

AFRICAN DEVELOPMENT BANK



**REPUBLIC OF EQUATORIAL GUINEA
COUNTRY STRATEGY PAPER 2013-2017**

**CSP Preparation
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TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS	iii
EXECUTIVE SUMMARY	iv
I. INTRODUCTION	1
II. COUNTRY CONTEXT AND OUTLOOK	1
2.1 Political, Economic and Social Context	1
2.2 Strategic Options	10
2.3 Recent Developments in Aid Coordination	11
2.4 Bank Positioning in Equatorial Guinea	12
III. BANK GROUP STRATEGY FOR EQUATORIAL GUINEA	14
3.1 Rationale for Bank Group's Intervention	14
3.2 CSP Strategic Objectives and Pillars	14
3.3 Lending and Non-lending Activities Programme	15
3.4 Expected Outcomes	16
3.5 Monitoring and Evaluation	17
3.6 Country Dialogue	17
3.7 Consultations with Stakeholders	18
3.8 Key Risks and Mitigation Measures	18
IV. CONCLUSION AND RECOMMENDATION	18

LIST OF GRAPHS

Graph 1: Political Context, 2010

Graph 2: Active Portfolio Distribution by Sector

LIST OF TABLES

Table 1: GDP by Sector

Table 2: Trends in Key Macro-economic Indicators

Table 3: Ease of Doing Business in 2013

Table 4: On-going Operations and 2013-2014 Indicative Lending Programme

Table 5: On-going Activities and 2013-2015 Indicative Non-lending Programme

LIST OF BOXES

Box 1: Trends in the Oil and Gas Sector

Box 2: Public Finance Management (PFM) Reform Programme

Box 3: Equatorial Guinea and the Extractive Industries Transparency Initiative (EITI)

Box 4: Characteristics of Equatorial Guinea's Private Sector

Box 5: Vocational Training Reform

Box 6: Vision 2020: Equatorial Guinea's Long-term Objectives

Box 7: Lessons Learned from the 2012 Portfolio Review

Box 8: Lessons Learned from CSP 2008-2012 Implementation

LIST OF ANNEXES

Annex 1: CSP 2013-2017 Outcomes Matrix

Annex 2: Active Projects in Equatorial Guinea as at 31 March 2013

Annex 3: Linkages between the NESDP 2008-2020 and the CSP 2013-2017

Annex 4: Progress towards NESDP Implementation

Annex 5: Summary of the Combined CSP 2008-2012 and CPPR 2011 Completion Report

Annex 6: Intervention Sectors of Equatorial Guinea's Development Partners

Annex 7: March 2013 Updated Review of 2012 Portfolio Performance

Annex 8: Key Economic and Financial Indicators

Annex 9: Progress towards Achieving the MDGs

Annex 10: Map of Equatorial Guinea

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
BEAC	Bank of Central African States
CBFF	Congo Basin Forest Fund
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEMAC	Central African Economic and Monetary Community
CET	Common External Tariff
CFA	African Financial Community
COBAC	Central African Banking Commission
CPI	Corruption Perception Index
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
DHS	Demographic and Health Survey
DPEG	Democratic Party of Equatorial Guinea
ECCAS	Economic Community of Central African States
EITI	Extractive Industries Transparency Initiative
EIU	Economic Intelligence Unit
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GGFR	Global Gas Flaring Reduction Partnership
GOV	Government
HDI	Human Development Index
ILO	International Labour Organization
IMF	International Monetary Fund
INSESO	Social Security Institute
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MDG	Millennium Development Goal
MIC	Middle-Income Country
MW	Megawatt
NA	National Assembly
NESDP	National Economic and Social Development Plan
NSDS	National Statistics Development Strategy
OECD	Organisation for Economic Cooperation and Development
ORCE	Country Regional Centre Department
PAGFP	Public Finance Management Support Project
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIU	Project Implementation Unit
PP	Problematic Project
PPP	Potentially Problematic Project
REC	Regional Economic Community
REG	Republic of Equatorial Guinea
RISP	Regional Integration Strategy Paper
SBA	Skills-Based Approach

SME	Small- and Medium-Size Enterprise
SMI	Small- and Medium-Size Industry
TI	Transparency International
UA	Unit of Account
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNO	United Nations Organization
USA	United States of America
WHO	World Health Organization
WTO	World Trade Organization

CURRENCY EQUIVALENTS (in May 2013)

UA 1 = CFAF 757.22

UA 1 = EUR 1.15

UA 1 = USD 1.51

FISCAL YEAR: 1 January – 31 December

Executive Summary

1. **Country Context.** The Republic of Equatorial Guinea (REG) is one of Africa's major oil producing countries. Oil production during the last two decades has raised Equatorial Guinea to a middle-income country (MIC), with the highest per capita income in sub-Saharan Africa. Hydrocarbons exports have also helped Equatorial Guinea's economy to register rapid and sustained growth since 1991.

2. **Development Challenges.** Equatorial Guinea's major challenge is to use its oil wealth to achieve sustainable and more inclusive growth so as to improve the country's social status. Despite sustained growth and its huge natural resources, the country is lagging behind on the improvement of social indicators. Three quarters of its population are considered poor, job creation in the private non-oil sector is low and the country's institutional capacity is limited. To meet this challenge, the Government prepared its "Vision 2020" and its National Economic and Social Development Plan (NESDP) 2008-2020.

3. **National Strategic Development Framework.** The main objective of NESDP 2008-2020, backed by a broad national consensus, is to transform Equatorial Guinea into an emerging economy by 2020. To achieve this objective, NESDP is hinged on the following four thrusts: (i) building world-class infrastructure; (ii) building human capital and improving the quality of life for each citizen; (iii) diversifying the economy through the private sector; and (iv) instituting good governance at the service of the citizen.

4. **Bank Group Strategy for the Period 2013-2017.** The main objective of the Country Strategy Paper (CSP) is to back the Republic of Equatorial Guinea's (REG) economic and social transformation through human capital development promotion and inclusive, sustainable growth. Consequently, the CSP is hinged on the following single pillar: *Promote Human Capital Development and Capacity Building for Economic Transformation*. This

pillar is closely aligned with the strategic objectives of the second phase of NESDP. It is also in line with the Bank's operational priorities outlined in its 2013-2022 Strategy and its Regional Integration Strategy Paper (RISP) 2011-2015 for Central Africa, as well as the guidelines of its 2013-2017 Private Sector Development Strategy being finalized. The CSP is also based on the guidelines of the 2008 Strategic Framework for Strengthening Bank Group's Support to MICs.

5. **Lessons from the CSP 2008-2012.** The country's limited project implementation capacity did not allow for significant progress under the previous CSP. Not satisfied with the Bank's complex procedures, the Government decided to finance part of the projects from own resources. The current strategy is largely inspired by lessons drawn from implementing the previous CSP, including recommendations that future Bank assistance should give priority to: (i) the completion of active projects; (ii) the strengthening of policy dialogue, which is indispensable for securing the Government's commitment and trust; and (iii) the exploration of non-sovereign investment opportunities. Consequently, the strategy is designed to be more selective and centred on the accelerated implementation of on-going operations which have started producing positive outcomes, and the selective exploration of anchor investment financing opportunities, particularly from the private sector window, given the need to diversify the economy and create more economic opportunities for the people. This approach, agreed upon with the Government, will help to step up the consolidation of recent achievements that have rekindled Government's trust in and adherence to the Bank's assistance programme, and increased the strategy's chances of success. Therefore, CSP programming was focused on the period 2013-2015. The mid-term review slated for 2015 will provide the opportunity to examine the reinforcement of the strategy through complementary operations that are better informed by the outcomes of studies to be conducted before 2015.

6. Strengthening of Dialogue and Advisory Support. The Bank will also take advantage of the new momentum of cooperation with the country to reinforce its dialogue with the authorities. This CSP is coming at a time when the Bank and REG are revitalizing their partnership. Dialogue with the Government during the period 2010-2012 contributed to the effective start-up of Bank operations which have begun producing visible outcomes. Hence, the Bank will intensify dialogue with the Government to reinforce increased political interest on the part of the authorities, essential for the success of the strategy. Such dialogue will be backed by a selective programme of economic and sector work that has also been designed to prepare the lending programme for 2015-2017.

7. Bank's Physical Presence. The assessment of the previous strategy showed that greater Bank presence in the field is necessary to ensure satisfactory implementation of its assistance programme. Recent improvements observed in portfolio performance following the deployment of technical assistance on the spot are a perfect illustration. Based on this experience and at the Government's request, the Bank will, within the decentralization framework, ensure permanent presence in REG through the deployment of an international staff in Malabo.

8. Major CSP Outcomes. Bank assistance will contribute to diversified and inclusive growth, and to poverty reduction. Specifically, it will help to achieve the following outcomes: (i) human resource and institutional capacity building; (ii) improvement of access to basic social services by the population; (iii) job creation, notably for youths; (iv) improvement of budget programming, execution and monitoring; and (v) national statistical capacity building.

I. INTRODUCTION

1.1 This Country Strategy Paper (CSP) presents the Bank's cooperation programme with the Republic of Equatorial Guinea (REG) for the period 2013-2017. It is aligned with the Government's National Economic and Social Development Plan (NESDP) 2008-2020, which seeks to diversify the economy beyond oil production and transform Equatorial Guinea into an emerging economy by 2020. It comes at a time when the Bank and REG are revitalizing their partnership. The CSP's main objective is to back the country's economic and social transformation through the development of human capital, and the promotion of inclusive and sustainable growth. This objective is in line with the operational priorities of the 2013-2022 Strategy, which seeks to maintain the Bank at the centre of Africa's transformation and the 2011-2015 Regional Integration Strategy Paper (RISP) for Central Africa.

1.2 This strategy is based on the lessons learned from the previous CSP. The CSP 2008-2012 was hinged on capacity building and public infrastructure development. While confirming the relevance of the strategic thrusts adopted, the CSP completion report concluded that the strategy was too optimistic with respect to the Government's political will and support, and did not sufficiently take into account the ownership level and the country's human and institutional capacity. These factors led to considerable delays in the start-up of projects that impacted the achievement of the strategy's objectives. Consequently, its evaluation recommended that future Bank assistance should focus on: (i) the completion of on-going projects that had started producing positive outcomes; (ii) the strengthening of policy dialogue, indispensable for securing the Government's political commitment; and (iii) the exploration of private sector activities.

1.3 Therefore, this strategy is designed to be more selective and centred on the implementation of on-going operations aligned with NESDP priorities and the consolidation of recent achievements. The

CSP is based on the reinforcement of the outcomes of on-going projects and Government's renewed trust and political interest. In mutual agreement with the authorities, the Bank will, during the period 2013-2014, focus its efforts on implementing on-going projects and consider the possibility of financing projects for 2015-2017 during the 2015 mid-term review. However, in compliance with recommendations following the evaluation of the previous strategy and considering the challenges of significantly reducing unemployment, the Bank will step up efforts aimed at enhancing non-sovereign investments to develop the private sector, in order to create more job opportunities, notably for women and youths. The strategy also pays special attention to studies to increase Bank advisory support and help prepare potential operations during the second phase of the CSP. Lastly, the Bank will ensure its presence in the field, which is essential for the success of the proposed assistance programme.

II. COUNTRY CONTEXT AND OUTLOOK

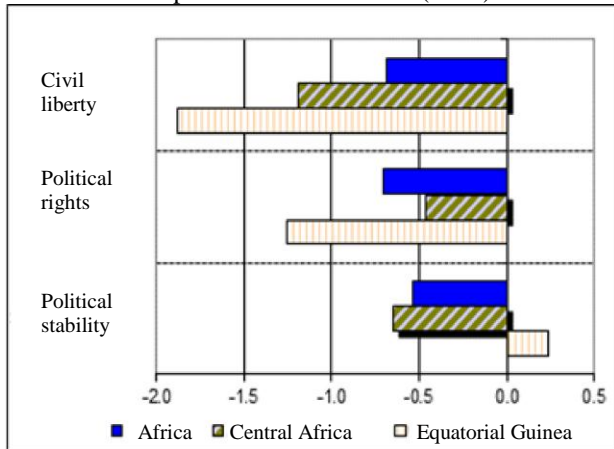
2.1 Political, Economic and Social Context

Political Context

2.1.1 During the November 2009 presidential election, the candidate of the Democratic Party of Equatorial Guinea (DPEG), Teodoro Obiang Nguema Mbasogo, was re-elected President of the Republic and Head of State for another seven-year term. To improve political governance, constitutional reform setting up new institutions was approved by a large majority in a referendum in November 2011. The ruling party won the legislative elections held in May 2013. Stable institutions and political progress notwithstanding, there is still need for improvement, notably with respect to the enhancement of civil rights and liberties. According to the World Bank's 2011 *World Governance Indicators*, REG scored 44 on 100 in terms of political stability and non-violence.

It scored 3 on 100 in terms of accountability and participation (Graph 1).

Graph 1: Political Context (2010)



NB: Scores range from -4.0 (worst) to 2.5 (best).
Source: AfDB Department of Statistics.

Economic Context

Economic Growth

2.1.2 After a period of sustained growth from 1999 to 2008, there has been an overall decline in economic performance since the 2009 crisis. Real GDP growth, which averaged around 20% between 1999 and 2008, dropped to 4.5% during the 2009-2012 period. This substantial drop in economic growth resulted from the poor performance of the oil and gas sector, highlighting the economy's vulnerability to external shocks and the need for its diversification. The buoyancy of the construction sector, which witnessed a boom driven by an ambitious public investment programme, and the performance of the manufacturing industry helped to partly offset the moderate growth of the hydrocarbons sector.

2.1.3 Although the last decade was marked by the emergence of new growth engines, the oil and gas sector remain the key economic driving force. Efforts to diversify the economy are yet to succeed in reducing the economy's dependence on oil and gas. Equatorial Guinea is among the major African oil producers. In 2012, the oil and gas sector accounted for about 77% of GDP, and represented close to 100% of total exports and

90% of budgetary revenue (Box 1). The economy's dependence on hydrocarbons is a major challenge for inclusive growth and job creation due to the capital-intensive nature of the sector and its limited linkages with the rest of the economy.

Box 1: Trends in the Oil and Gas Sector

Oil production reached 340 450 barrels per day (bpd) in 2011, including 20 450 bpd of liquids. However, it dropped during the past few years owing to the maturity of six oil fields (Zafiro, Okoumé, Alba, Ceiba, Jade and Serpentina). In contrast, the production of methanol, butane, propane, LPG and LNG, in particular, increased considerably from 37 300 equivalent barrels per day (ebpd) in 2006 to 143 200 ebpd in 2009. The share of gas in hydrocarbons is expected to continue increasing to 50% in 2016. Three major projects are on-going: a new LNG plant that will process 3.4 million tonnes of liquefied natural gas per year; the AMPCO plant that will produce 1 million tonnes of methanol per year; and the Alba liquefied petroleum gas plant (1 300 barrels of propane gas per day, 7 000 barrels of butane per day and 6 000 barrels of condensate per day).

2.1.4 The share of the non-oil sector remains small. Although the contribution of the secondary sector to GDP slightly increased to 19.2% in 2012 thanks to huge investments in public infrastructure, which helped to increase the contribution of the construction sector to GDP to 5%, such contribution remains insufficient to trigger real economic transformation (Table 1). The contribution of agriculture and fisheries - the major source of economic activity prior to the discovery of oil - fell to less than 1.5% of GDP, in contrast to their considerable potential for the development of economic activity and job creation. Agricultural and fishery resources are largely under-exploited owing partly to the impact of the oil industry¹. Lastly, the tertiary sector is still under-developed, despite recording increased activity in recent years.

¹ The share of cash crops is on the decline. For instance, cocoa harvest peaked at 859 tonnes in 2011, compared to 3 000 tonnes in 2007/2008. Plagued by organizational problems, notably the availability of fishing equipment, industrial fisheries recorded a production drop from 270 tonnes in 2008 to less than 200 tonnes in 2010.

Table 1: GDP by Sector (%)

	2012
Hydrocarbons, mining and quarries	76.7
Construction	5.2
Agriculture, forestry and fisheries	1.2
Public administration	0.9
Electricity and water	0.7
Hotels and restaurants	0.7
Financial services	0.8
Other services	0.3
Manufacturing industries	13.3
Transport and communications	0.2
Total	100

Source: AfDB Department of Statistics.

Macro-economic Management

2.1.5 Although the major internal and external balances have been maintained on the whole, they are still fragile. After conducting an expansionary fiscal policy in recent years characterized by a high increase in capital expenditure resulting from a political will to reduce the infrastructure deficit, the Government in 2012 embarked on a policy shift towards the gradual reduction of pressure on public investment spending and public finance balancing. As a result, the investment rate, which had reached 34% of GDP in 2010, dropped to 31.4% in 2012. This drop in capital expenditure, coupled with increased oil revenue, enabled the Government to achieve a budget surplus of 6.0% of GDP in 2012, against 0.9% in 2011 (Table 2). However, such improvement remains fragile due to the high level of public investment commitments being executed. The regional monetary and exchange rate policy implemented by BEAC is still guided by the desire to maintain price stability within the framework of the CFAF to Euro fixed exchange rate system. The cautious orientation of monetary policy, coupled with the relative drop in transport, education and communication costs, helped to contain inflation at around 4.5% in 2012. However, this rate remains higher than the 3% CEMAC convergence threshold. In contrast, the impact of oil revenue on income generation and the

cost of production factors increased the cost of living and reduced economic competitiveness².

2.1.6 The country's external position has also improved. The current account deficit of 6.0% of GDP in 2011 was transformed into a surplus of 3.5% of GDP in 2012 as a result of a drop in imports and international reserves, which represented more than 8 months of imports of goods and services. Public debt was estimated at less than 10% of GDP in 2012. Debt sustainability should be preserved in the medium term, thanks to a low debt ratio, the accumulation of substantial foreign exchange reserves and significant oil revenue. By concluding consultations in January 2013 with Equatorial Guinea pursuant to Article IV, the IMF Executive Board encouraged the authorities to continue to improve public finance management so as to maintain long-term budgetary sustainability, improve the investment climate and redirect public expenditure towards social sectors.

Table 2: Trends in Key Macro-economic Indicators (in % of GDP, unless otherwise indicated)

	2009	2010	2011	2012 (e)	2013(p)	2014 (p)
GDP Growth (%)	5.7	-0.8	7.7	5.5	4.9	-2.0
Inflation (%)	7.2	7.5	4.8	4.5	3.1	3.5
Budget Balance	-7.9	-4.8	0.9	6.0	3.6	3.5
Current External Position	-17.1	-24	-6.0	3.5	2.0	-1.0

Source: AfDB Department of Statistics.

2.1.7 Equatorial Guinea's economic outlook should confirm the slow-down in economic growth rate. Real GDP should increase by 4.9% in 2013 against 5.5% in 2012, and probably record negative growth in 2014.

²Equatorial Guinea has started experiencing the early effects of the Dutch Disease: oil export earnings have resulted in an increase in imports, as limited domestic supply of non-tradable goods is unable to meet demand. Consequently, there has been a rise in the real exchange rate, which cannot be offset by nominal exchange rate adjustments as the country is a CEMAC member, a dilemma reflected in the inflation gaps between Equatorial Guinea and the other countries of the community.

The major factor of this growth recession is linked to the gradual drop in crude oil production. However, natural gas exploitation could enable the country to offset the drop in oil production on condition that the productivity of such exploitation is increased. Inflation should remain moderate for the period 2013-2014, averaging at around 3.3%. Stable world oil prices and reduced public spending should contribute to maintaining the budget surplus at around 3.5% of GDP on average over the period 2013-2014.

Governance and Transparency

2.1.8 Despite some progress in public finance management transparency and quality, there are weaknesses with respect to the budget, procurement and internal and external auditing. The budget is subject to a double management system which separates the recurrent budget from the investment budget. Budget planning and programming lack coordination between the ministries and an economic classification system that does not allow for efficient allocation of resources between the sectors and according to strategic objectives. Budgetary discipline is undermined by numerous recurrent overruns, and the limited use of information technologies considerably reduces the efficiency of the financial information system. The budget is executed manually on a cash accounting basis. Moreover, the monitoring and programming of the public investment plan should be improved, especially with the high increase in public investments. The ministries lack efficient internal audit services. However, the establishment of the Audit Court responsible for external auditing following the 2011 referendum is a major step towards the reinforcement of budgetary control and accountability. The efficiency of the procurement process is limited by the inexistence of a legal and institutional framework, and the use of single tender as a standard for public procurement.

2.1.9 With Bank support through the Public Finance Management Support Project (PAGFP), the Government is implementing its public finance management reform programme. Thanks to the project, a diagnostic study on the management of public finance in the REG was recently conducted (Box 2). It will be used as an analytical basis for deepening reforms and assistance from partners in the area. Lastly, the performance of the national statistics system is a major impediment to the Government’s capacity to assess the impact of its programmes and the transition to a results-based management culture.

Box 2 : Public Finance Management(PFM) Reform Programme
In Equatorial Guinea, the 2003 Law on public finance management is still used as the public finance legal and institutional framework. Within the framework of the Public Finance Management Support Project, an assessment of the public finance management system was recently conducted using the PEFA methodology. It shows that the major challenges in budgetary management concern the use of the budget as a real tool for implementing public policies and the lack of skilled human resources. A 2009 World Bank study of public expenditure had also highlighted these challenges.

2.1.10 Reducing corruption remains a challenge for the country. *Transparency International’s* 2012 Corruption Perception Index (CPI) ranked Equatorial Guinea 163rd out of 176 countries, with a score of 20 on 100 (100 being maximum transparency). *Transparency International* pointed out endemic corruption in the public sector and the lack of transparency in the oil sector. Under such circumstances, the Government’s decision to re-submit its candidature for adhesion to the Extractive Industries Transparency Initiative (EITI) and the setting up of the Audit Office are considered as positive signs of its will to improve public finance management and transparency (Box 3).

Box 3 : Equatorial Guinea and the Extractive Industries Transparency Initiative (EITI)

The Republic of Equatorial Guinea applied for adhesion to EITI in 2004. With the help of the World Bank, a national commission made up of representatives of the Government, oil companies and civil society was established in May 2005 to implement EITI. In February 2008, the EITI Board admitted Equatorial Guinea as “candidate country”. However, Equatorial Guinea was unable to accede to the status of “compliant country”. The implementation of EITI was hindered by limited institutional capacity, notably a disorganized civil society that lacks the technical capacity to fully participate in the initiative. Also, delays in the application of transparency rules relating to the production, marketing and use of oil revenue led in March 2010 to the rejection of REG’s candidature by the EITI Board. The country re-submitted its candidature in 2011 but is still not considered a country implementing the EITI.

Competitiveness and Business Climate

2.1.11 Major infrastructure investments in recent years have laid the foundation for stronger growth but the non-oil sector is still to benefit from this foundation. This situation can be explained by the persistence of serious weaknesses that inhibit economic competitiveness. According to the 2012³ Bank study on the private investment environment in Equatorial Guinea, the emergence of the non-oil sector is hampered by the poor business climate and the scarcity of a skilled labour force, notably in the sectors identified by the Government for economic diversification. The study also revealed that salary costs are relatively higher compared to neighbouring countries, particularly those of the Central African Economic and Monetary Community (CEMAC). In addition, *Heritage Foundation* 2009 Index of Economic Freedom showed that the non-salary costs of recruiting a salaried employee are higher. The costs related to infrastructure services are also substantial owing to the inefficient and complex procedures, notably those of the customs. According to the World Bank’s 2013 *Doing Business* Report, it takes 29 days to export goods, against 20 in Gabon and 23 in Cameroon.

³Private Investment Environment in the Republic of Equatorial Guinea, Central Africa Regional Department, AfDB, 2012.

2.1.12 The above-mentioned hindrances contribute to maintaining Equatorial Guinea’s competitiveness level below the regional average despite the huge public investments undertaken to modernize infrastructure. They could be an impediment to the realization of the Government’s ambition of turning the country into an exporter of value-added products. Furthermore, very few local entrepreneurs are willing to bear such costs, the consequence being that most of them tend to operate in the informal sector. That is why the authorities have started to address competitiveness-related difficulties, notably through the establishment of a one-stop shop for investors.

Box 4 : Characteristics of Equatorial Guinea’s Private Sector

According to sources quoted by the Bank study on the REG’s private sector environment, about 1 000 companies are registered at the Chamber of Trade, barely 200 at the Employers’ Association and 350 at the Ministry of Labour. These companies can be grouped into four categories: (i) off-shore oil companies, American, Chinese and South African for the most part; (ii) foreign construction companies from France, Italy, Serbia, Morocco, Lebanon, Egypt and China involved in major public infrastructure projects; (iii) companies that directly benefit from oil revenue in the telecommunications, banking and retail distribution sectors; and (iv) local SMEs and micro-enterprises that control a small share of the market, mainly in traditional crop farming (timber, cocoa), port activities, hotel industry, services and retail imports.

2.1.13 Despite recent progress, the business climate remains poor. The 2013 *Doing Business* Report ranks Equatorial Guinea 162nd out of 185 countries. With such a result, Equatorial Guinea occupies a better rank than Gabon, the Democratic Republic of Congo, the Republic of Congo and the Central African Republic, but additional efforts must be made to improve the country’s position on the continent. Its regional and world ranking reveal an unfavourable business climate perception and serious weaknesses. As highlighted by the Bank’s study on the private investment environment in the REG, the major factors impeding private sector development are: (i) administrative formalities and the costs of starting a business; (ii) high labour costs and a rigid labour legislation; (iii) poor execution of

contracts and inadequate legislation to protect investors' interests; and (iv) lack of public-private dialogue. It takes an average of 135 days, costing 98% of per capita income, to set up a company. Taxation is neither transparent nor uniformly applied, and customs duties are high. Inversely, the country has achieved better results with respect to electricity connection in 2013 thanks to huge investments by the Government during the last three years (Table 3). The unattractive business climate explains the small size of the private sector, the inadequate diversification of the economy and the high unemployment rate, particularly among youths. (Box 4).

Table 3 : Ease of Doing Business in 2013

Item	Rank 2013	Rank 2012	Improvement Status
Ease of doing business	162	159	▼
Starting a business	182	180	▼
Getting a building permit	107	103	▼
Electricity connection	86	87	▲
Transfer of property	103	102	▼
Getting credit	104	97	▼
Investment protection	150	147	▼
Payment of taxes and levies	173	169	▼
Trading across borders	136	137	▲
Enforcing contracts	61	59	▼
Closing a business		185	-

Note: ▲ indicates improvement; ▼ indicates deterioration, and – indicates no change.

Source: 2013 World Bank Doing Business Report.

Financial Sector

2.1.14 The financial system remains sound and liquid, but access to financial services is a major obstacle for private sector development. The financial system comprises four banks, three of which are international bank subsidiaries. Two new, not yet operational banks should soon join the market. Bank portfolio quality is sound as illustrated by compliance with CEMAC prudential ratios. In fact, the Central African Banking Commission (COBAC) has mentioned the good conduct of banks in Equatorial Guinea in terms of risks reflected notably in the reduction of the proportion of doubtful debts to less than 5% and increased return on assets and equity. On the contrary, volatility remains a major concern, reflecting the short-term lending of bank resources. The sound financial system and the

economy's substantial financing potential notwithstanding, access to financing is a particularly serious obstacle for SMEs⁴. They are faced with the lack of long-term loans and high financing costs, despite the liberalization of the banking sector. In addition to substantial loan charges, interest rates paid by private companies stand at about 15%, whereas the Central Bank's bank refinancing cost is about 4%. Furthermore, loans granted are mostly short term and mainly to construction companies working in public infrastructure projects, as banks are unwilling to finance local companies not involved in government procurement. Charges paid on external transactions are high, well above regional averages. Such low performance explains why the country's *Doing Business* access to credit indicator ranking has dropped from 97th in 2012 to 104th in 2013.

2.1.15 The non-banking financial sector is not developed. The development of the insurance sector, made up of three insurance companies and one reinsurance company, is hindered by inadequate regulations and compliance mechanisms. Faced with the near total absence of micro-finance and the recent introduction of leasing, most entrepreneurs find it difficult to secure financing to expand their activities.

Regional Integration and Trade

2.1.16 Equatorial Guinea is striving to position itself as a regional electricity transportation and supply centre. To that end, the country has greatly improved its port and airport facilities with a view to becoming a port and airport hub for regional goods and passenger transport. The Malabo port, for example, has been developed to receive 16 m-draught and 10 000 container loading capacity vessels. It can serve as stop-over for vessels from Asia and Europe heading for West and Central Africa. In the energy sector, the 120 MW Djibloho hydro-electric plant is

⁴Most multi-national companies involved in the oil and gas sector receive external financing.

operational and the 200 MW Sendjede hydro-electric plant is expected to be commissioned by 2015 and generate surplus energy for export to Cameroon and Gabon. The updating of national infrastructure and the investment programme contained in the RISP should enable the country to make use of the potential offered by the regional market of more than 135 million people within the Economic Community of Central African States and its comparative advantages in the energy and transport sectors. However, to take advantage of these opportunities, the country will have to overcome a number of persistent obstacles and, most of all, ensure a healthier business climate, one that gives more assurance to private sector operators.

2.1.17 Equatorial Guinea has made major strides towards the consolidation of regional integration during the past few years. As an active member of CEMAC whose parliament was set up in Malabo in 2010, as well as ECCAS, Equatorial Guinea has promoted regional initiatives to strengthen economic relations between member States of the zone. It has notably carried out reform of its taxation and customs systems, including tariff reduction and the elimination of quantitative restrictions. In particular, REG applies the CEMAC Customs Code and instruments on the Common External Tariff (CET) and General Preferential Tariff (GPT) introduced in 1993. CET comprises four rates for four categories of goods: a 5% duty on essential goods, 10% on capital goods and inputs, 20% on intermediate goods and 30% on consumer goods. Nonetheless, efforts are still required with respect to the free movement of people and goods, including CEMAC nationals. Moreover, Equatorial Guinea is striving to speed up and modernize customs clearance procedures, but the persistent discretionary application of legislation and high costs related to inefficient customs processes remain a major challenge.

Environment and Climate Change

2.1.18 Although Equatorial Guinea is still to complete its climate change adaptation

strategy, it participates in all international discussions on the issue. As a member of the Global Gas Flaring Reduction Initiative (GGFR), REG has considerably reduced its greenhouse gas emissions, notably in the Alba off-shore oil field, thanks to the implementation of a gas deposit management plan to eliminate flaring.

2.1.19 Equatorial Guinea has adopted a modern legal framework for protected areas, forestry, fishery and biodiversity regulation, but its implementation remains a challenge. REG shares the Congo Basin forest. The country has 13 protected areas (20% of the national territory), but its surveillance capacity is limited. The public has limited access to environmental information and data. To reinforce the country's climate change resilience, the Government took a number of measures in 2011, particularly: (i) public investment projects now include large-scale environmental impact assessments; (ii) the national biodiversity strategy and action plan are being implemented; (iii) the number of forest exploitation concessions has been reduced; and (iv) the completion of the 120 MW Djibloho hydro-electric plant is a step towards clean energy development.

Social Context

Poverty and Social Inclusion

2.1.20 Human development improvement remains a major challenge despite a relatively small population and a high GDP per capita. The most recent estimates show that three quarters of the population live on an income of less than USD 2 a day. The most affected categories are those of the 15 to 24 age group, unmarried women and large single-parent families with at least six children. These categories make up 79% of households and 89% of the population. In addition, Equatorial Guinea's human development index has dropped, with the country moving from 115th out of 176 countries in 2008 to 136th out of 187 countries in 2012.

2.1.21 Only one of the eight Millennium Development Goals (MDGs) could be achieved by 2015. According to the most recent MDG report published in 2009, Equatorial Guinea is about to achieve Universal Primary Education by 2015, with a 76% net primary enrolment ratio, while the literacy rate stood at 89%. However, the low school completion rate, estimated at 50%, shows that the quality of education remains a concern. Nineteen per cent (19%) of under-five children suffer from malnutrition. According to UNICEF, the under-five mortality rate, which was 93 deaths per 1 000 live births, and maternal mortality rate of 280 deaths per 100 000 live births, were above regional averages in 2010. Endemic diseases such as HIV/AIDS and tuberculosis are a cause for concern, with a prevalence rate of 3.4% and 135 per 100 000, respectively. The Government has set up a programme for free distribution of anti-retroviral drugs. Significant improvement of social indicators, notably in the **health and education** sectors, is a major challenge and will require sustained growth and substantial improvement in public service provision efficiency and financing.

Health

2.1.22 Communicable diseases remain a major public health problem in Equatorial Guinea. According to the World Health Organization, 85% of medical consultations are related to communicable diseases, particularly malaria, severe respiratory infections and diarrhoea. These diseases are the main cause of death among under-five children, 19% of whom suffer from malnutrition and only 76% enjoy regular immunization coverage. To improve the health sector's performance, the country has set up basic services, but the results achieved are moderate due particularly to insufficient human resources.

2.1.23 The health sector's weak human and institutional capacity is an impediment to economic and social transformation, despite the improvements made. Progress made during the past five years concerned: (i) the

construction and modernization of health care infrastructure; (ii) the expansion of immunization coverage and the preparation of a road map for maternal mortality rate reduction; and (iii) the implementation in 2011 of a malaria control strategy. However, there are still many challenges, notably the lack of skilled human resources, the low rate of implementation of national health programmes and the weaknesses of the health and statistical information system. Although the public health care budget has increased in recent few years, it is still well below the African Union's 11% target. Furthermore, budgetary resource allocation is inequitable and inefficient, giving preference to service provision in urban hospitals rather than preventive primary health care, particularly in rural areas. The Bank contributes to the development of the sector through its participation in the financing of the country's first Demographic and Health Survey (DHS) and in the Project for the Development of Health Services (PDSS) which lays emphasis on strengthening human resources and the establishment of a health care information system. The continued implementation of the PDSS will help to consolidate these achievements.

Education

2.1.24 Equatorial Guinea has made progress in the education sector in recent years. An illiteracy reduction strategy was launched while pre-school education is now compulsory and the basic structure of the teaching programme is being modernized. At the secondary school level, Government's action programme was finalized, thereby increasing education offer. Lastly, an in-depth reform of vocational training is currently being carried out through the implementation of new projects in the area and revision of the teaching programme to adapt it to labour market needs.

2.1.25 Such progress notwithstanding, many weaknesses must be remedied at all levels of education. In basic education, although the gross primary enrolment ratio

increased to 97% in 2011, the repeater rate is still high at 20%, while only half of the pupils completed the primary cycle in 2011. The secondary school enrolment rate is 31% (40% for boys and 23% for girls). At the higher education level, the enrolment rate is below 10%. Despite increased enrolment at the University of Equatorial Guinea during the past few years, the student population is low. Only 5% of the State budget is allocated to education, the greatest part of which is earmarked for the financing of university studies. Lastly, technical and vocational education is the poor relation in terms of budget allocation as it receives only 10% of the education budget. The sector's major challenges are: (i) the lack of reliable statistical information; (ii) the scarcity of skilled human resources (teaching and support staff); and (iii) defective teaching infrastructure, notably in technical and vocational training schools, as well as in vocational and technical training centres and teaching laboratories. The Bank contributes to reducing these constraints, particularly with respect to financing the Middle and Senior Management Training Programme.

Youth Employment

2.1.26 The absorption of the 25 000 to 50 000⁵ youths who were supposed to join the labour market each year between 2010 and 2020 is one of Equatorial Guinea's major challenges. About 60% of the population are below 25 years of age. However, employment opportunities are very limited owing notably to the small size of the non-oil sector and the fact that the dominant oil sector absorbs only 4% of the active population. This highlights the need to diversify the economy to create sustainable jobs. Besides, most of the youths are not skilled, do not fulfil the criteria for entry into the labour market and lack access to information on employment opportunities. Technical and vocational education is suffering

⁵ Source: World Bank. The bracket is derived from the difference in UNFPA and Government demographic data estimates.

from dysfunctions at several levels, notably insufficient suitable training programmes to meet the needs of the market and shortage of pedagogical tools. Consequently, the State authorizes the entry of foreign workers into the country and encourages the setting up of specialized training centres within major companies. The Government is also focusing efforts on the training of middle and senior management to offset the current gaps and increase youth school-to-work transition capacity. To back these efforts, a training programme co-financed by the Bank is being implemented, thanks to which the General Directorate of Vocational Training was established in 2012 (Box 5). The acceleration of that programme within the framework of this CSP will contribute to overcoming one of the major constraints to economic transformation and reduction of youth unemployment.

Box 5: Vocational Training Reform

- Technical and vocational training in Equatorial Guinea is not developed. The private sector, which recently made inroads into the niche, offers training based mostly on business management.
- Vocational training reform seeks to: (i) modernize training and equipment; (ii) build capacity and management methods; and (iii) expand and diversify training opportunities.

Gender Issue

2.1.27 Despite equal rights and opportunities guaranteed by national law, women are still disadvantaged in terms of access to economic opportunities and decision-making. Gender equality is enshrined in Equatorial Guinea's Constitution and the country has ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). However, much remains to be done as attested to by the low representation of women in decision-making bodies. In 2011, women made up only 10% of ministers and 14% of members of Parliament. Equatorial Guinea has ensured equal access to primary education, but boys stand almost twice the chance of attending secondary school than girls. Women's low education level does not allow them to fully enjoy their rights. Although they have the legal right to do business,

economic activity is de facto dominated by men. Poverty and job insecurity are also higher among women: two-thirds of people with an income of less than 2 dollars a day are women and the unemployment rate among women is 30% against 22% among men. Lastly, there is no legal discrimination against women with respect to land ownership or access to bank loan, but in practice, there is a form of structural discrimination against them.

2.2 Strategic Options

National Strategic Development Framework

2.2.1 Equatorial Guinea’s long-term development objectives are the subject of a consensus between administration officials and private sector players. These objectives as outlined in “Vision 2020” and NESDP 2008-2020 specifically involves diversifying the economy and transforming Equatorial Guinea into an emerging economy by 2020 (Box 6).

Box 6: Vision 2020 - Equatorial Guinea’s Long-term Objectives
<ul style="list-style-type: none"> • The National Economic and Social Development Plan (NESDP) 2008-2020 seeks to diversify the economy beyond oil production. • NESDP highlights sectors with strong growth potential, notably energy, fisheries, agriculture, tourism, financial services, processing and mineral exploitation. It also stresses the need for improvement in several critical areas such as governance, corruption and the business environment. • The plan is hinged on the following four strategic objectives: (i) build world-class infrastructure; (ii) build human capital and improve the quality of life of every citizen; (iii) diversify the economy through the private sector; and (iv) institute good governance at the service of the citizen. • Its implementation is structured in two phases: (i) Phase I (2008-2012) lays emphasis on the acceleration of investments in economic, social and administrative infrastructure; and (ii) Phase II (2012-2020) focuses on the development of human capital and the building of institutional capacity at all levels of public administration.

2.2.2 The formal assessment of the first phase of NESDP is hampered by lack of reliable socio-economic data, but available information shows moderate outcomes with respect to its implementation. In 2008, the Government established the institutional framework for implementing the said

programme with the creation of:(i) a National Council chaired by the President of the Republic; (ii) a National Monitoring and Evaluation Commission chaired by the Prime Minister; and (iii) the 2020 Agency for the Implementation and Monitoring of NESDP and the Public Investment Programme. However, no formal assessment of public investment project implementation outcomes was published and sector indicators are scarce. Nonetheless, available information shows that appreciable outcomes were achieved in the area of infrastructure, while social achievements were more moderate.

2.2.3 In conformity with the first phase of NESDP, the Government focused its efforts on transport and energy infrastructure development. The country’s road and electricity networks were improved, and the major ports and airports modernized. In addition, major investments were made to host international events and improve Equatorial Guinea’s brand image, notably the 2011 African Union Summit and the 2012 Africa Cup of Nations. Annex 4 presents a summary of NESDP achievements.

2.2.4 In contrast, budgetary orientation during NESDP Phase I was not in favour of pro-poor expenditure. Social infrastructure projects were certainly implemented, but they are still to benefit the poor owing to the insufficient budgetary resources allocated to social sectors. Primary social spending peaked at 14% of the budget in 2010, far from the 20% target set for 2020 by the Copenhagen Social Summit. Moreover, the 2009 World Bank public expenditure review shows that public expenditure execution, notably in the health and education sectors, was limited by the poor public finance management system. Continued concerted efforts by the Government and development partners in this area are therefore essential for significant improvement of basic public service provision and social indicators.

Constraints and Challenges

- **Poverty, inequalities and youth unemployment remain high:** close to three out of four persons are poor, and the contrast between high per capita income and inequalities is a serious threat to social stability. The high youth unemployment rate worsens the poverty problem.
- **Governance remains a major challenge:** the public sector is inefficient with respect to both the formulation and implementation of public policies, and the accomplishment of its redistribution mission. Corruption is endemic and attempts to improve transparency are yet to produce results despite the will to adhere to EITI. Transparency in public resource management is also limited by the absence of reliable and updated statistics. These weaknesses also hamper the monitoring of budget execution and the assessment of the effectiveness of public policies and their impact, notably on the poor.
- **Insufficient human capital is a serious constraint on the country's economic and social transformation:** low education level is a major hindrance not only for private sector development but also for public service provision. In addition, endemic diseases such as HIV/AIDS, tuberculosis and malaria, continue to be a cause for concern.
- **The economy is heavily dependent on oil and gas:** hydrocarbons production accounts for 77% of GDP. The processing of oil and gas by-products has developed considerably, but the sector's sustainability is uncertain after the exhaustion of oil reserves by 2035. This could be a serious impediment to the financing of the country's inclusive development programme.
- **The uncondusive business climate is a setback to private investment:** overall,

investing in Equatorial Guinea remains a long and costly process. The unattractive business environment is a major constraint on economic transformation.

Strengths and Opportunities

- **Abundant Natural Resources:** apart from oil and gas, the country has untapped solar energy and biofuel potential. The fisheries sector has an enormous potential with the national maritime territory representing nine-tenth of Equatorial Guinea's total surface area. The country's fertile lands could also guarantee food security for the entire population.
- **Modern Infrastructure:** the country's public infrastructure has undergone great improvements, which have laid the foundation for sustainable growth beyond oil production and for private sector development.
- **Regional Integration Opportunities:** increased energy production as well as the availability of new competitive ports offer the possibility of exploiting the country's comparative advantages in trade and energy.

2.3 Recent Developments in Aid Coordination

2.3.1 The intervention of development partners in the country is very limited and explains the inexistence of a formal aid harmonization and coordination mechanism.

Thanks to the huge oil revenue that contributes to the State budget, the Government does not need to borrow money from outside. Development partners tend to intervene in capacity building activities on an ad hoc basis. In the *health* sector, the key partners are USAID, Cuba, UNDP, Spain, France, China, UNFPA, WHO and AfDB. The Bank is also one of the major actors in the *education* sector alongside Spain and China. The latter also supports the development of *agriculture*, together with FAO. The *public finance management* reform programme is backed

mainly by France, the Bank and the World Bank, which provide technical assistance for the preparation of macro-economic projections and the national accounting system. In addition, the World Bank assists the Government in its request for adhesion to EITI. Lastly, UNFPA, ILO, the Bank and FAO support the development of statistics and, to that end, have prepared a proposal to conduct a combined household, employment and agricultural survey. The intervention matrix of partners is presented in Annex 6.

2.3.2 Given the level of its national resources, REG does not have a solid official development assistance coordination tradition. The country is still to adhere to the Paris Declaration on Aid Effectiveness. However, some partners have started to organize themselves into three working groups under UNDP coordination: Education (under UNDP and USAID supervision); HIV/AIDS (under WHO supervision); and Millennium Development Goals (under UNDP supervision). The Bank's decision to be physically present in the field will enable it to actively participate in these working groups. Meanwhile, it is ensuring close coordination of its activities with UNFPA in the areas of statistics and health, and with WHO in activities aimed at reducing the incidence of communicable diseases.

2.4 Bank Positioning in Equatorial Guinea

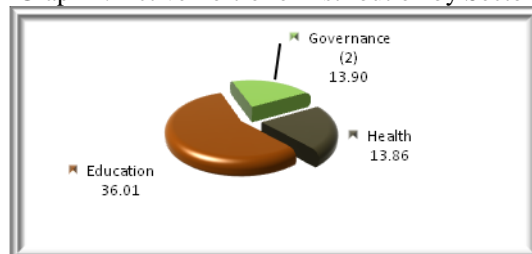
Bank Portfolio

Portfolio Composition

2.4.1 The Bank's active portfolio comprises four operations for a total commitment of UA 64 million. Three investment projects funded by the public sector window make up the bulk of the active projects amounting to UA 63.4 million, that is 99.1% of commitments and an MIC grant of UA 0.4 million. The portfolio distribution by sector is as follows: 78.2% for the social sector and 21.8% for governance support (Graph 2). REG is also beneficiary of a sustainable ecosystems management project funded by the Congo

Basin Forest Fund (CBFF) to the tune of UA 0.46 million.

Graph 2: Active Portfolio Distribution by Sector



Source: ORCE, AfDB.

Portfolio Performance

2.4.2 The assessment of portfolio performance in March 2013 shows that it is unsatisfactory, with a score of 1.83 on 3. As at end-March 2013, the overall portfolio disbursement rate, whose average age is 4.3 years, stood at 3.6%. It comprises three risky projects for a committed amount of UA 49.9 million, representing 77.7% of total commitments. Such low performance is characterized by: (i) delays in the fulfilment of conditions precedent to first disbursement; (ii) non-compliance with Bank procurement rules and procedures; (iii) unsatisfactory financial management of projects; and (iv) delays in the supply of products. These problems are due to the project staff's low capacity and inexperience in project management, and the lack of the Bank's permanent presence in the field. Box 7 and Annex 7 present a summary of the performance and lessons from the portfolio review.

2.4.3 Nevertheless, there have been improvements in project implementation since end-2012. Such improvements are largely due to measures taken by the Bank to ensure close monitoring following the recommendations of the CSP mid-term review. The measures have resulted in a slight improvement in key portfolio performance indicators between 2012 and 2013. Moreover, at Government's request and to improve project performance and support the implementation of the new CSP 2013-2017, the Bank is in the process of deploying an international expert (Chief Programmes Office, CPO) in Malabo.

Box 7 : Lessons from the 2012 Portfolio Review

- **Ensure greater Government involvement in project preparation.** The delays caused by requests for the modification of project activities and institutional arrangements could be reduced through greater Government involvement from the early stages of project design.
- **Streamline project disbursement conditions.** Reduce these conditions to the barest minimum and include capacity building in all Bank projects.
- **Take into account financial management weaknesses and lapses.** Close assistance, particularly during the project start-up phase, is essential to ensure that Bank conditions are fulfilled and that project execution plans are effectively and efficiently implemented.
- **Strengthen policy dialogue.** A more sustained high-level dialogue is necessary to draw Government's attention to the need to focus on public institution building, promotion of transparency and production of socio-economic data.
- **Reinforce the Bank's presence in Equatorial Guinea.** Greater Bank presence in the field is necessary to help the Government to eliminate bottlenecks and contribute to capacity building.

Lessons from Implementing the Previous CSP

2.4.4 CSP 2008-2012 centred on building the capacity to manage the country's huge financial resources as well as institutions and human capital, in order to create conditions for economic diversification. That CSP was an expression of the Government's desire to restore cooperation with the Bank. It hinged the Bank's assistance on NESDP on two pillars: (i) capacity building; and (ii) creation of conditions for economic diversification. To achieve these strategic objectives, a loan and grant programme amounting to UA 230 million was scheduled. Of this total, only UA 64 million was committed, representing less than 30%. Approved operations were in line with Government priorities as outlined in NESDP 2008-2020.

2.4.5 Overall, the outcomes of the implementation of the previous strategy were low, but considerable efforts made by the Bank are beginning to bear fruit. Although the previous CSP contributed to capacity building, most of the expected outcomes were not achieved owing to significant delays in the start-up of the assistance programme meant to back their achievement. Specifically, lack of political support, low ownership level and the country's

limited human and institutional capacity were a major obstacle to the satisfactory implementation of CSP 2008-2012 and the achievement of its strategic objectives. However, over the period 2010-2012, the Bank made enormous efforts to give fresh impetus to dialogue with the authorities, thus helping to speed up project implementation. Since 2010, the Bank has undertaken eight missions in REG, three of which were high-level dialogue missions. Besides the intensification of monitoring missions, the Bank financed the services of a consultant based in Malabo to back the PIUs in operations implementation. These measures enabled effective project start-up and contributed to better inform the Government on Bank rules and procedures. They led to a slight improvement in portfolio performance and renewed Government interest in Bank assistance.

2.4.6 CSP 2008-2012 should have been less ambitious and more selective, backed by enhanced policy dialogue. CSP programming should have taken sufficient account of national capacity and given preference to greater selectivity of sectors of intervention. The small number of projects approved reflects the strategy's overly ambitious approach. Only three out of the thirteen operations programmed were submitted to the Board for approval. A more sustained policy dialogue would also have contributed to strengthening Government's interest in operations proposed by the Bank. The main lessons from the previous strategy are presented in Annex 5 and summarized in Box 8. The current CSP builds on these lessons.

Box 8: Lessons from CSP 2008-2012 Implementation

- **Ensure the selectivity of intervention areas and simplicity in operations design.** Out of 13 public loans proposed under CSP 2008-2012, only 3 have been approved, highlighting the difficult environment for providing development assistance in Equatorial Guinea.
- **Intervene in areas where the Bank has comparative advantage.** In particular, avoid prioritizing the financing of national public infrastructure projects for which the Government does not request additional Bank funding.
- **Design operations in a way that they achieve**

visible outcomes quickly without compromising their long-term sustainability. Rapid and tangible outputs are essential for obtaining Government adhesion and support for project implementation.

- **Assess properly the Government's effective adherence to the proposed reform programme.** This is particularly important for operations aimed at promoting transparency, improving public administration and financial management, and strengthening the production of socio-economic data.
- **Explore opportunities for the private sector.** The Government has made significant investments to develop public infrastructure, thereby laying the foundation for production activity. The Bank should intensify its efforts to develop non-sovereign investments.
- **Identify risks properly.** CSP 2008-2012 did not identify the following key risks: (i) implementation risk (weak capacity and/or reluctance to comply with the Bank's rules and procedures, particularly at the start-up of project implementation); and (ii) lack of ownership risk.

Source: Combined CSP 2008-2012 and CPPR 2011 Completion Report.

III. BANK GROUP STRATEGY FOR EQUATORIAL GUINEA

3.1 Rationale for Bank Group's Intervention

This CSP offers the Bank an opportunity to revive and strengthen its cooperation ties with Equatorial Guinea. Thanks to the Bank's sustained efforts to eliminate obstacles to effective portfolio implementation and to give a fresh impetus to policy dialogue, its operations are now on track and have begun to yield visible outputs. These tangible outputs help to restore the Government's confidence, adherence to and support for the satisfactory implementation of the Bank Group assistance. Therefore, the Bank's continued assistance is essential to take advantage of the Government's keen political interest and the fresh impetus to cooperation with the country, as well as strengthen partnership with REG. It will also enable the Bank to respond to the Government's request for support to accelerate its development programme, which seeks to transform the economy.

3.2. CSP Strategic Objectives and Pillars

3.2.1 CSP strategic options and objectives stem from extensive consultations with the Government and greatly build on lessons from the previous strategy. The preparation of the CSP was based on extensive consultations with all stakeholders. The high-level dialogue held with the Government since the CSP 2008-2012 mid-term review led to a convergence of views between the authorities and the Bank on the CSP approach and strategic orientations, particularly the need to emphasize the implementation of active projects. The 2013-2017 intervention strategy builds on implementation lessons from the previous CSP, which recommend that future Bank assistance should prioritize the completion of on-going operations and exploration of investment opportunities, particularly non-sovereign investments. Lastly, CSP options are guided by the orientations of the 2013-2022 strategy, RISP 2011-2015 for Central Africa and the Strategic Framework for Strengthening Bank Support to MICs.

3.2.2 The main objective of the Bank's intervention strategy is to support REG's economic and social transformation. Specifically, this strategy seeks to contribute to achieving NESDP's objective of diversifying the economy and laying the foundation for sustainable and inclusive growth driven by the private sector, through the development of human capital and the creation of an enabling environment for business. Poverty and unemployment remain major concerns despite REG's sustained growth and remarkable financial resources. Thus, within the framework of on-going operations, the CSP will strengthen the Bank's support to the Government's programme to build capacity in the governance, health and technical and vocational training domains, all of which are vital to the promotion of diversified and inclusive growth.

3.2.3 The CSP is hinged on one pillar, namely: Promote Human Capital Development and Capacity Building for Economic Transformation. This pillar is completely

aligned with the priorities of the second phase of the Government's development plan. By supporting human capacity building and the promotion of an enabling environment for business, the Bank will contribute to remedying the weaknesses hindering the country from taking advantage of its opportunities and promoting inclusive growth so as to create sufficient jobs, particularly for youths and women. The CSP will also contribute to ensuring the judicious use of public resources for inclusive development.

3.2.4 In line with lessons from the previous CSP, this strategy will be more selective and focused on the accelerated implementation of on-going operations. This option helps to ensure continuity with the previous CSP and to consolidate recent achievements, while closely aligning with the country's development objectives. All on-going operations on health, education and governance can significantly impact the country's development and remain consistent with NESDP priorities. This approach, which was adopted in conjunction with the Government during the CSP preparation, will help to consolidate the positive outcomes of on-going projects, build on the Government's renewed confidence and interest, and increase the chances of success of this strategy. The 2015 mid-term review will provide an opportunity to examine a supplementary programme of operations better informed by the findings of studies in the pipeline. Such studies are also an important component of the proposed strategy.

3.2.5 The Bank will intensify its efforts to develop a pipeline of non-sovereign operations while ensuring the continuity of on-going operations, in accordance with the recommendations of the completion report. Given the significant improvements in the country's infrastructure and the need to diversify the economy, the Bank will explore avenues to seize any opportunities to invest in anchor projects that can strengthen the private sector, the main driver of economic transformation and job creation. In line with its

private sector strategy and depending on REG's investment potential, the Bank will seek out ways of assisting the Government to create value chains and sub-contracting opportunities for local SMEs, in order to broaden the base of pro-poor growth. This will enable the Bank to take full advantage of its commitment margin for the country and produce a significant impact on development.

3.2.6 In accordance with the operational priorities of the Regional Integration Strategy for Central Africa with which the CSP is aligned, the Bank will support regional infrastructure projects that are an integral part of RISP 2011-2015. These priority regional operations, in which REG has promised to participate, concern: (i) the Kribi-Campo (Cameroon) - Bata (Equatorial Guinea) Road Project; and (ii) the Cameroon-Gabon-Equatorial Guinea Electrical Grid Interconnection Project. This support will help to enhance the substantial investments made in national infrastructure built by the country.

3.3 Lending and Non-lending Activity Programme

3.3.1 Given the strategic approach proposed for this CSP, emphasis will be laid on the increased use of the country's sustainable commitment capacity. The two main sources of financing for the Bank's strategy are the AfDB window for public and private sector operations, and the Middle Income Countries Technical Assistance Fund for non-lending operations. The Bank will also intensify the use of bilateral and thematic trust funds to finance economic and sector work that will be needed for the identification and preparation of operations to be financed after the mid-term review.

Lending Programme

3.3.2 This strategy, which builds on lessons from CSP 2008-2012, will be largely supported by the existing portfolio. To guarantee the success of this strategy, CSP programming will focus on the 2013-2014 period and regional operations in which REG

has promised to participate, and the Statistical Capacity Building Project. This support will be strengthened by potential investments that could be financed through the private sector window. The mid-term review scheduled for 2015 will provide an opportunity to examine potential operations for the 2015-2017 period. Table 4 presents on-going operations and the 2013-2014 Indicative Lending Programme.

Table 4: On-going Operations and 2013-2014 Indicative Lending Programme (in UA million)

Project Name	Amount	Sector
Pillar: Promote Human Capital Development and Capacity Building for Economic Transformation		
On-going Operations		
Health System Development	14	Health
Middle and Senior Management Training Programme	36	Education
PAGFP	14	Governance
Lending Programme:		
2014		
Statistical Capacity Building		Statistics

Non-lending Activities Programme

3.3.3 The Non-lending Activity Programme is an important component of this strategy. It will focus on key studies on the preparation of potential operations for the 2015-2017 period and the strengthening of the Bank's advisory support. Specifically, the Economic and Sector Work Programme is designed to facilitate the continuation and extension of the Bank's commitment, particularly from 2015 (Table 5). In this regard, the following studies have been proposed:

- A study on the identification of value chains and sub-contracting opportunities for SMEs;
- A study on the private sector profile to identify specific investment opportunities for the Bank's private sector window;
- A statistical profile to serve as a basis for the Statistical Capacity Building Project to be implemented in 2014;
- A study on road and infrastructure maintenance support to protect major investments made in this sector.

Table 5: On-going Activities and 2013-2015 Indicative Non-Lending Programme (in UA million)

Project Name	Amount	Sector
Pillar: Promote Human Capital Development and Capacity Building for Economic Transformation		
On-going Activities		
MIC Grant to NESDP	0.4	Development Planning
Indicative Non-lending Programme		
2013		
MIC Grant for Statistical Profile	0.2	Development Planning
2014		
One-stop shop, sectors and subcontracting opportunities for SMEs	T.D.	Private Sector
Private Sector Profile	T.D.	Private Sector
2015		
Study on Road and Infrastructure Maintenance	0.6	Development Planning

N.B.: TD: To be determined.

3.4 Expected Outcomes

The main outcomes of the CSP will contribute to human capital development and capacity building, which are vital to economic transformation. These are mainly based on-going operations. Through the creation of vocational training institutions and the provision of support to provincial polytechnics and the National University, the Middle and Senior Management Training Programme will contribute to the Government's priority to improve the skills of the national labour force with a view to reducing unemployment. This project will also finance a study on youth employment to help the Government to adopt policies and initiate reforms to improve their skills and employability, thus increasing their chances of availing themselves of available economic opportunities. The Health System Development Support Project will help to strengthen national health service delivery and improve human resource capacity. The Bank's support under PAGFP will contribute to: (i) strengthening budgetary as well as public policy planning, implementation and monitoring; (ii) improving public resource utilisation and public service delivery; (iii) ensuring transparency and accountability; and (iv) improving the efficiency of customs procedures. The assistance provided under the Statistical Development Project will contribute to building national statistical capacity, producing and

disseminating reliable statistics in real time. Hence, it will enable the Government to: (i) better target its operations and adopt informed investment policies and decisions; and (ii) assess the impact of its programmes. The Bank's support for regional infrastructure will contribute to private sector development by reducing transport and transit costs and time, and increasing intra-regional trade. The potential operations to be financed by the private sector window are expected to contribute to economic diversification and job creation. The expected outcomes of operations implemented under this strategy are detailed in the outcomes matrix in Annex 1.

3.5 Monitoring and Evaluation

The CSP monitoring and evaluation system will be based on the outcome indicators of on-going operations and statistical capacity building provided under this strategy. It will be supplemented by annual portfolio reviews. The monitoring of the strategy will also be strengthened by posting a Bank expert to Malabo. The Bank will prepare a mid-term strategy status report in 2015 to assess progress towards achieving CSP outcomes and will adjust the strategy and programme where necessary, including the relevance of reinforcing them with complementary operations. A CSP completion report will be prepared at the end of the strategy in 2017. The main outcomes and indicators retained for assessing progress made in CSP implementation are included in the outcomes matrix.

3.6 Country Dialogue

3.6.1 Dialogue with the Government will be sustained further to strengthen the authorities' renewed interest in and adherence to the Bank's assistance programme. The high-level missions fielded and efforts made by the Bank over the last two years have helped to give a fresh impetus to policy dialogue with the Government and to ensure effective project start-up. This has produced visible results and rekindled the

country's interest in AfDB's assistance. These efforts will be sustained to strengthen the authorities' confidence in and adherence to the Bank's operations. The Bank will also pursue dialogue with Equatorial Guinea to strengthen the common financing mechanism, which stands at 50% for each party. Concerning the broadening of reforms, dialogue with the authorities will focus mainly on the following aspects:

- The sensitization of national authorities on the need to make progress on the social front, particularly by increasing budgetary allocations to the social sectors to improve the well-being of citizens and ensure sustainable and inclusive development;
- The need to improve the business climate so as to unleash private sector potential through greater transparency, better governance and increased investments in human capital; and
- Encouraging the Government to adhere to EITI.

3.6.2 To improve portfolio performance, country dialogue will focus on: (i) the implementation of the Portfolio Performance Improvement Plan; and (ii) national capacity building. In addition, the Bank's decision to strengthen its presence in the country in order to respond to repeated requests by the Government will help to facilitate dialogue with REG. The Bank has identified an international expert who will be posted to Malabo, in accordance with the decentralization roadmap.

3.7 Consultations with Stakeholders

Priority was given to consultations with stakeholders. To ensure the authorities' commitment to the programme retained and consistency with national development priorities, extensive consultations were held with the Government, development partners and representatives of business circles, particularly local entrepreneurs and female SME managers. Discussions focused on the

following aspects: (i) proposed operations and the strategic orientation of the new CSP; (ii) possible areas of collaboration with other partners; and (iii) the pipeline of lending and non-lending operations during the CSP period. These consultations particularly helped to confirm the need for the CSP to focus on efforts aimed at accelerating the implementation of on-going projects rather than preparing new operations.

3.8 Key Risks and Mitigation Measures

3.8.1 Lack of support: although the Government has rekindled its interest in cooperating more closely with the Bank, it may decide not to implement some of the proposed activities. To mitigate this risk, the Bank will maintain close dialogue with the authorities to anticipate possible changes and continue to demonstrate the usefulness of this partnership. The Bank's strong presence on the ground in Malabo will also help to deepen dialogue on cooperation.

3.8.2 Risk related to project implementation: besides its participation in the Health System Support Project, the administration has no experience in the preparation and implementation of Bank operations because it lacks technical and implementation capacity. As in the past, these weaknesses could cause project preparation and implementation delays as well as concerns about the cost of Bank operations. Project implementation could also suffer from fiduciary weaknesses. To mitigate this risk, the Bank's presence in Malabo will provide close support for project implementation, including the efficient assessment of fiduciary and safeguard responsibilities.

3.8.3 Credit risk: Equatorial Guinea's overall creditworthiness could be compromised by a narrow economic base dependent on oil and related sectors, and deteriorate if oil prices were to drop significantly. This risk is mitigated in the short term by a general good outlook for world oil prices. Equatorial Guinea is a net

external creditor. Thus, it does not depend on external financial assistance. In addition, the financial sector is fairly robust and sufficiently liquid and profitable. According to the appraisal carried out in 2013 by the Country Risk Service of the Economic Intelligence Unit, Equatorial Guinea's sovereign risk and country risk are rated B.

3.8.4 Risk of social instability: the very high income generated by the oil sector, coupled with the lack of transparency in resource management and dramatic inequalities could affect social cohesion, particularly in a context where formal channels of political expression are yet to be developed. The Bank is striving to mitigate this risk through its Education and Health Programme to broaden access to basic social services, and through its support for economic diversification, the creation of more jobs and the achievement of more inclusive growth.

IV. CONCLUSION AND RECOMMENDATION

The Board is invited to consider and approve the Bank Group Intervention Strategy proposed for the Republic of Equatorial Guinea for the period 2013-2017.

CSP 2013-2017 Outcomes Matrix

1 Government's Strategic Objectives	2 Obstacles to the Achievement of Expected Outcomes	3 Final Outcome Indicators (2017)	4 Final Output Indicators (2017) a/	5 Mid-term Outcome and Output Indicators (2017) a / 5	6 Key Actions (2015) b/	7 Proposed Bank CPS Operations and On- going Operations c/
PILLAR: Promote Human Capital Development and Capacity Building for Economic Transformation						
Building Human Capital						
Adapt technical, vocational and university education to market needs	(i) The quality of current training is inadequate (ii) Lack of skilled human resources impedes long-term development prospects	(i) The number of qualified teachers in secondary schools increases by 35% (ii) Five regional polytechnics (RP) are completed	(i) At least 80% of project objectives are achieved (2016) (ii) Some 30 000 people, at least 1/3 of them women, have received skills training	(i) The number of qualified teachers in secondary schools increases by 20% (ii) Reference level: 386 qualified teachers in secondary schools in 2007/08 (Ministry of Education) (iii) Two regional polytechnics (RP) are completed (iv) Baseline: No. RP in 2011 (v) Training programmes are prepared using the skills-based approach (SBA) (vi) Baseline: No training programme in 2012	(i) At least 25% of project objectives are achieved (ii) About 1 000 people, at least 1/3 of them women, have received skills training	On-going • Middle and Senior Management Training Programme (UA 36 million)
Build the human and institutional capacity of the health sector	Weak human resources limit the population's contribution to national development	The quality of human resources is improved	About 90% of project objectives are achieved (2016)	The proportion of skilled personnel increases by 20%	About 50% of project objectives are achieved	On-going • Health Services Development Project (UA 14 million)
Strengthen Governance Capacity						
Promote healthier and more inclusive economic growth through efficient and transparent public finance management Simplification of trade procedures	Inadequate inclusion of sector priorities in the budget The non-oil private sector faces major constraints in international trade	The rates of social sector budget allocation and execution increase by 6% and 44% in 2006 and 15% and 80% in 2017, respectively Official import and export procedures have improved	The Action Plan has been implemented successfully Evidence required: Letter from the Minister of Finance The time required to import and export goods has reduced from 44 day to 29 days in 2012 and from 30 days to 20 days in 2017, respectively	The rates of social sector budget allocation and execution reach 10% of the overall public budget Simplification of operational procedures	The PEFA-type diagnostic study, including its reform action plan, is completed (validated by the relevant Government authorities) The time required to import and export goods has reduced from 44 days to 29 days in 2012 and from 30 days to 20 days in 2017, respectively Baseline: Doing Business indicators	On-going • Public Finance Management Support (UA 14 million)

1 Government's Strategic Objectives	2 Obstacles to the Achievement of Expected Outcomes	3 Final Outcome Indicators (2017)	4 Final Output Indicators (2017) a/	5 Mid-term Outcome and Output Indicators (2017) a / 5	6 Key Actions (2015) b/	7 Proposed Bank CPS Operations and On- going Operations c/
Establish an efficient national statistical system	The weak capacity of the statistical system distorts financial and natural resource forecasts and estimates, and impedes the development planning process	An efficient national statistical system, including gender-disaggregated data, is established	The Central Statistics Office is established and is operational (2016)	The formulation of the National Statistical Development Strategy (NSDS) is completed. The implementation of the NSDS, particularly the training of the officials of the various entities involved in the production of statistics, has been launched.	The regulatory and legal framework for the establishment of an independent Central Statistical Office is finalized and approved by the Government	<p>Proposal</p> <ul style="list-style-type: none"> • Statistical Profile (MIC Grant: UA 0.20 million) • Statistical Capacity Building Project (UA 11 million)

Annex 2

Active Projects in Equatorial Guinea as at 31 March 2013 (UA million)

Sector	Project Name	Abbrev.	Approval Date	Effectiveness Date	Closing Date	Net Amount Approved	Amount Disbur.	% Disbur.	Source of Financing
Social	Middle and Senior Management Training Programme (PFCMS)	PFCMS	11 Dec. 2008	23 Sept. 2010	31 Dec. 2014	36.01	0.40	1.12%	[ADB]
Social	Health System Development Support Project (PADSS)	PADSS	29 Oct. 2008	2 April 2010	31 Dec. 2014	13.86	1.73	12.47%	[ADB]
Multi-sector	Public Finance Management Support Project (PAGFP)	PAGFP	25 Nov. 2008	10 Aug. 2010	31 Dec. 2013	13.51	0.14	1.05%	[ADB]
Multi-sector	Support for the Implementation of the National Economic and Social Development Plan (NESDP)	NESDP	10 April 2009	10 April 2009	30 June 2014	0.396	-	0.00%	TAF-MIC
Total effective operations						63.77	2.28	3.58%	
Environment	Sustainable Management of Ecosystems of High Socio-Economic Value of the Rio Camp Nature Reserve	Rio Camp	16 Dec. 2011	23 Feb. 2012	31 Dec. 2015	0.46	0.08	18.01%	[CBFF]

Source: ORCE quarterly report as at 10 April 2013.

Note: 1/The initial amount was approved in EUR.

Linkages Between NESDP 2008-2020 and CSP 2013-2017

NESDP 2008-2020		CSP 2013-2017	
Strategic Objective	Objective	Pillar	Proposed and On-going Projects
Build a diversified economy driven by the private sector	Promote private sector development, regional integration and key high-potential sectors such as tourism, financial services, agriculture and fisheries	Pillar I: Promote Human Capital Development and Capacity Building for Economic Transformation	Middle and Senior Management Training Programme
Build human capital and improve the quality of life of every citizen	Improve access to education and health services, promote vocational training and gender equality. Improve infrastructure and social services and establish a new social security system		Health Services Development Project
Institute good governance at the service of every citizen	Improve public administration and economic planning, the rule of law, national security, the participation of civil society and local authorities		Public Finance Management Support Project (PAGFP)
Build world class infrastructure	Improve transport infrastructure, the generation of and access to energy, the provision of public services and access to IT		Statistical Capacity Building Project
			Road and Infrastructure Maintenance Project/Study

Progress Towards NESDP Implementation

Build World Class Infrastructure

- The Djibloho hydro-electric plant went operational in 2011. The power transmission grid was modernized and extended to high-energy zones (2010-2011). Subsidized programmes helped to improve energy distribution to some disadvantaged zones (2009-2011).
- The optical fibre link between Malabo and Bata has been completed (2011).
- The main regional roads have been completed (2008-2012). The Malabo Airport highway has been completed (2010).
- The Malabo and Anabon Airports have been completed (2008-2010). The Bata airport has been modernized (2010). The ports of Malabo and Bata have virtually been completed (2010-2012).

Build Human Capital and Improve the Quality of Life of Every Citizen

- Two new vocational training schools have been built in Bata and Malabo (2010-2012).
- The Health Facilities Improvement Programme has been completed (2010). Two modern hospitals have been built and are operational in Bata and Malabo (2008-2011).
- The first phase of the Urban and Rural Water Supply Programme has been completed (2010).
- More than 20 000 social housing units have been built in Malabo (2009-2011).
- The Government has adopted the legal mechanism applicable to protected areas (2011).

Build a Diversified Economy Driven by the Private Sector

- The credit risk guarantee system to reduce the cost of lending to SMEs has been established (2012).
- The Industrial Fishing Promotion Programme has been launched (2012).

Institute Good Governance at the Service of Every Citizen

- The Audit Court has been established (2012).
- The technical unit in charge of steering public sector reforms has been established (2011).
- Efforts have been made to revive EITI (2011-2012).

Main On-going Reforms

- Completion of the second phase of NESDP (acceleration phase).
- Completion of the Climate Change Adaptation Strategy.

Source: Ministry of Planning, Economic Development and Public Investment

Summary of the Combined CSP 2008-2012 and CPPR 2011 Completion Report

1. The Country Strategy Paper (CSP), which is based on the 2008-2012 outcomes (approved in October 2008), underpins the National Economic and Social Development Plan (NESDP) 2008-2020. Its objective is to diversify and restructure the economy to make the country an emerging economy by 2020. To support NESDP, the CSP 2008-2012 consists of two pillars, namely Pillar I – Capacity Building comprising four public sector projects, and Pillar II – Creation of Enabling Conditions for Economic Diversification comprising three public sector projects. A mid-term review was approved in December 2010. During the period under review, Equatorial Guinea's economy was hard hit by the 2009 economic crisis, highlighting the need for the country to redouble its diversification efforts.
2. Equatorial Guinea has made significant progress in developing transport and energy infrastructure without the Bank's support. However, pro-poor spending remains limited while poverty and inequality are rife. The road and electricity networks were significantly improved during NESDP Phase I. Major social infrastructure projects have been completed but do not yet benefit the poor (77% of the population).
3. CSP 2008-2012 has not succeeded in arousing sufficient interest on the part of the Government. Although it is consistent with NESDP, CSP 2008-2012 was based on an approach which, given the country's context, was not efficient enough to engage Government's attention, hence the small number of projects approved and implemented.
4. CSP 2008-2012 was too ambitious and not sufficiently selective. The low proportion of projects that have reached the approval stage reflects the overly ambitious approach of the strategy and its inability to focus on priority areas where the Government had requested the Bank's assistance. A more sustained policy dialogue would have helped to rekindle the Government's interest in operations proposed by the Bank.
5. Portfolio performance has been hampered by weak capacity. The weak capacity of the Government and its poor mastery of the Bank's rules and procedures were not considered during the design of operations. Project implementation benefitted from the missions and assistance of consultants of the Bank; delays could have been reduced if the Bank had been more present on the ground.
6. The report recommends that the completion of on-going projects and more sustained policy dialogue as well as the exploration of private sector activities should be the priority targets for future assistance. Despite start-up delays, all the three on-going projects are of great political interest and are operational. The Bank should take advantage of the reports prepared and the political interest secured, and continue to strengthen cooperation through these projects. It must also engage in a more sustained dialogue to win the Government's confidence and raise its awareness on the importance of reforms, particularly in terms of transparency, public institution building and socio-economic data. Lastly, given the country's remarkable infrastructure and the need to diversify the economy, activities that can strengthen the private sector should be pursued.

Intervention Sectors of Equatorial Guinea's Development Partners

Donor	Period	Intervention Sector	Amount (in million)
Health			
UNICEF/WHO	2006-08	HIV/AIDS control/Adolescent health support	USD 4.4
		Maternal health/Nutrition/EPI support/Improvement of immunization coverage	
		Development of children's rights/Protection and alliance policy	
World Bank	2005-10	Sensitization through annual campaigns; promotion of sex education	USD 9
		HIV/AIDS prevention; promotion of antiretroviral treatment	
Marathon	2005-09	Malaria control	USD 7
Cuba	2009-13	Deployment of doctors in rural areas	n.a.
AfDB	2008-13	Health service support and demographic survey	UA 14
Education			
Spain		Educational System Reform Support Project - Prepare and adapt the content of the baccalaureate syllabus	EUR 0.8
		Project to Strengthen Public Education - primary, secondary and vocational training	EUR 3
		Support provided by the Spanish Cooperation Agency to schools in Malabo and Bata and the University Development Programme	EUR 1.5
		Permanent Capacity Building and Teacher Retention Programme	EUR 0.8
France		Support for the dissemination of French	EUR 0.8
		French Cultural Centre Media Development Support Project	n.a.
		University Cooperation	n.a.
Amerada HESS		Programme for the Development of Education in Equatorial Guinea (PRODEGE)	USD 40
AfDB	2008-13	Public Service Middle and Senior Management Staff Training Programme	UA 36
Public Sector Development and Governance			
European Commission		Support for human rights and the rule of law	EUR 7.3
		Good Governance Programme	
Spain		Technical assistance for the implementation of the poverty reduction strategy	EUR 0.75
		Technical assistance to support the Ministries of Public Service, the Interior and Local Governments, and the Economy	n.a.
France		Support to economic and financial services (PAAFIE)	EUR 0.5
World Bank (Technical Assistance)		Implementation of the EITI initiative	USD 0.9
		Public expenditure review	n.a.
		Build the capacity of the General Directorate of Statistics to prepare national accounts and consumer price indexes	n.a.
IMF (TA)		National accounts and the adoption a macro-economic model	n.a.
UNDP		Study on public administration reform and streamlining of operational procedures to attract private investment	n.a.
AFRITAC		Support for the improvement of budgetary classifications and the monitoring of expenditure commitments	n.a.
AfDB	2008-13	PAGFP and MIC / TAC to support NESDP implementation	UA 14.5

Source: Interviews and information provided by donors.

March 2013 Updated Review of 2012 Portfolio Performance

Indicators	Middle and Senior Management Training Programme (PFCMS)	Health System Development Support Project (PADSS)	Public Finance Management Support Project (PAGFP)	Support for the Implementation of the National Economic and Social Development Plan (NESDP)	REG - Global	
	P-GQ-IAE-001	P-GQ-IBE-002	P-GQ-K00-003	P-GQ-K00-004	April 2013	Jan. 2012
Last supervision	10 April 2013	14 January 2013	18 March 2013	23 September 2012		
<i>A. Compliance with conditions</i>	2.00	2.00	1.00	2.00	1.75	1.75
<i>B. Procurement performance</i>	2.00	2.00	2.00	1.00	1.75	1.83
<i>C. Financial management performance</i>	1.60	3.00	2.00	1.40	2.00	2.01
<i>D. Activities and outputs</i>	2.25	2.50	2.50	1.00	2.06	1.50
<i>E. Impact on development</i>	1.50	3.00	2.00	2.00	2.13	2.06
<i>F. Aggregate rating</i>	1.82	2.55	1.90	1.69	1.99	1.83
STATUS						
Implementation Progress (IP)	1.93	2.42	1.92	1.36	1.91	
Development Objectives (DO)	1.50	3.00	2.00	2.00	2.13	
Overall status	PPP	NON-PP/NON-PPP	PPP	PP	1 PP and 2 PPP	1 PP
Rating:						
Highly satisfactory performance (3)						
Satisfactory performance (2-3)						
Unsatisfactory performance (1-2)						
Highly unsatisfactory performance (0-1)						

Source: ORCE – 10 April 2013

Key Economic and Financial Indicators

Indicators	Unit	2000	2007	2008	2009	2010	2011	2012 (e)
National Accounts								
GNI at Current Market Prices	USD million	661	6,240	9,544	11,381	9,610	10,472	...
GNI per Capita	USD	1,270	9,690	14,410	16,710	13,720	14,540	...
GDP at Current Prices	USD million	1,243	12,585	18,464	12,166	14,407	19,607	24,070
GDP at 2000 Constant Prices	USD million	1,243	5,330	5,899	6,171	6,139	6,612	6,976
Real GDP Growth	%	8.2	21.4	10.7	4.6	-0.5	7.7	5.5
Real GDP Growth per Capita	%	...	...	...	...	...	...	...
Gross Domestic Investment	% of GDP	58.7	50.8	19.1	69.2	74.2	43.6	33.4
Public Investment	% of GDP	5.2	35.0	6.8	52.7	52.0	30.5	22.1
Private Investment	% of GDP	53.5	15.7	12.3	16.5	22.3	13.1	11.2
National Savings	% of GDP	45.2	38.6	26.7	40.7	34.1	29.5	28.7
Prices and Currency								
Inflation (CPI)	%	4.6	5.5	6.0	6.0	5.6	4.8	4.5
Exchange Rate (Annual Average)	Local currency /USD	712.0	479.3	447.8	472.2	495.3	471.9	510.5
Money Supply, Annual Change (M2)	%	...	...	...	...	...	...	...
Velocity (GDP / M2)	%	5.4	7.5	7.1	12.1	14.5	11.9	...
Public Finance								
Total Revenue and Grants	% of GDP	19.6	38.3	37.0	45.5	30.2	30.8	31.6
Total Expenditure and Net Lending	% of GDP	11.5	20.5	21.3	49.3	35.3	29.9	25.6
Overall Deficit (-) / Surplus (+)	% of GDP	8.1	17.8	15.7	-3.8	-5.1	0.9	6.0
External Sector								
Exports Volume Growth (Goods)	%	-23.2	11.6	3.9	-8.5	-6.9	6.2	4.9
Imports Volume Growth (Goods)	%	-9.6	3.5	110.0	42.8	-28.7	1.4	29.9
Terms of Trade Growth	%	71.5	-2.1	38.6	-20.2	-9.1	11.9	39.5
Current Account Balance	USD million	-196	501	-424	-2,151	-2,947	-1,173	837
External Reserves	% of GDP	-15.8	4.0	-2.3	-17.7	-20.5	-6.0	3.5
International Reserves	month of imports	0.3	12.1	7.7	5.3	3.7	3.9	5.1
Debt and Financial Flows								
Debt Service	% of exports	0.8	0.4	0.1	0.2	0.3	0.3	1.7
Total External Debt	% of GDP	34.4	1.1	0.7	5.1	5.0	6.8	7.8
Net Total Financial Flows	USD million	22	-207	-984	428	91	-78	...
Net Official Development Assistance	USD million	21	31	32	31	85	24	...
Net Foreign Direct Investment	USD million	154	1,243	-794	1,636	1,369	737	...
<p>The figure contains three charts:</p> <ul style="list-style-type: none"> Real GDP Growth Rate, 2000-2012: A line chart showing annual growth rates. It starts at 8.2% in 2000, peaks at 21.4% in 2007, drops to -0.5% in 2009, and ends at 5.5% in 2012. Inflation (CPI), 2000-2012: A line chart showing annual inflation rates. It starts at 4.6% in 2000, peaks at 6.0% in 2008, drops to -2.0% in 2009, and ends at 4.5% in 2012. Current Account Balance as % of GDP, 2000-2012: A bar chart showing annual current account balances as a percentage of GDP. It starts at 8.1% in 2000, peaks at 17.8% in 2007, drops to -3.8% in 2009, and ends at 6.0% in 2012. 								

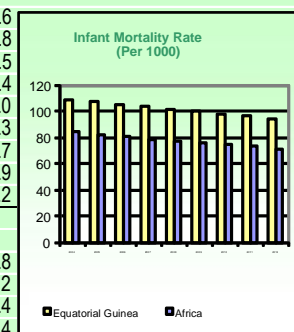
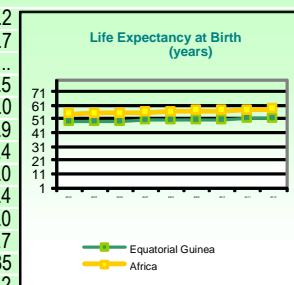
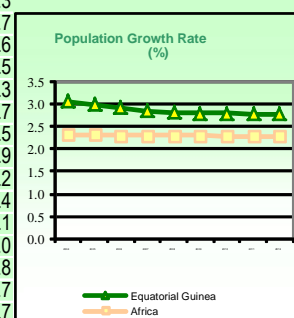
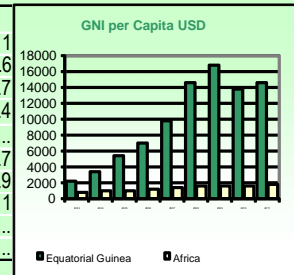
Source: AfDB Statistics Department; IMF: Global Economic Outlook, October 2012 and International Financial Statistics, October 2012; Statistics Department: Data Platform (database), March 2013; OECD, Statistics Systems Division

Notes: ... Not Applicable (e) Estimates

Last Update: March 2013

Progress Towards Achieving the MDGs

	Year	Equatorial		Developing	Developed
		Guinea	Africa	Countries	Countries
Basic Indicators					
Area ('000 Km ²)	2011	28	30,323	98,458	35,811
Total Population (million)	2012	0.7	1,070.1	5,807.6	1,244.6
Urban Population (% of Total)	2012	40.2	40.8	46.0	75.7
Population Density (per Km ²)	2012	25.7	34.5	70.0	23.4
GNI per Capita (USD)	2011	14 540	1 609	...	...
Labour Force Participation - Total (%)	2012	51.3	37.8	68.7	71.7
Labour Force Participation - Female (%)	2012	44.7	42.5	39.1	43.9
Gender-Related Development Index Value	2007	0.700	0.502	0.694	0.911
Human Development Index (Rank among 186 Countries)	2012	136	...	...	...
Population Living Below USD 1.25 a Day (% of Population)	2011	...	...	22.4	...
Demographic Indicators					
Population Growth Rate - Total (%)	2012	2.8	2.3	1.3	0.3
Population growth rate - Urban (%)	2012	3.4	3.4	2.3	0.7
Population < 15 years (%)	2012	39.0	40.0	28.5	16.6
Population >= 65 years (%)	2012	2.8	3.6	6.0	16.5
Dependency Ratio (%)	2012	72.0	77.3	52.5	49.3
Sex Ratio (per 100 females)	2012	105.0	100.0	103.4	94.7
Female Population 15-49 years (% of Total Population)	2012	23.5	49.8	53.2	45.5
Life Expectancy at Birth - Total (years)	2012	51.4	58.1	67.3	77.9
Life Expectancy at Birth- Female (years)	2012	52.8	59.1	69.2	81.2
Crude Birth Rate (per 1000)	2012	36.1	33.3	20.9	11.4
Crude Death Rate (per 1000)	2012	14.2	10.9	7.8	10.1
Infant Mortality Rate (per 1000)	2012	94.3	71.4	46.4	6.0
Under-five Mortality Rate (per 1000)	2012	152.3	111.3	66.7	7.8
Total Fertility Rate (per Woman)	2012	5.0	4.2	2.6	1.7
Maternal Mortality Rate (per 100000)	2010	240.0	417.8	230.0	13.7
Women Using Contraception (%)	2012	21.0	31.6	62.4	71.4
Health and Nutrition Indicators					
Physicians (per 100000 people)	2004-2010	30.0	49.2	112.2	276.2
Nurses (per 100000 people)	2004	53.0	...	187.6	730.7
Births Attended by Trained Health Personnel (%)	2000-2010	64.6	...	65.4	...
Access to Safe Water (% of Population)	2006	51.0	67.3	86.4	99.5
Access to Health Services (% of Population)	2000	...	65.2	80.0	100.0
Access to Sanitation (% of Population)	2006	89.0	39.8	56.2	99.9
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2009-2011	5.0	4.6	0.9	0.4
Incidence of Tuberculosis (per 100000)	2011	202.0	234.6	146.0	14.0
Child Immunization Against Tuberculosis (%)	2011	73.0	81.6	83.9	95.4
Child Immunization Against Measles (%)	2011	51.0	76.5	83.7	93.0
Underweight Children (% of children under 5 years)	2004-2011	10.6	19.8	17.4	1.7
Daily Calorie Intake per Capita	2009	...	2 481	2 675	3 285
Public Expenditure on Health (as % of GDP)	2010	3.4	5.9	2.9	8.2
Education Indicators					
Gross Enrolment Ratio (%)					
Primary - Total	2010-2012	87.0	101.9	103.1	106.6
Primary - Female	2010-2012	86.0	98.4	105.1	102.8
Secondary - Total	2002-2012	27.5	42.3	66.3	101.5
Secondary - Female	2002-2012	20.1	38.5	65.0	101.4
Primary School Female Teaching Staff (% of Total)	2011	40.1	43.2	58.6	80.0
Adult Literacy Rate - Total (%)	2010	93.9	67.0	80.8	98.3
Adult Literacy Rate - Male (%)	2010	97.1	75.8	86.4	98.7
Adult Literacy Rate - Female (%)	2010	90.6	58.4	75.5	97.9
Percentage of GDP Spent on Education	2003-2009	0.6	5.3	3.9	5.2
Environmental Indicators					
Arable Land (as % Total Land Area)	2009	4.7	7.6	10.7	10.8
Annual Rate of Deforestation (%)	2000-2009	0.6	0.6	0.4	-0.2
Forests (as % of Land Area)	2010	58.0	23.0	28.7	40.4
Per Capita CO2 Emissions (metric tons)	2009	7.1	1.2	3.1	11.4



Source: AfDB Statistics Department;

last update:

March 2013

World Bank WDI; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP, Country Reports.

Notes: n.a. Not Applicable; ... : Data Applicable

