several services such as transport, education and telecommunications. Inflation should remain moderate over the next two years, with forecasts of 3.1% in 2013 and 3.5% in 2014, but only if the prices of goods are held in check and if the policy of price support for essential goods and for fuel at the petrol pump is maintained. Budgetary policy in 2012 aims to bring public finances into balance. The budget balance in 2012 and 2013 also shows government commitment to improving budgetary discipline. A surplus estimated at 6% of GDP was secured for 2012, but the balance is fragile because of the high level of current public investments, estimated at XAF 9 000 billion (Franc CFA BEAC). Provided investment expenditure is brought under control, budget projections are based on an improvement in the surplus for 2013 (6.3%), which would fall back to 3.5% in 2014.

Equatorial Guinea has undergone deep economic and social changes since the discovery of oil in the mid-90s. From being a poor, mainly agricultural country, it became the foremost oil producer of the franc zone. Oil income has helped to improve basic infrastructure: roads, schools, hospitals and social housing. In terms of human development, however, the country falls short of its economic and financial potential with high levels of poverty (more than 60%), limited access to drinking water and sewerage, and the prevalence of contagious diseases. Unemployment is also high, especially among the young, who have not fully benefited from the employment opportunities offered locally, especially by the oil industry.

Equatorial Guinea's political and economic stability is attracting growing interest from foreign businesses, especially to extract oil deposits. This provides a favourable medium-term outlook, particularly in natural-gas extraction projects. The main challenge the country will have to take up will be to use these substantial revenue inflows efficiently to diversify the economy.

Figure 1: Real GDP growth 2013 (Central)



Figures for 2012 are estimates; for 2013 and later are projections.

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Table 1: Macroeconomic indicators

	2011	2012	2013	2014
Real GDP growth	7.7	5.5	4.9	-2
Real GDP per capita growth	5.2	3.3	2.7	-4.2
CPI inflation	4.8	4.5	3.1	3.5
Budget balance % GDP	0.9	6	6.3	3.5
Current account % GDP	-6	3.5	2	-1

Figures for 2012 are estimates; for 2013 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2007	2011
Agriculture, forestry & fishing	-	-
Agriculture, hunting, forestry, fishing	2	1.3
Construction	3.1	5.7
Electricity, gas and water	0.5	0.7
Electricity, water and sanitation	-	-
Extractions	-	-
Finance, insurance and social solidarity	-	-
Finance, real estate and business services	0.3	0.8
General government services	-	-
Gross domestic product at basic prices / factor cost	100	100
Manufacturing	0.1	0.1
Mining	91.7	89.4
Other services	0.3	0.3
Public Administration & Personal Services	-	-
Public Administration, Education, Health & Social Work, Community, Social & Personal Services	1.1	0.9
Public administration, education, health & social work, community, social & personal services	-	-
Social services	-	-
Transport, storage and communication	0.1	0.1
Transportation, communication & information	-	-
Wholesale and retail trade, hotels and restaurants	0.7	0.7
Wholesale, retail trade and real estate ownership	-	-

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The disappointing results of 2012 may be due to weak progress in hydrocarbon output (especially gas), falling world timber prices, the less favourable environment in the building industry and a slowdown in trade, restaurants, hotels and other services.

Oil production was slightly higher in 2012 than in 2011, according to the latest figures: 110.2 million barrels by 31 December 2012, compared to 102.2 million barrels the previous year, representing a 7.9% rise, less than projections, which were expecting a 10.5% increase. Noble Energy brought the new Aseng field into production in November 2011 and this made up for falling production from the fields at Ceiba-Okoumé operated by Amerada Hess, Alba (Marathon), Zafiro, Jade and Serpentina (ExxonMobil), where some wells had peaked.

According to Bank of Central African States figures, oil output from the main companies active in extraction fell. ExxonMobil’s production (which is 38.36% of overall production) fell by 12.65% to the end of September 2012; Marathon’s production (14.7% of total) fell by 10.9%; and Amerada Hess’s (28.38 % of total production) by 18.4 %. Conversely, Noble Energy’s production (20.5% of overall output) rose by 21% in 2012.

Oil and gas, together with manufactured goods, contributed about 90% of growth. The dynamism of the construction sector can be seen from its 5.2% contribution to growth despite reduced public investment. Several projects are being finished, and the capital, Malabo, looks like a huge building site, especially for social housing.

Like construction, services made an increased contribution to GDP in 2012. This is an improvement on 2011, this sector being important in terms of employment and technology transfer. Energy contributed about 1% to GDP with the commissioning of the Djibloho hydroelectric power plant on the mainland and the new gas-powered station in Malabo. To take full advantage of this new energy supply, modernisation of the grid that supplies most large towns is under way.

The contribution to growth of both food and cash crops, including those for export like cacao and coffee, as well as fisheries, remained small at about 1.2% of GDP. Although mainland Equatorial Guinea is densely wooded, forestry made a negligible contribution to GDP in 2012 (under 0.5%), partly due to falling overseas orders, partly because of the 2008 forestry law forbidding the export of round timber, which means wood-processing units are needed.

The structure of aggregate demand reflects the dependence of Equatorial Guinea’s economy on hydrocarbons. Investments thus contributed no more than 2% to growth in 2012, with 1.4% from private investments and just 0.6% from public-sector investments. The lower contribution of public investments is explained by the completion of major construction projects such as buildings to host the African Union (AU) Summit and the Africa Cup of Nations, as well as of basic infrastructure such as the Djibloho dam and high-voltage transmission lines in the mainland region.

Overall consumption contributed 23.1% to growth in 2012. Private consumption was 22.9% of GDP following increased household demand for appliances and supplies connected with rising living standards.

Foreign demand fell in 2012, making a negative contribution to GDP of 19.6%, including 16.3% imports. The fall in the volume of imports was mainly due to lesser imports by the public sector.

Macroeconomic Policy

Fiscal Policy

The 2012 budget law and the budgetary policy following from it draw their inspiration from the Millennium Development Goals (MDGs) and the priorities set out in the policy framework paper of the second national economic conference: endowing the country with basic infrastructure necessary for development and turning Equatorial Guinea into an emerging country by 2020.

Total tax receipts at the end of 2012 were slightly up on 2011 thanks to oil and gas earnings. This was due to very high oil prices. Non-oil receipts stagnated despite the government's attempts at bringing order to the administration of taxes. The implementation of the new customs-duty act and the gradual introduction of value added tax (VAT) do not seem to have had the desired effect on overall revenues. A slow fall in oil revenues is projected for 2013 and 2014, unless the discovery of new deposits strengthens the country's production capacity.

Public expenditure, especially capital expenditure, fell substantially. This was due to a slowdown in investment in road infrastructure and in the construction of large public buildings. This is part of a deliberate policy of easing off on public investments after years of massive construction of basic infrastructure.

Expenditure on goods and services went down slightly in 2012 thanks to improved management of public-administration expenditures in equipment and maintenance. It ought to hold steady at 2% of GDP over 2013 and 2014 thanks, in particular, to containment of expenditure on purchase of fuel and on the upkeep of public buildings.

The management of pubic finances in 2012 left an overall budgetary surplus of 6% of GDP, in comparison to 0.9% of GDP in 2011. This surplus ought to last into 2013 and 2014 provided a tight rein is kept on public expenditure.

Table 3: Public Finances (percentage of GDP)

	2009	2010	2011	2012	2013	2014
Total revenue and grants	45.5	30.2	30.8	31.6	31.6	30.2
Tax revenue	1.9	1.7	1.5	1.5	1.5	1.6
Oil revenue	38.2	27.2	28.6	29.4	29.4	28
Grants	-	-	-	-	-	-
Total expenditure and net lending (a)	49.3	35.3	29.9	25.6	25.3	26.7
Current expenditure	6	6.4	5.4	5	4.8	4.9
Excluding interest	6	6.1	5.1	4.4	4.4	4.4
Wages and salaries	1.2	1.1	0.9	0.7	0.8	0.8
Interest	0.1	0.3	0.3	0.5	0.5	0.5
Primary balance	-3.8	-4.9	1.2	6.5	6.7	4
Overall balance	-3.8	-5.1	0.9	6	6.3	3.5

Figures for 2012 are estimates; for 2013 and later are projections.

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Monetary Policy

Equatorial Guinea is a member of the Central African Economic and Monetary Community (CAEMC). The Bank of Central African States defines and applies monetary policy for the six CAEMC member states, the main convergence criteria of which are stability in the rate of inflation (below 3%), a budget balance based on (nominal) GDP in surplus or balanced, internal and external debt below 70% of GDP and avoidance of late payment of internal and external debt.

The monetary situation in 2012 showed an overall improvement in Equatorial Guinea's external position and a rise in most monetary aggregates in the broad sense. This situation should be maintained over 2013 and 2014

according to the Bank of Central African States's latest projections. Money supply (M2) rose by 45.1%, strengthening the country's liquidity. According to the most recent Bank of Central African States's estimations, this flow was allocated as 88% of narrow money and 12% of quasi-money.
Following a 2011 marked by strong demand for foodstuffs resulting from the organisation of many events, including an AU Summit in Malabo and the holding, together with Gabon, of the Africa Cup of Nations football championship, the situation seems to have steadied in 2012. According to the most recent estimations of the national statistics and audit office, the overall consumer price index (CPI) fell a little, reaching 4.5% compared to 4.8% in 2011, despite a rise in military pay in June 2012 of up to 100% depending on rank, which could have fuelled inflation.
Downward pressure on inflation ought to continue over 2013 and 2014. It will be close to 3% thanks to a return to consumer-price stability and a rise in subsistence-farming output made possible by falling costs of transport, telecommunications and services.

Economic Cooperation, Regional Integration & Trade

Equatorial Guinea's monetary situation in 2012 also showed an improvement in its overall external position and an upturn in most monetary aggregates. In comparison to the same period in 2011, foreign assets rose sharply (34%) as a result of rising exports, particularly of those related to oil and gas, and of the good price for crude oil on international markets and the rapid pace of oil-revenue collection.
The country's external position rests on a narrow base of exports concentrated on natural resources, especially oil and natural gas. These products are very vulnerable to shocks in the terms of trade. Balance of trade yielded a surplus, which rose from 37.8% of GDP in 2011 to 40.5% in 2012. The share contributed by exports to GDP fell by 2% in 2012. A sizeable fall of 4.6% was recorded in imports.
The deficit in the services balance improved to 11.4% of GDP in 2012 compared to a deficit of 13.5% of GDP a year earlier, in line with investments by gas-production enterprises as well as by subcontractors in the oil sector. Conversely, the negative income balance worsened, due to an increase in returns on equity in the hydrocarbon sector. The current-account-transfer deficit stood at 0.6% in 2012 compared to nearly 0.7% in 2011, mainly because of subcontractors in the oil sector.
The balance of payments shows a surplus of 3.5% of GDP in 2012 compared to a deficit of 6% of GDP in 2011. The current-account balance should continue to be in surplus in 2013, but with the danger of a return to the deficit cycle by 2014 if oil and gas production do not return to their usual levels.
Equatorial Guinea is trying to become a regional transport and trade hub for the central African region. To this end, it has substantially upgraded its ports and airports. For example, the Malabo port has been enlarged to receive large vessels and container ships, the current capacity allowing for 10 000 containers. Ultimately, the capital's port could be a port of call for shipping to west and central Africa from Asia, America and Europe.
As a CAEMC member state, Equatorial Guinea has started a series of customs-duty reforms. In particular, it now applies a common external tariff (CET) charged at four rates for four categories of goods: a 5% rate for basic commodities, a 10% rate for equipment and inputs, a 20% rate for intermediate goods and a 30% rate on consumer goods. Further effort is needed to ensure the free circulation of persons and goods. The authorities are trying to speed up and modernise customs clearance, but their efforts run up against an arbitrary application of the law and tax evasion.

Table 4: Current Account (percentage of GDP)

	2004	2009	2010	2011	2012	2013	2014
Trade balance	59	23.9	31.2	37.8	40.5	40.3	36.5
Exports of goods (f.o.b.)	89.2	69.8	70	71.7	69.9	68.9	66.1
Imports of goods (f.o.b.)	30.1	46	38.8	33.9	29.3	28.5	29.6
Services	-23.9	-14.7	-14.2	-13.5	-11.4	-11.1	-11.1
Factor income	-55.9	-26	-36.6	-29.5	-25	-26.6	-25.8
Current transfers	-0.9	-0.9	-0.9	-0.7	-0.6	-0.6	-0.6
Current account balance	-21.6	-17.7	-20.5	-6	3.5	2	-1

Figures for 2012 are estimates; for 2013 and later are projections.

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Debt Policy

As of the end of 2011, public debt was 4.7% of GDP and is estimated to have remained under 10% of GDP in 2012. External debt has mainly been agreed with bilateral creditors for 83% of all debt. Servicing the debt remains minimal. It is estimated to have held steady at 0.8% of GDP in 2012, the same as in 2011. No late payments are recorded, which shows efforts on the part of government to use its good fortune in having oil to purge external and internal debt of all late payments.

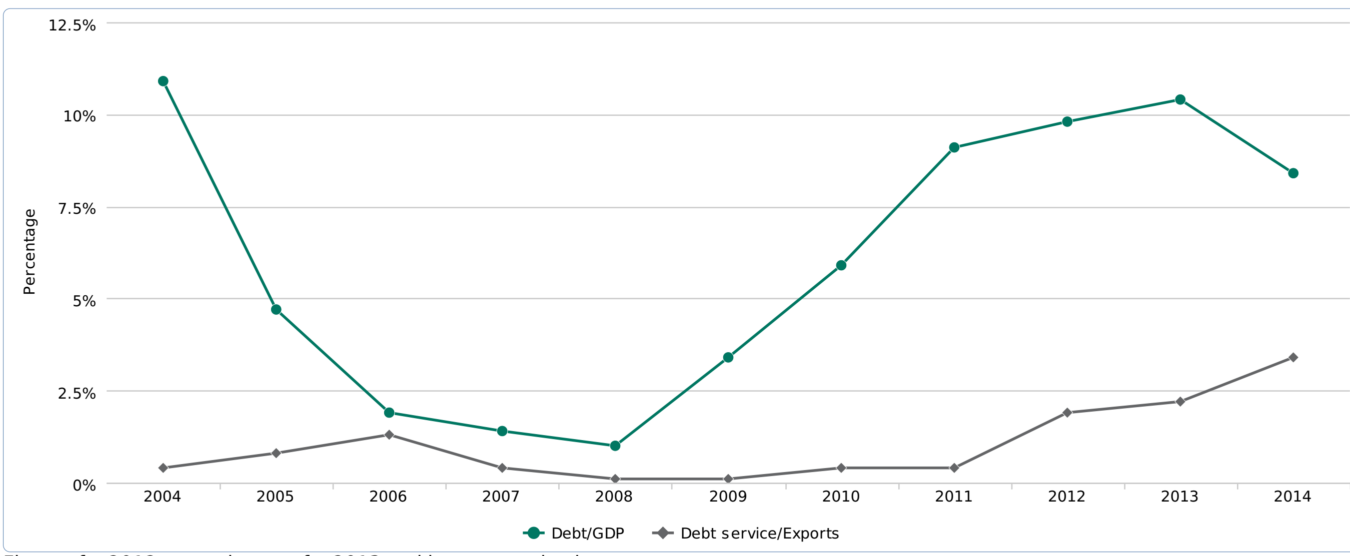
A low level of debt, substantial foreign-exchange reserves and considerable oil income all contribute to the sustainability of Equatorial Guinea's debt, which is not under threat in the medium term.

The latest debt-sustainability analysis dating from March 2010 — using the middle-income-countries model — also shows that the country's external debt should stay well within the CAEMC convergence criteria of 70% of GDP whatever happens. Moreover, the government intends to increase its ability to manage debt by giving itself the tools it needs in terms of management methods as well as by expanding training for the personnel entrusted with overseeing and managing debt.

Equatorial Guinea has not yet finalised its system for giving a true picture of its debt. Figures on public debt are available but not consistently so. The recently set up debt-management unit's efficiency and analysis capacities remain weak. Public-debt-accounts documents are not always available in digital form and debt repayment could be better co-ordinated with other finance-ministry procedures, which would reduce late payments.

Debt management comes under the responsibility of the public-debt sinking fund, in charge of accounting for all the government's financial obligations as well as debt-repayment operations. The authorities are resolved to put in place an appropriate debt strategy and enhance debt-management capacities. Technical assistance has been sought from the World Bank for this.

Figure 2: Stock of total external debt and debt service 2013



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Economic & Political Governance

Private Sector

Equatorial Guinea's business climate falls short of expectations considering the country's wealth and private-sector development opportunities. The international conference held at the end of 2011 on the creation of an industrialisation plan for the country by 2020 was a major turning point. This body underlined the role of non-oil-related private investment as an alternative source of finance just as important as state funding. The industrialisation plan provides for giving pride of place to the private sector, both national and international, to support economic diversification. It targets various sectors, especially oil and gas, petrochemicals, farming and food, and the building industry (cement and bricks). The government seems determined to follow the conference recommendations; the conference should reconvene in 2013 to debate ways of funding the industrialisation plan from private-sector resources at home and abroad.

As far as the business environment is concerned, things seem to be getting worse. The World Bank report *Doing Business 2013* put Equatorial Guinea in 162nd place (out of 185 countries), down three places from its 2012 ranking. The situation has worsened in particular for starting a business, getting credit and dealing with construction permits. The only good point is an improvement in getting electricity.

Starting a business takes an average of 135 days, involves 18 procedures, for a cost of 12% of income per capita. Labour costs are relatively high compared to neighbouring countries, the tax system is not transparent and not applied in a consistent manner, and customs duties are high. The country also occupies the last place in the rankings for resolving insolvency. The assets of bankrupt companies are not swiftly and efficiently put to other uses.

Though government seeks to welcome foreign investment, bureaucracy, opaque rules, an underdeveloped labour market and an underqualified local workforce are all obstacles to the development of a competitive private sector in Equatorial Guinea.

Financial Sector

Though limited and relatively underdeveloped, Equatorial Guinea's financial system is, generally speaking, robust. It is very much dominated by banking, which has expanded over recent years because of strong economic growth and swiftly rising liquidity. The gap between loans and deposits remains wide, though real bank interest rates have fallen through increased competition. Credit is made up of short-term loans provided to businesses contracted to the state and to public-infrastructure projects, which is a potential source of weakness. In 2012, the banking system remained liquid and the banking sector, as assessed by the Central African Banking Commission, is healthy. It comprised four banks, three of which are branches of international banks. Two new banks, not yet open for business, should enter the market in 2013.

Indicators of financial robustness included a fall in doubtful debts (less than 5%) as well as increased returns on assets and equity. Despite the liberalisation of the banking sector, the cost of financing remained high, showing lack of competition. In addition to the high fees charged on loans, interest rates applied to private businesses were about 15%, while the cost of bank refinancing was around 4%. With a business model like this, with high returns and low risk, banks were loath to finance local businesses unless it was for government procurement. Most oil and gas multinationals source their financing from abroad.

The country's position for getting credit has worsened. According to the *Doing Business 2013* report, it went from 97th to 104th place from 2012 to 2013. Private-sector access to financial services, including microfinance, is still restricted and loans are mainly available for public-infrastructure projects. The banking system does not yet adequately facilitate the private sector and relies on short-term loans. The high cost of financing and restricted access to instruments of credit are a barrier to entrepreneurialism.

Access to banking services for the population was limited and few households had a bank account. Payment facilities were underdeveloped and concentrated in the country's two large towns, Malabo and Bata. Moreover, payment services through cash dispensers were not widely available and cheque use was restricted. Since there are a few international banks dealing with large numbers of international money transfers on behalf of the state and oil companies, however, the automatic payment system could develop quickly, provided the domestic market is opened up to competition and the opening of branches throughout the country is encouraged.

Public Sector Management, Institutions & Reform

The general environment of public-sector management is marked by restricted access to information and poor governance, as well as by weakness and lack of transparency in procedures for the management of public finance. Added to this is the weakness of the resources available to institutions, especially the lack of qualified personnel to implement policy and reform programmes. Although reforms are envisaged in the budgetary process (rationalisation of budgetary procedures, improved categorisation and record-keeping of public expenditure, and provision of handbooks), upgrading of computer-based data collection has not been undertaken.

Reducing corruption is still a major challenge for the country. According to the 2012 Transparency International (TI) report, Equatorial Guinea comes 163rd out of 176 countries on the corruption perception index with a score of 2 out of 10 (10 being the most transparent). According to TI, corruption is endemic in the public sector and there is lack of transparency in the oil sector. The country score in the International Budget Partnership's Open Budget Index was 0/100 in 2012, the same as in 2010. In November 2011, a constitutional reform was approved by a substantial majority through a national referendum, providing the legal framework for a State Audit Office.

Natural Resource Management & Environment

The management of natural resources is another challenge the country is facing. Delays in obtaining and validating its candidature as a member of the Extractive Industries Transparency Initiative (EITI) was due to slowness in the application of transparency rules in the production, marketing and use of oil revenues.

The country is rich in forests. These cover some 2.2 million hectares, which is virtually the entire surface area of the country. The rapid development of infrastructure brought about rapid deforestation, coming on top of soil degradation and the consequences of hunting wild animals for food.

Legislation related to the management of forest resources has greatly changed since the country achieved independence. The forestry law of July 1997 divided forests into two categories: productive forests and conservation forests. The law aims at preserving nature but in practice, there is considerable fuzziness in the granting of concessions to companies operating in the country. For lack of adequate personnel on the ground, the state is unable to control logging or take a proper inventory of its forest resources. Though the country ratified the Kyoto Protocol, the state pays insufficient attention to ensuring that all economic stakeholders, especially off-shore oil companies, respect its commitments. Greenhouse-gas emissions were estimated at 4.815 kilos/tonne in 2008, but even this estimation leaves out of the calculation emissions caused by deforestation and soil degradation.

Political Context

A new government came into office in 2012. The opposition condemned the fact that close relatives of the President of the Republic were made ministers. The reshuffling came after the adoption in November, by 97.7% of votes cast (according to official figure, contested by the opposition), of a constitutional reform limiting to two the number of terms a president can serve, creating a post of vice-president and setting up five bodies: a senate, a state audit office, a state council and a council for social and economic development and the defence of the people. The constitution does not specify whether the current president should vacate his post in 2016, on the expiry of his current mandate, or whether the limitation of the number of mandates will only take effect following the reform.

The capital, Malabo, hosted the ACP (African, Caribbean, and Pacific Group of States) Summit in December 2012, with delegates from most member states, all the Heads of State of the CAEMC zone and those of other African countries. The theme of the 7th ACP Summit was “The Future of the ACP Group in a Changing World: Challenges and Opportunities”. Participants dealt with environmental topics: climate change, food security, rural development and sustainable development.

Social Context & Human Development

Building Human Resources

Progress in human development fails to reflect the country's economic potential. Compared to other countries poorer in natural resources, like Cape Verde, the gap is flagrant. In 2012, Equatorial Guinea's human development index was 0.554 and the country ranked 136th from a total of 187 countries, with a gross national income per capita of USD 21 715 in 2012 in purchasing power parity (PPP) terms (constant 2005 international USD).

Health-care access is limited (44% and 53% in rural and urban areas respectively), as is basic education (60%). HIV/AIDS is widespread, affecting some 3% of the population. The government has taken over HIV/AIDS and malaria provisions with international support. Public hospitals have adequate stocks to provide free anti-retroviral and anti-malarial drugs. In this area, the country must continue to make provisions for health care, public awareness and education.

Current education policy and institutions are a brake on economic growth. The education system is particularly ineffective. Only one pupil out of two finishes primary school. The relatively low overall enrolment rate at primary level (80%) together with a high number of pupils repeating their year (24%) make it doubtful that the country can reach the MDG for universal primary education by 2015. Improvement in the quality of teaching, particularly at primary level, should be accompanied by measures such as scholarships, school canteens, building schools in the remoter rural areas, if only to increase participation rates of children from poorer backgrounds. A far-reaching reform of professional training is under way and includes building four new training centres and an overhaul of the syllabus to make it match the needs of the labour market.

Poverty Reduction, Social Protection & Labour

Poverty reduction is a further challenge for Equatorial Guinea, especially as it has considerable financial resources. According to data from the second national economic conference, the share of the total population living below the poverty threshold (USD 2 per day) was 76.8% in 2007. Poverty affected 79% of the rural population; in the main urban areas, Malabo and Bata, this share was 70% and 62%, respectively.

The trend seems to be downwards. Subsidies to social sectors, these past years in particular to health care, have risen substantially and there is a clear public will to take care of the underprivileged populations.

Job creation is another difficulty. The government has launched an ambitious public-investment programme in infrastructure. In November 2011, the national industrialisation conference called for diversification of production in order to create jobs and raise citizens' income. For this to happen, improved university education and professional training is vital as is access to information and communication technologies.

There are very few safety nets to protect the vulnerable groups. The social-protection system only covers public-sector employees and thus excludes most workers, who operate in the informal sector. A few social-protection programmes have begun to be set up, but their funding and scope remain restricted.

Since 2009, Equatorial Guinea has been taking part on a voluntary basis in periodic reviews of its human-rights situation. It has implemented the recommendations that have come out of these, with the support of the United Nations (UN) Subregional Centre for Human Rights and Democracy in Central Africa and the office of the UN Development Programme. Progress is being made in freedom of expression as shown by the number of permits given to the foreign press to cover events in the country and the progressive opening up of the audiovisual media. According to the 2012 Amnesty International report, however, freedom of expression remains limited, the press being under state control.

Gender Equality

Despite their equal rights and opportunities written into the law, women are still at a disadvantage in comparison to men in access to positions of responsibility, in work and in education. The constitution clearly establishes gender equality, but much remains to be done to achieve this, especially in rural areas.

Only 11% of the new government (including the positions of deputy ministers and chief executive officers of ministries) were women in 2012. Equatorial Guinea ensures gender equality in access to primary education, but twice as many boys as girls carry on to secondary school. There are still disparities amongst the provinces with regard to women never having gone to school. More than 20% of women in central province Centro Sur have no schooling, but just 3% of women in Bioko Norte.

Economic activity is male dominated; women are more affected by job insecurity. One person out of three lives on USD 2 per day, and two-thirds of them are women. There is no legal discrimination against women in respect to property rights or access to bank loans, but the *de facto* situation clearly shows a form of structural discrimination. The country has ratified the Convention on the Elimination of All Forms of Discrimination against Women, but the low education levels and high illiteracy rates amongst women mean they cannot claim their rights.

Thematic analysis: Structural transformation and natural resources

Equatorial Guinea is very rich in natural resources: oil, gas, mines and forest. The main one is crude oil with proven reserves estimated in 2011 at 1.8 billion barrels, followed by natural gas and especially methanol with reserves of 396 million m^3.

The country's new economic status dates back to 1991, when the Alba oil condensate field was discovered, offshore from Bioko. The economic value of the discoveries became clear in 1994, with a substantial rise in production, which brought the country unprecedented revenues. Equatorial Guinea became the third largest oil producer in sub-Saharan Africa after Nigeria and Angola. It holds the record on the African continent for the number of barrels per capita. Oil and gas production driven by three big offshore fields (Zafiro, Alba and Ceiba) has enabled it to achieve double-digit economic growth for about ten years (in 2001 its growth was 70%) and to become one of the biggest beneficiaries in Africa of foreign investment.

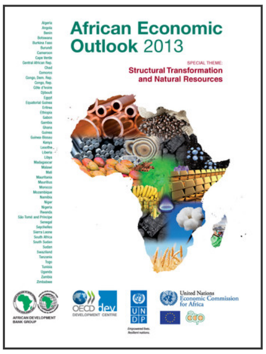
Driven by oil, the country's GDP thus recorded on average an annual growth of 60% between 1993 and 2012. Arising out of an increase in oil production and more recently in gas production, and out of the surge in the price per barrel, growth has led to a rapid rise in gross national income per capita, estimated at USD 21 715 in PPP terms according to the most recent figures from 2011. Many offshore oil companies are active in Equatorial Guinea, foremost amongst them American companies like ExxonMobil, Marathon, Amerada Hess, Chevron-Texaco. The state has issued exploration permits to non-American companies like: China Petroleum and & Chemical Corporation (China), Petrobras (Brazil), Repsol (Spain), Atlas Petroleum (Nigeria) and Petronas (Malaysia). This diversification has given the country an opportunity to have different technologies to facilitate better exploitation of its energy sources.

Equatorial Guinea has substantial forestry resources, which were its main natural resource for export prior to the discovery of oil and gas. Since the beginning of the 2000s, production has fallen considerably due to a crisis in the world timber market and a certain anarchy in the granting and management of concessions. At end-2010, a mere 20% of felled timber was exploited in the country, with the remainder exported as logs. To preserve the national forestry heritage, the authorities restricted the area available to logging from 1.2 million hectares in 1994 to 400 000 hectares in 2011, and reduced the number of licenced enterprises from 52 in 1994 to 15 or so in 2011.

The substantial revenues from oil and gas explain the significant structural changes seen since the 1990s. The country has entered an unprecedented phase of modernisation of its basic infrastructure such as roads, airports, social and economic establishments, which has made it possible to attract substantial foreign direct investment.

Co-operation with new partners, mainly China, made possible by oil revenues, enabled huge infrastructure projects like the new city Malabo II, the building of several thousand units of social housing in Malabo and Bata, construction of the CAEMC parliament and the completion of roads linking all parts of the country, especially on the mainland.

Conversely, in terms of human development, the country seems unable to reach any of the eight MDGs. This inability shows the inefficiency of the economic and social model adopted since the discovery of oil. Equatorial Guinea is a textbook example of the Dutch disease, despite efforts to diversify the economy through the introduction of long- and medium-term development plans (country vision for 2020) or the organisation of conferences, like the one in 2011, devoted to an industrialisation programme. These projects never get off the drawing board through the failure to mobilise adequate resources, financial and human, to ensure their success.



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