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Note by the Secretariat on
Monitoring of Graduating Countries from the Category of Least Developed Countries

Equatorial Guinea

I. Background

Equatorial Guinea and Vanuatu are earmarked for graduation, following the recommendations by the CDP which were endorsed by ECOSOC in 2009 and 2012, respectively, and taken note of by the General Assembly in December 2013 (A/RES/68/18). General Assembly resolution A/67/221 invites the Governments of countries that are graduating from the LDC category to report annually to the CDP on the preparation of the transition strategy.

In this note, the Secretariat presents a brief monitoring to provide an update on current conditions of both countries, for CDP's deliberation as requested by ECOSOC in its resolution 2013/20. Governments will be invited to submit reports to CDP on the overview of the preparation of smooth transition strategy later in the year, following GA resolution 67/221. Table 1 presents the time line for monitoring reports on both countries.

Table 1. Time line for monitoring reports: Equatorial Guinea and Vanuatu

Date	Equatorial Guinea	Vanuatu	Relevant GA resolution
December 2012	Current reporting system introduced	Current reporting system introduced	67/221 adopted
March 2014	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2014	Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
March 2015	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	2013/20[A]
December 2015	Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
March 2016	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2016	Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
March 2017	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
June 2017	*Equatorial Guinea graduates*		*68/18*
December 2017		*Vanuatu graduates*	*68/18*
December 2017	Country report to be submitted to CDP (as a graduated country, #1)	Country report to be submitted to CDP (as a graduating country)[B]	67/221
March 2018	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2018	Country report to be submitted to CDP (as a graduated country, #2)	Country report to be submitted to CDP (as a graduated country, #1)	67/221
March 2019	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2019	Country report to be submitted to CDP (as a graduated country, #3)	Country report to be submitted to CDP (as a graduated country, #2)	67/221
March 2020	CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2020	Country report to be submitted to CDP	Country report to be submitted to CDP (as a graduated country, #3)	67/221
March 2021	Report to be submitted as a complement to triennial review to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
December 2023	Country report to be submitted to CDP	Country report to be submitted to CDP	67/221
March 2024	Report to be submitted as a complement to triennial review to ECOSOC	Report to be submitted as a complement to triennial review to ECOSOC	67/221
December 2026		Country report to be submitted to CDP	67/221
December 2027		Report to be submitted as a complement to triennial review to ECOSOC	67/221

Source: CDP Secretariat.
[A] ECOSOC Resolution.
[B] Vanuatu reports as a graduating country, covering the year 2017 for most of which it is still a graduating country. See the case of Samoa (CDP/2014/PLEN/7).

II. Monitoring development progress of Equatorial Guinea

Background

Equatorial Guinea was recommended for graduation by the Committee in 2009 in accordance with the "income only" rule, as its GNI per capita was several times above the income graduation threshold.[1] Responding to the findings by the Committee, the Government of Equatorial Guinea stated that despite rapid income growth, the economy remained extremely fragile due to its excessive dependence on the oil sector. In view of this observation, Equatorial Guinea requested a period of transition up to the year 2020—the year when the implementation of the national development strategy will be finalized—before it could be reclassified to a non-LDC.[2]

ECOSOC considered this matter and endorsed the recommendation for graduation by the Committee in 2009 (E/2009/35). General Assembly took note of the recommendation by the CDP in 2013 (A/68/18). The General Assembly also decided to provide Equatorial Guinea, on an exceptional basis, with an additional preparatory period of six months, before the start of the three-year preparatory period leading to graduation. Therefore, Equatorial Guinea is scheduled to graduate on 4 June 2017 (see table 1).

Recent macroeconomic developments

Equatorial Guinea has experienced an economic slowdown due to the falling price in the international oil market. In 2012, GNI per capita remained above $13,000 and the annual real GDP growth reached 5.3 per cent.[3] In 2013, as oil production fell and government spending on infrastructure projects decreased, GDP contracted by 1.5 per cent in real terms, and a mild contraction of the economy is expected to continue over the medium term.[4]

The current account deficit is forecasted to widen from 15 per cent of GDP in 2013 to around 16 per cent of GDP in 2014, as receipts from the oil sector are likely to fall. The large trade deficits will be financed mainly by foreign direct investment inflows in the hydrocarbon sector, including expansion of liquefied natural gas (LNG) projects, lending from bilateral creditors, particularly China, and drawing down on international reserves.[5] Therefore, the external sector will remain as a potential source of vulnerability.[6]

Fiscal balance has been volatile as the government expenditure fluctuates with large spending on infrastructure. There was a surplus in fiscal balance in 2011 (1 per cent of

[1] CDP, Report on the eleventh session, 2009 (E/2009/33).
[2] Equatorial Guinea, Written statement by the delegation of Equatorial Guinea before the plenary session of the Committee for Development Policy on the Least Developed Countries, New York, March 2009.
[3] World Bank, World Development Indicators, accessed February 2014.
[4] IMF, World Economic Outlook Database, October 2013.
[5] Economic Intelligence Unit, Country Report: Equatorial Guinea, February 2014.
[6] IMF, Article IV consultation: Equatorial Guinea, 2012.

GDP), a substantial deficit in 2012 (10 per cent of GDP) and a modest deficit in 2013 (4.7 per cent in 2013). The fiscal deficit is expected to decrease over the medium term to 1-3 per cent of GDP, as the government expenditure on large-scale public investment projects is likely to be reduced.[7]

Equatorial Guinea is highly dependent on oil exports and its economic prospect is mainly affected by the forecasts on the international oil market. As oil fields are depleted, oil production has declined in recent years and, in the absence of major new discoveries, is expected to fall at a quicker pace over the medium term. In this context, the National Economic Development Plan: Horizon 2020, the country's long term development strategy, targets economic diversification as a priority, among other things, and some progress has been observed. For example, investment has been made in exploring not only crude oil fields but also LNG extraction, as well as in building LNG processing capacity. Sources of investment financing have also diversified, as firms from a few countries, including Russia, China and Nigeria, are expanding their presence in the country, while United States companies still dominates the country's hydrocarbons sector.

High oil prices in the international market, which are expected to remain above $100 per barrel for 2014-2015,[8] will contribute to sustaining development progress of Equatorial Guinea in the short term. However, there are concerns that the decreasing productivity in the oil production and limited diversification across non-oil sectors will have negative impacts on the country in the long run.

Developments related to indicators in the LDC criteria

Equatorial Guinea has managed to achieve high levels of national income and improved outcomes in relation to the Human Asset Index (HAI) indicators. GNI per capita of Equatorial Guinea in 2011/2012 was $12,100, 10 times higher than the graduation threshold established at the 2012 triennial review ($1,190).[9] Preliminary estimates by UN/DESA suggest that there is also some progress in indicators included in the HAI. Under-5 mortality rate fell from 107 per 1,000 live births in 2010 to 100 per 1,000 live births in 2012.[10] Literacy rate increased from 93 per cent in the 2012 triennial review to 94.2 per cent in 2013.[11]

Preparation of the smooth transition strategy

Graduation from the list of LDCs is not likely to bring substantive impacts on the development prospects of Equatorial Guinea. The country's export structure implies little preferential treatment by major importing markets.[12] And the country seems to

[7] Economic Intelligence Unit, Country Report: Equatorial Guinea, February 2014.
[8] United Nations, World Economic Situation and Prospects, 2014.
[9] World Bank, World Development Indicators, accessed February 2014. The graduation threshold in 2012 triennial review was established based on 2009-2011 data.
[10] UN Inter-agency Group for Child Mortality Estimation, CME Info, accessed March 2014. Available from http://www.childmortality.org.
[11] Estimates are based on UNESCO, Institute for Statistics, accessed February 2014.
[12] UN/DESA, Ex-ante impact assessment of likely consequences of graduation of Republic of Equatorial Guinea from the least developed country category, 2008.

have limited reliance on bilateral official development flows – net ODA as a percentage of GNI is only 0.1 per cent in 2012.[13]

Yet, a smooth transition strategy should be prepared to engage the country's development partners in providing the necessary support to ensure that the country's development path is sustainable. As Equatorial Guinea's medium- to long-term development prospects depend to a large degree on future oil revenues, the country may wish to prepare, in collaboration with its partners, its transition strategy for successful implementation of economic policies to promote diversification, reducing excessive dependence on the hydrocarbons sector.

[13] OECD, Aid at a Glance: Equatorial Guinea. Available from http://www.oecd.org/dac/stats/documentupload/GNQ.JPG