CDP2021/PLEN/5A.i

United Nations
CDP
Committee for
Development Policy

Committee for Development Policy 23rd Plenary Session

United Nations
22-26 February 2021
Virtual meeting

Monitoring of Countries Graduated from the Least Developed Country Category: Equatorial Guinea

SUSTAINABLE DEVELOPMENT GOALS

Monitoring of Countries Graduated from the Least Developed Country Category:

Equatorial Guinea

Contents

Summary

While Equatorial Guinea's income is six times higher than the graduation threshold in 2021, the HAI score is only 67, very low compared to the HAI scores of countries with similar income levels. The economy has been contracting for recent years and the COVID-19 pandemic will add more challenges to the country in sustaining growth and maintaining the macroeconomic stability, given the lower world demand for oil. The Government adopted some measures to improve the business climate for non-oil investment to foster economic diversification, but the progress in this area has been slow, which is reflected in the productive capacity index being similar to LDC average. Data gap is relatively large, especially for the macroeconomic indicators that are required for monitoring. Equatorial Guinea has not reported to the CDP on its implementation of the smooth transition strategy during the monitoring period before and after the graduation.

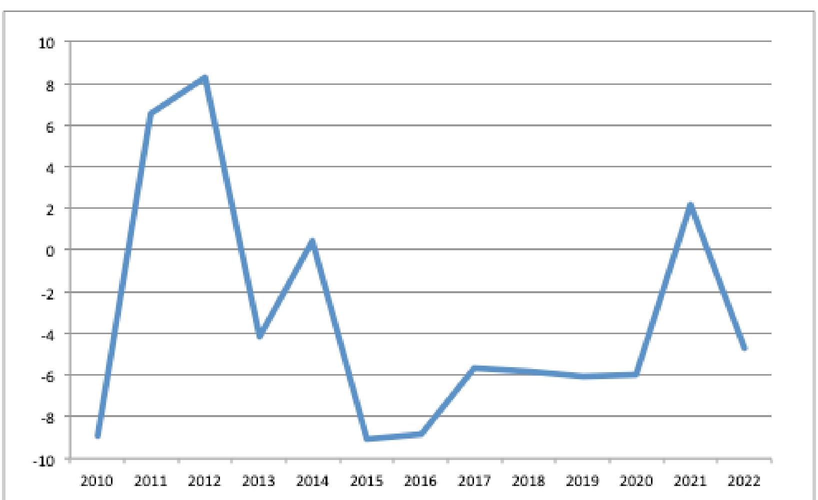
Macroeconomic situation

In the past, Equatorial Guinea had been one of the fastest growing economies in Africa after the discovery of large oil reserves in the 1990s. The country is classified as upper-middle income by the World Bank and has one of the highest income per capita in Sub-Saharan Africa, but very unequally distributed.

The country is highly dependent on the oil sector (about a third of GDP and more than 80 per cent of exports) and continues to face serious challenges due to the decline in hydrocarbon prices and production. According to a 2015 population census, the population is 1.2 million people.

The economic activity has been contracting for five consecutive years, since 2015, and the fallout of Covid-19 is expected to maintain GDP growth in negative territory in 2020, -6 per cent (see Figure 1). A rebound is forecast for 2021, owing to new oil projects and oil price recovery, before further economic contraction in 2022 (IMF, 2020).

Figure 1: GDP growth rate, Equatorial Guinea, constant price, 2010-2022 (percentage)



Source: IMF (2029). World Economic Outlook, accessed November 2020.

As a result of trade restrictions in the context of Covid-19, food prices are expected to increase, but the overall inflation rate will continue at 3 per cent in 2020. The decline in oil prices and lower domestic output are expected to affect negatively the fiscal and current account balances, as the country continues heavily dependent on oil revenues and food imports. As per in Angola, Equatorial Guinea is facing a twin deficit in 2020. The current account deficit has been negative for a few years and is expected to deteriorate further in 2020 (-5.7 per cent of GDP) before the impacts of the COVID-19 is factored in. Its key export partners are India, China, Republic of Korea, Spain, Italy, the Netherlands, and the United States, and imports come mainly from the United States, Spain and China.

External public debt is expected to increase, approaching 50 per cent of GDP in 2020. Even though this is still not an extremely high level, it is the highest in the past 10 years.

Table 1. Selected Macroeconomic indicators, Equatorial Guinea, 2014-2019

Indicator	2014	2015	2016	2017	2018	2019
GDP growth rate (per cent, constant price)	0.4	-9.1	-8.6	-3.2	-4.7	-2.5
Inflation rate (%)	4.3	1.7	1.4	0.7	1.1	2.2
Government revenue (billions of national currency)	2,585	2,064	1,126	1,238	1,447	1,240
Government expenditure (billions of national currency)	3,396	3,241	1,853	1,422	1,408	1,119
Government balance (billions of national currency)	-810.417	-1176.882	-727.217	-183.492	38.606	121.419
Government balance (per cent of GDP)	-7.541	-15.097	-10.917	-2.59	0.51	1.753
Net ODA received (millions of US dollars)	0.52	7.49	6.92	6.93	6.02	
Balance of Payments (billions of CFA)						
Current Account		-1281	-864	-412	-411	-397
Goods, Credit (Exports)		3371	2464	2723	3037	2455
Hydrocarbon exports		3223	2389	2618	2942	2386
Goods, Debit (Imports)		-2085	-1377	-1196	-1309	-1076
Balance on Goods						
Services, Credit (Exports)						
Services, Debit (Imports)						
Balance on services		-1202	-867	-793	-912	-730
Balance on Goods and Services						
Balance on income		-1091	-828	-899	-996	-850
Balance on current transfers		-274	-256	-246	-232	-196
Capital Account		0	0	0	0	0
Financial Account		327	168	429	414	447
Direct investment (net)		702	190	312	309	240
Portfolio investment (net)		-1	0	0	-1	-1
Other investment (net)		-374	-22	117	107	208
Change in reserves		846	712	43	-3	-74
Total Reserves (Millions of US dollars)						
Reserves (months of imports)						
Memo items:						
Total external public debt (per cent of		9.0	9.5	8.6	9.5	11.2

GDP)						
Debt service-to-export ratio (per cent)		3.6	5.8	3.3	3.3	4.3
External debt service (per cent of gov rev)		5.9	12.8	7.3	6.9	8.6
Outstanding public debt (per cent of GDP)		33.6	43.4	38.0	43.0	46.2

Source: GDP growth and inflation are from UN DESA, WESP, 2020 edition, accessed 18 Dec 2020. Government balance is from IMF, World Economic Outlook Database, October 2020 edition, accessed 18 Dec 2020. Net ODA is from OECD, OECD.Stat, accessed 18 Dec 2020. All external sector indicators and memo items are from IMF, Dec 2019, Request for an Extended Arrangement under yhe Extented Fund Facility and Second Review under the Staff-Monitored Program.

LDC indicators

Despite the negative growth in the past years, GNI per capita remains as $7,616 in 2021, more than six times higher than the graduation threshold established at the 2021 review, $1,222 (see Table 2). The country is expected to remain as an upper-middle income country (GNI per capita between $3,956 and $12,235) in the coming years.[1]

Table 2. Indicators for LDC identification, Equatorial Guinea, 2017-2021

	GNI per capita	EVI	HAI
2017	14,541.9	20.2	65.0
2018	12,489.9	20.2	65.5
2019	9,813.7	19.1	66.0
2020	8,236.4	18.7	66.5
2021	7,616.7	18.7	67.0

Source: CDP Secretariat.

Progress in improving human assets has been slow. The HAI score reaches 67 in 2021, very low compared to the HAI scores of countries with similar income levels.
The EVI score, 18.7 in 2021, which continues below the graduation threshold of 32, since 2017. While there is some progress in improving the business environment as the country seeks to attract investment in its priority sectors including fisheries and agriculture, the vulnerability and limited resilience is expected to remain due to the size of the domestic market, weak institutional capacity and local skills shortages.[2] The second phase of the country's national development plan, ending in 2020, was concentrating in economic diversification, targeting fisheries, agriculture and tourism.

Productive Capacity

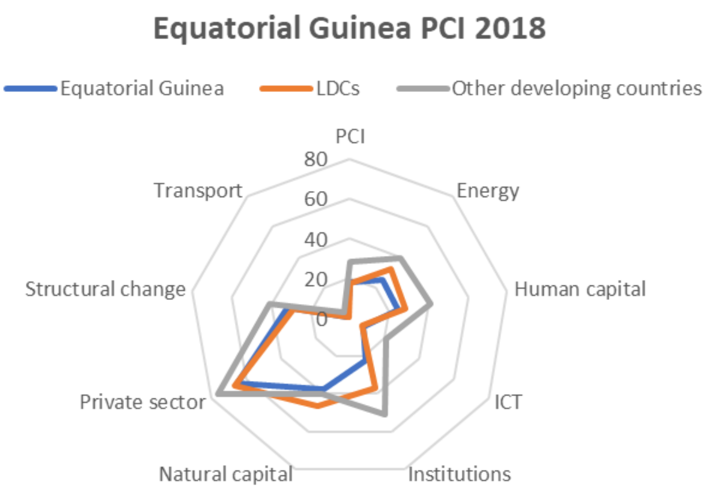
Equatorial Guinea's income-only graduation and slanted development patterns are the consequences of the very limited development of its productive capacities, except in a few sectors and areas. The country scores in the overall Productive Capacity Index (PCI) at a similar level as the average LDCs, but lags behind especially in terms of institutions and energy. This is yet another example of the paradox of several oil -rich countries, which do not have adequate

[1] Country classification criteria in 2018 by World Bank. https://www.worldbank.org/en/country/mic/overview
[2] EIU (2019). Equatorial Guinea Country Report.

energy supply domestically. Despite graduation, the level of development of productive capacities of Equatorial Guinea lags that of the average Other Developing Country (ODC), with a lag of over one third vis-à-vis these countries. The gaps are especially wide in transport and ICT. This indicates the need to mobilize and invest natural resource rents for the diversification of the national economy, starting with investment in infrastructure and in the broader diffusion of digital technologies. These investments, combined with industrial and sectoral policies, should enable the diversification of the country's economy.

The country's agricultural potential remains untapped, and the National Agricultural and Food and Nutrition Security Investment Plan 2015–20 has put emphasis on training for farmers and supporting small and medium sized farming enterprises. Economic diversification, although making slow progress, remains a priority. The fisheries and aquaculture sector (0.2% of GDP between 2014 and 2018) also offer opportunities for diversification.

Figure 2: Equatorial Guinea PCI 2018



Source: UNCTAD

Table 3. Productive Capacity Index, Selected Countries, 2018 value

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	14.5	34.1	23.8	5.0	30.2	48.1	57.6	21.5	0.3
Bhutan	28.5	49.7	37.9	13.8	62.4	43.7	72.0	35.3	2.4
Equatorial Guinea	18.0	25.1	24.4	8.0	22.3	37.9	64.8	31.7	1.3
Samoa	29.1	39.9	37.4	10.5	66.3	32.4	81.9	39.2	4.7
Sao Tome and Principe	19.9	28.4	34.6	9.9	47.9	36.7	69.4	33.4	0.6
Solomon Islands	22.4	33.9	29.9	6.0	46.3	50.1	78.3	26.1	2.2
Vanuatu	25.1	29.2	31.3	8.7	55.0	34.4	78.5	36.5	3.6
LDCs	17.7	32.0	28.3	7.4	36.9	46.5	66.6	28.9	1.1
ODCs	28.4	39.3	40.7	20.7	50.8	40.4	76.0	40.7	4.4

Source: UNCTAD.

Data gap

Equatorial Guinea's statistical capacity is extremely low. Statistical Capacity Index score for Equatorial Guinea was 36.7 in 2019, much lower than the average upper middle income country (70.6) and low income country average (56.7), placing the country as 9th lowest of the world.[3] Macroeconomic data, particularly the Balance of Payment data is very outdated, or not reported by the Government, and thus not available readily from the IMF databases. Socioeconomic indicators are also outdated and we use somewhat outdated and incomplete sub-indicators to calculate the HAI. Monitoring the progress and challenges for Equatorial Guinea using data is very difficult.

Smooth transition and country specific factors

Equatorial Guinea graduated from the LDC category in 2017. During the monitoring period before and after the graduation, Equatorial Guinea has yet to report to the CDP on its implementation of the smooth transition strategy. The COVID-19 pandemic will add more challenges to the country in sustaining growth and maintaining the macroeconomic stability, given the lower world demand for oil. The Government adopted some measures to improve the business climate for non-oil investment to foster economic diversification, but the progress in this area has been slow.[4]

[3] World Bank. WDI. Accessed 28 January 2021.

[4] IMF. Dec 2019, Request for an Extended Arrangement under yhe Extented Fund Facility and Second Review under the Staff-Monitored Program.