Equatorial Guinea

2010

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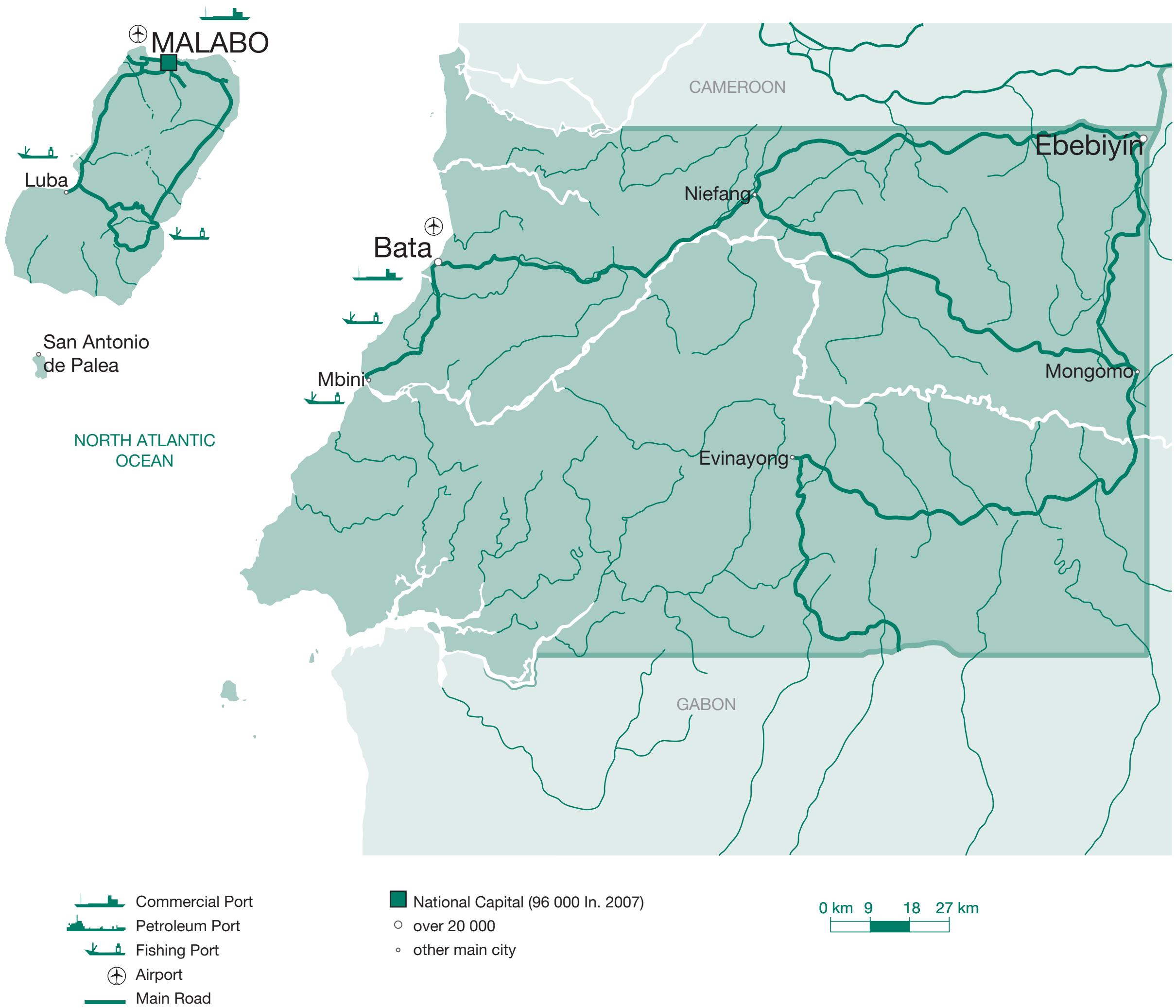

MALABO
Luba
San Antonio
de Palea
NORTH ATLANTIC
OCEAN
CAMEROON
Ebebiyin
Niefang
Bata
Mbini
Mongomo
Evinayong
GABON
Commercial Port
Petroleum Port
Fishing Port
Airport
Main Road
National Capital (96 000 In. 2007)
over 20 000
other main city
0 km 9 18 27 km

Equatorial Guinea

Overview

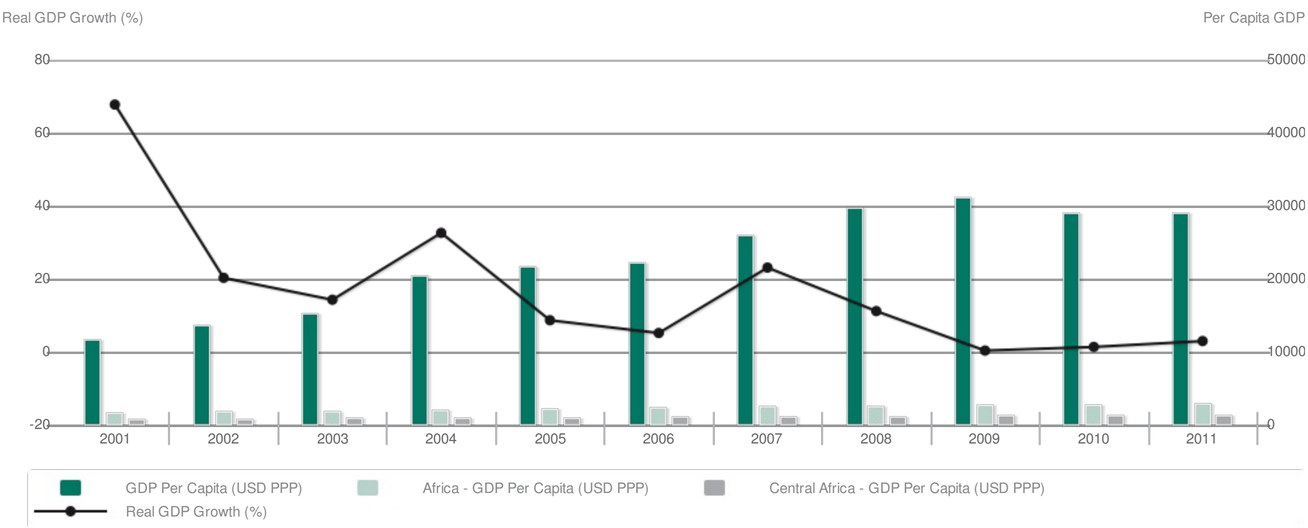
Equatorial Guinea has been one of the fastest growing economies in the world since large-scale commercial exploitation of oil began in the 1990s. It remains one of Africa's fastest growing economies and also one of the main destinations of foreign investment. However, the country experienced an economic slowdown in 2009, posting a gross domestic product (GDP) growth rate of 1.9%, compared with 11.3% in 2008. The decline was due to a fall in oil prices and oil production in the wake of the global recession. This also caused the share of the hydrocarbons sector to fall from 77% of GDP in 2008 to around 61% in 2009, although it remains the main sector of the economy. After a recession in 2010, the economy is expected to recover gradually and return to positive growth of 2.7% in 2011. The fall in oil revenues has had a major adverse effect on the government budget with the budget surplus falling by 16 percentage points to 6.9% of GDP in 2009. It is projected to rise to 14.4% of GDP in 2010 and further to 17.7% in 2011. In contrast, the current account surplus rose to 8.3% of GDP in 2009, compared with 3.7% in 2008. It is projected to rise to 17.3% in 2010 and further to 19.7% in 2011. Inflation was 5.5% in 2009 and is forecast to fall to 2.4% in 2010. Equatorial Guinea faces no debt problems thanks to its large budget surpluses and external reserves. External debt at the end 2009 was only 1% of GDP and is forecast to fall to 0.7% in 2011.

Equatorial Guinea continues to face major governance challenges, notably a high perceived level of corruption. The country ranked among the bottom 13 countries in the world on the *Corruption Perception Index* of Transparency International, a global civil society organisation working to expose and combat corruption. Furthermore, the environment for private sector activity remains difficult. Equatorial Guinea also ranked among the bottom 13 countries in the world on the World Bank *Doing Business Index*. Key constraints include poor infrastructure in the area of electricity and Internet connectivity, the perceived high level of corruption, elaborate procedures and a perceived inauspicious judicial environment.

Widespread poverty and the persistence of poor health and low levels of other human development indicators raise questions about the extent to which the country's oil wealth benefits the majority of the population. The most recent statistics indicate that about 77% of the population fell below the poverty line in 2006. Maternity and infant mortality rates are among the highest in the world. The country is not on course to achieve several of the Millennium Development Goals (MDG).

On the political front, President Nguema Mbasogo won a landslide victory for another seven-year term in presidential elections in November 2009. The opposition disputed the results, but the results have stood. In February 2009, an attack was launched on the presidential palace in Malabo, the national capital. The attack was repulsed by the presidential guard and army.

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.3	0.5	1.5	3.1
CPI inflation	6.0	5.5	2.9	2.5
Budget balance % GDP	22.9	6.4	8.3	8.1
Current account % GDP	3.7	7.3	14.9	15.8

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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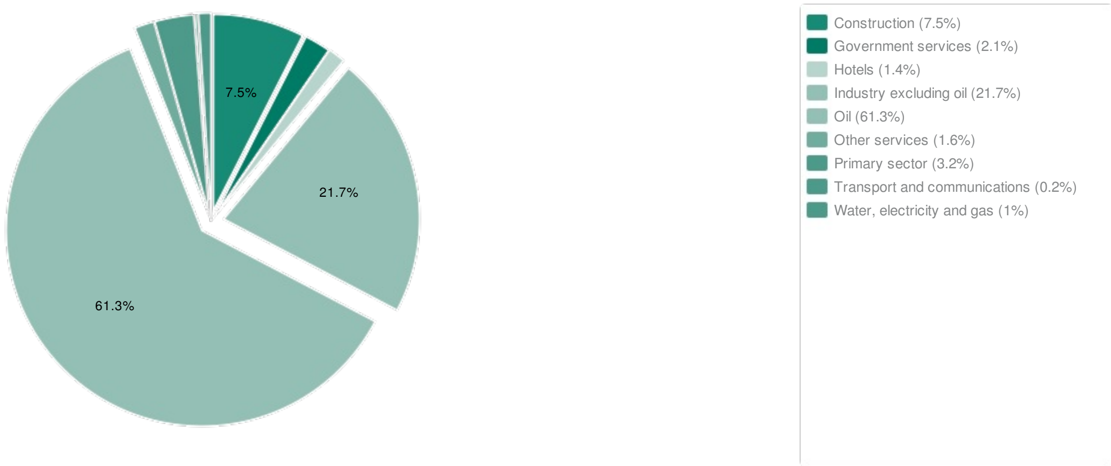
Recent Economic Developments and Prospects

Figure 2: GDP by sector, 2008 (percentage)



Sources: Authors' estimates based on local authorities data.
Figures for 2009 are estimates; for 2010 and later are projections.

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The Equatoguinean economy slowed significantly in 2009. The growth of GDP was 1.9%, compared with 11.3% in 2008. The decline was due to both a fall in oil output at the main producing field, Zafiro, and a fall in oil prices. Real GDP is expected to decline marginally in 2010 (by 0.8%) owing to a further fall in oil production. In 2011, oil production is likely to increase again and GDP will return to positive growth (by 2.7%). Inflation, which has been higher than in other countries of the Central African franc (XAF) zone, was 5.5% in 2009, because of higher fuel prices, large public spending and strong private demand. It is forecast to fall to 2.4% in 2010.

Equatorial Guinea is endowed with a tropical climate and fertile soils, forestry and marine resources. However, the contribution of these sectors to GDP has been modest. Agriculture is dominated by subsistence farming. Agricultural products include coffee, cocoa, rice, yams, cassava (tapioca), bananas and palm oil nuts. Livestock and timber are also produced. Rural occupations face labour shortages as workers migrate to the cities. The country claims an exclusive maritime fishing zone of 300 000 square kilometres (km). The government has stated its intention to reinvest some oil revenue in agriculture and is also targeting the fisheries sector as part of its diversification strategy.

The construction sector, which accounted for 7.5% of GDP in 2009, has been expanding rapidly in recent years as a result of the booming oil sector and large-scale public investment in infrastructure, notably the construction of roads, the rehabilitation of airports, expansion of ports and the development of a new city, Malabo II. The government has declared its commitment to improving the state of economic and social data, which is generally weak. Major discrepancies often arise between government statistics and those of development partners. For instance, the actual size of the population has been disputed. The latest United Nations (UN) estimate puts the population at 527 000 in 2007, a figure adopted by most international institutions, including the World Bank and the International Monetary Fund (IMF). However, the government claims that a 2002 census recorded a population of a little over 1 million. Work is underway to improve the data.

Consumption increased by 8.5% in real terms in 2009, driven by an increase in public consumption of 12%, compared with an increase of 7.5% in private consumption. Investment increased by 1.6% in real terms in 2009. Private investment accounted for the increase, as the volume of public investment was unchanged in 2009 relative to 2008.

Table 2: Demand composition

	2001	2008	2009	2010	2011
Gross capital formation	72.9	31.3	0.7	1.1	1.4
Gross capital formation - Public	7.5	21.2	0.0	0.3	0.6
Gross capital formation - Private	65.4	10.1	0.7	0.8	0.8
Consumption	17.8	8.0	1.4	1.4	1.6
Consumption - Public	3.3	2.5	0.4	0.5	0.5
Consumption - Private	14.5	5.5	1.0	0.9	1.1
Solde extérieur	9.3	60.8	-1.7	-1.0	0.1
External sector - Exports	103.6	95.4	-5.2	3.5	3.4
External sector - Imports	-94.3	-34.6	3.5	-4.5	-3.2
Real GDP growth rate	-	-	0.5	1.5	3.1

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Macroeconomic Policy

Fiscal Policy

The Equatoguinean budget has grown exponentially in the past years as royalties and taxes on oil and gas production have provided new resources to a once poor government. Oil revenues account for more than 85% of government revenue making government revenues volatile to field production and markets. Value added tax (VAT)and trade taxes are other revenue sources for the government. Total revenue and grants are projected at 45.7% of GDP in 2010, up from 43.4% in 2009. A large proportion of non-oil revenues is derived from the returns from the country's assets deposited at the regional central bank, the *Banque des États de l'Afrique Centrale* (BEAC), and in foreign banks. Non-oil revenue rose from 0.9% of GDP in 2008 to 1.2% in 2009. It is expected to fall to 1.1% of GDP in 2010 and remain at that level in 2011.

Total expenditure (including net lending) was 36.6% of GDP in 2009. It is projected at 31.2% of GDP in 2010. Such high levels of fiscal spending relative to recent years have been due to the government's ambitious public investment programme.

The overall fiscal balance fell from a surplus of 22.9% of GDP in 2008 to a surplus of 6.9% in 2009 owing to a decline in oil revenues in conjunction with an increase in government spending. The fiscal balance is projected to rise to a surplus of 14.4% of GDP in 2010 and further to 17.7% of GDP in 2011. Since the mid 2000s the government has been depositing some of its fiscal savings into a fund for future generations at the BEAC. External debt at end of 2009 was 1% of GDP; it is forecast to fall to 0.9% in 2010 and further to 0.7% in 2011. A low debt ratio, large foreign reserves and forecast exports of over 80% of GDP suggest that debt sustainability is not likely to pose a major threat in the coming years. Indeed, unlike the typical African country Equatorial Guinea does not appear to need foreign financial assistance. However, it does appear to need technical assistance in managing its large oil resources and the revenues they generate.

Table 3: Public finances

	2001	2006	2007	2008	2009	2010	2011
Total revenue and grants	**28.8**	**47.6**	**45.0**	**48.4**	**43.3**	**43.9**	**43.4**
Tax revenue	2.4	1.7	1.4	0.9	1.2	1.1	1.1
Oil revenue	24.4	44.5	40.9	42.0	35.6	36.5	36.2
Other Revenues	1.5	1.5	2.7	5.5	6.6	6.3	6.1
Total expenditure and net lending (a)	**12.5**	**21.5**	**24.1**	**25.5**	**37.0**	**35.5**	**35.3**
Current expenditure	5.0	4.4	4.2	4.3	7.1	7.7	8.3
Excluding interest	4.6	4.3	4.2	4.3	7.0	7.6	8.3
Wages and salaries	1.4	0.9	1.0	0.8	1.2	1.1	1.1
Goods and services	1.9	2.0	1.7	1.7	2.7	3.0	3.4
Interest	0.4	0.1	0.1	0.0	0.0	0.0	0.0
Capital expenditure	7.5	17.0	19.9	21.2	29.9	27.9	27.0
Primary balance	**16.7**	**26.3**	**21.0**	**22.9**	**6.4**	**8.4**	**8.1**
Overall balance	**16.3**	**26.2**	**20.9**	**22.9**	**6.4**	**8.3**	**8.1**

Sources: a: Only major items are reported Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Monetary Policy

Equatorial Guinea has, since 1985, been a member of the *Communauté économique et monétaire de l'Afrique centrale* (CEMAC), an economic and monetary union of central African states. Monetary policy is determined by the regional central bank, BEAC. The BEAC fixes minimum interest rates for bank deposit loans, provides member countries with statutory financing and sets minimum reserve requirements for commercial banks. BEAC has adopted the control of inflation as its primary objective. The CFA franc BEAC (XAF), the common currency used by CEMAC countries, is pegged to the euro (EUR) as part of the institutional arrangements for the monetary union. Since 1 January 1999, the peg has been at the rate of 656 XAF to 1 EUR. Lucas Abaga Nchama of Equatorial Guinea was appointed as the governor of BEAC in January 2010.

Increasing financial depth is a key challenge facing policy makers. The ratio of broad money (M2) to GDP declined from 28% in the mid 1980s to less than 10% since 1997, reflecting a shrinking of the monetised economy. In 2007, the ratio was only 8%. In recent years, the financial system has been introducing new technologies and products. Furthermore, competition in the sector appears to be increasing. The differential between lending and deposit rates, while still very large, has been falling. In 2007 the differential was 10.7%, compared with 17% in the 1997-2000 period. Measures are required to increase competition in the financial sector further.

External Position

As a resource-rich country, the economy of Equatorial Guinea depends largely on exports of oil and other commodities. The United States is the main destination of Equatorial Guinea's exports, followed by Spain, China, Chinese Taipei and France. The concentration of exports in petroleum-based products renders the external sector highly vulnerable to petroleum price volatility. The balance of payments tends to record high trade balance surpluses but at the same time large negative factor incomes due to repatriation of profits by foreign mining companies and also deficits in the service balance.

In 2009, the trade balance surplus declined significantly but still amounted to almost 50% of GDP (after around 65% of GDP in 2008). The deficit in the service balance increased but as the outflows of factor income declined sharply, the current account balance improved and recorded a surplus, equivalent to 8.3% of GDP. In 2010, exports are projected to rise again owing to higher oil and gas prices while imports, comprising mainly petroleum sector equipment, petroleum products and manufactured goods, are forecast to fall. The current account surplus is forecast to increase from to 17.3% in 2010 and further to 19.7% in 2011.

Concerns have been raised about possible "Dutch disease" effects of the oil boom – the situation where a boom in the oil sector leads to an appreciation of the real exchange rate, hurting the export potential of other export sectors such as cocoa, the main export prior to the oil boom, or timber, now the main export commodity after oil and gas. Given that Equatorial Guinea belongs to the CEMAC monetary union characterised by a fixed exchange rate to the euro, the major risk for an overvalued real exchange rate is that domestic inflationary pressures are higher than those for trading partners. In order to counter possible Dutch disease effects, policy makers have to control domestic demand to curb inflationary pressures and build infrastructure to reduce production costs in other exportoriented sectors of the economy. As mentioned above, Equatorial Guinea is a member of the CEMAC, comprising Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon. CEMAC is one of the oldest regional arrangements in Africa. It evolved from a loose customs union to a fully fledged economic and monetary union in 1994. Income levels vary widely, from over 20 000 US dollars (USD) in Equatorial Guinea to less than USD 300 in the Central African Republic and Chad. Factors favourable to integration include: *a)* an institutional framework with a well functioning monetary union characterised by a fixed exchange rate pegged to the euro and a strong regional central bank (BEAC); *b)* a customs union; and *c)* the presence of regional projects, such as the Chad-Cameroon oil pipeline and the regional payments projects.

Obstacles to integration are poor transport infrastructure, limited intraregional trade and lack of economic complementarities. Also, there are unresolved border disputes between Equatorial Guinea and Cameroon on the northern border and Gabon on its southern and eastern border. All parties have pledged to resolve the border disputes peacefully. Equatorial Guinea has developed close relationships with Nigeria, Angola and South Africa.

Table 4: Current account

	2001	2006	2007	2008	2009	2010	2011
Trade balance	**54.6**	**72.6**	**69.6**	**64.7**	**48.1**	**50.3**	**50.5**
Exports of goods (f.o.b.)	102.4	96.3	95.4	89.0	81.5	81.1	80.0
Imports of goods (f.o.b.)	47.7	23.7	25.8	24.3	33.4	30.8	29.5
Services	**-45.4**	**-9.6**	**-10.2**	**-9.9**	**-14.4**	**-11.8**	**-11.9**
Factor income	**-58.1**	**-53.5**	**-57.9**	**-50.7**	**-25.8**	**-23.0**	**-22.2**
Current transfers	**-0.1**	**-0.4**	**-0.4**	**-0.4**	**-0.6**	**-0.7**	**-0.6**
Current account balance	**-48.9**	**9.1**	**1.1**	**3.7**	**7.3**	**14.9**	**15.8**

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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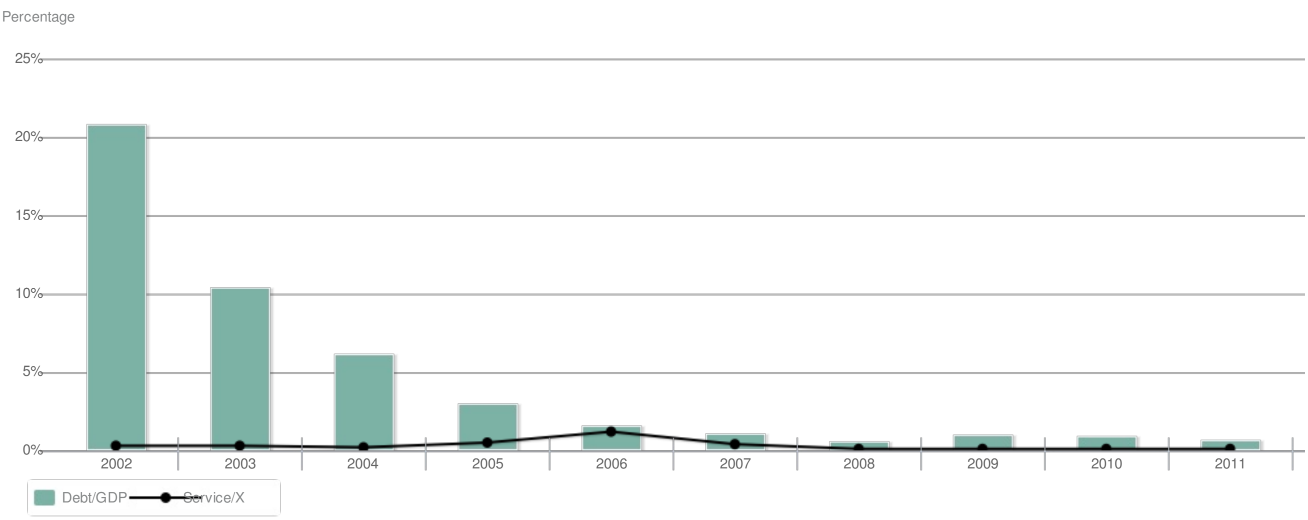
Figure 3: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Sources: IMF.
Figures for 2009 are estimates; for 2010 and later are projections.

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Structural Issues

Private Sector Development

The business environment in Equatorial Guinea remains difficult. The World Bank *Doing Business* Index suggests that it deteriorated in 2009 relative to 2008. Equatorial Guinea ranked 170 out of 183 countries in the 2010 ranking (which covers the period June 2008 – May 2009) compared with 169 out of 180 in the 2009 ranking. The constraints to doing business include an unreliable supply of electricity, cumbersome institutional procedures, relatively high costs of inputs, a perceived high level of corruption and a weak judicial system. Private sector development is also deterred by a lack of clarity on how key laws are applied, limited financing for small and medium-sized businesses, poor labour skills and the high cost of imported goods. Domestic investment is dominated by public investment in the hydrocarbons sector and in other sectors such as fisheries and agriculture. A key issue is the extent to which public investment may be complementing or crowding out private investment. The government has prioritised the establishment of an efficient system of commercial arbitration as part of its strategy to promote private sector development.

Other Recent Developments

Equatorial Guinea faces major public sector challenges. The authorities manage a very large and diversified portfolio of assets, which includes reserves in BEAC, offshore assets and shares in private corporations. At home, the government is the main investor in the non-oil economy and an investor in the oil economy. The government has a 60% share in Guinea Equatorial Telecommunications (Getesa), which provides fixed-line and mobile telephone services. In 2008, a second mobile telephone provider, a Saudi-based firm, was allowed to operate. The government also has a 62% stake in the national electricity provider, *Sociedad de Electricidad de Guinea Ecuatorial* (SEGESA). The government, through the national oil company, GEPetrol, is a key investor in the hydrocarbon sector. The government has been investing massively in infrastructure in recent years. Managing these activities requires relatively strong public sector institutions and considerable human resources. This constitutes a major challenge for Equatorial Guinea.

The perception of widespread corruption in Equatorial Guinea remains a major issue. The country ranked 168 (jointly with 5 other countries) out of 180 countries in 2009 on the *Corruption Perception Index* compiled by Transparency International. It ranked 171 out of 180 in 2008. The country has been a candidate to the Extractive Industries Transparency Initiative (EITI) since 2008. However, progress in meeting the criteria to progress to compliant country status has been slow despite the government's declared commitment.

Equatorial Guinea comprises a mainland and five inhabited islands. Malabo, the national capital, is located on the island of Bioko. While the country is one of the smallest in Africa with an area of just over 28 000 square km, its geographical structure poses infrastructural challenges of connecting the different parts of the country. However, the country's infrastructure, once very poor, has been improving in recent years thanks to the oil boom. The government is upgrading urban roads in Malabo. Malabo II, a new city, is under construction. Equatorial Guinea has been chosen to co-host the 2012 African Cup of Nations in partnership with Gabon. It will also be hosting the 2011 African Union summit. These events have given added impetus to the drive to improve the country's infrastructure.

The government prioritises the improvement of infrastructure linked to the oil industry. Equatorial Guinea has two of the deepest Atlantic seaports of the region, including the main business and commercial port city of Bata. The government hopes that the port of Luba, 45 km from Malabo, will become a major transport hub for offshore oil and gas companies operating in the Gulf of Guinea. The country's two other ports in Malabo and Bata, are being expanded.

A Spanish firm has been awarded a USD 66 million contract to build canals in Malabo. The canal network will be fed with water from two rivers. The canal will provide a cheaper and more reliable means of transporting goods in and out of the capital than the road network. There is no national railway and no plans to establish one. The country has two international airports in Malabo and Bata (on the mainland), and five domestic airports. Air traffic has soared in recent years as a result of the growth in the petroleum industry. There are several airlines offering flights from major cities in Europe.

Mobile telephony has been spreading rapidly. An estimated 50% of the population subscribes to a mobile telephone service while only 2% of the population has access to fixed-line telephony. Information and communication technology remains relatively undeveloped. Internet connectivity is difficult and minimal. The PC INpact website, an electronic information portal reporting on information and communication technology, put Equatorial Guinea third from the bottom globally with regard to Internet connection speed. Furthermore, the Internet world statistics electronic information portal reports that only 1.9% of the population had Internet access in 2009.

Despite Equatorial Guinea's large oil reserves and output, the country has no petroleum refinery. It imports all of its refined petroleum products, which are sold at prices set by the government. The government also approves electricity tariffs, which are heavily subsidised. SEGESA, the state monopoly provider, has been beset with financial difficulties with an electricity grid in need of upgrading. Illegal connections are widespread. As a result, power supply is unreliable. A project to modernise the electricity grid is underway, with scheduled completion by 2010. Equatorial Guinea is estimated to have 2 600 megawatts (MW) of hydropower potential.

Potable water is available in the major towns but is not always reliable because of poor maintenance and ageing infrastructure; consequently, supply interruptions are frequent and prolonged in some neighbourhoods. A major project upgrading the public water system is underway. Some villages and rural areas are equipped with generators and water pumps owned by private individuals.

Equatorial Guinea's maritime boundaries contain substantial oil and gas reserves. The country is the third largest oil producer in sub-Saharan Africa, after Nigeria and Angola. GEPetrol, Equatorial Guinea's national oil company, is responsible for the country's downstream oil sector activities. However, since 2001, its primary focus has become managing the government's interest stakes in various production sharing contracts (PSCs) with foreign oil companies. GEPetrol also partners with foreign firms to undertake exploration projects and has input into the country's environmental policy implementation. In its recent block-licensing negotiations, Equatorial Guinea has pursued increases in the government's stake in new PSCs. The government has purchased the assets of the American company Devon, which held a significant minority share in the largest oil field, to gain active participation in the field.

Gas production is processed as condensate, liquefied petroleum gas, methanol and liquefied natural gas (LNG). Oil reserves are estimated at 1.8 billion barrels while proven natural gas reserves on 1 January 2009 were 1.3 trillion cubic feet. US companies dominate the country's hydrocarbons industry but Chinese companies, providing significant credit lines, are gaining influence. The government has announced plans to focus on the gas industry as oil production stagnates, as forecasts suggest that the oil reserves will be depleted by 2030. The government has authorised the BG Group, its only liquefied natural gas buyer, to sell a stock to any buyer, ending a dispute over the sale of gas in Asia. Unexploited natural resources include titanium, iron ore, manganese, uranium and alluvial gold.

Sound management of Equatorial Guinea's vast oil and gas resources is crucial to reduce poverty and promote human development. The major concern to date has been the perceived high level of corruption and lack of transparency in the management of the resources. As noted previously, the government initiated steps to join the EITI which seeks to promote good governance in the management of natural resources by requiring resource extraction firms to publish what they pay to government and the latter what they receive from firms. Equatorial Guinea currently holds Candidate status with the EITI and is nearing the final stages of meeting the criteria to be validated as a compliant country. Compliant countries are those deemed by the EITI as meeting its standards. The participation of civil society is a critical requirement to achieve compliant status. The World Bank is expected to support Equatorial Guinea's efforts to meet this requirement.

A key issue of natural resource development is the institutional capacity to manage Equatorial Guinea's vast hydrocarbon resources. The initial contract terms with foreign companies exploiting the resources were generally perceived to favour the companies. Some of these contracts have been revised to address this concern. The government sees the natural gas sector as a key part of its economic diversification strategy.

Public Resource Mobilisation

Unlike the typical African country with relatively limited government revenue, Equatorial Guinea's oil wealth has generated large fiscal revenues of over 45% of GDP in recent years. The imperatives facing the country with regard to public resource mobilisation are, first, managing the large oil revenues and the diversified portfolio of assets in which these have been invested. For instance concerns have been raised that the country's reserves at the regional central bank, BEAC, generate relatively low returns. The need for transparency and accountability in the management of the revenues is another issue. The widespread corruption in the country reduces the effectiveness of public sector activity including tax collection and spending efficiency. Another issue is the need to ensure inter-generational equity by saving some of the oil revenues for future generations. This leads to another key concern: what happens when the oil reserves are depleted, by 2030, as is currently forecast? The government has stated that it sees the natural gas sub-sector as a key part of the country's post-oil future. However, other sectors also have considerable potential for generating revenues. For instance, the country has substantial underexploited marine resources. There are also good prospects for increasing timber exports and for encouraging production in agricultural products such as cocoa, the main export before the discovery of oil.

Scope exists for raising government revenues by improving the revenue infrastructure. The government is taking steps to improve public financial management. The tax administration is strengthening training and monitoring of taxpayers, and expanding the use of a taxpayer identification number. The customs administration is automating and adopting pre-shipment inspection. The Treasury is improving the classification of government expenditures. The government has recruited foreign advisers to assist in the process.

Political Context

Equatorial Guinea has a multiparty system of government with an executive president and a single-chamber legislature. Presidential elections are held every seven years and parliamentary elections every five years. In the latest presidential elections in November 2009, President Teodoro Obiang Nguema Mbasogo, in power since 1979, won another term with 95% of the votes. The results were disputed by the opposition but have stood. In January 2010, President Nguema Mbasogo named a new cabinet, fulfilling a constitutional requirement to form a new government after a presidential election. The new cabinet, comprising 68 ministers and their deputies, was 50% larger in size than the previous cabinet. The ruling *Partido Democrático de Guinea Ecuatorial* (PDGE) has an overwhelming majority in parliament and in all 30 municipalities. The opposition has only 1 seat in the 100-seat parliament.

In November 2009, five mercenaries, jailed for plotting a coup in 2004, were granted presidential pardons, officially on humanitarian grounds, but also as a goodwill gesture towards South Africa following a visit by President Jacob Zuma. In February 2009, an assault was launched on the presidential palace in Malabo apparently by a group of foreign fighters. They were repulsed by the army and presidential guard. The army increased its presence in the streets until the situation returned to normal.

The government is perceived to be pursuing a more open-door policy to the rest of the world. As mentioned above, Equatorial Guinea will be co-hosting, with Gabon, the 2012 football African Cup of Nations. It will also be hosting the 2011 summit of the African Union. An Equatorial Guinea national now heads the BEAC.

Social Context and Human Resource Development

Equatorial Guinea recorded one of the highest levels of GDP *per capita* in Africa, estimated at about USD 20 000 in 2007. The country has attained this status in the wake of the oil boom. Equatorial Guinea's adult literacy rate, 87%, is much higher than the average of 63% for sub-Saharan Africa. Aid *per capita* has dropped from USD 159 in 1990 to USD 49 in 2009, reflecting a reduced dependence on foreign aid; also due to the oil boom. Equatorial Guinea ranked 118 out of 182 countries on the UN Development Programme (UNDP) Human Development Index 2009 (based on 2007 data). The Human Development Index is a composite index encompassing several variables related to three dimensions, including standard of living, life expectancy and knowledge and education. Fewer than ten African countries ranked higher than Equatorial Guinea on the Index, suggesting that the country's human development indicators are relatively strong. However, the country's relatively good ranking is due, to a large extent, to the high level of *per capita* income. According to the IMF, the analysis of the 2006 Household Expenditure Survey showed that about 77% of the population fell below the poverty line in 2006. Such a high incidence of poverty, in a country with *per capita* income higher than some European Union member countries, reflects a high degree of income inequality, which is not considered in the Human Development Index, suggesting that Equatorial Guinea's ranking does not adequately capture the conditions in the country. A key concern, therefore, is the extent to which the population benefits from the gains of the oil sector. A more equitable distribution of these gains should be a priority.

Health and sanitation indicators suggest that both are poor; hence, it is not on track to achieve some of the MDGs. The infant mortality rate was 124 per 1 000 in 2007, much higher than the figure of 103 per 1 000 in 1990. Similarly, the under-five mortality rate increased from 170 per 1 000 in 1990 to 206 in 2007. The increase in these mortality rates may be due – at least in part – to reduced coverage of immunisation of children against measles, a leading cause of death among children. The immunisation rate for measles dropped from 88% in 1990 to 51% in 2007.The maternal mortality rate was 680 per 100 000 in 2007, one of the highest in the world. The incidence of tuberculosis has increased from 108 per 100 000 to 256. Also, the incidence of HIV/AIDS has increased from 1% in 1990 to 3.4% in 2007. The proportion of the population with access to improved sanitation has stagnated at 51% since 1990 and the proportion with access to improved water sources has also stagnated at 43%. Indicators suggest that some education elements also appear to have deteriorated or stagnated over the years. Notably, total primary school enrolment dropped from 91% in 2000 to 69% in 2007.

The government approved a long-term development plan – the National Economic Development Plan: Horizon 2020 – in late 2007. The plan has the dual objectives of accelerating poverty reduction and creating the basis for Equatorial Guinea to become a modern emerging economy by 2020. The plan seeks to diversify the economy to create employment, reduce dependence on oil and enhance external competitiveness. The four main pillars are improvements in infrastructure, human capital, governance and social welfare. A Social Development Fund has been set up to support projects in education, health, water and sewerage, gender equality and community development.

The country attracts a large number of immigrants from other African countries. But given the small population and low human resource base the government plans to review immigration laws with a view to attracting skilled foreign labour. Urbanisation has been proceeding at a high rate, as a result of the oil boom and the relative neglect of rural economic activity.

Table 5: Summary results

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real GDP growth (incl.Stk)	67.8	20.4	14.4	32.7	8.8	5.3	23.2	11.3	0.5	1.5	3.1
CPI inflation	8.8	7.6	7.3	4.2	5.7	4.4	2.8	6.0	5.5	2.9	2.5
GDP (scaled $)	1590.8	1915.8	2191.1	2908.1	3164.4	3332.7	4107.1	4570.9	4579.5	4607.4	4666.1
RGDP	1.7	2.1	2.8	4.8	7.2	8.5	10.7	16.2	10.8	13.1	14.2
Exchange rate	732.5	696.0	580.6	528.0	527.8	522.6	479.3	447.8	489.1	440.8	440.8

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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