



United Nations  
**CDP**  
Committee for  
Development Policy



## **Monitoring of Graduated and Graduating Countries from the Least Developed Country Category:**

### **Equatorial Guinea**

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**February 2017**

## Summary and monitoring timeline

**Angola:** Sustained high income despite low international oil prices. High inflation. Human assets are improving but are still at very low levels. The government initiated the preparation of the smooth transition strategy.

**Equatorial Guinea:** Sustained high income despite low international oil prices. Limited diversification and slow improvement in human assets.

**Samoa:** Slowing growth and high vulnerability. Receiving smooth transition support on trade (Everything But Arms (EBA) and Enhanced Integrated Framework (EIF)) and development financing (Least Developed Countries Fund (LDCF)).

**Vanuatu:** Income growth is recovering from impact of the cyclone, but economic vulnerability remains high. The government needs to start negotiation with trading partners on preferential market access.

Table 1. Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Samoa***	Vanuatu
Dec 2016	Country report (graduating)	Country report (graduating)	Country report (graduated #3)	Country report (graduating)
Mar 2017	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Jun 2017		<b>Graduation**</b>		
Dec 2017	Country report (graduating)	Country report (graduated #1)	Country report (triennial review #1)	Country report (graduating)
Mar 2018	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Dec 2018	Country report (graduating)	Country report (graduated #2)		Country report (graduating)
Mar 2019	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2019	Country report (graduating)	Country report (graduated #3)		Country report (graduating)
Mar 2020	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2020				<b>Graduation****</b>
Dec 2020	Country report (graduating)	Country report (triennial review #1)	Country report (triennial review #2)	Country report (graduating)
Feb 2021	<b>Graduation*</b>			
Mar 2021	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Dec 2021	Country report (graduated #1)			Country report (graduated #1)
Mar 2022	CDP monitoring			CDP monitoring
Dec 2022	Country report (graduated #2)			Country report (graduated #2)
Mar 2023	CDP monitoring			CDP monitoring
Dec 2023	Country report (graduated #3)	Country report (triennial review #2)		Country report (graduated #3)
Mar 2024	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2026	Country report (triennial review #1)			Country report (triennial review #1)
Mar 2027	CDP monitoring			CDP monitoring
Dec 2029	Country report			Country report

	(triennial review #2)			(triennial review #2)
Mar 2030	CDP monitoring			CDP monitoring

Note: \* Angola graduates on 12 Feb 2021 (A/RES/70/253); \*\* Equatorial Guinea graduates on 4 June 2017 (A/RES/68/18); \*\*\* Samoa graduated on 1 January 2014 (A/RES/64/295); \*\*\*\* Vanuatu graduates on 4 Dec 2020 (A/RES/70/78).

## 1. Equatorial Guinea

### 1.1. Development trend and forecast

Table 2: Equatorial macroeconomic indicators, 2011-2018

Indicator	2011	2012	2013	2014	2015	2016	2017	2018
GDP growth rate (per cent, constant price)	6.5	8.3	-4.1	-0.5	-12.2	-4.5	-2.2	1.5
Inflation rate (per cent change)		1.0	1.2	4.8	11.7	1.5	2.2	3.5
Government revenue (US dollars, million)	2,690.8	972.4	2,110.6	2,050.6	2,797.5	1,913.6		
Government expenditure (US dollars, million)	2,512.8	2,583.1	3,391.9	3,095.8	3,147.2	2,108.5		
Government balance (US dollars, million)	178.0	-1,620.7	-1,281.3	-1,945.2	-349.7	-194.8		
Government balance as per cent of GDP	1.1	-9.8	-7.9	-6.6	-3.0	-1.7		
Net ODA received (US dollars, million)	25	14	5	1	8			
Balance of Payments (US dollars, million)								
Current Account	-1,565	-388	-20	-1,214	-2,321	-1,672		
Goods, Credit (Exports)	14,306	17,349	16,106	15,040	8,853	8,055		
Goods, Debit (Imports)	6,972	6,905	5,876	5,728	4,249	3,519		
Balance on Goods	7,334	10,444	10,230	9,312	4,604	4,536		
Services, Credit (Exports)	...	...	...	...	...	...		
Services, Debit (Imports)	...	...	...	...	...	...		
Balance on services	-2,638	-3,038	-2,627	-2,925	-2,550	-2,017		
Balance on Goods and Services								
Balance on income	-6,155	-7,545	7,263	-7,287	-4,051	-3,915		
Balance on current transfers	-107	-249	-320	-316	-323	-278		
Capital Account	0	0	-223	0	0	0		
Financial Account	2,602	2,956	583	330	453	892		
Direct investment (net)	1,975	985	-806	168	233	66		
Portfolio investment (net)	0	2	-30	2	1.7	2.1		
Other investment (net)	627	1,969	-370	162	216	824		
Reserves (US dollars, billion)	3,053.8	4,397.0	4,566.5	2,906.8	1,205.2			
Reserves (months of imports)	4.3	4.8	4.4	3.7	...			

Source(s): CDP Secretariat based on UNSD NAE database, December 2016 data and DPAD projections; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories; IMF, Balance of Payments Database, September 2016; World Bank, World Development Indicators Database, August 2016

Equatorial Guinea is highly dependent on the oil sector and continues to face serious challenges due to the decline in hydrocarbon production compounded by low oil prices. Crude oil prices remained subdued in 2016, averaging an estimated \$43 per barrel, compared to \$52 per barrel in 2015.<sup>1</sup> Real GDP contracted by 0.5 per cent in 2014, by 12.2 per cent in 2015 and by 4.5 per cent in 2016. Estimates vary depending on assumptions about international oil prices but real GDP is projected to further contract by 1-5 per cent annually during the period 2017-2021, with a slowdown in the contraction predicted toward the end of the period.<sup>2</sup>

Equatorial Guinea is the third-largest oil producer in sub-Saharan Africa, after Nigeria and Angola.<sup>3</sup> Due to a steady fall in the output of existing fields, in the absence of significant new discoveries the overall output is expected to fall further to around 189 thousand barrels per day in 2020.<sup>4</sup>

The current account deficit was at its highest level in 2015 at \$2.3 billion, but declined to \$1.7 billion in 2016. Although the balance of goods decreased marginally in 2016, from \$4,604 million in 2015 to \$4,536 million, increases in the balance of services (from -\$2,550 million to -\$2,017 million) and the balance of income (from -\$4,051 million to -\$3,915 million) during 2015-2016 contributed to a decline in the deficit. Equatorial Guinea's foreign exchange reserves decreased from \$4,567 million to \$1,205 million between 2013 and 2015.

As revenue from the oil sector accounts for around 87 per cent of total government revenue, the fiscal balance is expected to continue to deteriorate over time due to low oil prices and large government expenditure on infrastructure. The fiscal deficit is forecast to reach two per cent of GDP in 2016, and then decrease over the medium term as government spending declines due to financing constraints.

## 1.2. Development related to indicators in the LDC criteria

Table 3: Equatorial Guinea: LDC criteria indicators, 2010 – 2017

Index/Criteria	2010	2011	2012	2013	2014	2015	2016	2017
GNI per capita (USD)	8,182	11,871	12,802	13,417	13,240	14,884	14,952	13,275
Human asset index (HAI)	50.4	51.1	51.8	52.5	53.2	53.9	54.5	55.1
Percentage of population undernourished	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Under-five mortality rate (per one thousand live births)	118.4	114.6	110.9	107.3	103.7	100.3	97.4	94.1
Gross secondary enrolment ratio (per cent)	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4
Adult literacy rate (per cent)	92.1	92.6	93.1	93.5	94.0	94.5	95.0	95.2
Economic vulnerability index (EVI)	43.8	44.2	41.7	40.9	40.6	39.3	35.1	29.1
Population (thousands)	686	707	729	751	774	797	821	845
Remoteness	47.2	47.2	47.4	47.7	48.1	48.3	48.5	48.7
Merchandise export concentration	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Share of agricultural, forestry and	1.3	1.1	1.0	1.1	1.0	1.1	1.2	1.2

<sup>1</sup> UN DESA 2017, World Economic and Social Prospects

<sup>2</sup> IMF, 2016 Article IV consultation: Equatorial Guinea, Country Report No. 16/341, November 2016.

<sup>3</sup> African Development Bank, African Economic Outlook, Country Note: Equatorial Guinea, 2015.

<sup>4</sup> Economic Intelligence Unit, Industry Report, Energy: Equatorial Guinea, 4<sup>th</sup> quarter 2015.

fisheries in GDP (per cent)								
Share of population living in low elevated coastal areas (per cent)	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Instability of exports of goods and services	27.1	28.4	27.3	26.5	26.4	25.3	20.3	13.2
Victims of natural disasters (per cent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Instability of agricultural production	5.3	5.0	3.1	2.9	2.8	2.5	2.5	2.5

Source(s): Committee for Development Policy Secretariat

Note: Indicators are generated based on the same data source and methodology used for the 2015 review using most recent available data. The values in 2012 and 2015 may be different from the ones presented in the CDP reports to the ECOSOC.

The level of national income is forecast to remain at a high level in the medium term. GNI per capita is estimated as \$13,275 in 2017, almost 11 times higher than the graduation threshold established at the 2015 triennial review (\$1,242).<sup>5</sup> The projected continued contraction of real GDP in the next years, due to low oil prices and declining oil production, may lead to a slight reduction in the GNI per capita, but a significant drop is unlikely.<sup>6</sup>

While Equatorial Guinea is expected to remain susceptible to volatility in international commodity prices, the EVI score is estimated as 29.1 in 2017, moving it further away from the graduation threshold established at the 2015 review (32 or lower). The reduced EVI results from a reduction in export instability in 2016 and 2017, and it is a statistical outcome, not because of a fundamental change in the economy's instability.<sup>7</sup>

Progress in improving human assets is slow. The HAI score reaches 55.1 in 2017, much lower than the graduation threshold established in the 2015 review (66 or higher).

### 1.3. Smooth transition

The impact of Equatorial's graduation on July 2017 is expected to be minimal: oil dependency implies little preferential treatment by major importing markets, and the reliance on bilateral official development flows is also limited.

The Government has not yet reported to the CDP on its preparation of a smooth transition strategy. It is unclear if Equatorial Guinea is on track in implementing the *National Economic Development Plan: Horizon 2020*, as well as actions suggested in the graduation process report by the Government of Equatorial Guinea and UNDP (2015).<sup>8</sup>

<sup>5</sup> Committee for Development Policy Secretariat. The graduation threshold in 2015 triennial review was established based on 2011-2013 data.

<sup>6</sup> IMF, 2016, Article IV consultation.

<sup>7</sup> The no-growth period until 1995 is excluded from the calculation, and it leads to a lower value of the export instability. See UN CDP, 2015 LDC Handbook.

<sup>8</sup> Government of Equatorial Guinea and UNDP, Dependence on oil sector and the process of graduation of Equatorial Guinea, October 2015.