INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/25

REPUBLIC OF EQUATORIAL GUINEA

February 2024

2023 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF EQUATORIAL GUINEA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2023 Article IV consultation with Republic of Equatorial Guinea the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 12, 2024, consideration of the staff report that concluded the Article IV consultation with Republic of Equatorial Guinea.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 12, 2024, following discussions that ended on November 17, 2023, with the officials of Republic of Equatorial Guinea on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 21, 2023.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Republic of Equatorial Guinea.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2023 Article IV Consultation with Equatorial Guinea

FOR IMMEDIATE RELEASE

Washington, DC – January 12, 2024: The Executive Board of the International Monetary Fund (IMF) concluded today the 2023 Article IV consultation[1] with Equatorial Guinea.

Equatorial Guinea's economy remains confronted with a continuous decline in oil production. After the 2022 respite, the economy is expected to fall back into a deep recession, with an estimated 8.8 percent fall in economic activity in 2023. Inflation is expected to have moderated to 2.5 percent from 4.9 percent in 2022, while the current account surplus would have fallen to 1 percent of GDP from 2.4 percent in 2022. The overall fiscal surplus is estimated to have dropped to 0.3 percent of GDP from 13.6 percent in 2022, while the non-hydrocarbon primary fiscal deficit is expected at 23.3 percent of non-hydrocarbon GDP, up from 22.7 percent of non-hydrocarbon GDP in 2022.

Near and medium-term growth prospects appear challenging with the projected reduction in oil production and lackluster growth in the non-oil economy due to underlying structural weaknesses. Real GDP growth is projected to contract by 5.5 percent in 2024, and the economy would remain on average in recession over the medium term. The current account balance surplus would turn into deficit, averaging -7.6 percent of GDP over 2024–28. However, based on the authorities' announced plans, the fiscal surplus is projected to increase to 2.9 percent of GDP and the non-hydrocarbon primary deficit to improve to 19.5 percent of non-hydrocarbon GDP in 2024.

This outlook is subject to uncertainty, and risks remain titled to the downside. These include faster-than-projected depletion of oil reserves, waning demand for hydrocarbons amid acceleration of global transition to net zero and delays in implementing key policy reforms.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that Equatorial Guinea's economy expanded in 2022 after a long period of recession. However, the

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion the acting Chairman of the Board summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in Summings Up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

recovery was short-lived, and the medium-term outlook faces substantial risks stemming from the projected decline in oil production and challenging business environment. Against this background, Directors urged front-loaded efforts to support macroeconomic and financial stability, transformative reforms to promote economic diversification, and advancement of the governance and anti-corruption agenda to support sustainable growth.

To ensure fiscal sustainability, Directors welcomed the authorities' agreement to anchor fiscal policy on nonhydrocarbon primary balance and to consolidate public finances. They commended the authorities for approving a 2024 budget that targets a substantial fiscal adjustment, while boosting investment in health and education.

Directors emphasized the importance of addressing risks and vulnerabilities in the banking sector to safeguard financial stability. They encouraged the authorities to complete their ongoing efforts to restructure and recapitalize the troubled part of the banking sector and to address the high level of non-performing loans. These efforts should be coupled with actions to recover assets to limit the budgetary cost. While welcoming progress made so far to settle domestic arrears, Directors called for a comprehensive and transparent plan.

Directors called for bold structural reforms to foster economic diversification and support inclusive, sustainable growth. Reform priorities include reducing the regulatory burden for business creation, boosting investment in human capital, and ensuring the well-functioning and efficiency of markets.

Directors underscored the urgent need for strong implementation of the governance and anti-corruption reforms agenda. The funding of the anti-corruption commission, a steppingstone for an effective implementation of the asset declaration regime, and the adoption of the anti-corruption law are welcome steps, and efforts to fully implement these reforms are encouraged. Directors also stressed the importance of improving transparency in the hydrocarbon sector, strengthening the effectiveness of the AML/CFT framework, and addressing the constraints in economic data generation and provision.

Noting the authorities’ interest in a financing arrangement with the Fund, Directors generally underlined the importance of building a track record on reforms alongside continuing to strengthen capacity, including through Fund technical assistance, to support their efforts.

Equatorial Guinea: Selected Economic and Financial Indicators, 2019–28

			Estimates					Projections		
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
					(Percent of GDP, unless otherwise specified)					
Production, Prices, and Money										
Real GDP	-5.5	-4.8	-0.4	3.2	-8.8	-5.5	3.7	-4.1	-0.2	-0.8
Hydrocarbon GDP[1]	-8.8	-3.5	-7.3	1.1	-21.0	-16.9	4.7	-16.5	-7.3	-10.5
Non-hydrocarbon GDP	-1.4	-6.3	7.7	5.4	3.0	3.0	3.1	3.4	3.2	3.5
GDP deflator	-3.2	-10.2	19.9	4.5	-10.1	10.3	1.2	5.1	3.4	4.1
Hydrocarbon sector	-11.7	-28.0	57.8	9.7	-37.4	4.8	-1.2	-4.5	-2.9	-1.9
Oil and gas primary production	-4.0	-32.3	58.5	62.3	-19.0	-3.4	-5.3	-4.2	-3.3	-2.4
Consumer prices (annual average)	1.2	4.8	-0.1	4.9	2.5	5.0	1.8	2.6	2.2	2.0
Consumer prices (end of period)	4.3	-0.6	2.9	5.0	2.2	6.3	0.4	2.2	2.3	1.8
Monetary and Exchange Rate										
Broad money	19.6	-7.0	0.4	20.7	-6.6	10.1	4.1	4.0	3.2	3.3
Nominal effective exchange rate (- = depreciation)	-1.5	2.5	0.9	-4.4	...	...	...	...	...	...
Real effective exchange rate (- = depreciation)	-2.2	6.0	-2.2	-6.5	...	...	...	...	...	...
External Sector										
Exports, f.o.b.	-8.3	-46.6	33.7	83.7	-45.3	-10.0	1.8	-18.3	-8.7	-11.4
Hydrocarbon exports	-15.7	-37.9	31.7	87.9	-46.5	-10.7	1.7	-19.6	-9.6	-12.7
Non-hydrocarbon exports	63.3	-89.9	94.7	-3.1	0.5	3.1	2.9	3.3	3.7	3.8
Imports, f.o.b.	-24.7	-27.7	4.4	15.1	-11.7	8.3	4.3	-11.8	9.2	1.6
Terms of trade	7.3	-24.5	49.3	-18.5	-36.2	5.0	5.0	-8.8	-6.5	-2.7
Government Finance										
Revenue	-14.3	-33.9	27.0	117.1	-37.8	9.8	-22.7	-9.8	0.4	0.5
Expenditure	-20.6	-17.7	-6.4	46.6	9.8	-1.7	6.4	4.4	6.1	5.7
Investment and Savings										
Gross investment	10.9	4.7	4.8	13.6	14.7	14.3	15.7	16.1	16.2	16.3
Gross national savings	3.4	3.9	9.0	16.1	15.7	10.5	9.7	7.9	6.6	5.7
Government Finance										
Revenue	18.6	14.4	15.3	30.8	23.4	24.6	18.1	16.2	15.8	15.4
Of which: hydrocarbon revenue	14.8	10.7	12.3	27.9	19.2	19.7	13.1	10.9	10.3	9.8
hydrocarbon revenue (as percentage of non-hydro GDP)	3.8	3.7	3.0	2.9	4.2	4.9	5.0	5.3	5.4	5.6
non-hydrocarbon revenue	7.6	5.4	5.1	5.1	5.6	6.2	6.3	6.4	6.4	6.4
non-hydrocarbon revenue (as percent of non-hydro GDP)	16.8	16.2	12.7	17.2	23.0	21.7	22.0	22.8	23.5	24.0
Expenditure	1.8	-1.8	2.6	13.6	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Overall fiscal balance (Commitment basis)	1.8	-1.8	2.6	13.6	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Overall fiscal balance (Cash basis)	-0.5	-3.2	1.0	11.9	-2.0	1.1	-5.3	-7.7	-8.8	-9.6
Non-hydrocarbon primary balance[2]	-11.5	-11.2	-8.6	-13.1	-17.3	-15.3	-15.1	-15.5	-15.9	-16.3
Non-hydrocarbon primary balance (as percent of non-hydrocarbon GDP)	-19.5	-16.8	-14.6	-22.7	-23.3	-19.5	-19.1	-18.6	-18.6	-18.6
Change in domestic arrears	-2.3	-1.5	-1.6	-1.7	-2.3	-1.8	-1.4	-1.1	-1.1	-1.0
External Sector										
Current account balance (including official transfers; - = deficit)	-7.5	-0.8	4.2	2.4	1.0	-3.8	-6.1	-8.1	-9.6	-10.6
Imputed Foreign Reserves (net), US$billion	-0.2	-0.5	-0.3	1.1	1.1	0.8	0.3	-0.5	-1.4	-2.5
Debt										
Total public debt	43.2	49.4	42.1	34.6	42.1	34.0	33.3	36.0	37.4	38.1
Domestic debt	29.2	34.0	29.9	24.6	31.9	31.9	32.4	33.5	32.9	32.4
External debt	14.0	15.4	12.2	10.0	10.2	2.1	0.9	2.5	4.5	5.7
External debt service-to-exports ratio (percent)	4.8	7.6	7.8	4.3	7.8	6.1	6.6	5.5	4.7	5.3
External debt service/government revenue (percent)	11.9	15.2	16.5	7.6	11.9	7.7	10.8	8.1	6.4	6.4
Memorandum Items										
Oil price (U.S. dollars a barrel)[3]	57.7	43.3	70.8	99.0	82.7	80.1	76.5	73.4	71.1	69.4
Nominal GDP (billions of CFA francs)	6,658	5,695	6,804	7,340	6,019	6,277	6,583	6,634	6,848	7,074
Nominal GDP (millions of US dollars)	11,364	9,894	12,269	11,767	9,917	10,361	10,914	11,013	11,356	11,715
Hydrocarbon GDP (billions of CFA francs)	2,754	1,914	2,801	3,107	1,535	1,337	1,383	1,103	993	872
Non-hydrocarbon GDP (billions of CFA francs)	3,905	3,781	4,003	4,233	4,484	4,939	5,199	5,531	5,855	6,201
Hydrocarbon volume (barrels)	11.4	11.0	13.2	21.3	20.8	15.4	10.8	8.2	7.0	6.7
Oil volume (crude + condensado, millions of barrels)	52.6	52.4	43.4	39.5	28.7	27.8	30.4	25.8	24.1	21.3
Gas volume (LNG + propano + butano + methanol, millions of bbls oil equivalent)	55.9	48.7	55.1	62.2	53.2	33.9	33.9	27.5	25.0	23.8
Total Hydrocarbon Volume (in millions of barrels of oil equivalent)	108.6	101.2	98.5	101.7	81.9	61.7	64.3	53.3	49.1	45.1
Exchange rate (average; CFA francs/U.S. dollar)	585.9	623.8	605.8	602.4						
Gross Reserve assets at the BEAC (months of next years' imports)[4]	0.2	0.3	0.2	6.1	5.4	3.7	2.0	-0.7	-3.8	-3.3

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

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

[2] Excluding oil revenues, and interest earned and paid.

[3] The local price of crude oil is the Brent and includes a quality discount.

[4] Refers to imputed reserves.

INTERNATIONAL MONETARY FUND

REPUBLIC OF EQUATORIAL GUINEA

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

December 21, 2023

KEY ISSUES

Context. Equatorial Guinea's macroeconomic situation has deteriorated over the last decade due to a secular decline in oil production. In 2022, economic indicators improved somewhat. However, this recovery was short-lived, with the economy projected to fall back into recession in 2023. In the years ahead, the economy would contract further. Without strong policy responses, all the gains in per capita income achieved over the last two decades are expected to fully unravel by 2028. The three-year Extended Fund Facility (EFF) approved in 2019 to support the authorities' diversification agenda expired at end-2022 without a single completed review. The authorities have nonetheless continued to implement reforms delayed under the program as well as the 2022 Article IV Consultation recommendations.

Key Policy Recommendations

Fiscal policy. Fiscal policy should be anchored on the nonhydrocarbon primary balance. Consolidating public finances has become more urgent than ever to avoid a costly sovereign stress event in the long run. To achieve this, it is critical to boost nonhydrocarbon revenue collection and reduce non-priority spending while improving social outcomes in health care and education. The 2024 budget is in line with staff advice and represents an ambitious step towards this effort.

Financial sector policy. Restoring the soundness of the banking sector is key to foster nonhydrocarbon growth. Ongoing implementation of plans to address solvency and liquidity issues in the troubled part of the banking sector is welcome. The financial inclusion strategy should be finalized and executed.

Structural policies. Fostering nonhydrocarbon growth and inclusion is critical to long-term macroeconomic and social stability. Reform priorities include finalizing and implementing a comprehensive plan for the repayment of domestic arrears, reducing the regulatory burden for business creation, boosting investment in basic healthcare, education, and sanitation to support development of human capital, and ensuring the well-functioning and efficiency of markets. It is also important to advance the privatization of some public assets.

Governance and anti-corruption policies. Recent steps to operationalize the anti-corruption commission are welcome while efforts to address serious remaining governance and corruption weaknesses and shortcomings in the AML/CFT framework need to be stepped up.

Approved By

Vitaliy Kramarenko (AFR) and Jarkko Turunen (SPR)

Discussions took place in Malabo, from September 26 to October 5, 2023, and November 15-17, 2023. The team comprised Mr. Mesmin Koulet-Vickot (head), Mses. Carolina Brozdowski (virtual), Jamie Fraser and Ivanova Reyes (all AFR), Mr. Nicolò Bird (FAD), Mr. David Florián (SPR) and Mr. João Marques (MCM). Mr. Franto Ricka (incoming mission chief) participated in the November mission. Ms. Haiyan Shi (resident representative), Mr. Cornelio Nzang (local economist) and Ms. Cristina Ebako (local office manager) assisted the mission. The mission met with Minister of Finance and Budget, Fortunato Ofa Mbo Nchama; Minister of Planning and Economic Diversification, Gabriel Mbaga Obiang Lima; Minister of Mines and Hydrocarbons, Antonio Oburu Ondó; Delegate Minister of Treasury and State Patrimony, Milagrosa Obono Angüe; National Director of the BEAC, Genoveva Andeme Obiang, and other senior government officials. Ms. Joseph, and Mr. Masterson (all AFR) assisted in the preparation of this report.

CONTENTS

TABLES

ANNEXES

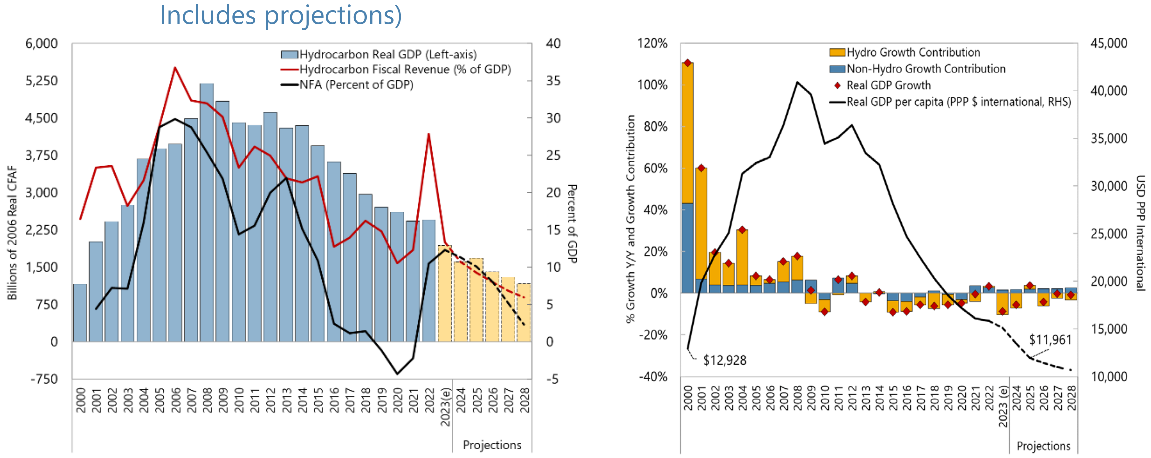
BACKGROUND

1. **A secular decline in oil production has led to macroeconomic imbalances.** Over 2014–21, real GDP fell by a compound growth rate of -5 percent per year. Revenues and exports also decreased, straining the fiscal and external balances as reflected by Equatorial Guinea's declining contribution to the regional reserves, and elevated domestic arrears, which translated into high levels of non-performing loans (NPLs) in the banking sector. While macroeconomic conditions improved somewhat in 2022 owing to elevated hydrocarbon prices, prospects remain gloomy, with hydrocarbon production projected to decline by a further 50 percent between 2023 and 2028[31]. Without strong policy responses, all the gains in per capita income achieved over the last two decades are expected to fully unravel by 2028 (Figure 1).

Figure 1. Equatorial Guinea: Hydrocarbon and Growth Developments

Hydrocarbon Output
(Fiscal Revenue and Net Foreign Assets, 2000–28, Includes projections)

Growth Accounting and Living Standards
(2000–28, Includes projections)



Sources: Equatoguinean authorities, IMF database, and IMF staff calculations

Equatorial Guinea is also grappling with governance and corruption vulnerabilities. Voice and accountability, regulatory quality and control of corruption are the institutional areas with the biggest needs for improvements (Figure 2). While the country stands below LICs and the SSA region in measurements of the Rule of Law and Government Effectiveness, it fares similarly to other CEMAC countries.

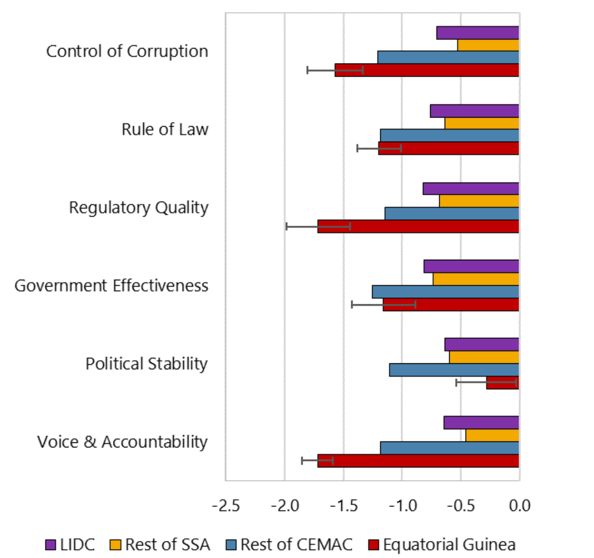
[1] The projected decline in the hydrocarbon production by 50 percent is based on wells that are actively being drilled. However, there are an estimated 330 million barrels of oil equivalent in discovered reserves (Source: Rystad Energy AS).

In the area of Political stability and the absence of violence or terrorism the country performs better relative to comparators.

2. Against this backdrop, the authorities responded with a reform agenda supported by an Extended Fund Facility (EFF) arrangement approved in 2019. However, the EFF lapsed at end-2022 without a review completion. The fiscal consolidation efforts fell short of objectives largely due to a series of shocks (Covid-19 and Bata explosions); many governance reforms were not implemented on time due to insufficient ownership; and the banking system vulnerabilities were not addressed. Still, there have been important strides in key reforms since late 2021 as easing of the pandemic freed up the authorities' capacity for reform implementation. For the first time since September 2019, Equatorial Guinea's net foreign assets (NFA) at BEAC improved steadily and turned positive in 2022.[2] A significant part of the 2022 hydrocarbon revenue windfall was saved, as reflected in the large fiscal surplus. Progress was made on the governance agenda with the passage of an Anti-Corruption law in late 2021, the completion of the audits of the largest state-owned oil and gas companies and the payments of part of audited domestic arrears. Further progress was also achieved in implementing the 2022 Article IV recommendations, including the macroeconomic policies, select PFM measures, banking sector restructuring, and domestic arrears clearance (see Annexes I and II).

Figure 2. Equatorial Guinea: There is a Need to Strengthen Most Governance Areas

(WGI Indicators, 2021, point scale, -2.5 to 2.5)



Note: Showing standard errors bars for Equatorial Guinea.
Sources: Daniel Kaufmann and Aart Kraay (2023). Worldwide Governance Indicators Database. The WGI is a perception-based indicator which aggregates data from more than 30 think tanks, international organizations, nongovernmental organizations, and private firms. The accuracy of perception-based indicators can be biased by experts' views. Non-IMF indicators provide qualitative information about corruption, they do not represent IMF's assessment of the level of corruption.

3. On the political front, presidential and legislative elections were held in November 2022. President Obiang Nguema Mbasogo and the ruling coalition won in those elections. The participation of women in Parliament has improved compared to the 2017 election. The international community's reaction to the electoral process was mixed. With the elections behind, political space for reforms appears to have increased as reflected by the authorities' request at the highest level for strong engagement with the Fund through a UCT program and technical assistance.

[2] Equatorial Guinea was the lead contributor to the increase in the CEMAC's international reserves in 2022.

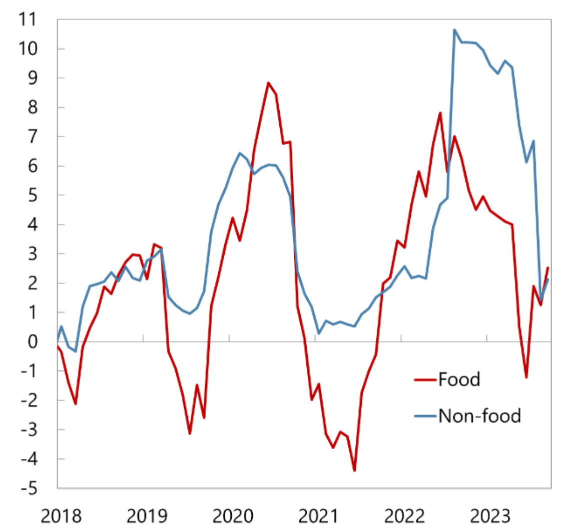
RECENT DEVELOPMENTS AND REFORM PROGRESS

4. The macroeconomic situation improved in 2022, but this was short-lived as shown by some high-frequency indicators in the first half of 2023.

- After seven consecutive years of contraction, real GDP grew by 3.2 percent in 2022, reflecting a recovery in the non-hydrocarbon sector following the lifting of COVID-19 containment measures and Bata reconstruction, as well as a temporary boost in hydrocarbon production spurred by high energy prices.3 While the growth momentum continued in the non-hydrocarbon sector, hydrocarbon real GDP collapsed by 18.9 percent year-on-year in the first half of 2023 due to an accident at one of the platforms in the largest oil field.

Figure 3. Equatorial Guinea: Food and Non-Food Inflation Rate

(Percent, YoY)



Sources: Equatoguinean authorities and IMF staff calculations

- In 2022, average inflation rose to 4.9 percent (against –0.1 in 2021), driven by increased food prices stemming from the global shocks. Inflation (year-on-year) declined to 2.3 percent through October 2023.

- The overall fiscal surplus jumped from 2.6 percent of GDP in 2021 to 13.6 percent of GDP in 2022, higher than projected at the 2022 Article IV consultation, owing to a larger hydrocarbon revenue windfall. However, the non-hydrocarbon primary fiscal deficit deteriorated to 13.1 percent of non-hydrocarbon GDP in 2022 from 8.6 percent in 2021, reflecting underperformance of non-hydrocarbon revenue collection and large capital spending linked to the Bata (major city) reconstruction. Budget execution through 2023 H1 was characterized by a drop of 34 percent in total revenues compared to the same period of 2022, reflecting a sharp decline in hydrocarbon revenue, and a lower execution of the spending envelope.

- The current account surplus declined from 4.2 percent of GDP in 2021 to 2.4 percent of GDP in 2022 primarily driven by a deterioration in the income balance deficit due to increased outflows related to the repatriation of retained earnings. Equatorial Guinea's NFA

[3] The 2022 outturn was, however, weaker than projected in the 2022 Article IV consultation due to an over-estimation of natural gas production that was not realized, and the accident at the Zafiro oil field in September of 2022.

BEAC turned positive in 2022 for the first time since 2015 driven by record FDI inflows in the petroleum sector. Equatorial Guinea's 2022 external position is assessed to be substantially weaker than medium-term fundamentals and desirable policies. In 2023, the external sector has experienced a significant deterioration, with volume of hydrocarbon exports in the first half of the year decreasing by approximately 25 percent year-on-year.

5. **The banking sector remains under severe stress.** At end-July 2023, non-performing loans (NPLs) stood over 55 percent of total loans due to domestic arrears. Banks representing 60 percent of total assets were significantly undercapitalized. While liquidity ratios show consistent and increasing improvements since 2022 due to an increase in government deposits, one systemic bank is structurally dependent on liquidity provision from the central bank.

Text Table 1. Equatorial Guinea: The Banking Sector Remains Significantly Undercapitalized
(Financial Soundness Indicators, 2020–23, Percent)

	2020	2021	2022	Jun-23	Jul-23
Core FSIs					
Capital adequacy					
Total bank regulatory capital to risk-weighted assets[1]	-1.6	-6.2	0.6	-1.5	-1.7
Total capital (net worth) to assets	-0.2	-1.3	1.2	0.0	-0.1
Total assets (growth)	-0.1	53.2	-30.2	7.9	17.5
Asset quality					
Non-performing loans (gross) to total loans (gross)	52.2	55.1	55.4	56.0	55.0
Non-performing loans less provisions to regulatory capital[2]	-3.2	-1.0	10.1	-4.3	-3.4
Earnings and profitability					
Return on equity[3]	-3.9	-3.9	-2.0	3.3	...
Return on assets	-0.6	-0.5	-0.2	0.5	...
Non interest expense to gross income	115.1	106.3	97.2	91.9	...
Liquidity					
Liquid assets to total assets	19.9	12.7	21.9	32.1	35.5
Liquid assets to short-term liabilities	131.5	130.3	152.1	204.0	214.3
Total deposits to total (noninterbank) loans	98.5	102.6	115.9	136.3	151.7
Credit					
Gross loan (banks' book)[2]	1028.2	1058.8	988.4	991.5	1020.9
Gross loan - annualized growth rate	0.7	3.0	-6.7	2.2	0.3
Additional FSIs					
Foreign-currency-denominated loans to total loans	0.4	0.3	0.2	0.1	0.1
Foreign-currency-denominated liabilities to total liabilities	...	...	1.5	1.7	1.1

Source: Banking Commission of Central Africa (COBAC).
1. Calculated according to the Basel I guidance.
2. Billions CFAF
3. Return in ROE is calculated based on annualized net profit before tax.

6. **The authorities have advanced some overdue structural reforms since the last Article IV and the expiration of the EFF program.** The 2024 budget phases out most of the existing fuel subsidies and the authorities are preparing a plan for their complete elimination. They repaid a part of domestic arrears and are finalizing a comprehensive domestic arrears clearance plan with the support of an international auditor. Other reforms include a law limiting the recourse to non-competitive tender in the public procurement code, a law establishing a treasury single account, and deployment of the IT customs system ASYCUDA in the Luba port (in addition to Malabo). To foster non-hydrocarbon economy, they operationalized the online visa platform and signed management contracts for the Malabo airport and Bata port. Good progress was made in advancing the new debt IT management system. On restoring the soundness of the banking sector, the authorities finalized an agreement with a private investor interested in acquiring a large stake in the banking sector. Among governance measures, funding has been appropriated for the anti-corruption commission. The authorities have also intensified their fight against corruption, including in several high-profile cases.

7. **Authorities' Views.** The authorities broadly agreed with the characterization of recent economic developments and reform progress and the broad conclusions of the external sector analysis. They highlighted substantial reform progress made in 2023 to argue that difficulties encountered in the EFF program implementation over 2019–22 were mainly due to a series of shocks (the Covid-19 pandemic and the Bata explosions in 2021), which required the authorities to focus

their limited resources on crisis management instead of the reform agenda. The impact of the shocks was exacerbated by the absence of the Fund missions on the ground and delays in technical assistance provision stemming from travel restrictions.

OUTLOOK AND RISKS

8. The economy would broadly remain in recession on the back of a continued decline in oil production. Real GDP is expected to contract by 8.8 percent in 2023 and 1.4 percent on average between 2024–28, as the projected subdued growth in the nonhydrocarbon sector (average growth of 3.2 percent over 2023–28) would be insufficient to compensate the decrease in hydrocarbon output.[4] Inflation is expected to moderate to 2.5 percent in 2023 but will temporarily increase to 5 percent in 2024 driven by the removal of food and fuel subsidy programs. Inflation is projected to stay below 3 percent on average from 2025 onwards. The current account balance surplus is expected to decline to 1 percent of GDP in 2023 and average -7.6 percent of GDP over the medium term, leading to a fall in Equatorial Guinea's contribution to international reserves at the BEAC.

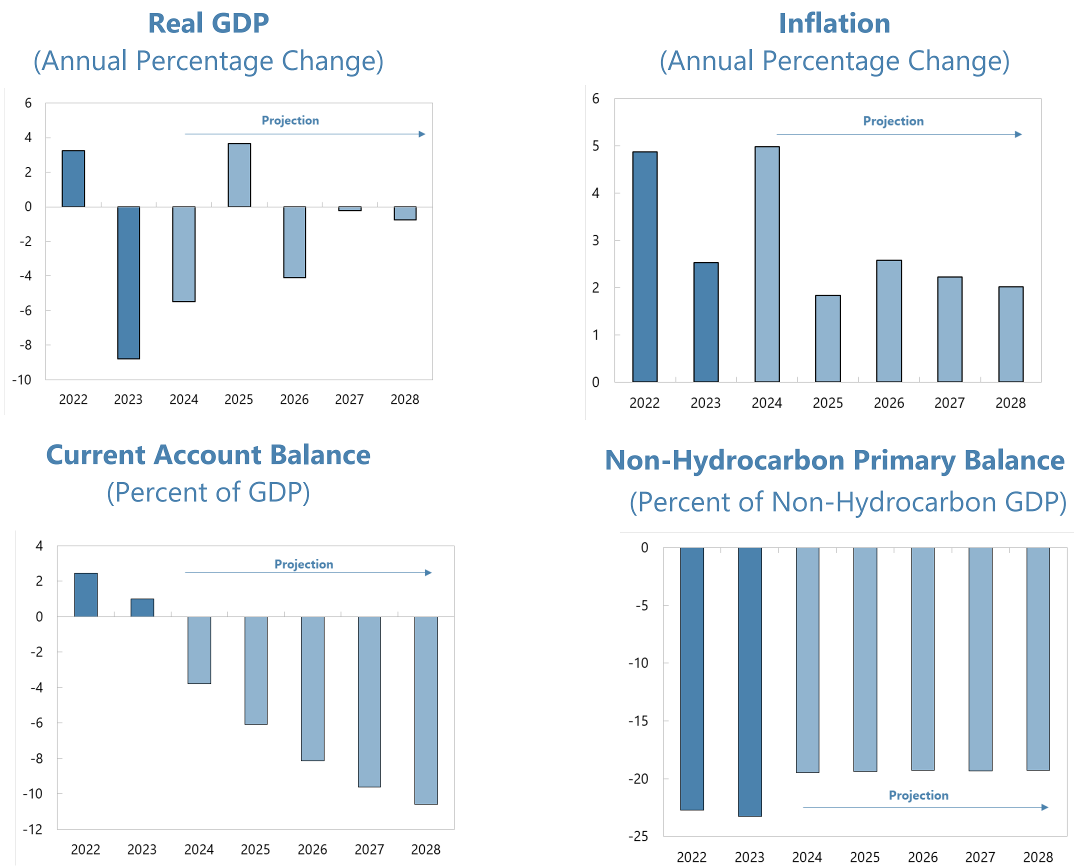
9. Based on the authorities' announced plan, fiscal accounts are projected to deteriorate in 2023 before improving from 2024 onwards. In 2023, the overall fiscal surplus would drop to 0.3 percent of GDP from 13.6 percent in 2022, while the non-hydrocarbon primary fiscal deficit is expected at 23.3 percent of non-hydrocarbon GDP, up from 22.7 percent of non-hydrocarbon GDP in 2022. In 2024, the overall fiscal surplus is projected to increase to 2.9 percent of GDP, while the non-hydrocarbon primary deficit would improve to 19.5 percent of non-hydrocarbon GDP. Over the medium term (2025–26), the baseline scenario reflects an additional cumulative fiscal adjustment of 0.9 percentage points of non-hydrocarbon GDP based on the authorities' currently approved measures and plans.

10. The balance of risks to the outlook is tilted to the downside (Annex III). Faster-than-projected depletion of oil reserves, waning demand for hydrocarbons amid acceleration of global transition to net zero and delays in implementing key policy reforms could worsen the economic recession and the fiscal and external balances, and sharply increase public debt. Other downside risks include lower hydrocarbon prices and another global food shock. In the case downside risks materialize, the authorities would need to sharply adjust, while protecting the most vulnerable. On the upside, there are several natural gas projects under development that could cushion the projected decline in hydrocarbon production.

11. Authorities' Views. The authorities broadly agreed with staff's assessment of Equatorial Guinea's outlook and risks. Over the medium term, they concurred with staff to not include, at this juncture, in the baseline scenario the impact of several hydrocarbon projects under development given elevated uncertainties. They stressed they have a plan to boost non-hydrocarbon growth and need CD and financing support of international organizations, including the IMF.

[4] The spike in growth in 2025 is due to a base effect and an increase in crude oil production in 2025 because of 3 new wells coming onstream.

Figure 4. Equatorial Guinea: Medium-Term Outlook



Sources: Equatoguinean authorities and IMF staff calculations.

POLICY DISCUSSIONS

Discussions focused on the need to anchor the fiscal framework on the nonhydrocarbon primary balance and embark in fiscal consolidation, as well to accelerate transformative reforms.

A. Ensuring Medium-Term Fiscal Sustainability

12. With the continuous decline in oil production, the authorities should anchor fiscal policy on nonhydrocarbon primary balance (NHPB) and consolidate public finances. This would help smooth the adjustment to the oil production decline and avoid the procyclicality of fiscal policy and the need for abrupt spending cuts when hydrocarbon revenues are exhausted. To avoid a costly sovereign stress event (Annex V of the 2022 Article IV), staff recommended a cumulative adjustment in the NHPB of 6.0 percent of non-hydrocarbon GDP (or 2.7 percent of overall GDP) over 2024–26 to maintain public debt below 40 percent of GDP during that period.

13. Staff highlighted the need for bold measures to raise non-hydrocarbon revenue and reduce non-priority expenditures. At about 6.6 percent of NHGDP (or 5 percent of GDP), the level of non-hydrocarbon revenue is too low to offset the declining hydrocarbon revenue and finance the development needs. Efforts to mobilize non-hydrocarbon revenue are constrained by weak revenue administration, outdated tax policy, low digitalization, and large tax exemptions. Staff advised the authorities to increase non-hydrocarbon revenue by at least 1.5 percentage points of NHGDP over 2024–26 by notably deploying the IT customs system (ASYCUDA) to all ports, fully implementing the single window for vehicle clearance, enlarging the tax base, streamlining tax exemptions, introducing a digital VAT system, and strengthening the large taxpayer's unit. These revenue measures should be complemented by efforts to compress spending by 4.6 percentage points of NHGDP, including by phasing out of fuel subsidies, streamlining civil servants' benefits, and reducing public investment on physical infrastructure. This rationalization will also create space for an increase in social spending to at least 2 percent of GDP per year (against 1.8 percent of GDP on average per year over the last three years) (Annex VIII).

14. Efforts to strengthen public debt management should be accelerated.
Equatorial Guinea's debt stock is estimated at 34.6 percent of GDP by end-2022. Staff assesses Equatorial Guinea's overall risk of sovereign stress as moderate (Annex V). Completion of the new debt IT management system would improve debt management and reporting along with debt services projections. The authorities should maintain their current policy of not contracting new guaranteed debt.

15. The authorities have put forward a budget for 2024 that targets a reduction in the nonhydrocarbon fiscal deficit by 3.8 percentage points of NHGDP. The budget projects an increase in non-hydrocarbon revenue by 0.6 percentage point of NHGDP and a compression in total primary expenditure by 3.1 percentage points of NHGDP. To this end, the government has adopted a series of impactful measures (Annex VIII). On the revenue side, the authorities are finalizing a new tax law to enlarge the tax base and streamline tax exemptions (see Box 1); they are also deploying the IT customs system and the single window for vehicle clearance in Bata the IT customs system and the single window for vehicle clearance in Bata. On the spending side, they have decided to phase out most of the regressive fuel subsidies in 2024.

Box 1. Overview of the New Tax Law

The government is finalizing an update of its 2004 Tax Law. The new law aims to modernize and simplify the tax system, expand the tax net through better compliance, incentivize foreign direct investment (FDI), and streamline and harmonize income tax regulations in line with CEMAC directives. Complementary tax administration measures will be crucial to ensure the law fosters domestic revenue mobilization.

The new law aims to increase the tax base through new taxes and revised policies. It proposes changes to taxes on business and employment income, and capital gains. Changes in the Value Added Tax (VAT) include reduced rates for essential goods, and the expansion of the VAT base to cover electronic commerce services. Special taxes on tobacco and alcohol remain unchanged and in line with previous Fund recommendations. The law also introduces a special regime for SMEs, taxes on property, and a financial activities tax. In addition, it updates rates and obligations for the taxation of gambling, entertainment, and recreation.

A central objective of the law is to improve the business environment, notably through reduced tax rates and a special regime. These measures include: (i) reduction of the Corporate Income Tax (CIT) rate (from 35 to 25 percent), and on capital income; (ii) adjustments in the deductibility of general expenses; (iii) the introduction of a foreign tax credit; and (iv) refunds of input VAT tax credits. A special regime for non-profit entities and extractive sectors is planned, with the latter also benefiting from the lower 25 percent CIT rate. As CIT is only one component of the fiscal regime for petroleum (as natural resources are location-specific rents that can be taxed at a higher rate), an assessment of the lower rate can only be done considering the interaction with the other fiscal elements (notably royalties and profit petroleum sharing).[1]

Enhancing revenue administration capacity remains crucial to improve compliance and boost revenue collection. The new law provides a framework to modernize the tax system and introduces policy measures to broaden the tax base. However, it provides little information of complementary administrative efforts to effectively implement the new taxes and enhance compliance, particularly for income taxes (businesses and individuals), and VAT. A medium-term strategy focusing on revenue administration measures would provide greater credibility and assure effective implementation capacity to increase revenue yield.[2] Strengthening the Large Taxpayer Unit, improving VAT administration, and enhancing property registries are crucial measures and require coherent strategies to ensure their effectiveness.

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[1] Tools like FAD's Fiscal Analysis of Resource Industries (FARI) model can help provide such an assessment.

[2] The importance of revenue administrative is exemplified by recent developments in customs, with the deployment of ASYCUDA leading to large increases in taxes collected.

16. **The authorities' efforts to clear domestic arrears are welcome but more transparency in the repayment process is warranted.** From 2019–23, a total of CFAF 572.2 billion (9.5 percent of GDP) out of CFAF 1,382.5 billion (20.8 percent of GDP) was paid to construction companies, of which CFAF 65.3 billion (1.1 percent of GDP) were paid using the SDR allocation (Annex VI). As of August 2023, the net audited debt owed to construction companies (gross value minus fiscal obligations) was CFAF 479.3 billion (or 7.9 percent of GDP). A key concern is the lack of clear criteria for the repayment of these domestic arrears. The authorities agreed with and are implementing staff's recommendation to adopt a comprehensive arrears' clearance plan. This plan would set the criteria

and contain strong safeguards to ensure the transparency of the repayment process, including an annual progress report produced by an international auditor. On external arrears, staff encouraged the authorities to resolve external arrears with Belgium and Spain. Staff has no reports of arrears with other external creditors.

17. Authorities' Views. The authorities were receptive to staff recommendations on ensuring fiscal sustainability. They agreed to anchor the fiscal framework on the nonhydrocarbon primary balance and embark on upfront fiscal consolidation. With respect to domestic arrears clearance, they indicated that a comprehensive plan with all the safeguards is being finalized with the support of an international auditor.

B. Strengthening the Banking Sector and Financial Inclusion

18. Banks representing 60 percent of total assets are significantly undercapitalized. Authorities are currently advanced in implementation of measures to address solvency and liquidity issues of half (by asset size) of the troubled portion of the banking sector according to a plan developed in consultation with the BEAC and COBAC. Staff insisted that this plan needs to be paired with efforts to recover distressed assets, including the creation of a special unit within any recapitalized bank and the strengthening of debt enforcement framework. Staff highlighted that clearance of audited domestic arrears to construction companies would help restore the capital position of remaining troubled banks. As of end-March 2023, bank-financed domestic arrears amounted to CFAF 334.2 billion (or 4.5 percent of GDP).

19. The Government is finalizing the National Financial Inclusion Strategy. This national strategy is a transposition and an adaptation of the regional strategy prepared at the CEMAC level. It covers elements related to financial literacy, financial inclusion indicators and mobile payments and is expected to be adopted very soon.

20. Authorities' Views. The authorities agreed with the need to strengthen the banking sector and promote financial inclusion. They will ensure that their restructuring and recapitalization plan is executed as foreseen. They are committed to reducing the cost of this restructuring and recapitalization plan to the state by stepping up efforts to recover assets. However, they do not intend to prioritize the clearance of domestic arrears linked to non-performing loans at banks outside the scope of their current plan but intend to include them in the general arrears clearance strategy that is currently being prepared. They viewed promoting financial inclusion as an important policy goal.

C. Fostering Inclusion and Non-Hydrocarbon Growth

21. Social spending should be increased to boost human capital development. Equatorial Guinea's social spending is significantly lower than peers. Despite significant inequalities and human capital needs, the government spends less than 2 percent of GDP on social sectors. In contrast, average social spending in Sub-Saharan Africa and CEMAC is almost 5 and 3 times higher than in Equatorial Guinea, respectively (Text Table 2). In the education sector, efforts should be directed to (i) addressing low completion rates, high repetition and drop-out, and improving teachers' training; (ii) construction of public pre-primary, primary, and secondary schools in growing urban and peri-urban centers; and (iii) ensuring that higher education centers are fully operational to develop human capital domestically. In the health sector, priority spending areas include supporting the expansion of "Distritos Sanitarios" and starting of the second demographic and health survey. Water, sanitation, and hygiene (WASH) policy should prioritize investments in schools and remote districts with lower access to safe WASH services.

Text Table 2. Equatorial Guinea: Social Spending is Very Low by Regional Standards

(Percent of GDP)

	2019	2020	2021	2022	Average SSA 1/	Average CEMAC 2/
Total Social Spending	1.9	1.9	1.8	1.6	7.5	4.3
Education and Vocational Training	1.0	0.6	0.6	0.9	4.1	2.6
Health	0.6	1.0	1.1	0.6	1.8	0.9
Drinking Water	0.3	0.2	0.1	0.0	0.3	0.1
Social Assistance	0.0	0.0	0.0	0.1	1.2	0.7
Memo						
Social spending (in billion CFA)	128	109	121	157	-	-

Sources: Equatoguinean authorities; World Bank; WHO; and IMF staff calculations.

1/ Based on latest available data. Figure on Drinking Water consists of expenditure on water and sanitation.

2/ Based on latest available data in CEMAC countries excluding GNQ. Figure on Drinking Water consists of expenditure on water and sanitation for Gabon.

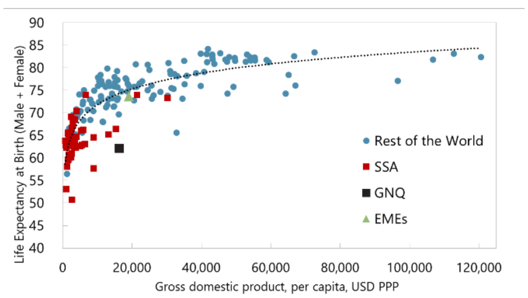
22. Equatorial Guinea needs to enhance its social protection system. The successful completion of the ongoing national household survey will help reduce the significant gaps in socio-economic indicators and define social policy priorities. Ratifying the social protection law is a priority toward the creation of a flagship social safety nets (SSNs). The successful implementation of SSNs will be key in supporting energy subsidy reform.

23. Authorities' Views. The authorities concurred with staff on the importance of increasing social spending and strengthening the social protection system and highlighted their recent efforts in that regard. In late 2022, they hired 2,748 new public sector workers in social sectors, with about 80 percent aimed at pre-primary and primary education. They are building 8 new hospitals and 31 health centers, 1 university and 32 schools. A national household survey is being completed with the support of the World Bank, and the results will help reduce the significant gaps in socio-economic indicators and define social policy priorities. The social protection draft law is under review.

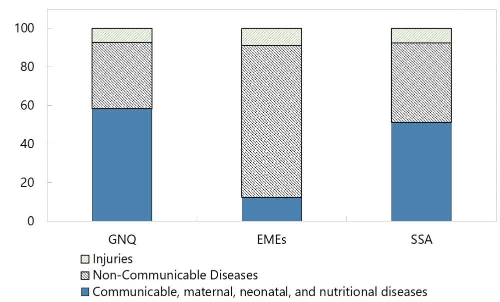
24. With hydrocarbon production in secular decline, fostering economic diversification is critical to long-term growth and macroeconomic stability (See Annex VII). The main constraints to economic diversification include a distortive business environment, lack of financing, high labor costs, and labor market rigidities, as well as weak human capital. The authorities have developed a diversification strategy that targets four sectors –agriculture, finance, fisheries, and tourism and contains a range of horizontal reforms (e.g., single window for establishing new firms, increasing access to mobile and internet service coverage, extending access to finance, developing vocational programs, internships, and secondments) and vertical policies (e.g., sector-specific tax exemptions, subsidies, special economic zones). They have published a list of state assets for privatization through outright sales or through management contracts and should prepare an asset-sales plan based on open and transparent international tenders.

Figure 5. Equatorial Guinea: Can Improve Health Outcomes Through Greater Spending Adequacy and by Focusing on Priority Areas

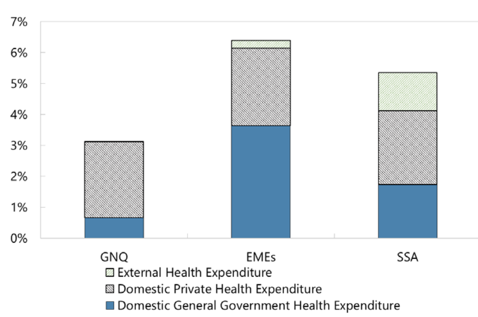
Life Expectancy at Birth and GDP per Capita



Cause Specific Mortality
(Percent of Total Deaths)



Total Current Health Expenditure
(Percent of GDP, Disaggregated by Source)



Health-Adjusted Life Expectancy and Total Current Health Spending

Sources: WHO, WEO, Global Burden of Disease, and IMF staff calculations

25. **The authorities should focus on reforms aimed at reducing the regulatory burden for business creation, stimulating private sector-led growth, ensuring the well-functioning and efficiency of markets and better coordination between relevant ministries.** Policies aimed at supporting specific sectors need to be better justified, based on clearly identified market failures, tailored to the country's capacity, and evaluated periodically. In this regard, the mission advised the authorities to identify the most relevant externalities that could justify direct support and include sunset clauses on sectoral support measures. The authorities should work to ensure prioritization of specific initiatives, such as for example a tourism promotion and awareness campaign, which drive the long-term goals of the diversification agenda.

26. Authorities' Views. The authorities reaffirmed their determination to foster economic diversification through a combination of both horizontal and vertical policies. Based on a diagnostic they conducted on the progress on the diversification agenda, the authorities recognized that better coordination between relevant government agencies would further enhance policy effectiveness. The authorities are focused on attracting FDI and have a strategy to cultivate an international investor base. They presented their plan to representatives of the private sector during a conference on economic diversification held the last week of November 2023. They have signed management contracts for the Malabo airport and Bata port and are determined to accelerate the privatization process.

27. Equatorial Guinea is setting the stage for a low-carbon and climate-resilient economy. Equatorial Guinea is vulnerable to flooding, above-average rise sea-level and temperature, as well as coastal erosion. The country's biodiversity and pollution levels are also affected by rapid infrastructure development and the drilling and extraction in the hydrocarbon sector. In 2018, the country ratified the United Nations Framework Convention on Climate Change (UNFCCC), setting out its ambitions for reducing emissions by 20 percent by 2030 (relative to 2010 levels) and by 50 percent by 2050. Environmental sustainability is a key pillar in the National Strategy for Sustainable Development "Horizon 2035". In 2023, Equatorial Guinea developed the National Action Plan for Adaptation to Climate Change (PANA). Further, the authorities' steps to reduce fuel subsidies and enact new taxes on vehicles are in line with their commitment to lower carbon impact.

28. The climate change agenda needs natural disasters coping mechanisms for the most vulnerable, better data tracking, and concrete action plans tied to a results-oriented budget. To that end, the authorities should:

- Operationalize the National Council of Sustainable Development, created under the 2021 Presidential Decree 69 to oversee the National Strategy for Sustainable Development "Horizon 2035".
- Integrate climate change considerations in the budget planning mapped to the goals in the National Strategy for Sustainable Development "Horizon 2035" and related strategies.
- Transition away from fossil fuel energy over time.

29. Authorities' views. The authorities viewed building a low-carbon and climate-resilient economy as an important goal. They indicated that their mitigation efforts would focus on five sectors: (i) energy, (ii) transport, (iii) agriculture, and forestry, (iv) industrial, and (v) waste management. The authorities are committed to phasing out energy subsidy from 2024 to help strengthen price signals and encourage the use of more efficient and clean energy sources. They also committed to better integrating climate change considerations in public investment.

D. Improving Governance and Fighting Corruption

30. Improving governance and fighting corruption are critical to promoting a private sector-led growth. Equatorial Guinea has serious macro critical governance and corruption vulnerabilities and addressing them is critical to promoting stronger and more inclusive growth. Discussions focused on progress and steps in the following policy areas:

- **Public financial management**. The authorities have taken steps to improve cash management and limit non-competitive bidding in public procurement. Staff recommended: (i) steadfast implementation of the law on the Treasury Single Account and the law on public procurement; (ii) timely publication of budget execution reports, under a set time schedule (two months after the end of the period); and (iii) interconnection of the expenditure tracking systems with the treasury operations IT system.

- **Anti-Corruption**. Most of the recommendations from the 2019 governance diagnostic, including operationalization of the anti-corruption commission and publication of asset declarations of senior public officials, remain to be implemented.[5] The authorities have taken steps to operationalize the Anti-corruption Commission (ACC). They have allocated funding in the recently revised 2023 budget and the budget for 2024 and are finalizing the regulations operationalizing the ACC and asset declaration process. They have also stepped up their efforts to combat corruption across the public administration as evidenced by several recent high-profile anti-corruption cases. Staff welcomed these developments and called for the full operationalization of the Anti-corruption Commission by mid-2024. The operationalization of the ACC to enable complete implementation of the anti-corruption framework, including publication of asset declarations of senior public officials.

- **AML/CFT.** The GABAC, the regional Financial Action Task Force Body, has now agreed with the authorities on a comprehensive assessment mission of the effectiveness of the AML/CFT system in April 2024. Since the previous mission was cancelled, staff warned that a lack of assessment could result in Financial Action Task Force (FATF) grey listing, with negative repercussions on correspondent banking relationships and the soundness of the financial sector. Although the financial integrity risks are significant, adequate implementation of AML/CFT reforms remains a significant challenge. The National Financial Intelligence Agency (ANIF) should develop and publish a guidance for domestic financial institutions to identify and verify politically exposed persons and their beneficial ownership, and to report related suspicious transactions activities to the National Financial Intelligence Agency (ANIF).

- **Transparency in the hydrocarbon sector**. The authorities need to prepare and publish a comprehensive hydrocarbon report for 2022, following the one already published for 2019.

[5] IMF Country No. 22/267, Annex X, page 68

Transparency Initiative (EITI) membership, staff welcomes the authorities' renewed commitment to the EITI, with the launch of a website and other ongoing activities by the preparatory group.

- **Transparency.** The authorities need to take measures to: (i) complete the publication of beneficial ownership information of COVID- and Bata-related spending and publish related procurement documents; (ii) publish the asset declarations of senior public officials; and (iii) complete the uploading of all laws and decrees on the website of the Official Gazette.

31. Authorities' Views. The authorities highlighted their policy efforts to improve governance and fight corruption, including the passage in late 2021 of the Anti-corruption law, the completion and publication of the audits of the state-owned oil and gas companies, the completion of audit of domestic arrears to construction companies, progress on the TSA, and the adoption of the new public procurement code. They stressed their commitment to operationalize the Anti-Corruption Commission (ACC) by mid-2024, which will set the stage for the asset declaration of public officials. The ANIF indicated that ongoing workload constraints and low capacity limit their outputs. It informed staff about current guidelines on identifying politically exposed persons and steps taken to the membership application to the Egmont Group. The authorities are taking steps to prepare to submit a new application for EITI membership to enhance transparency in the hydrocarbon sector.

OTHER ISSUES

32. Authorities need to continue advancing efforts on data provision and timeliness to facilitate surveillance and monitoring the state of the economy. Data provision have serious shortcomings that significantly hamper surveillance. Some strides have been made in the compilation and dissemination of macroeconomic data, including CPI, public finance, and national accounts. The deployment of the IT customs system (ASYCUDA) to all ports in the country is expected to strengthen statistics on external sector. However, key statistical weaknesses persist. During the Article IV mission, staff reiterated the need for prompt dissemination of BOP and IIP data, establishment of statistical services in all ministries and public agencies, and more broadly for steadfast implementation of the 2022–25 national development strategy for statistics.

33. Given the country's limited capacity, a successful reform agenda for Equatorial Guinea must also go hand in hand with technical assistance. To this end, a list of TA priorities has been developed (see Annex VIII). Discussions continue on ways to ensure implementation of previous TA recommendations and provide enduring capacitation across agencies and beyond individuals. Staff recommended the appointment of a TA coordinator.

34. The authorities requested a financing arrangement with the Fund in June to provide external financing as well as an anchor for their ongoing reform efforts.

35. Authorities' Views. Currently, the authorities feel that, despite its low capacity, Equatorial Guinea has been rationed out of CD given its middle-income status. The authorities are keen to receive more TA, particularly on macro-fiscal issues, statistics, and governance. They expressed their preference for long-term experts (LTXs) and offered to pay a part of the cost. The authorities do not see merit of a staff-monitored program (SMP) as a steppingstone towards a financing program that had been repeatedly proposed to them to build a track record. The authorities believe that they have built a record of reforms and implementation capacity since late 2021 and particularly in 2023.

36. **Safeguards assessment**. The 2022 safeguards assessment found that BEAC maintained strong governance arrangements. A recent safeguards monitoring mission followed up on the implementation of remaining 2022 safeguards recommendations and an external quality assessment of internal audit.

STAFF APPRAISAL

37. **In 2022, economic indicators improved after a long recession.** Real GDP expanded on account of both hydrocarbon and non-hydrocarbon economic recovery. Thanks to high oil and gas prices, both fiscal and current account balances were in substantial surpluses as part of the oil windfall was saved. Equatorial Guinea was the lead contributor to the increase in the CEMAC's international reserves in 2022. However, the non-hydrocarbon primary fiscal deficit deteriorated somewhat in 2022 relative to 2021, reflecting the Bata reconstruction-related expenditures and the underperformance of nonhydrocarbon revenue. Headline inflation was higher than historical average. The external position is still assessed to be substantially weaker than implied by economic fundamentals and desirable policies in line with the assessment in the 2022 Article IV consultation.

38. **However, the recovery was short-lived with economic indicators projected to deteriorate from 2023 onwards.** The economy is expected to fall back into recession in 2023, weighed down by a sharp decline in oil production, while headline inflation is expected to moderate. In the years ahead, the economy would remain in recession due to the projected continued decline in oil production and lackluster non-hydrocarbon growth. This would put fiscal and external accounts under strain. The outlook faces downside risks linked to the secular decline in oil production and the challenging business environment.

39. **Against this backdrop, fiscal policy should be anchored on nonhydrocarbon primary balance and consolidate public finances.** To achieve this, the authorities need to step up efforts to raise more non-hydrocarbon revenue and reduce non-priority spending. Near-term policy priorities include deploying the IT customs system in additional offices in the country, fully implementing the single window for vehicle clearance, phasing out fuel subsidies, strengthening taxpayer segmentation centering on the Large Taxpayer Office. The 2024 budget is in line with staff advice as it targets a substantial fiscal adjustment underpinned by a series of impactful measures, notably a significant reduction in fuel subsidies and a new tax law (already approved by the council of ministers) that will enlarge the tax base and streamline tax exemptions.

40. **Addressing the banking sector vulnerabilities and promoting financial inclusion are key to fostering economic diversification and inclusive growth**. Steadfast implementation of the authorities' plan to restructure and recapitalize the troubled part of the banking sector is warranted. These efforts should be coupled with actions to recover assets to limit the budgetary cost. A plan is

also needed to address capital shortfalls in the remainder of the banking system. Finally, the authorities need to finalize and implement the national financial inclusion strategy.

41. Bold structural reforms are needed to foster economic diversification and support inclusive growth. Priorities include (i) advancing repayments of domestic arrears based on a comprehensive plan the authorities are developing that sets clear criteria for the repayment and contains strong safeguards to ensure the transparency of the process; and (ii) reducing the regulatory burden for business creation, boost investment in basic healthcare, education, and sanitation, to support development of human capital, and ensure the well-functioning and efficiency of markets. These efforts should be complemented by an acceleration of the privatization of some public assets based on open and transparent international tenders.

42. Efforts to address serious governance and corruption vulnerabilities need to be stepped up. The funding of the Anti-corruption Commission, the forthcoming issuance of the two implementing decrees of the Anti-corruption law and recent anti-corruption cases are welcome steps. The adoption of a law limiting the recourse to non-competitive tender in public procurement code and the signature of a decree establishing a treasury single account represent additional governance improvements. Operationalizing the anti-corruption commission is key to further the anti-corruption agenda, including the asset declaration system of senior public officials.

43. The authorities need to make great strides in their transparency framework. Staff welcomes steps taken to address feedback received from EITI International Secretariat on the prior membership application, while noting that the process will be lengthy. Staff encourages active consultation with the EITI International Secretariat in that process. Other priority actions include publishing a periodic report on the hydrocarbon sector and completing the uploading of all laws and decrees on the website of the Official Gazette.

44. Steadfast implementation of the 2022–25 national development strategy for statistics is warranted to address shortcomings that hamper surveillance. Priority actions include tackling the remaining gaps in the provision of economic statistics on the external sector and the net international investment position, establishing statistical services in all ministries and public entities and strengthening capacities.

45. It is proposed that the next Article IV consultation take place on the standard 12-month cycle.

Table 1. Equatorial Guinea: Selected Economic and Financial Indicators, 2019–28

		Est.					Projections			
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	(Annual percentage change, unless otherwise specified)									
Production, Prices, and Money										
Real GDP	-5.5	-4.8	-0.4	3.2	-8.8	-5.5	3.7	-4.1	-0.2	-0.8
Hydrocarbon GDP[1]	-8.8	-3.5	-7.3	1.1	-21.0	-16.9	4.7	-16.5	-7.3	-10.5
Non-hydrocarbon GDP	-1.4	-6.3	7.7	5.4	3.0	3.0	3.1	3.4	3.2	3.5
GDP deflator	-3.2	-10.2	19.9	4.5	-10.1	10.3	1.2	5.1	3.4	4.1
Hydrocarbon sector	-11.7	-28.0	57.8	9.7	-37.4	4.8	-1.2	-4.5	-2.9	-1.9
Non-hydrocarbon sector	2.7	3.3	-1.7	0.3	2.8	7.0	2.1	2.9	2.5	2.3
Consumer prices (annual average)	1.2	4.8	-0.1	4.9	2.5	5.0	1.8	2.6	2.2	2.0
Consumer prices (end of period)	4.3	-0.6	2.9	5.0	2.2	6.3	0.4	2.2	2.3	1.8
Monetary and Exchange Rate										
Broad money	19.6	-7.0	0.4	20.7	-6.6	10.1	4.1	4.0	3.2	3.3
Nominal effective exchange rate (- = depreciation)	-1.5	2.5	0.9	-4.4	…	…	…	…	…	…
Real effective exchange rate (- = depreciation)	-2.2	6.0	-2.2	-6.5	…	…	…	…	…	…
External Sector										
Exports, f.o.b.	-8.3	-46.6	33.7	83.7	-45.3	-10.0	1.8	-18.3	-8.7	-11.4
Hydrocarbon exports	-15.7	-37.9	31.7	87.9	-46.5	-10.7	1.7	-19.6	-9.6	-12.7
Non-hydrocarbon exports	63.3	-89.9	94.7	-3.1	0.5	3.1	2.9	3.3	3.7	3.8
Imports, f.o.b.	-24.7	-27.7	4.4	15.1	-11.7	8.3	4.3	-11.8	9.2	1.6
Terms of trade	7.3	-24.5	49.3	-18.5	-36.2	5.0	5.0	-8.8	-6.5	-2.7
Government Finance										
Revenue	-14.3	-33.9	27.0	117.1	-37.8	9.8	-22.7	-9.8	0.4	0.5
Expenditure	-20.6	-17.7	-6.4	46.6	9.8	-1.7	6.4	4.4	6.1	5.7
	(Percent of GDP, unless otherwise specified)									
Investment and Savings										
Gross investment	10.9	4.7	4.8	13.6	14.7	14.3	15.7	16.1	16.2	16.3
Gross national savings	3.4	3.9	9.0	16.1	15.7	10.5	9.7	7.9	6.6	5.7
Government Finance										
Revenue	18.6	14.4	15.3	30.8	23.4	24.6	18.1	16.2	15.8	15.4
Of which: hydrocarbon revenue	14.8	10.7	12.3	27.9	19.2	19.7	13.1	10.9	10.3	9.8
non-hydrocarbon revenue	3.8	3.7	3.0	2.9	4.2	4.9	5.0	5.3	5.4	5.6
non-hydrocarbon revenue (as percent of non-hydro GDP)	7.6	5.4	5.1	5.1	5.6	6.2	6.3	6.4	6.4	6.4
Expenditure	16.8	16.2	12.7	17.2	23.0	21.7	22.0	22.8	23.5	24.0
Overall fiscal balance (Commitment basis)	1.8	-1.8	2.6	13.6	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Overall fiscal balance (Cash basis)	-0.5	-3.2	1.0	11.9	-2.0	1.1	-5.3	-7.7	-8.8	-9.6
Non-hydrocarbon primary balance[2]	-11.5	-11.2	-8.6	-13.1	-17.3	-15.3	-15.1	-15.5	-15.9	-16.3
Non-hydrocarbon primary balance (as percent of non-hydrocarbon GDP)	-19.5	-16.8	-14.6	-22.7	-23.3	-19.5	-19.1	-18.6	-18.6	-18.6
Change in domestic arrears	-2.3	-1.5	-1.6	-1.7	-2.3	-1.8	-1.4	-1.1	-1.1	-1.0
External Sector										
Current account balance (including official transfers; - = deficit)	-7.5	-0.8	4.2	2.4	1.0	-3.8	-6.1	-8.1	-9.6	-10.6
Imputed Foreign Reserves (net), US$billion	-0.2	-0.5	-0.3	1.1	1.1	0.8	0.3	-0.5	-1.4	-2.5
Debt										
Total public debt	43.2	49.4	42.1	34.6	42.1	34.0	33.3	36.0	37.4	38.1
Domestic debt	29.2	34.0	29.9	24.6	31.9	31.9	32.4	33.5	32.9	32.4
External debt	14.0	15.4	12.2	10.0	10.2	2.1	0.9	2.5	4.5	5.7
External debt service-to-exports ratio (percent)	4.8	7.6	7.8	4.3	7.8	6.1	6.6	5.5	4.7	5.3
External debt service/government revenue (percent)	11.9	15.2	16.5	7.6	11.9	7.7	10.8	8.1	6.4	6.4
Memorandum Items										
Oil price (U.S. dollars a barrel)[3]	57.7	43.3	70.8	99.0	82.7	80.1	76.5	73.4	71.1	69.4
Nominal GDP (billions of CFA francs)	6,658	5,695	6,804	7,340	6,019	6,277	6,583	6,634	6,848	7,074
Nominal GDP (millions of US dollars)	11,364	9,894	12,269	11,767	9,917	10,361	10,914	11,013	11,356	11,715
Hydrocarbon GDP (billions of CFA francs)	2,754	1,914	2,801	3,107	1,535	1,337	1,383	1,103	993	872
Non-hydrocarbon GDP (billions of CFA francs)	3,905	3,781	4,003	4,233	4,484	4,939	5,199	5,531	5,855	6,201
Government deposits (in percent of GDP)	11.4	11.0	13.2	21.3	20.8	15.4	10.8	8.2	7.0	6.7
Oil volume (crude + condensado, millions of barrels)	53	52	43	39	29	28	30	26	24	21
Gas volume (LNG + propano + butano + methanol, millions of bbls oil equivaler	56	49	55	62	53	34	34	27	25	24
Total Hydrocarbon Volume (in millions of barrels of oil equivalent)	109	101	98	102	82	62	64	53	49	45
Exchange rate (average; CFA francs/U.S. dollar)	585.9	575.6	554.5	605.8	602.4					
Gross Reserve assets at the BEAC (months of next years' imports)[4]	0.2	0.3	0.2	6.1	5.4	3.7	2.0	-0.7	-3.8	-3.3

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

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

[2] Excluding oil revenues, and interest earned and paid.

[3] The local price of crude oil is the Brent and includes a quality discount.

[4] Refers to imputed reserves.

Table 2a. Equatorial Guinea: Balance of Payments, 2019–28[1]
(Billions of CFA francs, unless otherwise specified)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Est.				Projections				
Current Account	-502	-45	285	179	59	-238	-400	-539	-658	-749
Trade balance	1854	758	1273	2976	1233	939	928	689	466	284
Exports of goods, f.o.b.	3084	1648	2203	4047	2153	1933	1960	1599	1461	1296
Hydrocarbon exports	2568	1596	2101	3948	2054	1831	1855	1490	1348	1179
Crude oil	1769	1147	1451	2371	1397	1308	1352	1098	993	856
Liquefied natural gas	582	332	478	1272	434	315	314	220	198	178
Liquefied petroleum gas	57	42	52	79	38	29	29	27	24	21
Methanol	160	75	120	226	185	178	159	145	133	124
Non-hydrocarbon exports	516	52	102	99	99	102	105	109	113	117
Imports of goods, f.o.b.	-1231	-890	-930	-1070	-920	-994	-1032	-910	-994	-1012
Petroleum sector	-45	-14	-306	-361	-99	-110	-123	-117	-117	-117
Petroleum products	-195	-113	-198	-237	-182	-199	-196	-183	-188	-196
Public sector equipment and construction	-592	-418	-280	-322	-365	-289	-365	-313	-339	-335
Other[2]	-398	-344	-388	-507	-274	-397	-348	-296	-351	-365
Services (net)	-845	-493	-366	-416	-482	-611	-715	-705	-661	-667
Income (net)[3]	-1359	-194	-495	-2118	-584	-455	-497	-404	-340	-250
Current transfers	-152	-117	-127	-263	-108	-111	-115	-118	-122	-116
Capital and Financial Account	188	-412	312	756	-22	28	92	90	88	115
Capital account	-4	0	0	0	0	0	0	0	0	0
Financial account	191	-412	312	756	-22	28	92	90	88	115
Direct investment	384	-15	187	866	86	114	171	167	163	187
Portfolio investment (net)	33	37	130	23	37	36	36	38	40	43
Other investment (net)[4]	-225	-434	-4	-134	-145	-122	-115	-115	-115	-115
Errors and Omissions	-60	-154	-153	-58	0	0	0	0	0	0
Overall Balance	-92	-133	78	869	38	-210	-308	-449	-570	-634
Financing	186	171	-119	-869	-38	210	308	449	570	634
Change in net international reserves[5,6] (- = increase)	95	142	-83	-867	-3	211	308	449	570	634
Financing gap	24	0	21	0	0	0	0	0	0	0
Program Financing	24	0	21	0	0	0	0	0	0	0
Residual gap	0	0	0	0	0	0	0	0	0	0
Memorandum Items:										
Gross Reserve assets at the BEAC	24	33	26	897	896	676	344	-696	-1337	-2016
Of which : government deposits at BEAC	225	121	322	962	782	567	348	140	140	140
Growth of hydrocarbon exports (percent)	-20.1	-36.7	36.6	67.1	-46.5	-10.7	1.7	-19.6	-9.6	-12.7
Growth of non-hydrocarbon exports (percent)	54.8	-89.7	102.0	-13.9	3.2	3.3	3.4	3.5	3.6	3.7
Non-hydrocarbon current account	-797	-925	-467	-711	-692	-886	-982	-934	-989	-1022

Sources: Equatoguinean authorities; and staff estimates and projections.

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

[2] Including private sector consumption and non-hydrocarbon sector investment imports.

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

[4] The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities.

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

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

Table 2b. Equatorial Guinea: Balance of Payments, 2019–28[1]

(Percent of GDP, unless otherwise specified)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Est.					Projections			
Current Account	-7.5	-0.8	4.2	2.4	1.0	-3.8	-6.1	-8.1	-9.6	-10.6
Trade balance	27.8	13.3	18.7	40.6	20.5	15.0	14.1	10.4	6.8	4.0
Exports of goods, f.o.b.	46.3	28.9	32.4	55.1	35.8	30.8	29.8	24.1	21.3	18.3
Hydrocarbon exports	38.6	28.0	30.9	53.8	34.1	29.2	28.2	22.5	19.7	16.7
Crude oil	26.6	20.1	21.3	32.3	23.2	20.8	20.5	16.6	14.5	12.1
Liquefied natural gas	8.7	5.8	7.0	17.3	7.2	5.0	4.8	3.3	2.9	2.5
Liquefied petroleum gas	0.9	0.7	0.8	1.1	0.6	0.5	0.4	0.4	0.3	0.3
Methanol	2.4	1.3	1.8	3.1	3.1	2.8	2.4	2.2	1.9	1.7
Non-hydrocarbon exports	7.8	0.9	1.5	1.3	1.6	1.6	1.6	1.6	1.6	1.7
Imports of goods, f.o.b.	-18.5	-15.6	-13.7	-14.6	-15.3	-15.8	-15.7	-13.7	-14.5	-14.3
Petroleum sector	-0.7	-0.3	-4.5	-4.9	-1.6	-1.7	-1.9	-1.8	-1.7	-1.7
Petroleum products	-2.9	-2.0	-2.9	-3.2	-3.0	-3.2	-3.0	-2.8	-2.7	-2.8
Public sector equipment and construction	-8.9	-7.3	-4.1	-4.4	-6.1	-4.6	-5.5	-4.7	-4.9	-4.7
Other[2]	-6.0	-6.0	-5.7	-6.9	-4.6	-6.3	-5.3	-4.5	-5.1	-5.2
Services (net)	-12.7	-8.6	-5.4	-5.7	-8.0	-9.7	-10.9	-10.6	-9.7	-9.4
Income (net)[3]	-20.4	-3.4	-7.3	-28.9	-9.7	-7.2	-7.6	-6.1	-5.0	-3.5
Current transfers	-2.3	-2.1	-1.9	-3.6	-1.8	-1.8	-1.7	-1.8	-1.8	-1.6
Capital and Financial Account	2.8	-7.2	4.6	10.3	-0.4	0.4	1.4	1.4	1.3	1.6
Capital account	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	2.9	-7.2	4.6	10.3	-0.4	0.4	1.4	1.4	1.3	1.6
Direct investment	5.8	-0.3	2.7	11.8	1.4	1.8	2.6	2.5	2.4	2.6
Portfolio investment (net)	0.5	0.7	1.9	0.3	0.6	0.6	0.5	0.6	0.6	0.6
Other investment (net)[4]	-3.4	-7.6	-0.1	-1.8	-2.4	-1.9	-1.7	-1.7	-1.7	-1.6
Errors and Omissions	-0.9	-2.7	-2.2	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.4	-2.3	1.1	11.8	0.6	-3.3	-4.7	-6.8	-8.3	-9.0
Financing	2.8	3.0	-1.7	-11.8	-0.6	3.3	4.7	6.8	8.3	9.0
Change in net international reserves[5] (- = increase)	1.4	2.5	-1.2	-11.8	0.0	3.4	4.7	6.8	8.3	9.0
Gross reserve accumulation target					0.0	3.4	4.7	6.8	8.3	9.0
Net change in external arrears	1.0	0.5	-0.8	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Financing gap	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program financing	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual gap (after accounting for the IMF UCT program)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:										
Gross Reserve assets at the BEAC	0.4	0.6	0.4	12.4	14.9	10.8	5.2	-1.9	-10.2	-18.9
Of which : government deposits at BEAC	3.4	2.3	4.5	13.3	13.0	9.1	5.3	2.9	2.0	2.0

Sources: Equatoguinean authorities; and staff estimates and projections.

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

[2] Including private sector consumption and non-hydrocarbon sector investment imports.

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

[4] The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities

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

Table 3a. Equatorial Guinea: Summary of Central Government Financial Operations, 2019–28

(Billions of CFA francs, unless otherwise specified)

	2019	2020	2021	2022	2023H1	2023	2024	2025	2026	2027	2028
			Est.					Projections			
Revenue	1,240	820	1,040	2,260	765	1,406	1,543	1,193	1,076	1,080	1,086
Hydrocarbon revenue	984	611	836	2,046	655	1,156	1,235	865	723	708	692
Tax revenue	426	310	228	406	328	371	429	162	155	195	247
Other revenue	558	302	607	1,640	327	785	806	703	568	513	445
Non-hydrocarbon revenue	298	208	205	214	110	250	308	328	353	372	394
Tax revenue	177	131	124	145	86	157	219	238	256	275	298
Taxes on income, profits, and capital gains	70	42	44	41	41	62	89	75	103	109	118
Domestic taxes on goods and services[1]	79	69	61	76	33	68	98	131	116	111	115
Taxes on international trade and transactions	20	12	13	26	11	23	26	26	30	47	53
Other taxes	8	9	6	2	1	4	6	5	6	9	12
Other revenue	80	78	81	69	24	93	89	91	97	97	96
Grants	0	0	1	0	0	0	0	0	0	0	0
Expenditure	1,119	921	861	1,262	654	1,387	1,363	1,450	1,514	1,606	1,698
Expense	771	726	717	867	364	1,030	1,030	1,102	1,142	1,214	1,283
Expense (primary)	714	650	647	780	335	936	936	972	1,012	1,071	1,135
Compensation of employees	190	195	195	204	103	232	256	272	289	305	323
Purchase of goods and services	370	322	293	321	121	438	455	479	509	539	569
Subsidies and transfers[1]	154	133	159	256	112	266	226	180	164	187	197
of which: fuel subisdy	36	20	36	90	44	100	30	15	0	0	0
Interest	57	76	70	87	28	94	94	129	130	142	148
Net acquisition of non-financial assets	347	194	144	395	290	357	333	349	372	393	415
Net Lending/Borrowing (Overall Fiscal Balance)	121	-101	179	997	111	19	181	-257	-437	-526	-612
Net Financial Fransactions	-121	101	-141	-959	...	20	-142	296	476	526	612
Net change in domestic arrears[2]	-156	-83	-111	-126	...	-138	-114	-90	-75	-75	-70
Net acquisition of financial assets	3	130	-233	-698	...	-101	-271	129	312	445	530
Domestic deposits	-72	69	-234	-707	...	-135	-303	119	301	435	519
Foreign deposits/assets[3]	75	60	1	8	...	34	32	11	11	11	11
Net incurrence of liabilities	-10	95	220	-171	...	294	245	257	240	156	152
Domestic[4]	56	69	250	-70	...	262	235	260	204	105	104
Foreign	-66	26	-30	-101	...	32	10	-2	36	51	48
Disbursements	54	120	57	46	...	100	100	100	100	100	100
Amortization (-)	-120	-94	-87	-147	...	-103	-91	-103	-65	-49	-52
Net change in external arrears	67	29	-57	-1	...	-35	-1	-1	-1		
Other	-26	-71	40	38	...	0	0	0	0	0	0
Financing Gap	0	0	0	0	0	0	0	0	0	0	0
Program Financing (EFF)	24	0	21	0	0	0	0	0	0	0	0
Memorandum Items:											
Overall fiscal balance	121	-101	179	997	111	19	181	-257	-437	-526	-612
Percent of GDP	1.8	-1.8	2.6	13.6	1.8	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Non-hydrocarbon primary balance[4]	-763	-636	-586	-961	-516	-1,043	-961	-993	-1,031	-1,092	-1,156
Percent of non-hydrocarbon GDP	-19.5	-16.8	-14.6	-22.7	-11.5	-23.3	-19.5	-19.1	-18.6	-18.6	-18.6
Non-hydrocarbon revenue (percent non-hydro GDP)	7.6	5.5	5.1	5.1	2.4	5.6	6.2	6.3	6.4	6.4	6.4
Of which: Tax revenue	4.5	3.5	3.1	3.4	1.9	3.5	4.4	4.6	4.6	4.7	4.8
Outstanding public debt[5]	43.2	49.4	42.1	34.6	...	42.3	40.4	38.9	39.0	37.6	36.1
Gross government deposits	756	626	900	1,567	...	1,251	967	714	544	480	476
Of which: available	160	70	246	642	...	498	302	139	31	-10	-14
Deposits with BEAC[6]	225	121	322	962	...	782	567	348	196	140	140
Of which: available	135	19	183	572	...	463	335	206	116	83	83
Deposits abroad	365	305	332	332	...	332	332	332	332	332	332
Of which: available	7	0	0	0	...	0	0	0	0	0	0
Deposits with commercial banks	166	200	246	273	...	136	68	34	17	9	4
Of which: available	17	52	63	70	...	35	-33	-67	-84	-93	-97
Nominal GDP	6,658	5,695	6,804	7,340	2,041	6,019	6,277	6,583	6,634	6,848	7,074
Nominal non-hydrocarbon GDP	3,905	3,781	4,003	4,233	1,068	4,484	4,939	5,199	5,531	5,855	6,201

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

[1] Includes social benefits and other transfers.

[2] Includes a one-time clearance of outstanding arrears through securitization in 2023.

[3] 2021-2025 refers to repatriation of financial assets.

[4] Equal to the overall balance minus interest and hydrocarbon revenues.

[5] Outstanding public debt includes domestic arrears.

[6] The SDR allocation is reflected via an increase in government deposits with BEAC.

Table 3b. Equatorial Guinea: Summary of Central Government Financial Operations, 2019–28
(Percent of GDP, unless otherwise specified)

	2019	2020	2021	2022	2023H1	2023	2024	2025	2026	2027	2028
			Est.					Projections			
Revenue	18.6	14.4	15.3	30.8	12.7	23.4	24.6	18.1	16.2	15.8	15.4
Hydrocarbon revenue	14.8	10.7	12.3	27.9	10.9	19.2	19.7	13.1	10.9	10.3	9.8
Tax revenue	6.4	5.4	3.4	5.5	5.4	6.2	6.8	2.5	2.3	2.8	3.5
Other revenue	8.4	5.3	8.9	22.3	5.4	13.0	12.8	10.7	8.6	7.5	6.3
Non-hydrocarbon revenue	4.5	3.7	3.0	2.9	1.8	4.2	4.9	5.0	5.3	5.4	5.6
Tax revenue	2.7	2.3	1.8	2.0	1.4	2.6	3.5	3.6	3.9	4.0	4.2
Other revenue	1.2	1.4	1.2	0.9	0.4	1.5	1.4	1.4	1.5	1.4	1.4
Expenditure	16.8	16.2	12.7	17.2	10.9	23.0	21.7	22.0	22.8	23.5	24.0
Expense	11.6	12.8	10.5	11.8	6.0	17.1	16.4	16.7	17.2	17.7	18.1
Expense (primary)	10.7	11.4	9.5	10.6	5.6	15.5	14.9	14.8	15.3	15.6	16.0
Compensation of employees	2.9	3.4	2.9	2.8	1.7	3.8	4.1	4.1	4.3	4.5	4.6
Purchase of goods and services	5.6	5.7	4.3	4.4	2.0	7.3	7.2	7.3	7.7	7.9	8.1
Subsidies and transfers[1]	2.3	2.3	2.3	3.5	1.9	4.4	3.6	2.7	2.5	2.7	2.8
of which: fuel subisidy	0.5	0.4	0.5	1.2	0.7	2.2	0.6	0.3	0.0	0.0	0.0
Interest	0.9	1.3	1.0	1.2	0.5	1.6	1.5	2.0	2.0	2.1	2.1
Net acquisition of non-financial assets	5.2	3.4	2.1	5.4	4.8	5.9	5.3	5.3	5.6	5.7	5.9
Net Lending/Borrowing (Overall Fiscal Balance)	1.8	-1.8	2.6	13.6	1.8	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Net Financial Transactions	-1.8	1.8	-2.1	-13.1	…	0.3	-2.3	4.5	7.2	7.7	8.7
Net change in domestic arrears[2]	-2.3	-1.5	-1.6	-1.7	…	-2.3	-1.8	-1.4	-1.1	-1.1	-1.0
Net acquisition of financial assets	0.0	2.3	-3.4	-9.5	…	-1.7	-4.3	2.0	4.7	6.5	7.5
Domestic deposits	-1.1	1.2	-3.4	-9.6	…	-2.2	-4.8	1.8	4.5	6.4	7.3
Foreign deposits/assets[3]	1.1	1.1	0.0	0.1	…	0.6	0.5	0.2	0.2	0.2	0.1
Net incurrence of liabilities	-0.1	1.7	3.2	-2.3	…	4.9	3.9	3.9	3.6	2.3	2.1
Net change in external arrears	1.0	0.5	-0.8	0.0	…	-0.6	0.0	0.0	0.0	0.0	0.0
Other	-0.4	-1.2	0.6	0.5	…	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program Financing (EFF)	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:											
Overall fiscal balance	1.8	-1.8	2.6	13.6	1.8	0.3	2.9	-3.9	-6.6	-7.7	-8.7
Non-hydrocarbon primary balance[4]	-11.5	-11.2	-8.6	-13.1	-8.6	-17.3	-15.3	-15.1	-15.5	-15.9	-16.3
Gross government deposits	11.4	11.0	13.2	21.3	…	20.8	15.4	10.8	8.2	7.0	6.7
Of which: available	2.4	1.2	3.6	8.7	…	8.3	4.8	2.1	0.5	-0.1	-0.2
Deposits with BEAC[5]	3.4	2.1	4.7	13.1	…	13.0	9.0	5.3	2.9	2.0	2.0
Of which: available	2.0	0.3	2.7	7.8	…	7.7	5.3	3.1	1.7	1.2	1.2
Deposits abroad	5.5	5.4	4.9	4.5	…	5.5	5.3	5.0	5.0	4.8	4.7
Of which: available	0.1	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with commercial banks	2.5	3.5	3.6	3.7	…	2.3	1.1	0.5	0.3	0.1	0.1
Of which: available	0.3	0.9	0.9	1.0	…	0.6	-0.5	-1.0	-1.3	-1.4	-1.4

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

[1] Includes social benefits and other transfers.

[2] Includes a one-time clearance of outstanding arrears through securitization in 2023.

[3] 2021-2025 refers to repatriation of financial assets.

[4] Equal to the overall balance non hydrocarbon revenue minus primary expenditure.

[5] The SDR allocation is reflected via an increase in government deposits with BEAC.

Table 4. Equatorial Guinea: Monetary Survey, 2019–28
(Billions of CFA francs, unless otherwise specified, end of period)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.				Projections			
Net Foreign Assets	-77	-251	-151	769	773	568	260	-187	-756	-1,388
Bank of Central African States (BEAC)[1]	-125	-268	-184	683	686	475	167	-283	-852	-1,486
Commercial banks	48	16	33	86	87	93	93	96	97	98
Net Domestic Assets	1,148	1,247	1,151	438	354	673	1,031	1,530	2,141	2,820
Domestic credit	1,589	1,654	1,553	814	1,066	1,537	1,736	2,023	2,138	2,237
Net claims on the public sector	656	724	651	-66	504	974	1,269	1,406	1,448	1,486
Net credit to the central government	646	711	639	-81	489	959	1,257	1,395	1,437	1,474
Central Bank	408	511	470	-167	0	197	384	510	552	534
Claims	633	631	792	796	782	764	732	705	692	674
Credit under statutory ceiling	609	609	609	609	598	590	581	572	562	552
Counterpart of IMF credit	24	23	61	63	62	53	30	12	7	-1
Other			123	124	122	122	122	122	122	123
Deposits	-225	-121	-322	-962	-782	-567	-348	-196	-140	-140
Commercial Banks	238	201	126	41	444	717	827	839	840	894
Claims on the Treasury	403	401	372	314	580	785	861	856	848	898
Deposits	-166	-200	-246	-273	-136	-68	-34	-17	-9	-4
Credit to public enterprises	11	13	12	15	15	15	12	11	11	13
Credit to financial institutions	4	0	0	0	0	0	0	0	0	0
Credit to the private sector	928	930	902	880	562	563	467	617	690	750
Credit to the economy	943	943	914	895	577	578	479	628	701	763
Other items (net)	-442	-407	-402	-376	-713	-865	-705	-494	3	583
Broad Money	1,070	996	1,000	1,207	1,127	1,240	1,291	1,343	1,386	1,432
Currency outside banks	166	179	190	330	230	201	147	128	86	58
Deposits	903	816	809	876	897	1,039	1,144	1,214	1,299	1,373
Memorandum Items:										
Contribution to the growth of broad money (percentage points)										
Net foreign assets	-20.0	-16.2	10.1	92.0	0.3	-18.2	-24.8	-34.6	-42.4	-45.6
Net domestic assets	39.6	9.3	-9.7	-71.3	-7.0	28.3	28.9	38.6	45.6	48.9
Of which : net credit to the central government	37.1	6.3	-7.3	-71.8	47.3	41.7	23.8	10.6	3.1	2.8
Credit to the economy (annual percentage change)	-25.5	0.0	-3.0	-2.0	-35.5	0.2	-17.2	31.2	11.6	8.8
Credit to the private sector										
Annual percentage change	-25.7	0.2	-3.1	-2.4	-36.1	0.3	-17.1	32.1	11.8	8.7
In percent of GDP	13.9	16.3	13.3	12.0	9.3	9.0	7.1	9.3	10.1	10.6
Broad money (annual percentage change)	19.6	-7.0	0.4	20.7	-6.6	10.1	4.1	4.0	3.2	3.3
Currency outside banks	-3.2	7.6	6.1	73.6	-30.3	-12.7	-27.0	-12.6	-32.5	-32.5
Deposits	24.9	-9.7	-0.9	8.3	2.4	15.9	10.1	6.2	7.0	5.7
Velocity (GDP/ M2)	6.2	5.7	6.8	6.1	5.3	5.1	5.1	4.9	4.9	4.9

Sources: Equatorial Guinea authorities and IMF staff estimates.

1/The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities, which has zero impact on reported net foreign assets.

Table 5. Equatorial Guinea: Fiscal Financing Requirements, 2019–28
(Billion CFA francs, unless otherwise indicated)

	Est.				Projections					
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
A. Overall Fiscal Deficit (Commitment Basis) (-=Surplus)	-121	101	-180	-997	-19	-181	257	437	526	612
B. Other Financing Needs	276	177	217	295	269	233	221	168	134	131
Amortization	120	94	106	168	131	119	131	93	59	61
External	120	94	87	147	103	91	103	65	49	52
Domestic	0	0	19	21	28	28	28	29	9	10
Repayment of domestic arrears	156	83	111	126	138	114	90	75	75	70
C= A+B Total Financing Needs	155	277	37	-703	250	53	479	605	660	743
D. Identified Sources of Financing	155	277	37	-703	285	52	479	605	660	743
External disbursements	54	120	57	46	100	100	100	100	100	100
Deposits/assets	3	130	-233	-698	-101	-271	130	312	445	530
Domestic	-72	69	-234	-707	-135	-303	119	301	435	519
Foreign	75	60	1	8	34	32	12	11	11	11
Issuance of government securities	0	0	112	-87	286	224	249	193	114	113
SDR allocation	0	0	119	0	-35	0	0	0	0	0
Other	-26	-71	40	38	0	0	0	0	0	0
Program Financing	24	0	21	0	0	0	0	0	0	0
African Development Bank	0	0	0	0	0	0	0	0	0	0
IMF	24	0	21	0	0	0	0	0	0	0
E. Financing Gap (C-D)	0	0	0	0	0	0	0	0	0	0

Source: Fund staff estimates and projections.

Table 6. Equatorial Guinea: External Financing Requirements, 2020–28
(Millions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.			Projections			
1. Total Financing Requirements	-161	-67	1,328	77	196	324	257	228	276
Current account deficit	78	-515	-287	-98	393	663	895	1,091	1,240
Debt amortization	163	157	236	170	150	171	107	82	86
Net change in external arrears (increase =-)	-51	103	2	58	1	1	1	0	0
Net change in government deposits abroad (increase=+)	-105	38	-14	-57	0	0	0	0	0
Net change in net reserves (increase=+)	-247	150	1,391	4	-348	-511	-746	-945	-1,050
2. Total Financing Sources	-94	-179	1,328	77	196	324	257	228	276
Capital transfers	0	0	0	0	0	0	0	0	0
Foreign direct investment (net)	-26	336	1,389	142	187	284	277	270	310
Portfolio investment (net)	65	234	37	61	60	60	63	67	71
Debt financing	1,134	-465	157	19	19	-19	-80	-107	-101
Commercial banks' capital flows	55	-29	-85	-3	-9	-1	-4	-2	-2
Other net capital inflow[1]	-1,054	20	-76	-142	-62	0	0	0	-2
Errors and omissions	-268	-275	-94	0	0	0	0	0	0

Source: IMF staff estimates

[1]Includes the SDR allocation

Table 7. Equatorial Guinea Financial Soundness Indicators for the Banking Sector, 2015–22

	2015	2016	2017	2018	2019	2020	2021	2022
Capital Adequacy								
Total bank regulatory capital to risk-weighted assets[1]	23.8	27.3	31.8	29.5	-2.8	-1.6	-6.2	0.6
Total capital (net worth) to assets	11.2	13.0	13.4	12.8	-0.7	-0.2	-1.3	1.2
Total assets (growth)	-9.2	-10.2	-2.9	3.4	-10.3	-0.1	53.2	-30.2
Asset Quality								
Non-performing loans (gross) to total loans (gross)	16.8	24.6	27.2	36.7	48.8	51.1	55.1	55.4
Non-performing loans less provisions to regulatory capital[2]	0.0	0.1	0.1	0.1	-1.6	-3.1	-1.0	10.1
Earnings and Profitability								
Return on equity[3]	9.7	9.1	5.4	3.7	-0.6	-3.9	-3.9	…
Return on assets	1.6	1.7	1.2	0.9	0.1	-0.6	-0.5	…
Non interest expense to gross income	53.0	66.0	70.0	71.6	79.3	106.8	106.3	…
Liquidity								
Liquid assets to total assets	35.8	30.3	31.2	30.3	20.2	19.9	12.7	21.9
Liquid assets to short-term liabilities	200.7	158.4	171.2	170.1	120.7	131.5	130.3	152.1
Total deposits to total (noninterbank) loans	131.9	106.4	99.4	98.1	104.0	98.5	102.6	…
Credit								
Gross loan (banks' book)[2]	1,219.4	1,269.5	1,267.9	1,283.5	1,020.7	1,028.2	1,058.8	988.4
Gross loan - annualized growth rate		4.1	-0.1	1.2	-20.5	0.7	3.0	-6.7
Other								
Foreign-currency-denominated loans to total loans	0.0	0.0	0.0	0.1	0.5	0.3	0.3	0.2
Foreign-currency-denominated liabilities to total liabilities	…	…	…	…	…	…	1.4	1.5

Source: Banking Commission of Central Africa (COBAC).

1. Calculated according to the Basel I guidance.

2. Billions CFAF

3. Return in ROE is calculated based on annualized net profit before tax.

Annex I. Implementation of Past IMF Advice (Article IV 2022)

Fund advice	Status	Comments
A. Fiscal Policy to Maintain Sustainability while Supporting Inclusive Growth		
SHORT-TERM MEASURES		
A.1. Rebuild macroeconomic buffers and provide temporary relief from higher food prices.	Implemented	In 2022, Equatorial Guinea saved a significant part of the hydrocarbon revenue windfall as reflected in the large fiscal surplus (13.5 percent of GDP), and for the first time in years, accumulated net foreign assets at the BEAC. The authorities also launched a food imports program to abate food inflationary pressures.
A.2. Tackle underperformance of SOEs and reducing transfers to the gas company and other public entities.	Partially implemented	Audits of major hydrocarbon SOEs were completed.
A.3. Increase spending efficiency prioritizing health and education to boost human capital.	Implemented	There was an increase in social spending in the 2023 budget.
A.4. Strengthen public debt management.		
A.4.1. Conclude the first part of the domestic arrear's clearance.	Implemented	The government has made significant advances clearing domestic arrears to construction companies —in 2022, it paid CFAF 71.4 billion, including CFAF 65 billion from the SDRs allocation.
A.4.2. Settle external arrears in line with agreements.	Partially Implemented	There are no reports of arrears to Spain and other external creditors, except Belgium. The authorities have not yet reached an agreement with Belgium: discussions appear to have stalled.
MEDIUM-TERM MEASURES		
A.5. Raise Spending Efficiency A.5.1 Strengthen PFM to improve public expenditure monitoring and tracking to improve accountability.	In progress	Tighter procedures for expenditure approvals and oversight for current and capital spending have been introduced. The budget preparation process has been revamped, with all projects now reviewed by a budget committee in better alignment with government priorities. Expenditure tracking and monitoring was strengthened, notably through systems to track capital spending commitments. In 2023, the authorities adopted a decree establishing a Treasury Single Account (TSA). An upcoming FAD mission will provide details on the extent of PFM reforms.

Fund advice	Status	Comments
MEDIUM-TERM MEASURES		
A.5.2 Implement a more comprehensive reform for fuel subsidies, ultimately moving to an automatic pricing mechanism with price smoothing rules, while protecting low-income households with targeted programs.	In progress	The authorities have decided to eliminate fuel subsidies. The 2024 budget envisions 70 percent reduction in fuel subsidies.
A.5.3. Strengthen the public procurement framework, including by regularly publishing beneficial ownership information.	In progress	Full implementation of the Decree 141/2021 – requiring the publication of beneficial owners in public administration contracts on a government website within 15 days of signature– still pending. Currently, a limited number of contracts comply. Further enhancing public procurement, the government approved a draft law limiting non-competitive bidding in public contracts.
A.6. Revenue Priorities- improve non-hydrocarbon revenue collection. A.6.1. Ensure a strong and rapid implementation of the new electronic system to collect VAT.	In progress	Steps have been taken towards establishing a digital VAT system.
A.6.2. Implement measures to fully roll out the customs IT reform to posts across the country and ensure that the posts have adequate power and connectivity infrastructure to adopt the new system.	In progress	ASYCUDA has been rolled out in Malabo port and is currently being rolled out in Bata.
A.7. Strengthen public debt management. A.7.1. Advance the implementation of a multi-annual expenditure tracking and control system, and a new debt management and financial analysis system	In progress	A new IT debt management system is under development.
B. Improving Social Outcomes and Protecting Food Security		
MEDIUM-TERM MEASURES		
B.1. Development of a social protection strategy with clear objectives, measures, timelines, and financing within a streamlined administrative structure.	In progress (substantially delayed)	A social protection law has been drafted and is pending ratification from parliament. This law establishes the framework for social protection policies, and a flagship social safety net. The timeline to implement the law once ratified remains unclear.
B.2. Development of a single beneficiary registry with evidence-based criteria for social assistance.	Not Implemented	Authorities have held meetings with the World Bank to discuss the implementation of social

Fund advice	Status	Comments
		protection policies. There is no current timeline for the implementation of a beneficiary registry.
MEDIUM-TERM MEASURES		
B.3. Provision of targeted support benefiting vulnerable households, including temporary subsidization of basic food items or temporary reduction of their import taxes.	Partly Implemented	There were imports of subsidized food items. While the policy helped food security, it is unclear if it was successful in targeting the poor and vulnerable.
B.4. Improve the transparency of spending plans, their execution, and outcomes, by improving the collection and reporting of social spending data.	Partly Implemented	The authorities have made efforts in reporting social spending data. Plans, execution, and outcomes of social spending are wanting, reflecting broader PFM issues and lack of coordination across ministries.
C. Strengthening the Banking Sector and Financial Inclusion		
MEDIUM-TERM MEASURES		
C.1. Hire a broker to assist with the timely completion of the clearance of audited domestic arrears.	Implemented	A broker was hired in the summer of 2022.
C.2. Strengthen the financial situation of a state-owned systemic bank, including: (i) work with COBAC so that any institution with capital shortfalls submits a credible recapitalization or restructuring plan.	In progress	The authorities have signed an agreement with a private investor, who will acquire a majority stake in the large systemic bank. There are ongoing discussions between the State, the private investor and COBAC regarding the transaction.
C.3. Enhance judiciary capacity and implement new mechanisms to resolve commercial and credit disputes.	Not implemented	
C.4. Advance the national financial inclusion strategy to develop and promote mobile payments, accompanied by adequate oversight.	In progress	There is a draft financial inclusion strategy under consideration, which will advance the mobile payment infrastructure.
C.5. Strengthen the financial situation of state-owned systemic bank, including: (ii) adopt legislation to strengthen the governance and transparency of state-owned banks; (iii) pursue a shareholding management framework for state-owned banks; and (iv) Strengthen the monitoring of the financial rector, including on issues of regulatory compliance.	Not Implemented	No longer relevant.

Fund advice	Status	Comments
D. Improving Governance, Transparency and Fighting Corruption		
SHORT-TERM MEASURES		
D.1. Issue regulations and asset declarations for senior government officials consistent with international good practices	In progress	The government appropriated funding to the Anti-Corruption Commission (ACC) starting in end-2023, incorporated LEG comments to their draft regulations for the work of the ACC and the asset declaration mechanism and envisions prompt approval of both frameworks.
D.2. Publish the declarations and all by-laws on a government website.	In progress	A website for the Official Gazette has been established, and the authorities have begun to publish existing laws and declarations. To date, only a few have been published on the website. The Ministry of Justice should be mandated to oversee the completion of this website to show commitment with enhanced transparency.
D.3. Complete and publish audits of COVID and Bata rehabilitation spending, public procurement contracts, and beneficial ownership information.	Partially Implemented	Audits of both COVID and Bata spending were completed, and the COVID audit was published on the Ministry website. A final draft of the Bata spending audit has not been published. Some public procurement contracts and beneficial ownership information for COVID expenditures were published, but it remains incomplete. Contracts and beneficial ownership information for Bata expenditures have not been published.
D.4. Publish periodic reports with implementation progress of the 2019 Good Governance and Anti-Corruption Action Plan	Not Implemented	Pending the full operationalization of the Anti-corruption commission. This commission oversees such periodic reports.
D.5. Continue to pursue EITI membership	In progress	The authorities are planning to hold a civil society conference to inform civil society on the EITI membership process, which has been postponed to December 2023. The President is expected to renew the country's commitment to the EITI through a public statement.
SHORT-TERM MEASURES		
D.6. Improve the timely publication of economic data essential for surveillance	Implemented	The authorities have continued to improve the timely publication of national accounts data, including with substantial Fund TA. They began publishing quarterly economic data in 2022 and have begun a rebasing exercise for the national accounts that is expected to be published in 2025.

Fund advice	Status	Comments
SHORT-TERM MEASURES		
D.7. Audits of the state-owned oil and gas companies	Implemented	The independent audits of GEPetrol and SONAGAS were published on the Ministry of Finance website in September of 2022.
E. Boosting Non-Hydrocarbon Growth		
E.1 Prepare an asset-sales plan based on open and transparent international tenders to accompany the published list of assets for privatization	Partially Implemented	
E.2 Identify high-value liquid assets that could help fulfill financing needs	Not Implemented	
E.3 Establish an investment promotion agency	Not Implemented	
E.4 Establish a strategy to develop the tourism industry	Partially Implemented	The authorities have pursued measures to develop the tourism industry through agreements signed for management of the airports and regional airlines to increase tourism access. In July 2023 an online visa platform was launched. However, the authorities have not produced a concrete, time-bound strategy to develop the tourism industry.
E.5 Carefully assess measures to promote investment in the hydrocarbon sector	Implemented	In 2023, the authorities signed an agreement to further develop the Gas Mega Hub project and a cross-border field development agreement with Cameroon. Both agreements are in line with the objective of shifting investment from oil to natural gas.
E.5 Transparent and credible diversification framework	Partially Implemented	The authorities have developed a national diversification and sustainable development strategy. However, specific measures to achieve their stated targets are unclear.

Annex II. Stocktaking of the 2019 EFF and the 2021 RFI

The three-year EFF-supported program lapsed in December 2022 without any reviews as the effect of external and domestic shocks[1] –amplified by weak institutional capacity– delayed implementation. Authorities met 4 out of 9 structural benchmarks under the EFF. They completed 3 additional structural benchmarks with delay but prior to EFF expiration. In 2021 the IMF approved a disbursement in the amount of SDR 47.25 million under the RFI –responding to the imbalances triggered by the COVID pandemic and Bata explosions. All four prior actions for this disbursement were met, including the passing of the anti-corruption law which was a pending SB under the 2019 EFF. Before the 2019 EFF expiration, authorities also completed several key commitments under the RFI.

1. **On December 18, 2019, the IMF Executive Board approved a three-year arrangement under the Extended Fund Facility (EFF) for Equatorial Guinea in the amount of SDR 205 million (130 percent of quota).[2]** The key objectives of the EFF program were to: (i) reduce macroeconomic imbalances to maintain public debt sustainability, rebuild NFAs; (ii) promote human capital development and improve social protection; (iii) address financial sector vulnerabilities; (iv) foster good governance and transparency and fight corruption; and (v) promote economic diversification.

2. **The EFF goal of substantial fiscal adjustment fell short of objective.** The EFF envisioned a cumulative improvement in the non-hydrocarbon primary balance (NHPB) of 8.2 percent of GDP over 2019–22. For 2019–21, the targeted frontloaded NHPB reduction was largely achieved, mainly through expenditure reductions. However, the achievement of the NHPB target in 2022 was prevented by significant non-hydrocarbon revenue under-performance for the entire duration of the program due to COVID-19 and much larger capital spending (partly reflecting Bata reconstruction).

3. **However, the authorities took some measures to increase non-hydrocarbon revenue and saved in 2022 a significant part of the hydrocarbon revenue windfall**. They passed regulations to implement new excise taxes on imported beverages, tobacco, and vehicles and established a single-point window for business registration. They also amended the 2017 Amnesty Tax Law so that write-offs of long-standing liabilities are replaced by payment arrangements. The fiscal surplus reached 13.6 percent of GDP in 2022, leading to a strengthening of the external current account surplus and the accumulation of net foreign assets (NFA) at the BEAC.

4. **Little progress was made to address vulnerabilities in the banking sector**. The banking system remains burdened by the high level of non-performing loans (NPLs). Progress to clear arrears to construction companies that will help sharply reduce NPLs, while improving liquidity, was slow. No plan was prepared to recapitalize the ailing largest systemic bank.

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[1] The country was hit in March 2020 by the COVID pandemic, in March 2021 by the Bata explosions and in March 2022 by the hike in food prices after the invasion of Ukraine.

[2] Equivalent to US$282.8 million or 130 percent of the quota.

5. Governance reforms moved at a steady but slow pace. Some achievements were made towards the end of the program, including the passage in late 2021 of an anti-corruption law that defines a framework for guiding transparency, accountability, and the control of corruption, the completion and publication of the audits of the state-owned oil and gas companies (GE Petrol and Sonagas), the completion of audit of domestic arrears to construction companies. There are, however, several unfinished reforms – publishing an online public repository for existing laws and regulations, the EITI application submission, publication of beneficial ownership information on COVID and Bata-related spending, asset declarations for public senior officials. Other governance reforms encountered implementation difficulties –the anti-corruption law and regulation to facilitate business creation.

Table 1. Equatorial Guinea: Status of Macro-Critical Structural Reforms under the 2019 EFF by end-2022

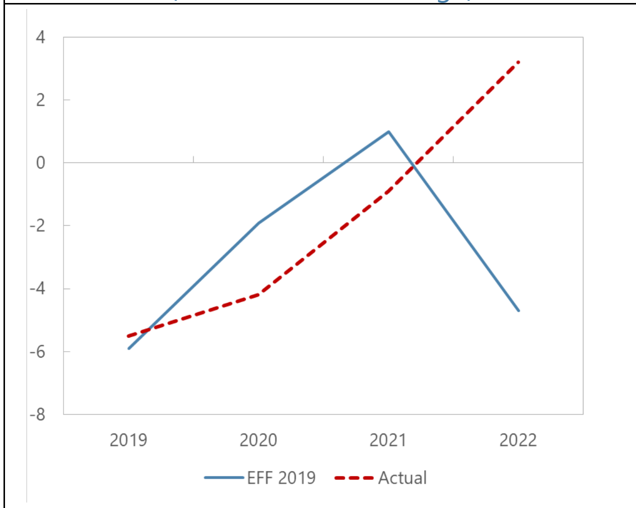
	Completion Status	Current Status of Pending Actions/SB
Prior Actions (3 out of 4 Met)		
1. Submission to parliament of a 2020 budget consistent with the program targets.	Met	
2. The Ministry of Finance, Economy and Planning to operationalize a system to track and control expenditure commitments.	Met	
3. Publish the Governance Diagnostic Report and a governance strategy as developed in consultation with IMF staff.	Met	
4. Submit a membership application to the EITI	Not Met	New application process ongoing.
Structural Benchmarks (4 out of 9 Met)		
1. Share active oil and gas contracts with BEAC	Met	
2. Congressional approval of legislation to implement excise taxes (paragraph 11)	Met	
3. Congressional approval of amendments to the 2017 tax amnesty law (paragraph 12)	Met	
4. Publication of a comprehensive hydrocarbon data and information report for 2019	Met	
5. Congressional approval of an anti-corruption law in line with international obligations under the UNCAC	Met with delay on May 2021 (after original review target) as an RFI Prior Action.	
6. Publication of the audits of GEPetrol and Sonagas	Met with delay on February and May 2022, respectively (after original review target)	
7. Preparation of list of assets for privatization and list of assets that will be subject to other forms of private management	Met with delay on April 2022 (after original review target) as an RFI key commitment.	
8. Clearance through the exchange with government bonds the domestic arrears validated through the audit	Not Met	Arrears clearance enhanced plan in progress
9. Set up a website for the official Gazette and publish all laws, orders, and decrees since 2000	Not Met	In progress.

Table 2. Equatorial Guinea: Status of Macro-Critical Structural Reforms under the 2019 RFI by end-2022

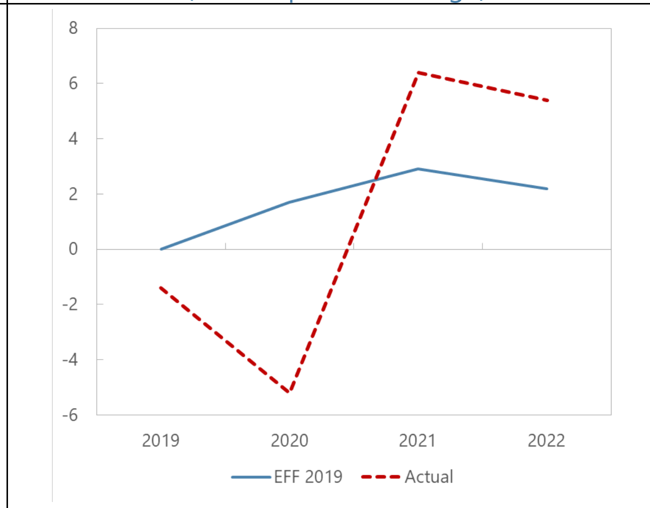
	Completion Status	Current Status of Pending Commitments
Prior Actions (4 out of 4 Met)		
1. Congressional approval of an anti-corruption law in line with international obligations under the UNCAC	Met	
2. Hire an international independent audit firm and start the audit of COVID-related expenditures.	Met	
3. Hire an international independent firm to audit Bata emergency response expenditures.	Met	
4. Establish two escrow accounts at BEAC-one for COVID and one for Bata emergency spending.	Met	
Key Commitments (3 out of 7 Met)		
1. Completion and Publication of COVID expenditures related audits	Met	
2. Issuing regulations to require beneficial ownership information of companies awarded public procurement contracts for COVID and Bata related spending.	Met	
3. Preparation and publication of the list of assets for privatization, including a high-value liquid asset.	Met	
4. Completion and Publication of Bata expenditures related audits	Not met	In progress. Pending Auditor's Final Clearance
5. Asset declarations of senior public officials	Not met	In progress. Pending approval of draft regulation and full operationalization of the Anti-Corruption Commission.
6. Issue the implementation decree(s) related to the asset declaration regime for senior public officials and the governance of the Anti-Corruption Commission	Not met	In progress. Draft Regulation operationalizing the process pending final approval.
7. Publication of all procurement contracts and the beneficial ownership information of awarded entities for COVID and Bata emergencies signed since the adoption of the new regulation.	Not met	In progress. Most COVID contracts already published, but still require completion. Bata contract publications should follow, after auditor's clearance.

Figure 1. Equatorial Guinea: Real and External Developments from EFF Scenario, 2019–22

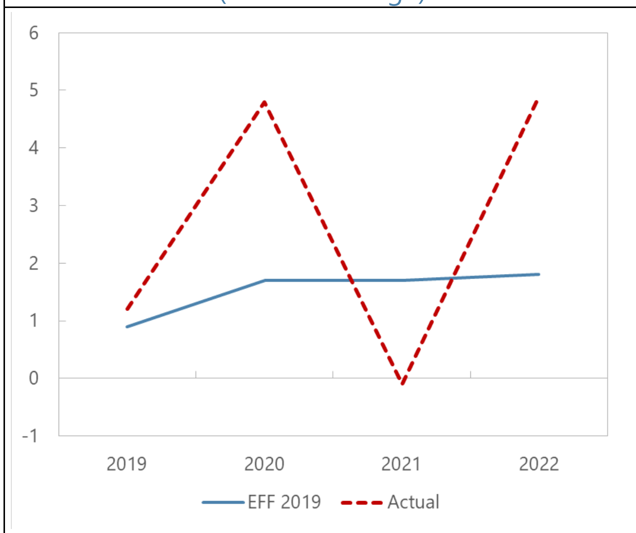
Real GDP
(Annual Percent Change)



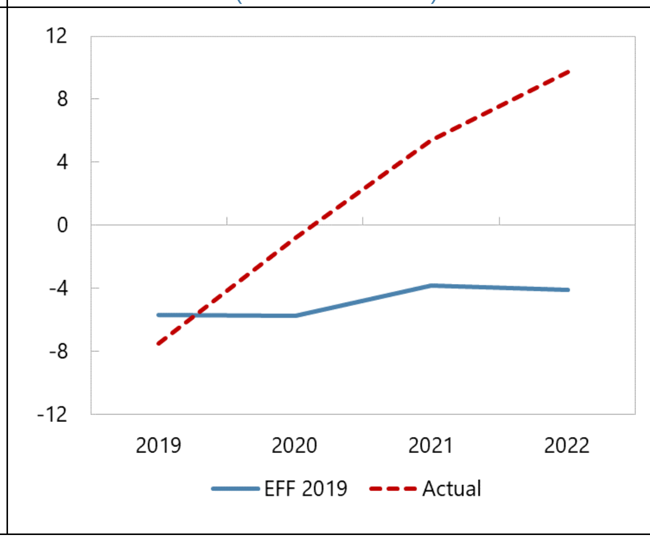
Real Non-Hydrocarbon GDP
(Annual percent change)



Inflation
(Annual average)



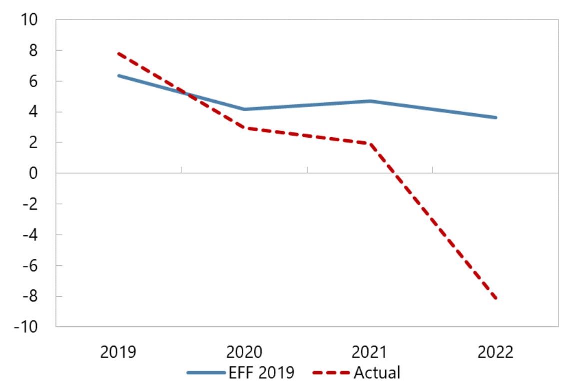
Current Account Balance
(Percent of GDP)



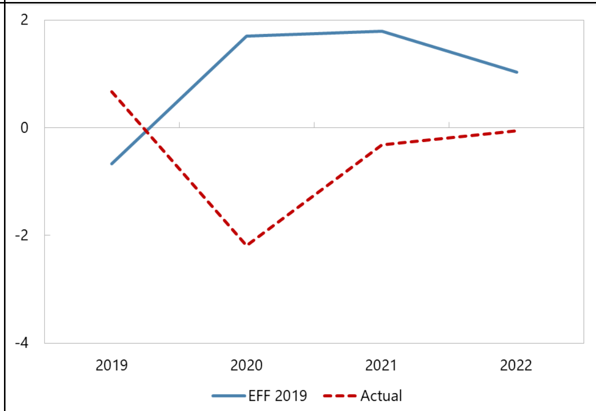
Sources: Equatoguinean authorities and IMF staff calculations

Figure 2. Fiscal Developments from EFF Scenario, 2019–22

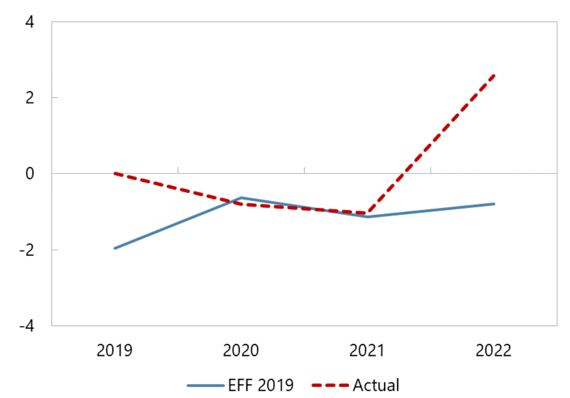
Non-Hydrocarbon Primary Balance
(Change with respect to previous year, Percent of Non-Hydrocarbon GDP)



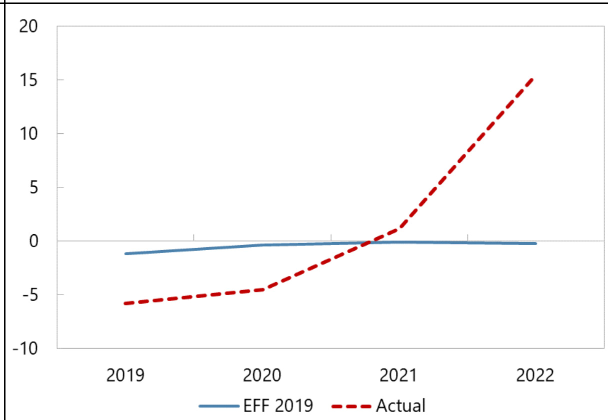
Non-Hydrocarbon Revenue
(Change with respect to previous year, Percent of Non-HydroCarbon GDP)



Total Primary Expenditure
(Change with respect to the previous year, in percent of total GDP)



Revenue
(Change with respect to the previous year, in percent of total GDP)



Sources: Equatoguinean authorities and IMF staff calculations

Annex III. Risk Assessment Matrix[1]

Risks	Relative Likelihood	Expected Impact if realized	Recommended Policy Responses
Conjunctural Risks			
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	High (↑) (↓)	High ST	As an oil and gas exporter, save windfall hydrocarbon earnings to rebuild macroeconomic buffers. Adopt temporary fiscal measures to protect food security for vulnerable population. Diversify non-traditional sectors. Vigilantly monitor financial sector developments in coordination with CEMAC.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	High (↑) (↓)	High ST	As an oil and gas exporter, save windfall hydrocarbon earnings to rebuild macroeconomic buffers. Provide temporary and targeted transfers to the vulnerable. Allow a gradual pass-through of international prices phasing out generalized subsidies.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	Medium (↓)	High ST, MT	Enhance competitiveness to support economic recovery. Diversify nontraditional revenues. Vigilantly monitor the financial sector development in coordination with CEMAC.
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	Medium (↓)	Medium ST	Provide temporary and targeted transfers to the vulnerable. Allow a gradual pass-through of international prices and phase out generalized subsidies. Vigilantly monitor the financial sector development in coordination with CEMAC.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. We focus on risks that could materialize within 1 year to 3 years.
Legend: **(↑)**: upside risk; **(↓)**: downside risk; ST: short term; MT: medium term.

Risks	Relative Likelihood	Expected Impact if realized	Recommended Policy Responses
Structural risks			
Deepening geoeconomic fragmentation. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High (↓)	Medium ST, MT	Enhance international cooperation and competitiveness to support economic recovery and cross border collaboration.
Natural disasters related to climate change. More frequent natural disasters deal severe damage to infrastructure (especially in smaller vulnerable economies) and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	Medium (↓)	Medium ST, MT	Implement national adaptation plans with investment in structural and financial resilience, and appropriate ex ante financing.
Domestic Risks			
Risks	**Relative Likelihood**	**Expected Impact if realized**	**Recommended Policy Responses**
Weak governance and capacity. Slow or stalled implementation of policy reforms, affecting business environment, investment, productivity, economic diversification, and inclusion.	High (↓)	High ST, MT	Press ahead with governance and PFM reforms; request technical assistance and training to raise capacity.
Banking sector weaknesses. Further delays in restoring the soundness of the banking sector would affect non-hydrocarbon growth and could worsen the fiscal and external balances.	High (↓)	High ST	Expedite the settlement of domestic arrears and take actions to restructure the largest systemic bank.

Annex IV. External Sector Assessment

Overall Assessment: The external position of Equatorial Guinea in 2022 is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies. Although the country's external position remains evaluated as substantially weaker indicating persistent significant external imbalances, the estimated current account imbalance shows an improvement compared to the assessments conducted in 2019 and 2021.The undertaken reforms have started to tackle some of these imbalances, albeit more progress is needed.

Potential Policy Responses: Structural and fiscal reforms are needed to address external sector imbalances through policies that boost medium-term competitiveness by increasing non-hydrocarbon productivity and economic diversification—including reforms to the business environment, governance, financial sector, and human capital, as well as more efficient allocation of government expenditures.

Foreign Assets and Liabilities: Position and Trajectory

Background. Official net foreign assets (NFA) as percent of GDP increased from –2.7 in 2021 to reach a substantial 9.3 percent in 2022. This remarkable shift is consistent with a record accumulation of international reserves of US$1,392.8 million in 2022. This surge is primarily the result of two factors: a notable surplus in the trade balance, amounting to 40.6 percent of GDP, and an inflow of capital equivalent to 11.8 percent of GDP in the form of direct investments, primarily concentrated in the hydrocarbon sector and explained by higher reinvested earnings on direct investment.

Assessment. In the coming years, it is projected that Equatorial Guinea will not accumulate international reserves. The anticipated trajectory of NFA indicates an average loss of 6.4 percent of GDP from 2024 to 2028, that starts with a loss of 3.4 percent of GDP in 2023 followed by a loss of 9.0 percent of GDP in 2028. This course aligns with the foreseen reduction in hydrocarbon production and exports coupled with lower FDI flows.

Current Account

Background. In 2022, the current account balance (CA) displayed a surplus of 2.4 percent of GDP Indicating a deterioration compared to the previous year's surplus of 4.2 percent of GDP in 2021. Although Equatorial Guinea registered extraordinary exports of hydrocarbons, constituting a significant 53.8 percent of the GDP in 2022, The surge of outflows on the income account, due to higher repatriation of retained earnings, was an off-setting factor to the significant trade balance surplus of 40.6 percent of GDP.

The rebound from the global pandemic-induced economic downturn in 2021 and 2022 played a pivotal role in CA positive trajectory due to improved oil and gas prices. After historically being in deficit, the CA experienced a turnaround, showcasing a surplus for both consecutive years. These developments align with the observed upward trend in gross national savings, which increased from 3.9 percent of GDP in 2020 to 9.0 percent and 16.1 percent of GDP in 2021 and 2022, respectively. Equatorial Guinea's CA deficits are projected to become sizable in the medium term primarily driven by the diminishing output and exports of hydrocarbons coupled with a gradual upturn of non-hydrocarbon economic activity.

Equatorial Guinea: EBA-lite Model Results, 2022

	CA model 1/	REER model 1/
	(Percent of GDP)	
CA-Actual	**2.4**	
Cyclical contributions (from model) (-)	0.4	
COVID-19 adjustors (-) 2/	0.0	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**2.1**	
CA Norm (from model) 3/	**6.6**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**6.6**	
CA Gap	**-4.5**	**1.7**
o/w Relative policy gap	17.7	
Elasticity	-0.3	
REER Gap (in percent)	**16.7**	**-6.4**

1/ Based on the EBA-lite 3.0 methodology

2/ Additional cyclical adjustment to account for the temporary impact of the pandemic.

3/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. The staff assesses Equatorial Guinea's external position as substantially weaker than the level implied by medium-term fundamentals and desirable policies. The EBA-lite CA model is consistent with an estimated CA gap of –4.5 percent of GDP improving with respect to the estimated CA gap of -5.7 percent of GDP in 2021 and the –14.7 percent of GDP in 2019 reflecting the 2022 record accumulation of international reserves due to extraordinary exports of hydrocarbons and FDI and its positive impact over the estimated CA norm. The CA gap is mainly driven by a negative unexplained residual that is interpreted as reduced competitiveness. Therefore, closing the CA gap requires structural reforms that improve Equatorial Guinea's competitiveness.

Real Exchange Rate

Background. Throughout 2022, the REER exhibited a depreciation of 6.5 percent, a more substantial decline than the 2.2 percent experienced in 2021, despite the concurrent enhancement in terms of trade. Similarly, the Nominal Effective Exchange Rate (NEER) depreciated by 4.4 percent in 2022, presenting a contrast to the marginal appreciation of 0.9 percent observed in 2021.

Assessment. The real effective exchange rate is assessed as overvalued in 2022 This result is derived from the estimated EBA-Lite CA gap using a trade semi-elasticity of -0.3 that suggests a REER gap (overvaluation) of 16.7 percent. Notably, the estimated 2022 REER overvaluation is lower than the 21 percent and the 54 percent recorded at the time of the two last assessments in August 2022 and December 2019 respectively. Eliminating the estimated REER overvaluation requires structural reforms that improve competitiveness in the medium-term. In contrast with the CA model, the EBA-lite REER model estimates a REER undervaluation of -6.4 percent. However, recognizing the robustness limitations of the EBA-lite REER model, the 2022 external sector position and REER imbalance are anchored to the EBA-lite CA model which exhibits a more favorable historical fit.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2022, Equatorial Guinea's financial inflows were dominated by FDI flows mostly towards hydrocarbon projects accounting for 11.8 percent of GDP higher than the 2.7 percent of GDP observed in 2021. However, it is anticipated that FDI flows into the hydrocarbon sector will dwindle over the upcoming decade, owing to the depletion of hydrocarbon resources and the potential realization of diminished oil and gas prices. This projection underscores an emerging external financing need in the absence of proactive structural reforms geared towards boosting non-hydrocarbon GDP and facilitating noteworthy economic diversification.

Assessment. Balance of Payments financing needs are expected to remain elevated in the medium term, requiring a strong commitment to structural and fiscal reforms.

Annex V. Debt Sustainability Analysis

Figure 1. Equatorial Guinea: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate. The high mechanical risk signal in the medium term modules are triggered in part by high historical volatility of debt indicators. Staff assesses the risk of such future volatility is lower due to public financial management reforms enacted under the 2019 EFF and the authorities' agenda to diversify the economy and reduce reliance on hydrocarbon revenues. Despite the increase in debt-to-GDP over the medium term, the composition of the debt maintains a relatively lower-risk profile, with low levels of foreign currency denominated debt and an increasing share of medium- and long-term debt.
Near term 1/		n.a.	Not applicable.
Medium term	High	Moderate	Medium-term risks are assessed as moderate. The wide fanchart width is due to high historical volatility in the debt-to-GDP ratio between 2012 and 2019 following the collapse in oil prices and the authorities' initiation of a massive public investment strategy. The 2019 EFF included several structural reforms to public financial management, and the debt burden has stabilized as the authorities have used windfall revenues from high hydrocarbon prices and 90 percent of their 2021 SDR allocation to pay down government arrears. The GFN module is assessed as moderate and indicates elevated liquidity risk in the medium term.
Fanchart	High	...	
GFN	Moderate	...	
Stress test	...	...	
Long term	...	Moderate	Staff assessment is that the long term risk of sovereign stress is moderate because of the authorities' continued investment in hydrocarbon development, including exploration activities, and an estimated 330 million barrels of oil equivalent in discovered reserves (Rystad Energy AS). Recovery of these reserves could extend outward the projected decline and provide more time for the authorities to enact their diversification agenda to reduce reliance on hydrocarbon revenue in the long term.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Risk of sovereign stress over the medium term is assessed as moderate as fiscal adjustment measures are implemented and domestic arrears are cleared. Although a stress scenario for long term risk was triggered due to the depletion of hydrocarbon reserves, staff assessment is that the long term risk of sovereign stress is moderate because of the authorities' economic diversification agenda that will reduce reliance on hydrocarbon revenue in the long term. Staff assesses overall risks to be moderate because stress risk is contingent on the government's commitment to maintain the pace of PFM and other structural reforms to increase non-hydrocarbon revenues and diversify the economy away from reliance on hydrocarbons.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Equatorial Guinea: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

CPS	NFPS	GG: expected	CG		Subsectors captured in the baseline	Inclusion
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes
CPS	NFPS	GG: expected		2	Extra budgetary funds (EBFs)	No
CPS	NFPS	GG: expected		3	Social security funds (SSFs)	No
CPS	NFPS	GG: expected		4	State governments	No
CPS	NFPS	GG: expected		5	Local governments	No
CPS	NFPS			6	Public nonfinancial corporations	Yes
CPS				7	Central bank	No
CPS				8	Other public financial corporations	Yes

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on intra-government debt holdings

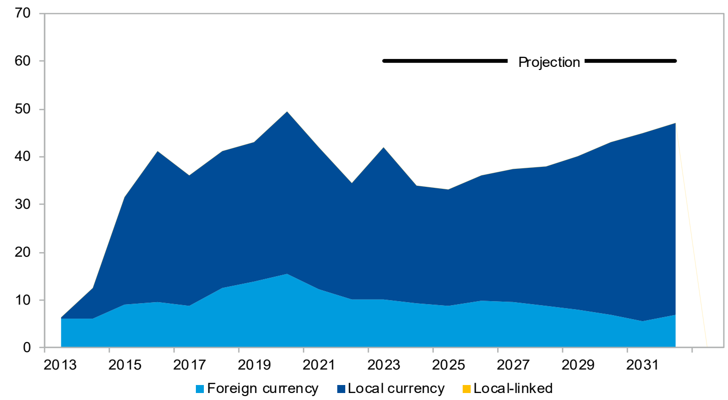
Issuer \ Holder		Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The data coverage is only for the central government.

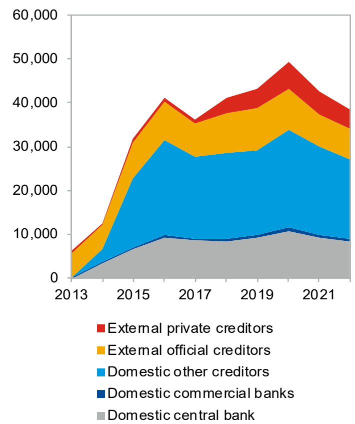
Figure 3. Equatorial Guinea: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



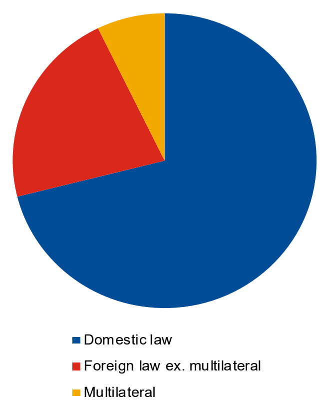
Note: The perimeter shown is general government.

Public Debt by holder (Percent of GDP)



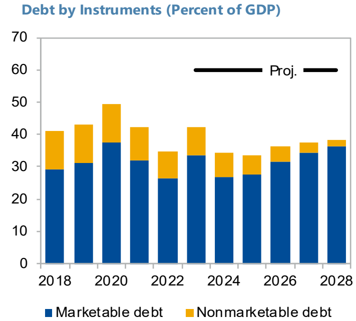
Note: The perimeter shown is general government.

Public Debt by Governing law, 2022 (Percent)



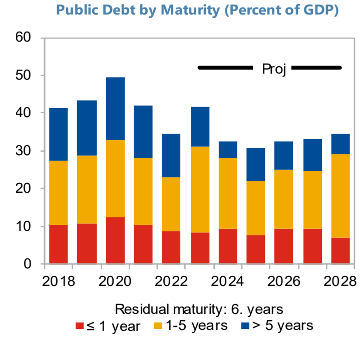
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: As of 2023, the government has adopted an arrears clearance plan to reduce debt held by the domestic banking system and other creditors. The share of foreign currency denominated debt is projected to decrease during the projection period, while the share of short-term debt is projected to decrease. Over the projection period the overall composition of public debt carries a relatively low-risk structure.

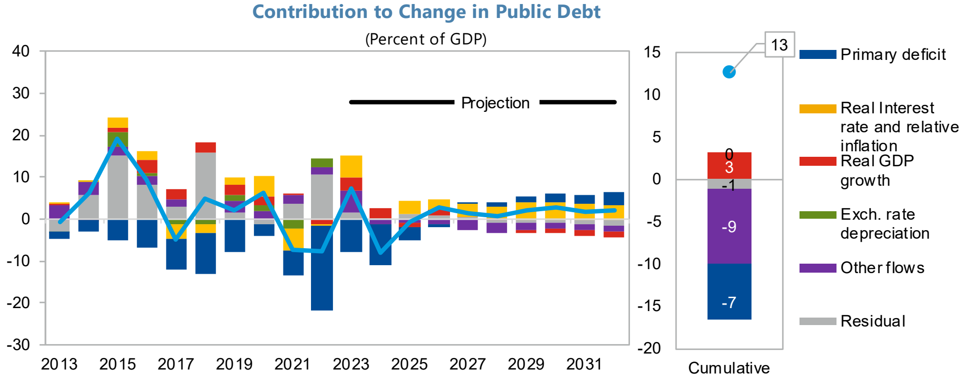
Figure 4. Equatorial Guinea: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public Debt	34.6	42.1	34.0	33.3	36.0	37.4	38.1	40.2	43.1	45.0	47.2
Change in Public Debt	-7.5	7.5	-8.0	-0.8	2.7	1.4	0.7	2.1	2.9	1.9	2.1
Contribution of identified flows	-18.2	5.8	-8.4	-1.9	1.9	0.8	1.6	3.0	3.9	3.2	3.7
Primary deficit	-20.1	-7.7	-9.5	-3.1	-0.8	0.1	0.9	1.4	2.2	2.4	2.9
Noninterest revenues	30.7	23.3	24.4	17.9	16.0	15.6	15.2	14.7	14.2	13.9	13.3
Noninterest expenditures	10.6	15.5	14.9	14.8	15.3	15.6	16.0	16.2	16.3	16.2	16.2
Automatic debt dynamics	0.1	8.4	2.1	2.1	3.9	3.2	3.1	3.2	3.2	2.2	2.2
Real interest rate and relative inflat	-0.4	5.1	-0.3	3.3	2.5	3.2	2.9	4.0	4.0	3.6	3.4
Real interest rate	-0.6	6.6	-1.1	3.3	2.2	3.0	2.7	4.0	4.1	3.6	3.5
Relative inflation	0.2	-1.5	0.8	-0.1	0.3	0.2	0.2	0.0	-0.1	0.0	0.0
Real growth rate	-1.3	3.3	2.4	-1.2	1.4	0.1	0.3 .	-0.8	-0.8	-1.4	-1.3
Real exchange rate	1.7	...	...	...	...	...	... .	...	...	...	...
Other identified flows	1.9	5.1	-1.0	-0.8	-1.2	-2.5	-2.5	-1.6	-1.5	-1.4	-1.4
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	1.9	5.1	-1.0	-0.8	-1.2	-2.5	-2.5	-1.6	-1.5	-1.4	-1.4
Contribution of residual	10.7	1.7	0.4	1.1	0.9	0.6	-0.8	-1.0	-0.9	-1.3	-1.6
Gross Financing Needs	-23.9	0.3	2.7	10.0	11.3	14.2	13.1	12.9	13.5	17.9	19.0
of which: debt service	-3.7	8.1	12.4	13.4	12.2	14.3	12.4	11.7	11.6	15.7	16.2
Local currency	-2.0	3.5	9.1	9.9	9.6	11.8	9.7	8.7	8.4	12.8	13.5
Foreign currency	-1.7	4.6	3.3	3.5	2.6	2.5	2.7	3.0	3.2	2.9	2.7
Memo:											
Real GDP growth (percent)	3.2	-8.8	-5.5	3.7	-4.1	-0.2	-0.8	2.2	2.0	3.3	2.9
Inflation (GDP deflator; percent)	4.5	-10.1	10.3	1.2	5.1	3.4	4.1	1.1	0.3	1.6	1.5
Nominal GDP growth (percent)	7.9	-18.0	4.3	4.9	0.8	3.2	3.3	3.3	2.2	5.0	4.5
Effective interest rate (percent)	3.0	5.5	7.6	11.5	11.8	12.1	11.4	12.0	10.7	10.3	9.6

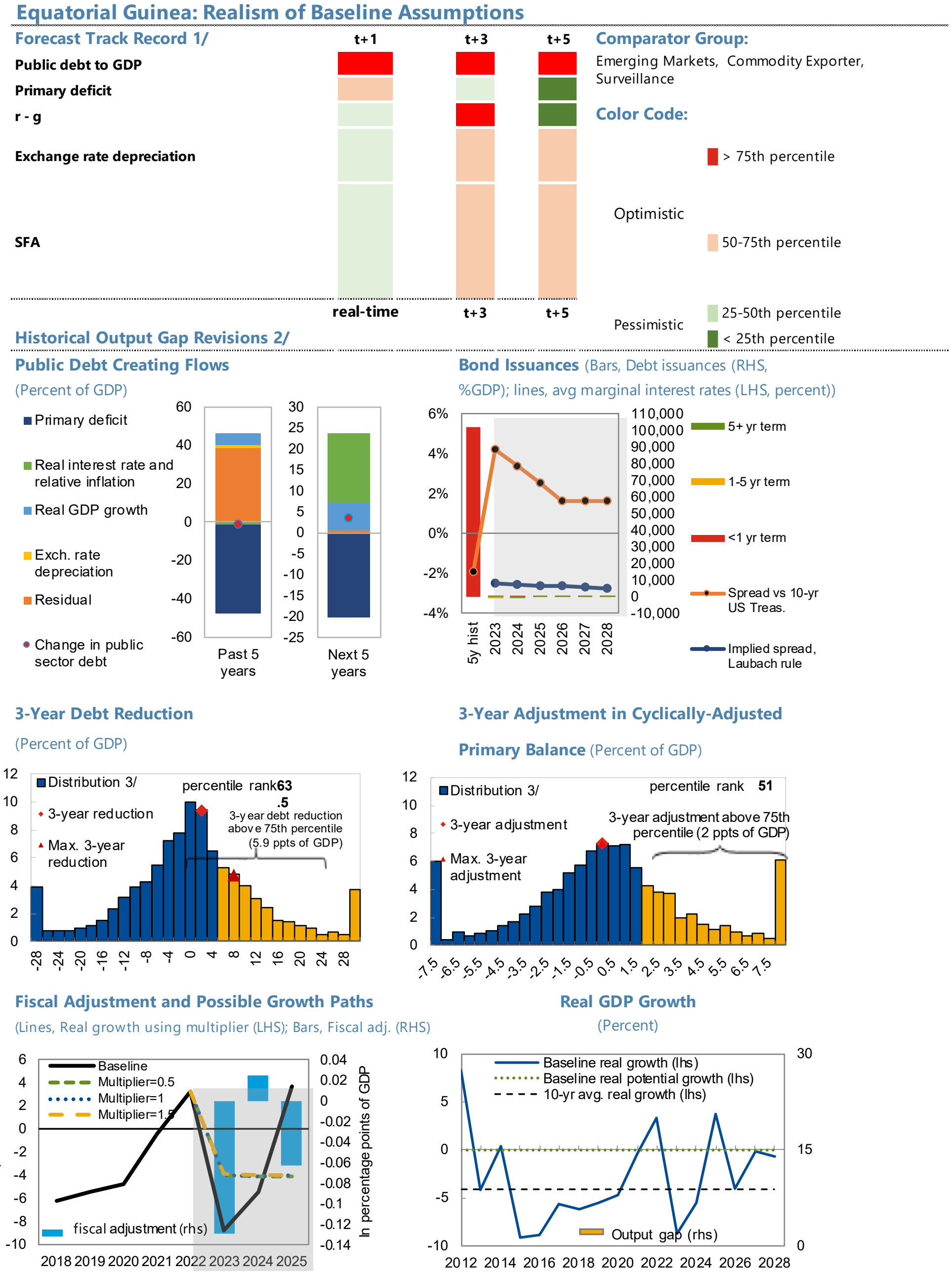
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Over the past 5 years, the authorities have run large primary surpluses due to high hydrocarbon revenues and relatively low expenditures. A significant proportion of these surpluses have been allocated to government deposits and reserve accumulation since 2018. However, gross financing needs are expected to increase over the projection period due to the projected decline in hydrocarbon revenues and increased expenditures stemming from the authorities' core public infrastructure investment plan.

Figure 5. Equatorial Guinea: Realism of Baseline Assumptions



Commentary: Historical optimism of the public debt to GDP forecast can be attributed to the upward revisions in the stock of domestic debt following the inclusion of domestic arrears in 2019, which were previously unaccounted for, that constituted a large shock to the public debt-to-GDP ratio.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

3/ Starting point reflects the team's assessment of the initial overvaluation from EBA (or EBA-Lite).

Figure 6. Equatorial Guinea: Medium-Term Risk Analysis

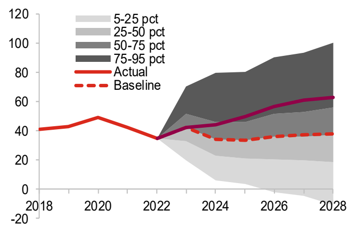
Debt Fanchart and GFN Financeability Indexes

(Percent of GDP unless otherwise indicated)

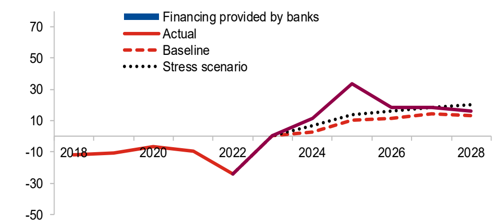
Module	Indicator	Value	Risk index	Risk signal	Adv. Econ., Non-Com. Exp, Program (0 25 50 75 100)
Debt fanchart module	Fanchart width	111.2	1.6	...	
	Probability of debt not stabilizing (pct)	83.5	0.7	...	
	Terminal debt level x institutions index	36.1	0.8	...	
	Debt fanchart index	**...**	**3.1**	**High**	
GFN finance-ability module	Average GFN in baseline	8.6	2.9	...	
	Bank claims on government (pct bank assets)	17.7	5.7	...	
	Chg. in claims on govt. in stress (pct bank assets)	4.7	1.6	...	
	GFN financeability index	**...**	**10.3**	**Moderate**	

Legend: Interquartile range; Equatorial Guinea

Final fanchart (pct of GDP)



Gross Financing Needs (pct of GDP)

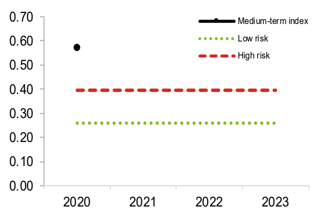


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term Index

(Index number)



Medium-term Risk Analysis

	Low risk threshold	High risk threshold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.7
GFN finaceability index	7.6	17.9	0.5	0.2
Medium-term index (MTI)	0.3	0.4	...	0.4, High

Prob. of missed crisis, 2023-2028 (if stress not predicted): 54.5 pct.

Prob. of false alarm, 2023-2028 (if stress predicted): 6.8 pct.

Commentary: Of the two medium-term tools, the Debt Fanchart Module is pointing to high level of risk, while the GFN Financeability Module suggests a lower, but still moderate, level of risk. The overall high mechanical risk signal is attributed to increasing gross financing needs over the medium term and high historical volatility in debt indicators.

Annex VI. Arrears to Construction Companies and Clearance Strategy

E. Background

1. Over a decade ago, the public construction boom in Equatorial Guinea led to an accumulation of arrears, which severely affected the health of the financial system. Many construction companies contracted large debts in the domestic financial sector for project execution, some without proper procurement documentation. Because of this, the government often delayed payment, and arrears to construction companies accumulated. As the government did not pay the companies, and the companies did not pay the banks, this resulted in a significantly undercapitalized banking sector.

Text Table 1. Equatorial Guinea: Arrears to Construction Companies

	Jun-19	Dec-20	Dec-21	Dec-22	Aug-23	Aug-23 (after audit)[1]
	in billion CFAF	in billion CFAF	in billion CFAF	in billion CFAF	in billion CFAF	in billion CFAF
Total stock	**1,382.5**	**1,316.9**	**1,051.7**	**980.4**	**899.3**	**584.1**
Net debt, excluding non-audited debt, after taxes + 20 % discount (2023 audit)	**...**	**...**	**...**	**...**	**...**	**479.3**
Audited stock, to be paid in cash	900.2	868.0	820.1	767.6	687.4	431.8
Audited stock, securitized	308.4	299.1	85.1	84.1	84.1	47.5
Non-audited stock, to be paid in cash	173.9	149.8	146.6	128.7	127.7	104.8
Total payments	**65.6**	**23.7**	**265.2**	**71.4**	**81.1**	**506.9**
Audited stock, paid in cash	32.2	18.9	47.9	52.5	80.2	231.7
of which, paid with SDR allocation	-	-	-	65.3	-	65.3
Audited stock, paid through securitization	9.3	-	214.0	1.0	-	224.3
Non-audited stock, paid in cash	24.1	4.8	3.2	17.9	0.9	50.9
Memorandum items						
Fiscal applicable debt (after 2023 audit)	...	...	...	...	...	171.6
20 percent discount (after 2023 audit)	...	...	...	...	...	119.8

Sources: Equatorial Guinea authorities; and IMF staff estimates and projections.

1/ Stocks as of August 2023 after taxes and a 20 percent discount to encourage payment. The total payments highlighted are the cummulative payments from 2019-23.

2. Recognizing the severe impact of the arrears in both the financial and construction sectors, in 2019 the government hired Ernst and Young to audit the outstanding debt. The audit found out that of a total of 470 companies that claimed arrears, only 80 had proper contracts and procurement documentation to claim payments. These companies had audited (or validated) debts. The companies that failed to present procurement documentation were considered to have non-validated debts. The total stock of debt amounted to CFAF 1,382.5 billion (20.8 percent of GDP). This stock included: (i) CFAF 900.2 billion (13.5 percent of GDP) of audited (validated) debt to be paid in cash; (ii) CFAF 308.4 billion (4.6 percent of GDP) that were securitized; and (iii) CFAF 173.9 billion (2.6 percent of GDP) that were not validated[1] but the government recognized them for payment. As of August 2023, the stock of arrears to construction companies stands at CFAF 584.1 billion (431.8 billion to be paid in cash, 47.5 billion securitized, and 104.8 billion that are

[1] Debt of companies that lacked proper procurement documentation but delivered projects.

non-audited, but the government has been paying as the public works were completed. (Text Table 1).

3. Staff recommended the government to prioritize payment of validated debt to construction companies indebted in the domestic banking sector. From 2019 to 2023, the government paid a total of CFAF 572.2 billion (9.5 percent of GDP). These payments include CFAF 297.0 billion to validated companies (of which CFAF 65.3 billion were drawn from the 2021 SDR allocation); CFAF 206.1 billion (3.4 percent of GDP) paid through securitization; and CFAF 69.1 billion (1.1 percent of GDP) paid to non-validated companies.

4. The government plans to continue paying arrears, prioritizing validated debt. The plan consists of clearing first the audited arrears (CFAF 431.8 billion), with annual payments of CFAF 29 billion over the next 15 years. The authorities also intend to pay non-validated arrears of completed works, but they currently lack a time-bound, creditor specific strategy.

5. It is critical to draft and implement an official time-bound arrears clearance strategy. The strategy, should be time-bound, specify creditor priority, payment schedule, set the criteria and contain strong safeguards to ensure the transparency of the repayment process, including an annual progress report produced by an international auditor.

F. Policy Recommendations

6. The arrears situation in Equatorial Guinea is severely hampering the development of the private sector. The situation also affects the perception of the country as a safe investment destination further limiting an agenda that aspires to attract FDI. It is imperative that the country designs an arrears clearance plan that demonstrates its commitment to a healthy financial system and adequate public procurement and financial management practices.

7. After claiming ownership of its debt, conducting independent audits, and verifying claims, Equatorial Guinea must now shift to a proper design and enhancement of its arrear's clearance strategy. A complete arrears clearance strategy needs to have guidelines, timelines and be officially published, all elements that are lacking in the Equatorial Guinea case.

8. Staff recommended to start clearing arrears by engaging with creditors. The government team overseeing the arrears clearance plan should meet with representatives from the banking institutions and take stock of their balance sheets. Since the arrears disrupt the financial system, it is important the government obtains necessary information on the state of the banks and how to address their needs while payments are pending. The government may negotiate a schedule of payments with creditors according to a pre-defined calendar and an agreed interest rate.

9. After constructive and informative dialogue with creditors is finalized, staff recommends that the government classify the debt and design a priority-centered payment timetable. Arrears should be classified beyond validated and non-validated, and beyond validated owed to the banks and not, and take into consideration how they affect the balance sheets of these banking institutions. Other considerations for arrears classifications relate to their impact on the economy. Economic linkages of the construction companies or of the banking institutions that affect the most vulnerable in the country should be considered when classifying debt. A priority payment timetable, with informative justification, should follow the arrears classification. This process will reduce payment bias and detrimental impact in the economy.

10. To ensure transparency and accountability, staff recommends that the government issues an official arrears payment strategy report. This report should be publicly available and include the aggregate results of the audits, indicating the total amount of arrears and the proportion of the validated and contested arrears. It should also include details on the verification process and the criteria for rejecting claims. Since Equatorial Guinea already paid a portion of the outstanding arrears, the report should provide details on the paid portion and indicate details on the pending amount. Finally, the report should indicate all the details of the plan to pay arrears, including payment sources and priority-centered timetable.

11. Finally, staff recommended that budget allocation be approved and periodic updates on implementation progress be prepared. Each annual budget of the government of Equatorial Guinea should provide details on the sources and destinations of arrears payments. It is understandable if the process of clearing arrears encounters roadblocks after the issuance of a plan, i.e., the validation of originally non-validated arrears as new procurement information surfaces. Authorities should record any updates and issue revisions of the plan. Authorities should prepare a periodic report (quarterly or semi-annually) that provides and analyzes the progress of liquidating arrears. A technical team should be assigned to oversee that the payments are in line with the set strategy.

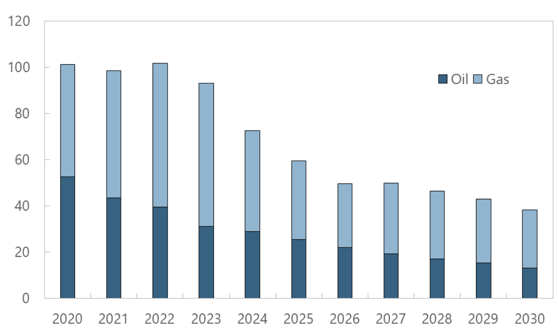
12. In sum, staff recommended that the authorities finalize and issue their current draft arrears payment plan, engage in PFM reforms to prevent further arrears accumulation, and liquidate debt within the guidelines of the plan. The country is currently on the right track as the initial stages of an arrear's clearance strategy –ownership, auditing, and verification– are done. Nevertheless, it has conducted payments without finalizing the strategy risking adequate payment management, lack of consideration of economic priorities and the current state of the banking institutions. It is very important the arrears clearance strategy is finalized and officially published, and that the government implements payments within the set guidelines of the strategy.

Annex VII. Non-Hydrocarbon Diversification

A. Background and Recent Developments

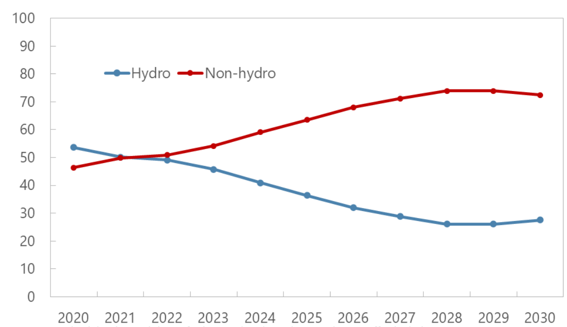
1. The hydrocarbon sector continues its secular decline due to maturing oil fields. Despite recent agreements to develop new oil and gas fields, hydrocarbon production accounted for less than 50 percent of GDP in 2022, down from a high of 80 percent in 2004. Total hydrocarbon production has declined by 17 percent since 2018, from 337,571 barrels per day equivalent to 279,722 in 2022. Production is expected to decline by a further 50 percent between 2023 and 2028 due to maturing oil wells, and an accident in the largest oil field in 2022 that decreased regular output in that field by two-thirds. Even under the assumption that newly signed production agreements come to fruition, this will contribute only a small portion (19 percent) of total projected production by 2029, which is insufficient to offset the decline of mature wells. Furthermore, the reduction in hydrocarbon production will negatively impact growth in the construction industry, one of the largest non-hydrocarbon industries and heavily reliant on hydrocarbon sector investment.

Figure 1. Equatorial Guinea Hydrocarbon Production
(Millions of barrels of oil equivalent)



Source: Equitorial Guinea Ministry of Mines and Hydrocarbons and IMF staff calculations

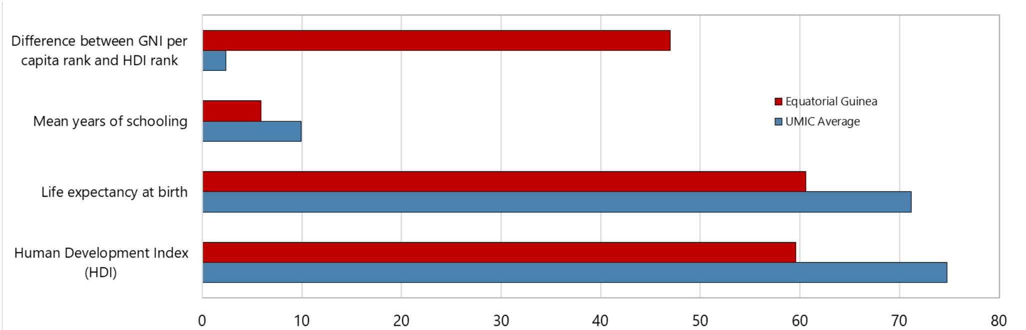
Figure 2. Share of Real GDP in Hydrocarbons
(Percent)



Source: Equitorial Guinea Ministry of Mines and Hydrocarbons and IMF staff calculations

2. After many years of large investments in physical capital, the long-term development agenda is still not strongly geared towards human capital accumulation. During the last decade the authorities heavily invested in physical infrastructure but spent little on much needed social spending. To date, social spending in Equatorial Guinea (around 1.6 percent of GDP in 2022) is well below regional levels. Following the recommendation of the staff-monitored program adopted by the authorities in 2018, capital expenditure has been progressively reduced: it accounted for 4 percent of GDP in 2022, down from 9 percent in 2018. Public investment as a percentage of GDP is projected to continue declining through the medium term to less than 2 percent of GDP by 2030 given the budget constraints. Despite increasing recognition that the authorities cannot continue to rely on hydrocarbon revenue in the future, their diversification plans do not include concrete targets for social spending nor sector specific budget allocations in the medium term. Windfall revenues have allowed the accumulation of a large stock of capital, including a vast amount of underutilized infrastructure that could underpin non-hydrocarbon growth. However, human capital indicators lag far behind countries of a similar income level, which presents a challenge to long-term non-hydrocarbon growth. There has not been a sufficient shift in government budget priorities away from physical capital accumulation and towards human capital accumulation.

Figure 3. Select Human Development Indicators



Source: United Nations Development Program

3. Progress to implement the necessary structural reforms to improve the business environment and stimulate private investment has been slow. While some progress has been made, including establishing an anti-corruption committee, progress on improving the business environment and attracting private investment has been hindered by capacity constraints and uneven ownership of the reform agenda. The regulatory burden is high, and procedures often unclear. Lack of transparency and contract enforcement does not cultivate investor confidence, and increases the risk associated with doing business in Equatorial Guinea.

B. Horizontal And Vertical Policies

4. The authorities have a national development plan (La Agenda Guinea Ecuatorial 2035) that focuses on non-hydrocarbon diversification and sustainable development, but it lacks concrete targets. The plan replaced the previous national development plan, Plan Horizonte 2020, which focused on infrastructure, and recognizes the need for fundamental shifts in the national economy away from hydrocarbon reliance. The authorities' approach to promote non-hydrocarbon sectors takes two avenues:

Horizontal Policies

The authorities' interventions are geared towards creating an enabling environment for productivity-enhancing, private, non-hydrocarbon investment growth. The reform agenda focuses on two main areas.

5. Reducing the regulatory burden for business creation. As part of the 2019 EFF, the authorities established the 'single-point window' as an office with the sole purpose of streamlining the business registration process. The authorities have engaged in public messaging to encourage business owners to register existing companies, which serves the dual purpose of formalizing business ownership and increasing the tax base.

6. Fostering demand-driven higher education and vocational training. Targeted education programs, technical training, apprenticeships, and internships can help align the education system with the needs of the labor market. As part of their substantial public infrastructure investment over the past decade, the authorities have inaugurated several higher education and vocational training institutes. The National University has campuses in Malabo, Bata, and Mongomo. A fishing industry training school was opened in Bata in 2021 with the aim of providing a skilled labor pool to expand growth in this industry. A telecommunications school and a new university have been established in the planned future capital Ciudad de la Paz, both designed to attract students from within the sub-region.

Vertical Policies

7. The government has an economic diversification strategy that rests on growth in four cornerstone sectors with the greatest potential for non-hydrocarbon-dependent development: agriculture, fisheries, tourism, and finance.

- *Agriculture and Fisheries.* Equatorial Guinea is heavily reliant on food imports despite most employment being in agriculture and widely available arable land. The 2035 development strategy features an ambitious rural and agricultural reform agenda, including creating conditions to increase agricultural workers' incomes, providing technical assistance, and increasing public resources for rural development. However, few measures have been undertaken to date. In 2016, the government awarded a contract for the construction of the Riaba fertilizer plant on Bioko Island to produce urea and ammonia for domestic fertilizer production[1], however the project is still in planning stages.

- *Tourism and Hospitality Services.* The authorities have recognized the potential of the tourism industry due to the country's geography. They have taken steps to increase tourism access since 2022, by hosting tourism industry representatives and organizing discussions to privatize management of the airports and the national airline, Ceiba Intercontinental, which operates flights between Malabo and the mainland. Malabo international airport is also serviced by major international carriers, such as Air France, Lufthansa, and Ethiopian Airlines. There is potential to increase tourism access through continued development of these established transit routes. In July 2023 the government launched an online visa application portal, which followed an agreement signed with Ethiopian Airlines in October of 2022 to manage the airports, with the aim of increasing tourism access.

- *Finance.* The authorities envisage an opportunity for the digital financial services in the diversification strategy. The aim would be to position Equatorial Guinea as a regional financial and business center. This would build upon recent investments in

[1] Chinese consortium awarded contract for fertilizer complex (eiu.com)

telecommunications networks to increase mobile and internet banking penetration and digitization of the financial sector.

8. The authorities have continued to pursue agreements to develop the hydrocarbon sector, including announcing plans for the country's first oil refinery[2], though the focus has shifted from crude oil to natural gas production. In March of 2023, the government signed an agreement with Marathon Oil and Chevron to further develop the Gas Mega Hub project begun in 2021. This follows a bilateral treaty signed with Cameroon in February of 2023 for cross-border natural gas development. While these projects should not distract from the diversification agenda, they will serve to cushion the effect of the rapid decline in production in existing mature fields between 2023 and 2028. This will provide the government with a longer transition period to enact the diversification agenda and increase non-hydrocarbon revenues.

C. Staff Advice

Horizontal Policies

9. Long-term growth of the non-hydrocarbon sector will require steadfast implementation of reforms that improve the business environment. Many of these reforms will take time to implement fully. For example, although the single-point window has been established and staffed, in practice there are still several steps that must be completed outside its original scope. For instance, business owners must obtain physical documents from banks, which is time consuming and increases the cost of business registration. This demonstrates that one-off actions are often insufficient, and the authorities should demonstrate continued dedication to improving the conditions of the business environment through an integrated and multifaceted development strategy.

10. Reforming the education and vocational training system. In addition to the government-funded training initiatives, vocational training programs run by multinationals operating in the hydrocarbons sector lay the foundation for skills transfer between foreign workers and nationals. However, credentials often do not transfer between companies or across industries. Further, the quality control mechanism for vocational training credentials is fragmented, with ineffective oversight of non-formal vocational training[3]. Because non-formal training is often more accessible for low-income students, this dynamic exacerbates existing inequalities. The authorities should work to standardize vocational training credentials and ensure that formal vocational training is available to students in rural and low-income areas. Lastly, it will be important to avoid imposing rigidities in the wage setting process, so wages grow in line with productivity.

[2] Primery refineria de guinea ecuatorial

[3] ILO

Vertical Policies

11. Agriculture and fisheries. The choice to target agriculture and fisheries has potential to generate employment opportunities for numerous unskilled workers, reduce food import reliance, and boost productivity. Agricultural productivity in Equatorial Guinea is low compared to neighboring Cameroon, which has a similar climate and topography. FAO data shows that in 2021, yields per hectare of several staple food products (cassava, plantains, and bananas) were as much as 3 to 4 times higher in Cameroon than in Equatorial Guinea. The same is true for cash crops such as cocoa and palm oil[4]. There is an opportunity to increase agricultural productivity in the short to medium term, notably by encouraging the use of fertilizers and more productive seed varieties, requiring little additional infrastructure investment. Further, Equatorial Guinea has the potential for domestic fertilizer production using its natural gas reserves, leaving the country relatively independent from global energy shocks.

12. Tourism. Equatorial Guinea has great potential in tourism and hospitality services. The natural beauty and geography of Equatorial Guinea on the Atlantic coast of Africa is conducive to attracting tourism to the country. Much of the existing tourism infrastructure, such as hotels and roads, is underutilized. It is also a safe and stable country, a key feature to boost tourism. Development of the tourism industry would have secondary effects by encouraging the broadening of social services provision, including electricity, communication, and transportation. Specific measures that the government should enact include a tourism promotion and marketing strategy and implementing a recently signed agreement to transfer management of the airports to private companies. The authorities should also continue to pursue specific agreements with travel agencies and airlines to increase tourism access.

13. Logistics. Equatorial Guinea is well positioned to be a major logistics and shipping hub for the region. Bata is home to one of the largest ports on the western coast of Africa. Thus, the country has the potential to become a major entry point for goods destined for the estimated 200 million consumers in the Central Africa region. This builds on the work to make Equatorial Guinea a regional gas hub and increase tourism access (via cruise ships), as infrastructure investment could serve these aims simultaneously. Equatorial Guinea also has good road infrastructure that would facilitate cross boarder freight transportation. Development of the logistics industry would also increase tax revenues and diversify the tax base. The country is also well-positioned to be a regional exporter of electricity following an agreement signed with Gabon in July 2023, and the operationalization of a major hydroelectric dam near Ciudad de la Paz. However, success of these initiatives is predicated on effective and transparent customs regulations that can be enforced at the border, strong institutional organization, and inter-ministerial coordination. Authorities would likely need technical assistance to achieve the necessary capacity.

14. Governance framework of targeted interventions. The government's targeted interventions need to be supported by a strong governance framework to guard against regulatory

[4] FAOSTAT

capture and rent seeking. All favorable tax treatments such as tax exemptions and subsidies should be narrowly targeted to specific objectives, time-limited, consistent with WTO obligations and need to be regularly evaluated through transparent cost-benefit analysis.

Annex VIII. Key 2024 Revenue and Expenditure Measures

1. From 2023–24, the government budget targets an improvement in the non-hydrocarbon primary balance of 3.6 percentage points of NHGDP. To achieve this, the authorities have adopted a series of impactful revenue and expenditure measures. These are:

Revenue Measures
1. Creation of a tax inspection plan, including the implementation of: • A new tax law in 2024. • An annual tax inspection report. • A special corps of tax inspectors.
2. Digitalization of tax services.
3. Mandatory use of ASYCUDA.
4. Control and rationalization of customs exemptions in line with CEMAC's customs code.
5. Implementation of the cadastral urban database for tax purposes.
6. Deployment of automated VAT collection terminals in large commercial centers.
Expenditure Measures
1. Budgetary Management Control: • Approval of all public expenditures by the Ministry of Finance shall be done in accordance with the Public Financial Management Law. • Acquisition and disposal of public property needs the approval of the Ministry of Finance. • Harmonization of public financial management directives along with CEMAC's. • Implementation of the program budget and a medium-term budgetary framework.
2. Appointing chief economists and financial controllers in ministerial departments, state agencies and diplomatic missions **3.** Control and rationalization of current expenditure

Expenditure Measures
• Use of the Integral Expenditure Management System (CONTFIN) to be extended to all ministries. • Reduction of fuel subsidies • Rationalization of telephone expenses. • Review, inventory, and rationalization of contributions to regional and international organizations.
4. Rationalization of public investment: • In accordance with the annual fiscal year budget, all public investments shall be proposed by the National Payments Commission, (presided by the Ministry of Finance). • Expenses to be made by the National Payments Commission shall be subject to authorization by the Ministry of Finance. • Payments submitted to the National Payments Commission shall follow the Public Investment Program (PIP) of the Budget Law. They should be accompanied by a technical execution report prepared by the supervising company and validated by the Ministry of Public Works and GE-Proyectos. • The National Payment Commission shall ensure execution of works and corresponding amounts paid. • Before approving investments, the Department of Finance and Budgets shall request a report from the Ministry of Planning and Economic Diversification and verify that the project is under the established budgetary limit. • The payment percentages shall be adjusted to the corresponding budget allocation.
5. Settlement of Domestic Arrears and Use of Surpluses: • Priority will be given to payment of domestic arrears instead of new projects, and to payment of arrears to companies with bank debt. • A comprehensive arrears clearance plan will be developed, with clear criteria for the payment of other arrears and with strong safeguards to ensure the transparency of the payment process. • In the event of a budget surplus, the allocation will be used to pay arrears to construction companies. In the case of a Social Security (SS), the surplus, it will be reinvested in the SS Reserve Fund.

1. Staff submitted a request to the authorities for information quantifying these measures. This information has not yet been received. Staff and FAD stand ready to offer technical assistance to the authorities on this topic.

Annex IX. Capacity Development Priorities

A broad capacity development strategy is needed to support key macroeconomic policy priorities. Table 1 highlights priority areas and key objectives discussed by the authorities for 2022–24. Priority areas are closely aligned with TA priorities listed in the 2022 Article IV (Annex XIV).

Table 1. Equatorial Guinea: Top Capacity Development Priorities

Topics	Objectives
Tax Policy & Revenue Administration	Raise non-hydrocarbon and hydrocarbon revenues; strengthen tax and customs administration and improve core functions.
Public Financial Management	Improve budget preparation, execution, control and reporting and strengthen treasury management. Improve coordination across ministries; redefine the architecture of the internal audit system and establish a mechanism to coordinate internal and external control and audit institutions; enhance fiscal transparency.
Expenditure Policy	Enhance efficiency of public spending; shift allocated spending to support human capital formation and social programs, including SSNs, which serve the most vulnerable segments of the population; strengthen procurement processes. Increase the fiscal space. Phase-out fuel subsidies.
Banking Sector	Reduce high NPLs. Improve the governance framework for government owned banks. Prepare and implement a financial inclusion strategy, with a focus on mobile payments.
Legal Framework	Strengthening the framework for good governance, enhanced transparency and fighting corruption.
Real Sector Statistics	Update the base year of the national accounts and the CPI basket using the results of the new household survey, further develop quarterly GDP data; improve timeliness of definitive annual national accounts data release.
Government Financial Statistics	Improve the timeliness, quality, and coverage of fiscal data, including full recording of off-budget capital expenditures and government domestic arrears. More detailed budget execution data is needed, including a clear delineation between capital and current spending and functional classification. Implementation of TOFE Directive 5/11 of the CEMAC based on the GFSM 2001/2014 to update fiscal statistics.
External Sector Statistics	Produce and disseminate up-to-date BoP and net IIP data, including quarterly series. Support the Ministry of Finance and Budget to accelerate the use and expansion of the ASYCUDA software (trade flow statistics) and the DMFAS software (external public debt statistics).

INTERNATIONAL MONETARY FUND

REPUBLIC OF EQUATORIAL GUINEA

December 21, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	The African Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

As of November 30, 2023

Membership Status: Joined: December 22, 1969

General Resources Account:	**SDR Million**	**%Quota**
Quota	157.50	100.00
IMF's Holdings of Currency (Holdings Rate)	229.11	145.46
Reserve Tranche Position	4.94	3.14

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	182.25	100.00
Holdings	22.13	12.14

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
Emergency Assistance [1/]	47.25	30.00
Extended Arrangements	29.29	18.59

[1/] Emergency Assistance may include ENDA, EPCA, and RFI.

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	Dec 18, 2019	Dec 17, 2022	205.01	29.29
ECF[1/]	Feb 2, 1993	Feb 2, 1996	12.88	4.60
SAF	Dec 7, 1988	Dec 6, 1991	12.88	9.20

[1/] Formerly PRGF

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI[1/]	Sep 15, 2021	Sep 17, 2021	47.25	47.25

[1/] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e., Board approval date.

VI. Overdue Obligations and Projected Payments to Fund[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs)

		Forthcoming			
	2023	**2024**	**2025**	**2026**	**2027**
Principal		10.79	28.51	22.60	4.88
Charges/Interest		10.61	9.74	8.28	7.42
Total		21.40	38.26	30.88	12.30

[1/] Based on existing use of SDRs.

Implementation of HIPC Initiative: Not Applicable

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

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust

Safeguard Assessments: The Bank of the Central African States (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, an update safeguards assessment was completed in 2022. The assessment found that the BEAC maintained strong governance arrangements following the comprehensive 2017 legal reforms that strengthened both governance and autonomy arrangements and completed the supplementary work on secondary legal instruments in 2019. The BEAC accomplished an important milestone and strengthened its financial reporting practices with its implementation of International Financial Reporting Standards. The external audit arrangements continue to be robust with joint audits conducted by experienced firms. Nevertheless, the internal audit function faces capacity constraints and has not yet achieved full alignment with international practices, and efforts are needed to develop the risk management function, cyber resilience, and business continuity and disaster recovery plans.

Exchange Arrangements: Equatorial Guinea participates in the CAMU and has no separate legal tender. The regional currency issued with the CEMAC is the CFA franc, which has been pegged to the euro at the rate of CFAF 655.957 per euro, since the euro was introduced in 1999. The exchange rate arrangement of the CAMU is a conventional peg. Equatorial Guinea has accepted the obligations under Article VIII, Sections 2(a), 3 and 4 and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultations: Equatorial Guinea is on the standard 12-month Article IV consultation cycle. The last Article IV consultation with Equatorial Guinea was concluded by the Executive Board on July 25, 2022.

TECHNICAL ASSISTANCE

Equatorial Guinea has received technical assistance from AFRITAC and the IMF. TA focused on tax reform, revenue mobilization, financial sector, and public financial management (PFM).

2023	
December	FAD mission on public investment budgeting
August	FAD mission on macro fiscal frameworks and 3-year convergence programs
June	STA mission on general government data compilation
May	STA mission on national accounts
April	MCM mission on strengthening government securities issuance
March	AFRITAC mission on implementing CEMAC directives
March	CP participation in HQ mission on FARI and oil fiscal regimes
2022	
May	STA mission on balance of payments
April	AFRITAC mission on GFS and PSDS
April	AFRITAC mission on implementing CEMAC directives.
2021	
September	AFRITAC training on GFS and PSDS
September	LEG desk-based review FY21
August	AFRITAC mission on real sector and national accounts
March	STA mission on external sector statistics
March	AFRITAC mission on GFS
2020	
June	AFRITAC mission on national accounts
June	FAD mission on revenue administration FY 2021
May	MCM mission on remote debt management
February	LEG mission on legislative drafting on anti-corruption law
2019	
October	FAD mission on assessment of revenue administration
October	MCM mission on debt management diagnostic
September	STA mission on external sector statistics
July	AFRITAC mission on national accounts
July	AFRITAC mission on GFS — implementation of the TOFE directive
April	FAD mission on capital expenditure budgeting
February	STA mission on external sector statistics
January	STA mission on data dissemination standards
2018	
October	AFRITAC mission on GFS

Resident Representative: The post of IMF Resident Representative in Malabo was established in 2019 and is currently operational.

RELATIONS WITH OTHER IFIs

The World Bank work program can be found on the following website:
http://www.worldbank.org/en/country/equatorialguinea

The African Development Bank work program can be found on the following website:
https://www.afdb.org/en/countries/central-africa/equatorial guinea

STATISTICAL ISSUES

As of December 4, 2023

I. Assessment of Data Adequacy for Surveillance
General: Although some efforts are being made at improving data provision, it has serious shortcomings that significantly hamper surveillance. There are data shortcomings in national accounts, monetary, fiscal, and external sector statistics. There is significant scope for improvements in quality, timing, and coverage.
National Accounts: The National Statistics Institute (INEGE) publishes national accounts series according to the recommendations of the System of National Accounts, 1993 (1993 SNA). With support from AFRITAC Central, the INEGE has developed quarterly GDP estimates by production which have been regularly released since September 2022. The INEGE aims to publish the rebased national accounts using 2022 as a benchmark year aligned with the System of National Accounts 2008 (2008 SNA) in the fourth quarter of 2025 (the current base is 2006). **Price Statistics**: Compilation of the official CPI resumed in January 2009, with data collected in five major cities (Malabo, Bata, Ebibeyin, Mongomo, and Evinayong), whose inhabitants represent approximately 58% of the national population. The index weights were derived from the Equatoguinean Household Survey (EEH-2006) carried out in December 2006. There are several deficiencies with the index, including outdated weights and composition of the basket of goods and services as well as gaps in the time series corresponding to the period for which data was not collected. The authorities are working on a new household expenditure survey to update the weights and basket of goods for the CPI.
Government Finance Statistics: The authorities provide budget execution data to the Fund, including annual data to the Statistics Department's (STA) GFS database, albeit with delays. The data on transactions in financial assets and liabilities (below-the-line transactions) is limited and is not fully reconciled with the monetary accounts. The internal process of verification of the fiscal data among the different departments involved in the production and use of statistics is still weak. The authorities should advance work on the functional classification of spending and improve the reporting of below-the-line transactions, as well as extending the fiscal statistics beyond the budgetary central government to include local governments and other relevant subsectors of general government.
Monetary and Financial Statistics: Monetary statistics are reported to the Fund by the Bank of Central African States (BEAC) monthly in the standardized report forms (SRFs), for central bank and other depository corporations for publication in the IFS webpage but with significant delays. The last MFS data, which were submitted to STA, referred to September 2022. The depository corporation survey does not include data from deposit-taking microfinance institutions. The BEAC reports data for Equatorial Guinea on several indicators of the Financial Access Survey (FAS), including gender-disaggregated information and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial Sector Surveillance: The Banking Commission of Central African States (COBAC) reports on (i) a monthly basis, nine core and four additional Financial Soundness Indicators (FSIs) for deposit-takers (DTs) as well as two FSIs on Real Estate Markets, and (ii) semi-annual basis, four core and two additional FSIs for DTs to STA for Equatorial Guinea for dissemination on IMF's FSI Website. The last FSI data, which were submitted to STA, referred to July 2023.
External sector statistics: The National Directorate of the Bank of Central African States (BEAC-ND) is responsible for the compilation of the balance of payments and international investment position statistics of Equatorial Guinea. The BEAC produces balance of payments data for its financial programming exercise, but these largely rely on estimations. Based on the 2021 external sector statistics (ESS) technical assistance mission, these estimates are to be cross-checked against national accounts, monetary, and government finance statistics to assess consistency. Discrepancies between the current account and financial accounts are explained by the lack of coverage of some transactions, mainly in direct investment and nonfinancial private sector, the adequate use of current data sources, mainly those for deposit taking corporations, and public external debt data. . Data are disseminated with a substantial lag. Annual balance of payments and IIP statistics have not been reported for publication to the IMF. Staff capacity remains a concern and is being addressed through technical assistance and training. Since October 2023, a LTX has been assigned to AFRITAC Central to assist nine countries including Equatorial Guinea in improving the quality of their ESS under the D4D Fund work program.
II. Data Standards and Quality
Participant in the IMF Enhanced General Data Dissemination System (e-GDDS), Equatorial Guinea launched the National Summary Data Page in May 2019, but data has not been updated regularly. Metadata is posted on the Dissemination Standards Bulletin Board (http://dsbb.imf.org). No data ROSC has been conducted.

Equatorial Guinea: Table of Common Indicators Required for Surveillance
(As of December 5, 2023)

	Date of latest observation	Data received[8]	Frequency of data[8]	Frequency of reporting[8]	Frequency of publication[8]
Exchange Rates	Dec 5, 2023	Dec 5, 2023	D	D	D
International Reserve Assets and Reserve liabilities of the Monetary Authorities [1,]	Sep 2023	Nov 3, 2023	M	M	M
Reserve/Base Money	Sep 2023	Nov 3, 2023	M	M	M
Broad Money	Sep 2023	Nov 3, 2023	M	M	M
Central Bank Balance Sheet	Sep 2023	Nov 3, 2023	M	M	M
Consolidated Balance Sheet of the Banking System	Sep 2023	Nov 3, 2023	M	M	M
Interest Rates[2]	N.A	N.A	N.A	N.A	N.A
Consumer Price Index	May 2023	August 2023	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing[3] – General Government[4]	N.A	N.A	N.A	N.A	N.A
Revenue, Expenditure, Balance, and Composition of Financing[3] – Central Government	2023	Nov 2023	M	Q	I
Stocks of Central Government and Central Government- Guaranteed Debt[5,6]	2023	Nov 2023	A	A	I
External Current Account Balance	2022	Dec 2023	A	A	I
Exports and Imports of Goods and Services	2022	Dec 2023	A	A	I
GDP/GNP	2023Q1	July 2023	A	A	I
Gross External Debt	2022	Nov 2023	A	A	I
International Investment Position[7]	N.A	N.A	N.A	N.A	N.A

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes and bonds.
[3] Foreign and domestic bank, nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Includes currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by Mr. Facinet Sylla, Executive Director for the Republic of Equatorial Guinea, Mr. Mbuyamu Matungulu, Alternate Executive Director and Mr. Oumar Diakite, Senior Advisor to the Executive Director

January 12, 2024

Our Equatoguinean authorities would like to thank Management and the Executive Directors for the candid policy discussions in Washington D.C, in September 2023. They also appreciate the valuable staff engagement and policy advice in the context of the 2023 Article IV consultation. The policy discussions under the Article IV consultation were focused on policies to ensure medium-term fiscal sustainability, strengthen the banking sector, foster inclusion and non-hydrocarbon growth, and improve governance and fight corruption. The authorities broadly concur with staff's appraisal and key policy priority proposals and recommendations.

Equatorial Guinea made significant progress under the 2018-19 staff monitored program (SMP), which included critical structural reforms. The successful implementation of policies under the SMP led to agreement on an EFF-supported program in December 2019. However, the program expired in December 2022 without any reviews being completed due to major exogenous shocks - the pandemic and Bata explosions - which completely redefined the country's economic and social priorities and prospects, along with prohibitive capacity weaknesses. With these crises unwinding, the authorities have intensified the efforts to restore fiscal and external balances, and advance essential structural reforms that were delayed under the EFF program, particularly in the area of governance.

Over the last years, the country's hydrocarbon output has consistently contracted due to aging oil wells. This has resulted in a significant reduction in oil production, exports, and revenues. Between 2014 and 2021, the country experienced an average 5 percent negative growth. Against this backdrop, the authorities recognize the need to establish a new growth model less reliant on the oil sector. Thus, they have launched an ambitious development and structural transformation agenda called the National Strategy for Sustainable Development 'Horizon 2035'. The program aims to encourage economic diversification and boost non- hydrocarbon revenues and social spending, while ensuring fiscal and debt sustainability.

During the 2023 Article IV consultation discussions, the authorities stressed that they need Fund support under a UTC-quality program to sustain the positive reform momentum achieved since 2022 in addressing the severe economic and social challenges they face.

The authorities' macroeconomic reform efforts also support the CEMAC regional strategy to strengthen reserves and enhance the external stability of the Union.

RECENT ECONOMIC DEVELOPMENTS

The Equatoguinean economy had been in recession for seven consecutive years until 2022, when it experienced a modest growth of 3.2 percent. The rebound was mainly due to increased non-hydrocarbon output, which resulted from the lifting of Covid-19 restrictions and the Bata reconstruction, as well as stronger oil prices and production. However, the economy suffered a setback in the first half of 2023 following an accident at one of the largest oil fields. As a result, the economy is estimated to have reverted to negative growth. Inflation is also estimated to have risen to 4.9 percent in 2022, compared to -0.1 percent in 2021, due to higher global food and energy prices.

Fiscal performance has closely mirrored developments in the oil sector. The overall fiscal balance surplus increased from 2.6 percent in 2021 to 13.6 percent in 2022, thanks to higher-than-expected hydrocarbon revenues. It was projected at 0.3 percent of GDP for 2023. In parallel, the non-hydrocarbon primary deficit rose from 8.6 percent in 2021 to 13.1 percent in 2022 (17.3 percent of GDP in 2023). The considerable deterioration in 2022 reflected a shortfall of non-hydrocarbon revenue collection and increased public expenditures to rebuild the city of Bata following the explosion. Regarding fiscal reforms, the 2024 budget includes the phasing out of most fuel subsidies, a notable step towards their complete elimination. Additionally, efforts are made to settle domestic arrears and improve public financial management.

In the external sector, the current account surplus contracted to 2.4 percent in 2022, compared to 4.2 percent of GDP in 2021, due to higher repatriation of retained oil sector earnings. The external current account surplus is estimated to have declined further to 1 percent of GDP in 2023. Consistent with the recorded firmer oil prices, Equatorial Guinea contributed positively to the reserves assets of the BEAC in 2022 after several years of weak performance.

The banking sector still faces challenges despite the government's efforts to clear domestic arrears. NPLs remain a persistent concern, representing around 55 percent of total loans and posing a risk to the banking system's stability. Additionally, many banks are undercapitalized. On the positive side, liquidity ratios have been improving since 2022. To address the threats to the banking sector' stability, the government has notably reached an agreement with a private investor to put it back on a sound footing. Key policy actions include measures to address the solvency and liquidity challenges facing troubled banks.

The economic outlook is expected to remain challenging in the coming years. Following a welcome recovery in 2022, the country is expected to experience a recession in 2023 and over the medium term. This is due to a combination of factors such as shrinking oil output from ageing wells, inadequate investment in the sector, and declining commodity prices. Consequently, real GDP is projected to contract by 8.8 percent in 2023 and by an average of 1.4 percent in the medium term. However, inflation should be contained below 3 percent as from 2025, and the fiscal accounts should improve as well. On the other hand, the external account is expected to deteriorate in the medium term. The authorities are well aware of the risks and uncertainties surrounding the outlook. Therefore, they intend to accelerate plans to boost non-hydrocarbon growth, implement a credible arrears repayment plan, and establish a modern macroeconomic governance framework. Successful implementation requires the support of Equatorial Guinea' partners, including the Fund. Key areas of partner assistance include efforts to enhance public sector management capacity, improve transparency in public finances and the oil sector; and measures to fight corruption and deploy the economic diversification strategy.

MEDIUM-TERM POLICY AND REFORMS AGENDA

The National Strategy for Sustainable Development 'Horizon 2035' is the authorities' main roadmap for the efforts to diversify the sources of growth away from oil and gas, enhance domestic revenue mobilization, and improve public financial management. The strategy also stresses the need to invest in human development and protect the most vulnerable with a stronger social protection system.

Boosting Non-Hydrocarbon Revenues and Ensuring Fiscal Sustainability

The authorities' plans for a new growth paradigm away from oil and gas production requires a sustainable fiscal framework. This involves increasing non-hydrocarbon revenues through effective tax policy and administration measures, as well as rationalizing public spending. The 2024 budget is a significant step towards this goal, as it aims to reduce the non- hydrocarbon fiscal deficit by 3.8 percentage points of non-hydrocarbon GDP.

On the revenue side, a new tax law is being finalized to help modernize and simplify the tax system, which aims to improve the business climate for non-oil investment, specifically in the tourism, farming, and fishing industries. The reform aims to harmonize taxes with the rest of the region, streamline deductions and adjust rates to more efficient levels. In this connection, the authorities are working to optimize revenue collection from business and employment income. Other fiscal measures underway include rate changes for the VAT, customs duties, and other taxed items such as alcohol, tobacco, property, entertainment, and financial activities.

The government is dedicated to enhancing public spending controls, improving expenditure efficiency, and preserving fiscal and debt sustainability. The authorities recognize the need to gradually eliminate fuel subsidies in the medium-term and create space for higher social and human capital development expenditures. This is critical for the successful achievement of their fiscal sustainability objectives. The authorities have already begun implementing related measures, as demonstrated by the 2024 budget. In this context, they continue working to clear government arrears, which is essential to stimulate growth in the non-hydrocarbon sector growth.
The authorities have enlisted support from a reputable international auditor to ensure that the arrears clearance process is transparent and comprehensive.

Strengthening Banking Sector Intermediation and Promoting Financial Inclusion

The authorities are committed to addressing financial sector vulnerabilities. They will focus on implementing the banking restructuring and recapitalization plan, which was developed under the supervision of the BEAC and COBAC. Some progress has been made in improving the solvency and liquidity of certain banks. This includes exchanging overdue obligations with government bonds to improve the quality of assets in the banking sector, as well as clearing audited domestic arrears towards construction companies.

A key pillar of the authorities' national development strategy is the promotion of financial inclusion to support growth. In this regard, the government is finalizing the National Financial Inclusion Strategy with technical assistance from the World Bank, an effort undertaken in the framework of the regional strategy for CEMAC. Key aspects of the strategy will aim to facilitate the use of mobile banking services, enhance the financial literacy of SMEs and consumers, and upgrade financial infrastructure.

Building Capacity

The authorities are keen on developing domestic capacity to formulate and manage macroeconomic policies. They appreciate the TA provided by the Fund under the SMP in PFM, tax policy and administration, national accounts and external sector; and have signaled the need for additional capacity development in macro-fiscal, governance, and data management. The authorities positively note staff's recognition of the overwhelming needs in these critical areas and welcome the discussed TA priorities, in particular their preference for long-term experts, for which they are willing to bear the cost.

Enhancing Nonhydrocarbon Inclusive Growth

The authorities are determined to continue promoting economic diversification to boost non-hydrocarbon growth. In this perspective, they are consulting extensively with various stakeholders on their plan for economic diversification, based on a diagnostic of the diversification agenda. In November 2023, a conference on economic diversification was held with the private sector to discuss the horizontal and vertical policies the authorities intend to implement to promote a conducive business environment, focusing on attracting FDI. The key priority areas identified for the diversification strategy are the fishery, tourism, agriculture, financial services, and digital economy sectors, which are believed to provide opportunities under the African Continental Free Trade Area (AfCFTA). The authorities have also taken the important step of signing management contracts for the airport and the seaport, in view of their privatization, as well as other key milestones such as the operationalization of the one stop window for creating businesses.

The authorities recognize the importance of strengthening existing social safety nets and supporting the most affected and vulnerable segments of the population. They plan to increase social spending to provide basic amenities and public services to rural and poorer regions. In the same vein, significant hiring was done in the social sectors in 2022, notably in pre-primary and primary education, and new hospitals and health centers were built. Moreover, the authorities are reviewing their social protection law and are conducting a national household survey to make their social interventions more targeted and efficient.

The authorities have shown commitment to improving their governance and anti- corruption framework by addressing related weaknesses and vulnerabilities. In collaboration with the Fund, they have notably developed a governance strategy that they intend to closely adhere to. The authorities also passed an Anti-corruption law in 2021, published audits of management in hydrocarbon sector SOEs, completed audits of domestic arrears, and laid the groundwork for the asset declaration of public officials. These measures reflect the government's commitment to addressing their country's governance weaknesses and vulnerabilities. Additionally, the authorities are advancing important reforms in other macro-critical areas, such as improving the AML/CFT framework, operationalizing the TSA, and adopting a new procurement code. Furthermore, to enhance transparency in the oil and gas sectors, the government intends to submit a new application for EITI membership.

Strengthening resilience to climate change and protecting the environment are other top priorities for Equatorial Guinea. The authorities are making efforts to reduce the impact of climate change on the energy, transport, agriculture, and forestry, industrial, and waste management sectors. They are also integrating the repercussions of climate change in their public investment decision-making processes. Moreover, the authorities are committed to phasing out energy subsidies to promote cleaner energy sources by providing efficient price signals.

CONCLUSION

As they endeavor to mobilize resources to meet vital development spending needs, the Equatoguinean authorities are counting on much-needed Fund financial and technical support and its catalytic role. The authorities are therefore committed to continue implementing orderly and comprehensive policies that foster sustainable and inclusive growth, based on a new growth model that seeks to diversify the economy away from the oil and gas hydrocarbon sectors. They call for an early agreement on a Fund financing arrangement, reiterating their determination to maintain an appropriate and conducive policy environment for their reform agenda going forward. The authorities therefore look forward to Directors' favorable conclusion of the 2023 Article IV consultation, and positive consideration of their request for a UTC-supported program.