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

Equatorial Guinea

SUSTAINABLE DEVELOPMENT GOALS

Contents

Summary and the monitoring timeline

Angola: Scheduled to graduate on 12 February 2021. Income has been sustained at a high level but lower oil production and tighter foreign exchange liquidity brings challenges on maintaining macroeconomic stability. Human assets are underdeveloped comparing to other countries with similar income levels. The preparation of the smooth transition strategy has been delayed by the recent political changes.

Equatorial Guinea: Graduated on 4 June 2017. The income level is still high, but the GDP is projected to continue to decline due to the production cap imposed by OPEC, depletion of the existing oil reservoirs, and limited new investment. Financial sustainability is questioned as foreign reserves are seriously low. HAI is very low, and there is no update on the data on some of the HAI indicators. After graduation became effective, the Government expressed interest on possible postponement of the graduation.

Maldives: Graduated on 1 January 2011. The continued increase in economic growth in recent years has been driven primarily by high-end tourism and construction. Current account and fiscal imbalances, relatively low international reserves and a rapid build-up in public debt, are the main challenges. There is no sign of regress in the HAI and EVI indicators. The graduation does not appear to have caused disruptions on Maldives' development trend.

Samoa: Graduated on 1 January 2014. The income growth is expected to be slow at 1.5 – 2 per cent in the next few years. There is no sign of progress or regress in the income, HAI and EVI indicators. Samoa reported that it has continued to make progress since graduation, despite the challenges it still faces as a developing country. Samoa presents its gratitude to the United Nations and the international community for the support and assistance while it was categorized as an LDC.

Vanuatu: Scheduled to graduate on 4 December 2020. The growth rate is projected to stay around 4 per cent, helped by recovery in the agricultural production, and a few infrastructure projects. The HAI and EVI indicators show no change in 2017-2018. Vanuatu had indicated that it was in the process of establishing the National LDC Coordinating Committee to prepare the smooth transition strategy, but a progress has not been reported.

Table 1 Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Maldives	Samoa	Vanuatu
Jan 2011			***Graduation***		
Jan 2014				***Graduation***	
Jun 2017		***Graduation***			
Mar 2018	Graduating	Graduated #1	Review #2	Review #1	Graduating
Mar 2019	Graduating	Graduated #2			Graduating
Mar 2020	Graduating	Graduated #3			Graduating
Dec 2020					***Graduation***
Feb 2021	***Graduation***				
Mar 2021	Graduating	Review #1		Review #2	Graduating
Mar 2022	Graduated #1				Graduated #1
Mar 2023	Graduated #2				Graduated #2
Mar 2024	Graduated #3	Review #2			Graduated #3
Mar 2027	Review #1				Review #1
Mar 2030	Review #2				Review #2

Note: "Graduating" indicates monitoring as a graduating country; "Graduated #1" indicates monitoring for the first as a graduated country; "Review #1" indicates monitoring for the first time as a complement to the triennial review.

1. Equatorial Guinea

1.1. Development trend and forecast

Equatorial Guinea is highly dependent on the oil sector (97 per cent of the export, and 90 per cent of fiscal revenue), and continues to face serious challenges due to the decline in hydrocarbon production compounded by low oil prices. Real GDP contracted by 9 per cent in 2015, 8.9 per cent in 2016 and 5.9 per cent in 2017 (see Table 2). Estimates vary depending on assumptions about international oil prices but real GDP is projected to further contract by 4-6 per cent annually in 2018-2019.[1]

Table 2 Equatorial Guinea: macroeconomic indicators, 2011-2017

Indicator	2011	2012	2013	2014	2015	2016	2017
GDP growth rate (per cent, constant price)	6.5	8.3	-4.1	0.4	-9.0	-8.9	-5.9
Inflation rate (%)	4.8	3.7	2.9	4.3	1.7	1.4	1.6
Government revenue (billions of national currency)	2,851	3,196	2,696	2,585	2,071	1,129	1,171
Government expenditure (billions of national currency)	2,767	4,023	3,329	3,353	2,975	1,719	1,560
Government balance (billions of national currency)	84	-827	-633	-767	-905	-590	-389
Government balance (per cent of GDP)	0.8	-7.2	-5.8	-7.2	-19.1	-14.9	-13.5
Net ODA received (millions of US dollars)	24.6	14.5	4.6	0.5	7.5		
Balance of Payments (millions of US dollars)							
Current Account	-1,210	-252	-547	-929	-2,150	-1,067	-806
Goods, Credit (Exports)	16,108	16,410	14,043	12,643	5,688	4,429	4,401
Goods, Debit (Imports)	5,831	5,774	5,758	5,487	3,525	2,183	1,831
Balance on Goods	10,277	10,636	8,285	7,156	2,163	2,246	2,570
Services, Credit (Exports)	162	225	198	168	277	300	324
Services, Debit (Imports)	3,417	3,478	3,443	3,554	2,310	1,512	1,522
Balance on services	-3,255	-3,254	-3,244	-3,387	-2,033	-1,212	-1,198
Balance on Goods and Services	7,022	7,382	5,041	3,769	131	1,034	1,372
Balance on income	-7,786	-7,072	-5,388	-4,163	-1,818	-1,618	-1,710
Balance on current transfers	-447.0	-561.9	-199.7	-535.1	-463.0	-483.7	-467.3
Capital Account	9.82	-0.09	0.04	0.04	0.04	0.04	0.04
Financial Account	4,068	3,931	1,326	-746	-1,263	-1,067	-805
Direct investment (net)	2,726.4	3,515.0	2,146.1	1,137.6	1,186.4	-58.1	87.4
Portfolio investment (net)	11.4	1.3	28.8	24.4	2.4		1.8
Other investment (net)	492	-816	-809	-248	-751	208	-835
Change in reserves	838.2	1,230.9	-39.5	-1,659.7	-1,701.0	-1,216.6	-59.7
Total Reserves (Millions of US dollars)	3,054	4,397	4,567	2,907	1,205	62	7
Reserves (months of imports)	4.4	5.3	6.4	4.2	2.6	0.2	0.0

Source: UN/DESA World Economic and Social Prospects (2018); IMF, International Financial Statistics, accessed 10 February 2018.

Equatorial Guinea is the third-largest oil producer in sub-Saharan Africa, following Nigeria and Angola. However, crude oil production has been steadily declining since 2004, due to depletion of existing reservoirs and limited investment in new field discoveries. Equatorial Guinea produced 236,300 barrels per day in 2016, and since 2017, as the country joined the OPEC as the sixth African member, the oil

[1] UN/DESA (2018). WESP.

production is capped at 128,000 barrels a day. In the longer term, oil output may fall by more than OPEC's cap due to depletion of oil reserves.[2]

Surplus in the balance on goods is to large extent cancelled by the deficit in the balance on services, mainly in the oil sector. Without the inflow of foreign capital, the total reserves dwindled down to only $7 million in 2017. The economy is expected to remain in recession in 2018 as oil production declines, public investment remains low and the non-oil economy stagnates.[3]

1.2. Development related to indicators in the LDC criteria

GNI per capita is estimated as $9,665 in 2018, about eight times higher than the graduation threshold, $1,230 (see Table 3). The projected continued contraction of real GDP in the next couple of years, due to low oil prices and declining oil production, may lead to a further reduction in the GNI per capita. However, the country is expected to remain an upper-middle income country.

Table 3 Equatorial Guinea: LDC criteria indicators, 2011 – 2018

Index/Criteria	2011	2012	2013	2014	2015	2016	2017	2018
GNI per capita (USD, Atlas method)	9,345	10,604	11,435	11,689	12,927	13,372	11,930	9,665
Human assets index (HAI)	54.4	55.1	55.9	56.4	57.0	57.5	58.1	58.4
Maternal mortality rate (per 100,000 live births)	391.0	378.8	364.5	361.4	355.6	351.1	341.6	341.6
Under-five mortality rate (per 1,000 live births)	114.4	110.6	107.0	103.7	100.4	97.1	94.0	90.9
Percentage of population undernourished	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Adult literacy rate (%)	92.4	92.9	93.4	93.8	94.3	94.7	95.2	95.2
Gross secondary enrolment ratio (%)	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4
Economic vulnerability index (EVI)	43.0	40.2	39.4	39.1	38.0	33.7	27.6	27.8
Population (thousands)	909	951	994	1,039	1,084	1,129	1,175	1,221
Remoteness	47.1	47.4	47.7	48.1	48.3	48.5	48.8	49.1
Merchandise export concentration	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Share of agricultural, forestry and fisheries in GDP (%)	1.1	1.0	1.1	1.0	1.1	1.2	1.5	1.9
Share of population living in low elevated coastal areas (%)	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Instability of exports of goods and services	28.4	27.3	26.6	26.4	25.3	20.3	13.1	13.3
Instability of agricultural production	4.1	1.8	1.6	1.5	1.5	1.5	1.5	1.5
Victims of natural disasters (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Committee for Development Policy Secretariat
Note: Indicators are generated based on the same data source and methodology used for the 2018 review using most recent available data. Therefore, the values in 2012 and 2015 may be different from the values included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.

Progress in improving human assets is slow. There is no data update on the undernourishment or secondary school enrolment rate in 2010s. The HAI score reaches 58.4 in 2018, very low compared to the HAI scores of countries with similar income levels (e.g., Gabon 72.8, Maldives 89.3, Mexico 94.6, Brazil 96.1).

[2] UN/DESA (2018). WESP; EIU (February 2018). Equatorial Guinea Country Report.
[3] EIU (February 2018). Equatorial Guinea Country Report; AfDB (2018). AEO.

The EVI score fell below the graduation threshold of 32 in 2017 and 2018. The reduced EVI results from a reduction in export instability in 2016 and 2017; it is largely a statistical outcome rather than the result of a fundamental change in the economy's instability.[4]

1.3. Smooth transition

Equatorial Guinea graduated on 4 June 2017 (A/RES/68/18). Equatorial Guinea has not yet submitted a report on its preparation or implementation of the smooth transition strategy. In August 2017, the Government requested the High Representative of LDCs, Land Locked Developing Countries and Small Island Developing States for a memorandum to postpone the graduation to 2020, to coincide the National Economic Development Plan: Horizon 2020, and to assess the development progress again in 2020 (see Annex 1). The fact that the request was made after the country already graduated may underscore the limited awareness on the LDC category and graduation in the country.

[4] The no-growth period until 1995 is excluded from the calculation, and it leads to a lower value of the export instability. See the calculation methods in UN/CDP (2015). Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures.

Annex 1. Equatorial Guinea's letter to High Representative

Summary of the letter sent by the Minister of Economy, Planning and Public Investments of Equatorial Guinea to the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, August 29, 2017

In 2006, Equatorial Guinea became the first country the CDP recommended for graduation based on a single criterion (that of per capita income). In 2015, the country submitted to the CDP a report on the country's dependence on the oil sector and the difficulties it was having to implement the second phase of its National Economic and Social Development Plan, which focused on economic diversification, due to the decline in oil prices and ensuring contraction of economic activity.

The country's commitment to improving the social and economic conditions of its citizens is evident in its achievements under the MDGs and its commitments to the 2030 Agenda and the Paris Agreement. Equatorial Guinea needs to take advantage of the benefits of graduation in the medium and long run, but a study on the economy has revealed that it is strongly reliant on the oil sector, which accounts for over 60% of GDP, 90% of exports and 90% of public revenues, and that the decline in oil prices has generated large imbalances in public finances and therefore in the country's development initiatives. Since the beginning of the crisis in international oil prices in 2014, Equatorial Guinea's GDP has fallen approximately 50%. This is holding back the efforts under the aforementioned development plans.

Given this situation and the fact that the country continues to underperform in terms of the [HAI] and the EVI, the government requests another moratorium on graduation to 2020, which would coincide with the timing of the current National Development Plan and at which point a new assessment could be made of the economic and social situation of the country.

República de Guinea Ecuatorial
Ministerio de Economía, Planificación
E Inversiones Públicas.

MINISTRO

Núm. 017/12/17/136
Ref. ....
Secc. ....

A: ***Excma. Señora Fetikamoeloa KATOA UTOIKAMANU,***
Sub-Secretaria General de las Naciones Unidas
y Alto Representante para Países Menos Avanzados,
Países Enclavados y Pequeños Países Insulares.
Nueva York (EE. UU).

ASUNTO: Sobre la Graduación de la República de Guinea Ecuatorial de la categoría PMA.

Excma. Señora:

En 2006 Guinea Ecuatorial fue nominada a graduarse de la categoría de Países Menos Adelantados (PMA). Siendo el primer país, desde la existencia de esta categoría en el año 1971, que el Comité de Políticas de Desarrollo (CPD) propone para graduarse cumpliendo uno solo de los tres criterios fijados, el criterio del Ingreso Nacional Bruto (INB) per cápita.

En Diciembre de 2015, el Gobierno de la República de Guinea Ecuatorial remitió al CPD el informe "La dependencia del sector petrolero y la graduación de Guinea Ecuatorial", en el que señalamos las dificultades que está teniendo el País para implementar la Segunda Fase del Plan Nacional de Desarrollo Económico y Social "Horizonte 2020", la Fase de la Diversificación Económica, como consecuencia de una contracción de la actividad económica por la caída de los precios del petróleo en los mercados internacionales, resultado de la crisis económica financiera internacional iniciada en 2007. EB.

El Gobierno está firmemente comprometido con la mejora de las condiciones socioeconómicas de sus ciudadanos. Compromiso que ha evidenciado con los logros alcanzados en la ejecución de los Objetivos de Desarrollo del Milenio (ODM), tales como: la mejora de la condición de vida de la población con la reducción de la proporción de la misma que vive bajo el umbral de pobreza; la mejora en el acceso de los niños a la enseñanza; la reducción en un 81% de la mortalidad materna; la reducción en 38% de la mortalidad de los niños menores de 5 años, etc. Este compromiso también ha sido probado con la adopción y ratificación de la Agenda Mundial 2030 sobre los Objetivos de Desarrollo Sostenible (ODS) y el Acuerdo de París sobre el Cambio Climático.

Guinea Ecuatorial también tiene la necesidad de aprovechar eficazmente las ventajas que presenta la graduación a mediano y largo plazo. Sin embargo, el diagnóstico llevado a cabo sobre la economía revela de forma general lo siguiente:

i. *La economía de Guinea Ecuatorial es mono-sectorial. Con una fuerte dependencia del Sector petrolero que genera más del 60% del Producto Interior Bruto.*
ii. *Las exportaciones de Guinea Ecuatorial son muy dependientes del sector petrolero, que representan más del 90% de las exportaciones.*
iii. *Los ingresos públicos son fuertemente dependientes de los ingresos petroleros en más de un 90%.*
iv. *La caída del precio del petróleo ha generado importantes desequilibrios en las finanzas públicas y, consecuentemente, en las iniciativas de desarrollo de nuestro país.*

EA

Estos cuatro puntos, demuestran la fuerte vulnerabilidad de la economía ecuatoguineana frente a las fluctuaciones internacionales del precio internacional del petróleo. Y, como prueba adicional, desde el inicio de la crisis del precio internacional del petróleo en 2014, el Producto Interior Bruto de Guinea Ecuatorial ha sufrido una severa caída de entorno al 50%.

La coyuntura macroeconómica actual, que coincide con la Fase de Diversificación Económica de nuestro Plan Nacional de Desarrollo Económico y Social "Horizonte 2020", está retardando la ejecución de algunas de las iniciativas del Gobierno para alcanzar nuestra meta de un bienestar social sostenible basado en una economía diversificada en el año 2020.

En virtud de todo lo anteriormente expuesto, y visto que, para los dos de los tres criterios necesarios para la graduación, el Índice de Vulnerabilidad Económica y el Índice de Vulnerabilidad Social, nuestro país sigue estando por debajo de los umbrales respectivos, el Gobierno de la República de Guinea Ecuatorial solicita, una vez más, una moratoria de la graduación de nuestro país al año 2020, coincidiendo con el horizonte temporal establecido en el Plan Nacional de Desarrollo vigente. A partir del cual podría hacerse una evaluación de la situación económica y social de nuestro País.

En la espera de verse aceptadas nuestras inquietudes, dígnese aceptar Vuestra Excelencia, el sentimiento de la consideración más distinguida del Pueblo de la República de Guinea Ecuatorial.

Malabo, a 29 de agosto de 2017

POR UNA GUINEA MEJOR,

EL MINISTRO

REPÚBLICA DE GUINEA ECUATORIAL
MINISTERIO DE ECONOMÍA
MINISTRO

-Eucario BAKALE ANGÜE OYANA-