



REPUBLIC OF EQUATORIAL GUINEA

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR

In the context of the request for purchase under the rapid financing instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 15, 2021 following discussions that took place during April 19–20, 2021, with officials of Equatorial Guinea on economic developments and policies underpinning the request for purchase under the rapid financing instrument. Based on information available at the time of these discussions, the staff report was completed on September 1, 2021.
- A **Statement by the Executive Director** for Equatorial Guinea.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund
Washington, D.C.**



IMF Executive Board Approves US\$67.38 Million in Emergency Support to Equatorial Guinea to Address the COVID-19 Pandemic and Accidental Explosions

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved Equatorial Guinea's request for emergency assistance equivalent to about US\$67.38 million under the Rapid Financing Instrument.
- The pandemic and the Bata explosions have inflicted heavy damage on Equatorial Guinea's economy, substantially weakened its near-term economic outlook, increased economic and financial stress, and severely affected the livelihood of much of the population.
- The authorities are committed to taking further steps as part of their ongoing effort to address macro-critical governance and corruption challenges facing Equatorial Guinea.

Washington, DC — September 15, 2021: The Executive Board of the International Monetary Fund (IMF) today approved a disbursement of SDR 47.25 million (about US\$67.38 million, 30 percent of quota) to Equatorial Guinea under the [Rapid Financing Instrument](#) (RFI). The disbursement will help meet the urgent fiscal and balance of payments needs stemming from the COVID-19 pandemic and March Bata explosions, and catalyze additional external resources as well as bolster the regional reserves of the Economic and Monetary Community of Central Africa (CEMAC).

The COVID-19 pandemic and the Bata explosions have inflicted heavy damage on Equatorial Guinea's economy and have increased external financing needs in the balance of payments by an additional projected US\$625 million (5 percent of GDP) in 2021–22 ([relative to the EFF-supported program](#)). The authorities have appropriately boosted critical frontline healthcare spending, including the purchase of a large batch of vaccines, and rolled out social assistance to households severely affected by the pandemic and the Bata explosions.

While tackling these crises, the authorities have taken an important initial step to address macro-critical governance and corruption challenges by adopting an anti-corruption law, which is in line with international good practices. To boost transparency, they have established two escrow accounts at the Bank of Central African States (BEAC) for pandemic and Bata emergency-related spending, and are undertaking audits of such spending.

The IMF stands ready to provide policy advice and further support to Equatorial Guinea as it battles the fallout from the pandemic and the Bata explosions, including as part of the ongoing cooperation under the [EFF-supported program](#).

Following the Executive Board's discussion on Equatorial Guinea, Mr. Bo Li, Deputy Managing Director and Acting Chair, made the following statement:

"The Bata explosions and still unfolding COVID-19 pandemic have inflicted heavy human and economic damage on Equatorial Guinea. The authorities are taking measures to contain and mitigate the fallout from these shocks on the most vulnerable segments of the population and limit the impact on economic activity. They have ramped up frontline healthcare and social spending and have provided limited and temporary tax relief to the private sector to cushion adverse effects on activity and employment.

"Addressing longstanding macro-critical governance and corruption challenges is critical to secure inclusive growth. The authorities met four prior actions. They adopted an anti-corruption law, in line with their obligations under the United Nations Convention Against Corruption. They have also commissioned audits for the pandemic and Bata emergency-related spending, they have established two escrow accounts at the BEAC for emergency spending, and they have committed to adhering to good public procurement practices. Continued implementation of these measures is essential for effective spending on pandemic- and reconstruction-related needs.

"To safeguard macroeconomic stability, promote inclusive growth and fight corruption, the authorities need to accelerate reforms under the EFF-supported program. The recent progress in advancing some governance reforms is welcome, but this effort must be sustained and reforms under the EFF-supported program need to be fully implemented.

"It is important that the authorities honor their commitment to prepare and publish a list of meaningful public assets for privatization, and approve regulations in line with the anti-corruption law for an asset declarations regime for public officials and the governance of the anti-corruption commission as soon as possible. Measures to strengthen banking sector stability, such as the settlement of domestic arrears and the recapitalization of the largest bank, need to be implemented without further delay. Additional efforts to safeguard social spending and enhance social protection are needed, together with continued reforms on revenue administration and strengthening public financial management framework."

Equatorial Guinea: Selected Economic and Financial Indicators, 2018–26

	Est. 2018	2019 Est.	2020 Est.	2021 Proj.	2022 Proj.	2023	2024	2025	2026 Projections
(Annual percentage change, unless otherwise specified)									
Production, prices, and money									
Real GDP	-6.2	-6.0	-4.9	4.1	-5.6	-1.5	-1.0	-2.8	-2.1
Hydrocarbon sectors ¹	-12.4	-9.3	-6.2	5.9	-12.5	-5.2	-5.5	-9.6	-9.0
Non-hydrocarbon sectors	2.6	-1.9	-3.4	2.2	2.2	2.1	3.0	2.8	2.9
GDP deflator	9.5	-2.2	-9.3	12.3	0.8	2.2	3.4	4.2	4.7
Hydrocarbon sectors	19.8	-9.3	-27.3	36.7	-8.6	-3.7	-1.4	-1.8	-0.1
Non-hydrocarbon sectors	-1.9	2.5	2.8	0.8	3.4	3.4	3.4	3.4	3.3
Consumer prices (annual average)	1.3	1.2	4.8	0.5	3.1	3.1	3.1	3.1	3.0
Consumer prices (end of period)	2.6	4.1	-0.5	3.2	3.0	3.0	3.0	3.0	3.0
Monetary and exchange rate									
Broad money	-2.5	-6.3	-7.0	10.0	5.7	5.6	6.5	6.3	6.3
Nominal effective exchange rate (- = depreciation)	3.3	-1.1	2.7
Real effective exchange rate (- = depreciation)	2.0	-2.3	7.5
External sector									
Exports, f.o.b.	11.9	-18.7	-35.2	44.9	-18.8	-7.5	-5.4	-9.3	-6.8
Hydrocarbon exports	12.7	-18.4	-35.4	43.6	-20.1	-8.6	-6.8	-11.3	-9.2
Non-hydrocarbon exports	-8.6	-27.9	-29.2	84.4	12.2	12.5	14.4	14.5	15.3
Imports, f.o.b.	7.3	-15.6	-24.3	24.3	-18.1	-15.1	-1.9	97.2	6.4
Terms of trade	14.2	-6.2	-4.3	12.2	-7.9	-4.1	-1.3	-22.8	13.8
Government finance									
Revenue	16.8	-14.3	-33.9	35.2	-9.9	-1.0	1.5	-0.7	3.3
Expenditure	-1.0	-20.6	-17.7	26.3	-8.6	-6.2	1.0	0.3	1.8
(Percent of GDP, unless otherwise specified)									
Investment and savings									
Gross investment	12.5	7.7	5.3	11.1	12.0	11.4	11.8	25.6	27.0
Gross national savings	7.2	1.7	-1.0	6.9	6.8	7.5	7.8	9.6	9.5
Government finance									
Revenue	19.9	18.5	14.2	16.4	15.6	15.3	15.2	14.9	15.0
Of which: hydrocarbon revenue	16.2	14.7	10.6	12.3	10.5	9.3	8.5	7.6	6.7
non-hydrocarbon revenue	3.7	3.8	3.6	4.1	5.0	6.0	6.7	7.3	8.2
Expenditure	19.4	16.7	16.0	17.2	16.6	15.4	15.2	15.1	15.0
Overall fiscal balance (Commitment basis)	0.5	1.8	-1.7	-0.8	-1.0	-0.1	-0.1	-0.2	0.0
Overall fiscal balance (Cash basis) ²	1.3	-0.5	-3.2	-11.5	-1.0	-0.1	-0.1	-0.2	0.0
Non-hydrocarbon primary balance ³	-15.1	-12.1	-11.1	-11.5	-9.9	-7.9	-7.1	-6.4	-5.4
Outstanding public debt ⁴	41.2	43.0	48.9	42.7	45.4	44.4	43.5	42.8	41.4
Change in domestic arrears	0.8	-2.3	-1.4	-10.6	0.0	0.0	0.0	0.0	0.0
External sector									
Current account balance (including official transfers; - = deficit)	-5.3	-6.1	-6.3	-4.2	-5.2	-3.8	-4.0	-16.0	-17.4
Total external public debt	12.6	13.9	15.3	16.1	20.6	22.0	23.7	25.7	27.1
External debt service-to-exports ratio (percent)	3.3	6.0	7.4	5.2	7.8	8.6	9.4	11.4	15.2
External debt service/government revenue (percent)	6.9	11.9	14.5	11.0	14.7	15.1	15.4	17.0	20.6
Memorandum items									
CEMAC Foreign Reserves									
(US\$ billions, end-of-period) ⁵	6.6	7.4	7.8	8.9	10.3	11.5	n.a.	n.a.	n.a.
(in months of extrazonal imports)	2.7	3.6	3.1	3.4	3.8	4.1	4.2	4.4	n.a.
Oil price (U.S. dollars a barrel) ⁶	67.2	60.5	38.8	56.2	52.7	50.6	49.5	48.9	48.9
Nominal GDP (billions of CFA francs)	7,275	6,690	5,768	6,744	6,415	6,456	6,606	6,691	6,854
Nominal GDP (millions of US dollars)	13,097	11,417	10,036
Non-hydrocarbon GDP (billions of CFA francs)	3,855	3,875	3,849	3,964	4,191	4,426	4,714	5,012	5,328
Oil volume (crude + condensado, millions of barrels)	57	53	52	48	41	38	35	31	28
Exchange rate (average; CFA francs/U.S. dollar)	555.4	585.9	574.8

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

¹ Including oil, LNG, LPG, butane, propane, and methanol.

² Includes a one-time clearance of outstanding arrears through securitization in 2021.

³ Excluding oil revenues, and interest earned and paid.

⁴ Outstanding public debt includes domestic arrears, which amounted to 12.4 percent of GDP in 2020.

⁵ The SDR allocation is not included in this figure.

⁶The local price of crude oil is the Brent and includes a quality discount.



REPUBLIC OF EQUATORIAL GUINEA

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

September 1, 2021

EXECUTIVE SUMMARY

Context. Already battered by a still unfolding COVID-19 pandemic, Equatorial Guinea was struck on March 7 by massive accidental explosions at a military compound in Bata, its largest city, that killed over 100 people and caused widespread damage to surrounding neighborhoods. These shocks have adversely impacted economic activity and weakened considerably the fiscal and external positions, relative to the EFF-supported program approved in December 2019, creating a substantial financing gap. With the EFF-supported program off-track, as governance reforms have taken longer than originally envisaged, it is not feasible to effectively respond to the humanitarian crisis within the EFF framework. Bringing the program back on track would take time as the authorities continue to work on outstanding structural measures due to capacity constraints in the pandemic context and need for consensus building. Support provided under the RFI, buttressed by appropriate prior actions on governance and safeguards, would create the fiscal space necessary for the authorities to meet the immediate humanitarian needs, and reinvigorate engagement under the EFF-supported program.

Request for RFI support. To address the large financing gap arising from the Bata explosions and the COVID-19 pandemic, the authorities are requesting financial assistance under the Rapid Financing Instrument (RFI) for 30 percent of quota (SDR 47.25 million). These resources are to be disbursed as direct budget support to address the urgent balance of payments need. If not addressed, the balance of payments gap would result in an immediate and severe economic disruption. The authorities are also seeking additional budget support from the international community and will accelerate the repatriation of available financial assets held abroad. Staff supports the authorities' request for RFI assistance.

SDR Allocation. A balance of payments gap remains even after approval of the SDR allocation by the IMF Board of Governors. In August 2021, Equatorial Guinea received an SDR allocation of \$215 million. At this stage, the authorities have not decided the potential specific use of the SDR allocations resources. As in other CEMAC countries and in line with the recently concluded discussions on CEMAC's regional policies, the possible use of SDR allocations resources will be discussed in the context of the first review under the EFF. These potential uses will need to be consistent with regional policy objectives, including rebuilding regional reserves, while taking into

account any possible additional urgent pandemic-related needs and domestic financing constraints.

Policy Discussions. Fiscal policy would accommodate increased spending needs while governance safeguards would be substantially enhanced. The fiscal response to the Bata explosions includes emergency spending on the needs of the victims of the Bata explosions, and support for rehabilitation and reconstruction of housing and public infrastructure. For the COVID-19 pandemic, prevention and mitigation measures have been enhanced, including resources for vaccination, social assistance for the most vulnerable, and limited and temporary tax relief to the private sector. The authorities are committed to resuming fiscal consolidation when the crisis abates to meet the objectives of the EFF-supported program. They also remain committed to implementing their governance and anti-corruption agenda, including parliamentary approval and publication of an anti-corruption law (prior action). Fiscal safeguards are also being strengthened with the hiring of an international, independent company to promptly start the audit of the pandemic-related expenditures (prior action), and also conduct an audit of the Bata emergency and rehabilitation-related expenditures (prior action). Finally, the authorities have opened two escrow accounts at the BEAC (prior action)—one for COVID and one for Bata emergency spending—to be replenished by the existing BEAC IMF account where the RFI purchase will be made, with drawings from these three accounts subject to the BEAC's rules, including on transparency and anti-money laundering.

Approved By

**Vitaliy Kramarenko
(AFR) and Andrea
Schaechter (SPR)**

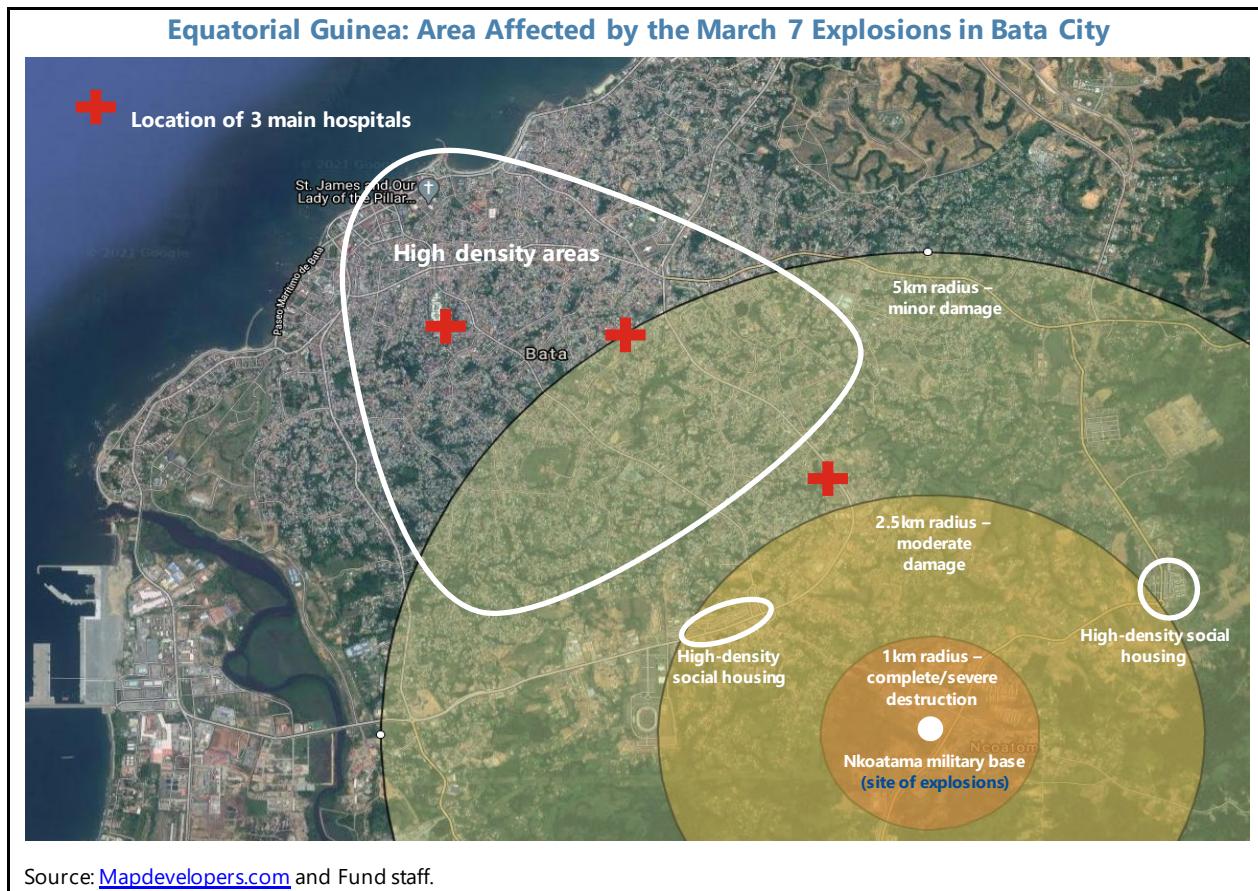
Discussions took place via videoconference on April 19–20, 2021. The staff team comprised Mariana Colacelli (head), Ruth C. Akor, Federico Amui, Garth P. Nicholls, Brooks Evans (FAD), Jean Portier (MCM), Christian Henn (Resident Representative), and Cornelio Miko Nzang (Economist at IMF Malabo Office). Eustaquiano Ondo Bile (OED) participated in the discussions. The IMF team met with Minister of Finance, Economy and Planning Valentin Ela Maye, Bank of Central African States (BEAC) National Director Genoveva Andeme Obiang, Treasury Secretary Milagrosa Obono Angue, and other senior government officials. Jermaine Ogaja and Felicite Adjahouinou assisted in the preparation of this report.

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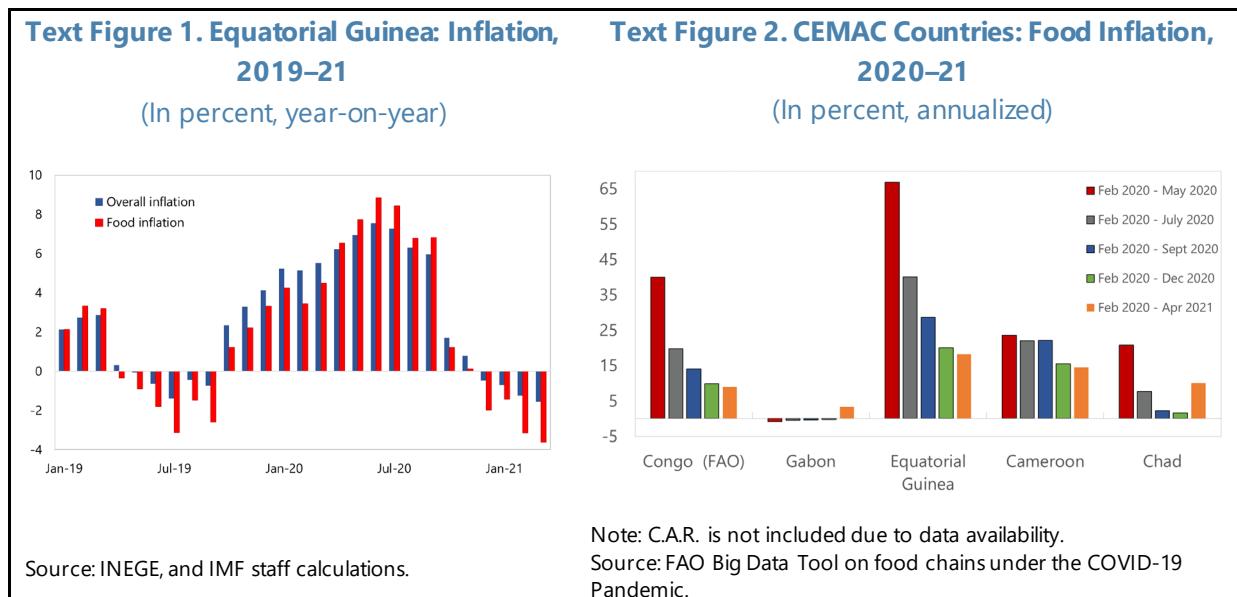
BACKGROUND

1. On March 7, a series of accidental explosions at a military warehouse in Bata—the largest city of Equatorial Guinea—caused a mass casualty event. An initial staff estimate of the economic impact (using partial authorities' data) suggests that direct damages and losses amount to about 2.5 percent of 2020 GDP. The authorities emphasized, however, that the broader economic impact is likely to be much higher but considered it appropriate to use staff's estimate until they have completed their own damage assessments. Limited access to market financing and the magnitude of the rehabilitation and reconstruction costs, amid the worsening COVID-19 pandemic, have prompted the authorities to seek financing from multilateral and bilateral agencies.



2. Before the Bata explosions, macroeconomic conditions were already difficult due to the COVID-19 pandemic—with a second wave still unfolding—but were projected to improve in 2021. Real GDP in 2020 is estimated to have contracted by 4.9 percent, amid the national restrictions on movement as the government fought the COVID-19 pandemic. These measures particularly impacted non-hydrocarbon output, which is estimated to have declined by 3.4 percent in 2020. Border restrictions also affected food imports contributing to a surge in food prices—with inflation registering 7.6 percent (year-on-year) in June 2020, before decelerating by end-2020 when some restrictions were relaxed (Text Charts 1 and 2). For 2021, growth is expected to pick up as the

COVID-19 second wave is brought under control by the government's vaccination campaign, national restrictions are lifted, reconstruction of Bata starts, and as hydrocarbon production accelerates from a new LNG pipeline. Inflation is expected to moderate in 2021, amid the lifting of restrictions and CAF appreciation. At the same time, macroeconomic imbalances are expected to remain large as spending pressures expand faster than available revenues.



3. Despite an improving external environment, Equatorial Guinea now faces significant economic stress due to the fallout from the Bata explosions and an unfolding second wave of the COVID-19 pandemic. Thus far, it has been confirmed that 107 people died from the explosions and around 19,000 were directly affected. The damages from the destruction to the military base and surrounding neighborhoods are estimated at 2.5 percent of 2020 GDP. The most immediate humanitarian crisis is being contained relatively quickly by the authorities with international support. However, the most vulnerable segments of the population in Bata, already deeply impacted by COVID-19, have been severely affected, with deepening poverty turning food security into a larger challenge. Residential housing needs rebuilding so that displaced families can return from villages, shelters or from relatives' homes, where they are temporarily sheltering. Moreover, the difficulty in adhering to COVID-19 precautions due to the Bata crisis contributed to strengthening the second wave. As of July 20, 8,848 cases had been reported, and the country's capacity has been stretched by managing the double shock of the pandemic and the Bata explosions. Measures to contain the pandemic include increasing public spending and restricting population movement, which have reduced private sector economic activity and non-oil revenues. Expenditure has also been increased to meet the emergency needs of the population of Bata, but full rehabilitation efforts may be delayed due to the second wave of the COVID-19 pandemic and limited implementation capacity, generating uncertainty in the near term with knock-on effects on domestic activity. These developments could magnify existing macroeconomic, governance and financial sector vulnerabilities.

Text Table 1. EFF Quantitative Performance Criteria and Indicative Targets
(Billions CFA Francs, cumulative for each fiscal year) \1

Type of Criteria	End-Dec. 2019				End-Mar. 2020				End-Jun. 2020				End-Sept 2020				End-Dec. 2020				
	PC/IT		IT		PC/IT		IT		PC/IT		IT		PC/IT		IT		PC/IT		IT		
	EFF	Adjusted	Actual	Status	EFF	Adjusted	Actual	Status	EFF	Adjusted	Actual	Status	EFF	Adjusted	Actual	Status	EFF	Adjusted	Actual	Status	
A. Quantitative performance criteria																					
Floor on non-hydrocarbon tax revenue of the central government	PC	175	177	met	44	38	not met	111	71	not met	152	103	not met	226	131	not met					
Floor on non-hydrocarbon primary balance of the central government	PC	-861	-855	-810	met	-150	-128	-169	not met	-367	-318	-319	not met	-554	-446	-445	met	-723	-592	-643	not met
Ceiling on external arrears accumulation (continuous) ²	PC	0	20	not met	0	20	not met	0	40	not met	0	40	not met	0	0	0	met	55	55	55	not met
Ceiling on contracting and guaranteeing new external debt ^{3/4}	PC	0	0	met	39	0	met	39	0	met	39	0	met	39	0	0	met	0	0	0	met
Ceiling on net BEAC credit to central government ⁵	PC	413	409	384	met	410	398	457	not met	362	404	411	not met	298	481	429	met	239	435	488	not met
B. Indicative Targets																					
Ceiling on net accumulation of domestic arrears	IT	0	-156	met	0	-68	met	0	-42	met	0	-66	met	0	-83	met					
Ceiling on net commercial bank credit to the government	IT	-58	-52	23	not met	-58	-67	-15	not met	-58	-55	-12	not met	-58	-10	-2	not met	-58	-43	39	not met
Floor on social spending ⁶	IT	114	128	met	35	40	met	70	68	not met	105	90	not met	140	109	not met					

Sources: Equatorial Guinea authorities; and IMF staff estimates and projections.

1/Quantitative Performance Criteria and Indicative targets are clearly defined in the TMI of the EFF.

2/As of May 2021, cumulative arrears through Sep-2020 have been closed, with pending arrears of 15 billion CFA Francs corresponding to a missed December 2020 payment.

3/Cumulative ceiling, starting from the day of program approval (December 16, 2019).

4/Excluding all budgetary support identified in the program.

5/Excluding IMF financing.

6/As defined in the TMI. The definition is taken from the Board paper on social

spending "A strategy for IMF engagement on social spending June 2019"

<https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/WI/10/A-Strategy-for-IMF-Engagement-on-Social-Spending-4697>.

4. The authorities started implementing measures envisaged under the EFF arrangement approved in December 2019, but the program is now considered off-track:

- Before the onset of the COVID-19 pandemic, the authorities met four out of five performance criteria (PC) and two out of three indicative targets (IT) for end-December 2019 (Text Table 1). Regarding the three structural benchmarks (SB) set for end-December 2019, one was met and two were not met but were implemented with a delay (Text Table 2).
- Since the onset of the COVID-19 pandemic, the associated restrictions on the normal functioning of government operations and the need to focus on a robust crisis response, progress on program implementation has become more difficult to maintain. In particular, data for end-March 2020 indicate that the authorities met three of eight ITs. For end-June 2020, they met one of five PCs and one of three ITs, for end-September they met four of eight ITs, and for end-December they met one of five PCs, and one of three ITs. The six SBs set for 2020 were not met, and the authorities have implemented one from end-March 2020 with a delay. While not met or fully implemented yet, progress is being made on the other five 2020 SBs that remain outstanding (one from end-March, three from end-June, and one from end-September), as detailed in Text Table 2.
- The EFF-supported program is considered off-track as implementation of governance reforms and other structural benchmarks has taken longer than envisaged owing to the exigencies of the COVID-19 pandemic and weak capacity. Slow reform progress has delayed the first and second EFF reviews, which had been envisaged for June and December 2020. The authorities, however, continue to work on implementing their ambitious reform agenda.

Text Table 2. EFF Structural Benchmarks for December 2019–September 2020

Measure	Target Date	Status	Observations
Share active oil and gas contracts with the BEAC	End December 2019	Not met. Implemented with a delay	
Congressional approval of legislation to implement excise taxes	End December 2019	Met	
Congressional approval of amendments to the 2017 tax amnesty law	End December 2019	Not met. Implemented with a delay	
Clear through the exchange with government bonds the domestic arrears validated through the audit	End March 2020	Not met. In progress	This has proven to be very complex, including due to the inability of the hired advisors to travel to EG. The authorities are continuing to work on this closely with staff and it is expected to be completed before the first EFF review.
Congressional approval of an anti-corruption law in line with international obligations under the UNAC	End March 2020	Not met. Implemented with a delay	In April 2021, Parliament approved an anti-corruption law in line with the 2020 anti-corruption decree-law. The 2020 decree-law reflects international good practice and was drafted with LEG's assistance.
Publish the audits of GEPetrol and Sonagas on the Hydrocarbon Ministry's website	End June 2020	Not met. In progress	The audits of the state-owned oil and gas companies had been progressing well, but were slowed by the pandemic and issues with the gas company's bookkeeping. A local consultant hired by the authorities is assisting with the process and helping further progress.
Set up a website for the official Gazette and publish all laws, orders and decrees applicable in EG since 2000.	End June 2020	Not met. In progress	A website for the Official Gazette has been set up, and the authorities have begun to upload the relevant legal documents. They are making gradual progress. This SB had been initially delayed by the COVID-19 restrictions that impacted the importation of the necessary IT resources. But the process of uploading the documents is now being slowed by informative difficulties and other issues in identifying the laws and hardcopies in sufficiently good physical state to permit scanning for uploading. In the meantime, the authorities have published on the Ministry of Finance's website a comprehensive set of laws and regulations governing economic activity. https://minhacienda-gob.com/biblioteca-juridica/
In consultation with IMF staff prepare a meaningful list of assets for privatization and a list of assets that will be subject to other forms of private management, and submit such lists to the Council of Ministers for approval.	End June 2020	Not met. In progress	In June 2020, the authorities shared with staff lists of assets for privatization and other forms of private management (including most SOEs). Staff and the authorities are still in discussions on the composition of the lists.
Publish a comprehensive hydrocarbon data and information report for 2019.	End September 2020	Not met. In progress	The authorities have cooperated closely with Fund staff on the report and it is now very close to finalization.

Source: IMF staff

IMPACT OF SHOCKS, OUTLOOK AND RISKS

5. The widespread destruction and loss of life in Bata along with a still-unfolding second wave of the COVID-19 pandemic have weakened the near-term outlook. Real GDP growth for 2021 is projected at 4.1 percent, implying that real output at end-2021 will remain below its 2019 level. The impact is projected to be concentrated in the non-hydrocarbon sector (Text Table 3).¹ Real non-hydrocarbon growth has been marked down (by 0.7 percentage points relative to the EFF-

¹ Fund staff estimates incorporate information from the Equatoguinean government, construction firms operating locally, and the local UN office (further details in Annex I).

supported program) to 2.2 percent, owing largely to the loss of business and employment effects due to disruptions from the explosions (0.2 percentage points), along with the effects of the pandemic (disruptions to trade, increased uncertainty, and the general impact of quarantine measures on the economy, by 1.3 percentage points). That said, the projection accounts for a partially offsetting growth effect from the increased construction activity (0.8 percentage points) related to the rebuilding of the housing stock and infrastructure in 2021, with some carry over to 2022. Hydrocarbon growth is projected at 5.9 percent for 2021, reflecting a one-time effect from the coming onstream of a new LNG pipeline. Henceforth, the downward trend in production resumes in 2022. The disruption of economic activity in Bata and the need to provide emergency assistance to the affected population and rehabilitation/reconstruction contributes to increasing imports and government expenditures, and reducing government revenues. The overall impact of emergency spending, rehabilitation and reconstruction activities and cost of procuring the COVID-19 vaccines will keep the fiscal accounts in deficit over the next two years. As a result, an additional financing gap has opened in the balance of payments and the fiscal accounts, especially in 2021.

**Text Table 3. Impact of COVID-19 Pandemic and
Bata Explosions**

	2020	2021	2022
(in Percent of GDP)			
Total	0.5	1.3	1.1
Estimated economic impact of Bata explosions			
Immediate assistance to affected households	0.0	0.1	0.0
Cost of lost business	0.0	0.2	0.0
Cost of reconstruction	0.0	0.7	1.1
Non-military residential housing	0.0	0.3	0.5
Military housing	0.0	0.1	0.2
Military non-residential buildings (incl. medical center)	0.0	0.1	0.2
Infrastructure and other structures	0.0	0.1	0.2
Other	0.0	0.0	0.1
Covid-related expenditures	0.5	0.2	0.0
Health	0.3	0.2	0.0
<i>of which:</i> Vaccines	0.0	0.2	0.0
Education	0.1	0.0	0.0
Social protection and other	0.1	0.0	0.0
(in CFA billions)			
Total	30	87	71
Estimated economic impact of Bata explosions			
Covid-related expenditures	30	16	0
(in US\$ millions)			
Total	52	162	134
Estimated economic impact of Bata explosions			
Covid-related expenditures	52	30	0

Source: Fund staff estimates.

Note: Table excludes replacement cost of destroyed military equipment.

6. Fiscal balances are expected to deteriorate sharply in 2021. The overall balance is now projected at -0.8 percent of GDP for 2021, compared to a surplus of 1.6 percent under the EFF-supported program. Emergency measures to respond to the Bata mass casualty event (including spending to meet the immediate needs of the affected population) are projected to increase spending by 1.1 percent of GDP. At the same time, lower economic activity due to disruptions from the Bata explosions and the COVID-19 pandemic, is projected to result in a 2.0 percent of GDP fall in non-hydrocarbon revenues. The combined effect of revenue losses and increased expenditure associated with the Bata explosions and the COVID-19 pandemic are expected to weaken the non-hydrocarbon primary fiscal balance by 3.4 percent of GDP relative to the EFF-supported program projection.

7. The Bata explosions and the COVID-19 pandemic have created an urgent balance of payments (BOP) need. Higher oil prices in 2021 are expected to only partially mitigate the urgent BOP need. Indeed, through end-December 2020, net foreign assets (NFA) at the BEAC declined by CFAF 143 billion from their end-2019 level, to negative CFAF 267 billion, as the government drew down deposits in the face of lower revenues and increased expenditure related to the pandemic. Overall, the external current account deficit is expected to widen to 4.3 percent of GDP in 2021, compared to 3.8 percent projected under the EFF. Foreign

direct investment inflows are projected to fall, as companies respond to the increased uncertainties in the wake of the pandemic. At the same time, the need to import construction materials to rehabilitate and rebuild destroyed property and infrastructure in Bata, together with emergency assistance and COVID-19 inputs, is expected to more than offset the import-depressing impact of the pandemic, leading to higher imports. The weakening of the current and capital accounts will cause a further substantial strain in Equatorial Guinea's NFA at the BEAC, keeping it in negative territory. The BOP financing need created by the 2021 shocks is estimated at about CFAF 206 billion (3.1 percent of GDP), with a government financing need of CFAF 275 billion (4.1 percent of GDP) (Text Table 4).

**Text Table 4. Change in Fiscal and External Financing Requirements in 2021, Compared to EFF
(Billion CFA francs, unless otherwise stated)**

	Fiscal	External
Impact of COVID-19 and Bata incident (I)	167	153
Lower hydrocarbon revenue / higher exports	-46	-204
Lower non-hydrocarbon revenue net of grants	138	
COVID and Bata-incident-related spending / higher imports	87	83
Other spending / higher imports (incl. goods, services, income & transfers)	-12	143
Lower foreign direct investment		131
Change in other financial outflows (II)	107	53
Amortizations (net)	2	2
External Arrears payment	95	95
Change in reserves		-44
Other (net)	11	
Overall financing needs change relative to EFF (III = I + II)	275	206
Financing sources (IV)	139	70
Net deposit accumulation/government deposit repatriation	56	20
Arrear payments	54	
Program financing	28	28
Lower net accumulation of foreign private assets (incl. banks)	1	
Other capital flows (net)	21	
Residual gap (V = III - IV) in million US dollars	136	136
	252	252

Source: IMF staff calculations

8. The banking system remains weak. The sector has been weighed down by high non-performing loans (NPLs), undercapitalization, and low liquidity at some banks. At end-2020, the NPL ratio amounted to 53 percent, mainly driven by government arrears with contracts funded by banks in the construction sector. Much of the NPLs are concentrated in the largest bank, in which the government has recently acquired a majority stake. Following the alignment of capital definitions with the Basel II framework by COBAC at end-2019, the banking sector is deeply undercapitalized (Text Table 5). The aggregate short-term liquidity ratio remains above the prudential minimum, although deposits continue to decrease. While the contraction of the non-hydrocarbon sector and the widespread property damage in Bata is expected to further raise banks' NPLs, this effect could be offset by the full

securitization of government arrears envisaged under the program for 2020, but now scheduled for 2021 (¶12). The securitization is expected to sharply reduce NPLs while helping to improve liquidity and solvency in the banking sector.² The authorities are conducting an audit of the country's largest bank and they are strengthening its governance. In particular, in November 2020, a new board was installed at the bank, and once the audit is concluded, a restructuring plan will be produced and submitted for COBAC approval. These measures, taken together with the pending arrears securitization, will provide the authorities with a more precise figure on the recapitalization needs of the bank. The authorities stressed that they plan to recapitalize, restructure and privatize the bank, in line with COBAC's advice.

Text Table 5. Financial Soundness Indicators for the Banking Sector, 2017–19
(Percent)

	2017	2018	2019
Capital adequacy¹			
Regulatory capital to risk-weighted assets	31.8	29.5	-2.8
Regulatory Tier 1 capital to risk-weighted assets	32.6	30.3	-1.6
Asset quality			
Non-performing loans to total gross loans	27.2	36.7	48.8
Non-performing loans net of provision to capital	71.9	106.1	111.7
Sectoral distribution of total loans: Residents	93.5	92.6	94.3
Sectoral distribution of total loans: Nonresidents	6.5	7.4	5.7
Earnings and profitability			
Net income to average capital (ROE)	8.7	12.1	...
Net income to average assets (ROA)	1.3	2.0	...
Interest margin to gross income	60.7	54.7	...
Non interest expense to gross income	68.5	69.4	...
Liquidity			
Liquid assets to total assets	31.2	30.3	20.2
Liquid assets to short-term liabilities	171.2	170.1	120.7
Sensitivity to market risk			
Net open position in foreign exchange to capital	1.6	3.0	-18.6
Memorandum items			
Total banking sector assets as a share of GDP ²	24.8	25.1	24.4
Assets of the largest bank as a share of GDP ³	10.3	10.9	10.6

Source: IMF Financial Soundness Indicators Database; Banking Commission of Central Africa (COBAC).

¹ The reduction in the regulatory capital in 2019 results from the implementation of Basel II norms at end-2019.

² The banking sector consists of five banks - BANGE, BGFI, CCEI, SGB and Ecobank

³ CCEI is the largest bank in Equatorial Guinea

² The securities would be provided to banks in exchange for overdue loans. The securities would be valued in line with the prudential framework or IFRS for those banks that have adopted IFRS. The improvement in solvency is expected from the reversal of provisions on NPLs that the new securities will be replacing. The risk weight on the securities is also expected to be lower than the ones on the NPLs. Finally, an improvement in liquidity is expected from the securities that banks will receive and can be used to obtain liquidity from BEAC.

9. The near-term macroeconomic outlook is highly uncertain, with risks tilted to the downside. The outlook is based on the expectation that the authorities can secure sufficient financing to commence the rebuilding and compensate victims and purchase sufficient vaccines. It also assumes that the macroeconomic effects of the pandemic would be temporary and that global and domestic conditions will start to improve in the second half of 2021. However, should the pandemic persist or worsen, including due to the emergence of new COVID-19 virus variants, and should rehabilitation and reconstruction work in Bata face delays, the recovery could be slower and economic conditions could be worse than currently envisaged. In this context, economic growth in 2021 could be lower than currently projected, further deteriorating the external and fiscal balances. In addition, the disruption of business activity in Bata and the pandemic, together with capacity constraints and governance and corruption vulnerabilities, could have a stronger-than-envisioned negative effect on revenue and on the authorities' ability to enforce tax compliance, weakening the fiscal accounts further. Under such a scenario, the fiscal and external financing needs would be larger, potentially requiring greater domestic policy actions and support from development partners. On the upside, higher oil prices could contribute to a faster improvement in fiscal and external balances.

POLICY DISCUSSIONS

10. The authorities have adopted a package of measures to meet the emergency and immediate needs of the victims of the Bata explosions and the COVID-19 pandemic, and to limit their impact on economic activity and vulnerable groups.

- For the Bata explosions, they have allocated an initial sum of CFAF 10 billion (0.2 percent of GDP) to support the immediate emergency needs of the victims. The government is providing support to about 5,000 vulnerable households, including via eight shelters for minors with more than 500 orphaned children and a shelter for the elderly. In March, they provided cash grants to those most affected, totaling CFAF 1.5 billion for over 2,800 families. Further, a task force has been established to develop and coordinate a strategy for rehabilitation and reconstruction of private property and public infrastructure. The authorities emphasized that the pace of reconstruction would depend on the availability of external financing, where they see a key catalytic role from their continued IMF engagement in the context of the EFF-supported program.
- On the COVID-19 pandemic, the government has deployed a health spending plan focused on prevention and mitigation. In early 2021, the government secured 820,000 doses of COVID-19 vaccines and launched its inoculation campaign on March 3 (China donated 320,000 doses and the government purchased 500,000 doses for about CFAF 5.8 billion). In June, the authorities signed an agreement with the United Nations to obtain 600,000 full doses of COVID-19 vaccines, financed by the Equatorial Guinea Multi-Partner Trust Fund to complement its efforts to inoculate 70 percent of the adult population by end 2021. As of July 20, 2021, according to John Hopkins University's Coronavirus Resource Center, the authorities had administered over

289,000 doses, with about 118,000 individuals fully inoculated. In the early stages of the pandemic, the authorities established a social assistance scheme for the most vulnerable and provided resources to facilitate continued education. The government has also provided limited and temporary tax relief to the private sector to help address cash-flow pressures and cushion adverse effects on activity and employment. The response has also included delaying the execution of domestically financed capital spending and other non-priority expenditures. Further, with UN assistance, the authorities have launched a study to measure the socio-economic impact of the pandemic on Equatorial Guinea, and design policies for recovery to a sustainable growth path over the medium term. At a regional level, the BEAC has eased monetary conditions while the COBAC is allowing banks to use capital buffers to absorb pandemic-related losses.

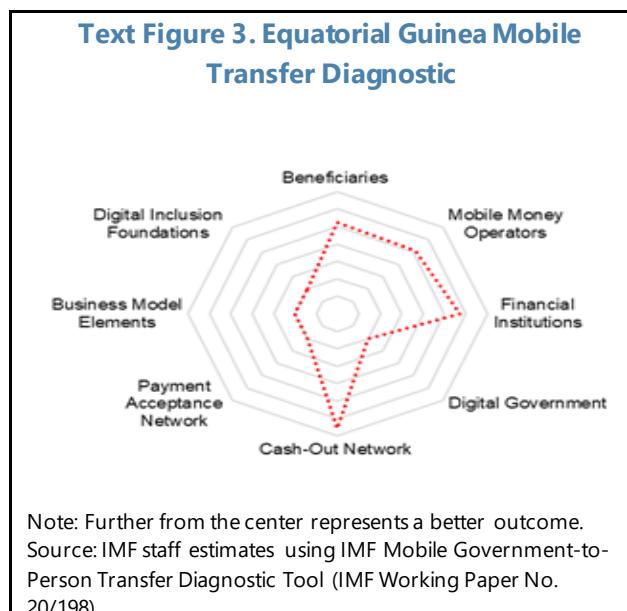
11. Staff supports the authorities' near-term focus on limiting the macroeconomic and social impact of the Bata explosions and the COVID-19 crisis. Amid these shocks, staff supports the authorities' accommodative short-term fiscal policy stance. This response would help partly offset the strong negative impact on non-hydrocarbon GDP and employment, while providing support to victims, especially poor households most vulnerable to food insecurity, and supporting healthcare needs.

- *Social Spending.* In 2020, despite a sharp drop in revenues, social spending was maintained at its 2019 level of 1.9 percent of GDP, with its composition shifting in 2020 towards healthcare in the wake of the COVID-19 pandemic (Text Table 6). Staff suggested that the authorities should use the current juncture to further strengthen the social protection framework in line with the EFF-supported reforms, for which the adoption of an appropriate social protection law, currently in the drafting stage, would be beneficial. To advance implementation of a mobile transfer system to distribute social benefits, priorities include strengthening the payment acceptance network and digital inclusion (Text Chart 3).

- *Financing Issues.* The authorities are also reducing non-priority expenditures, which will help create room for rehabilitation and

	2019	2020
Total social spending	1.9	1.9
Education and Vocational Training	1.0	0.6
Health	0.6	1.0
Drinking Water	0.3	0.2
Social Protection	0.0	0.0
Memo		
Social spending (in billions of CFA)	128	109

Source: Equatoguinean authorities and IMF staff calculations.



reconstruction and COVID-related spending. The authorities indicated that they will cover the new financing needs through RFI assistance and other emergency support, including from the African Development Bank (AfDB). They indicated that discussions with other institutions are currently ongoing to determine the size and timing of this support. The authorities are also reducing government deposit accumulation at the BEAC and cash payments on domestic arrears, compared to the December 2019 program. The lower deposit accumulation will be accompanied by the repatriation of government financial assets held abroad between 2021 and end-2023—with the authorities making efforts to repatriate them as soon as they become available (this action was an end-2020 commitment under the EFF-supported arrangement).³ The authorities indicated that, if downside risks materialize or external financial support is lower than expected, they stand ready to further reduce non-priority current and capital expenditures and revise the budget. These issues will be revisited in the context of discussions for the first review under the off-track EFF-supported program, for which the authorities have indicated their continued commitment in their program relationship with the Fund.

- *SDR Allocation.* A balance of payments gap remains even after approval of the SDR allocation by the IMF Board of Governors. Notably, the size of the 2021-22 residual external financing gap is higher than the SDR allocation (even before any regional decision on BEAC reserve accumulation), with a projected external residual financing gap of about \$335 million (compared to an SDR allocation of about \$215 million) assuming that the projected RFI, EFF, and AfDB disbursements are made over 2021-22 (Table 6). At this stage, the authorities have not decided the potential specific use of the SDR allocations resources. As in other CEMAC countries and in line with the recently concluded discussions on CEMAC's regional policies, the possible use of SDR allocations resources will be discussed in the context of the first review under the EFF. These potential uses will need to be consistent with regional policy objectives, including rebuilding regional reserves, while taking into account any possible additional urgent pandemic-related needs and domestic financing constraints.

12. The authorities continue working to clear government arrears, despite the challenges posed by the COVID-19 pandemic. They agree that it is imperative to finalize the settlement of validated domestic arrears through securitization, which will be accompanied by cash payments on small debts. With the assistance of legal and financial advisors they expect to conclude this process and issue securities at market rates by the second half of 2021. They share staff's assessment that the timely settlement of these obligations is key to reducing NPLs and helping strengthen banks' liquidity and solvency positions, thus ensuring that the banking system can function effectively as well as support the recovery of the non-hydrocarbon sector. The authorities are committed to ensuring the full recapitalization of the country's largest bank, as well as ensuring its independent governance, at arm's length from the government. On external arrears, the authorities are advancing talks with Spain and Belgium, with the aim of clearing arrears to Spain and Belgium before the first review of the extended arrangement under the EFF. The authorities also have external arrears to a

³ The repatriation of foreign assets will partly cushion the impact of lower private sector claims and government deposit accumulation on Equatorial Guinea's imputed reserves at the BEAC, relative to the 2019 EFF Staff Report.

Chinese commercial entity with which they are in good faith discussions on a new repayment calendar. In particular, the authorities and their Chinese counterparts are engaged in negotiations to revise key parameters of the borrowing framework agreement. In 2021, the authorities already made two of three debt service payments to the Chinese commercial entity that had been outstanding at end-2020, and by end-2021, at the conclusion of the negotiations, the outstanding payment would be made to the Chinese commercial entity.

13. The authorities re-iterated their commitment to maintaining fiscal sustainability by pursuing required reforms. They remain committed to stay the course of growth-friendly fiscal adjustment to bring the non-hydrocarbon primary deficit to sustainable levels, once the crisis passes. At the core of this plan is improved revenue administration and the rationalization of capital spending, while safeguarding social spending. On revenue administration, with new leadership at the ports/customs, they are introducing customs IT reform (introduction of UNCTAD's Automated System for Customs Data—operational in Malabo since mid-July 2021) that would be accompanied by reform of the customs structure. Also, ongoing reforms at the tax administration include (i) unification of the management of large taxpayers, (ii) separation of management and operation functions, (iii) reform of the audit function, and (iv) development of the tax information system. Most of these reforms are being supported through continued technical assistance from the Fund and are expected to be completed by end-2022. Over the medium term, large envisaged hydrocarbon projects could slow the pace of decline in hydrocarbon output and revenue growth. In addition, the authorities are pursuing a plan for economic diversification under the recently-approved development strategy Agenda 2035, which, along with the proposed privatization of government assets, would help improve resource allocation, efficiency and growth, and make the economy and public finances less dependent on the fortunes of the hydrocarbon sector.

14. The authorities agreed with the essential importance of advancing reforms to improve governance and fight corruption. In April 2021, Parliament passed the anti-corruption law in line with the 2020 decree-law and with international obligations under the UNCAC. The law was signed by the President in May 2021 and it was published in June 2021 (prior action). The authorities plan to issue a Presidential decree requiring senior public officials to submit their asset declarations for publication prior to the first review of the EFF-supported program. Further, with Fund technical assistance, the authorities will prepare the implementation regulation(s) related to the asset declaration regime for senior public officials and the governance of the Anti-Corruption Commission within the 60 days specified in the anti-corruption law. They continue to work to complete the five outstanding SBs for 2020 (Text Table 2):

- (i) On the securitization of domestic arrears, the authorities continue to work closely with staff and their advisors. In this context, they have recently completed a tax reconciliation of construction companies' past-due tax obligations (to be netted out before the securitization) in preparation of the securitization operation. The aim is to complete the execution of the securitization transaction during the second half of 2021.
- (ii) The audit of the government-owned oil and gas companies is being facilitated by a local consultant hired by the authorities to render credible accounts for the gas company.

- (iii) A website for the Official Gazette has been set up, and the authorities have started uploading the relevant legal documents. They remain committed to uploading all laws, orders and decrees applicable in Equatorial Guinea since 2000. This had been initially delayed by COVID-19 restrictions that impacted the importation of necessary IT resources. The process has been further constrained by IT difficulties and issues in identifying the laws and hardcopies in sufficiently good physical state for scanning and uploading. In the meantime, the authorities have published on the Ministry of Finance's website a comprehensive set of laws and regulations governing economic activity.
- (iv) Building on the June 2020 list shared by the government, the authorities and staff will continue discussions on the list of assets for privatization and private management, inclusive of highly liquid assets of high market value, with the aim to finalize this for submission to the Council of Ministers prior to the first review of the EFF-supported program.
- (v) A hydrocarbon data and information report is close to finalization. The report was expected to be published by mid-2021.

Work on other reforms beyond SBs has also advanced. In particular, the authorities recently developed a draft for their first National Strategy for the Development of Statistics, aimed at strengthening statistics and providing timely and higher quality data for policymaking. The authorities have also re-iterated their commitment to implementing other measures laid out in the EFF-supported program to foster transparency and good governance and combat corruption.

15. The authorities will take steps to ensure that financial assistance is used for the intended purposes and all emergency spending is appropriately accounted for. They requested a fiscal-safeguards review (FSR) in February 2020. Staff had originally planned to conduct this review in May 2020, but this was not possible given the international travel restrictions amid staff's judgment that it cannot be done virtually due to the high complexity of the mission, including the need to meet with myriad counterparts. Staff will continue to work with the authorities to identify the first opportunity to conduct the FSR mission, as the pandemic abates. Against this background, the authorities are committed to ensuring that financial assistance received as part of the Bata explosions and COVID-19 response is used for their intended purposes, and all emergency spending is appropriately accounted for. To support this, an independent international firm has been hired to work on the audit of all COVID-related spending, and the authorities have sent the first batch of documents to the audit firm (prior action). The authorities also hired an independent international firm to audit Bata emergency and rehabilitation spending (prior action). The terms of reference for the Bata-recovery-related audit were prepared in consultation with IMF staff. The authorities are committed to finishing the COVID and Bata audits and publishing the results on the Ministry of Finance's website by end-September 2021 and end-April 2022, respectively. The authorities opened two escrow accounts at the BEAC (prior action)—one for COVID and one for Bata emergency spending—to be replenished by the existing BEAC IMF account where the RFI purchase will be made, with drawings from these three accounts subject to the BEAC's rules, including on transparency and anti-money laundering. The authorities will also adhere to good practices in procuring and awarding contracts related to the Bata emergency and rehabilitation and pandemic

response, including by issuing regulations by end-August 2021 requiring that beneficial ownership information of awarded companies is required in all procurement contracts for the Bata emergency and pandemic—with all procurement contracts (for government spending for the Bata emergency and pandemic, awarded subsequent to the issuance of the beneficial ownership information regulations) to be published on a government website by end-September 2021 and regularly thereafter. Fund technical assistance will be provided as needed to support the authorities' commitments.

ACCESS AND CAPACITY TO REPAY

16. The authorities are requesting support equivalent to 30 percent of quota (SDR 47.25 million) under the RFI. They request that the resources be made available fully as budget support. The RFI purchase would allow the authorities to cover about 13 percent of the identified external financing gap for 2021, with this percentage increasing to up to 45 percent of the gap if adding the expected disbursements under the EFF—including the two EFF reviews that were not completed in 2020 and also the two EFF reviews scheduled for 2021. Remaining 2021 needs are expected to be filled by AfDB and other multilateral support, and by lower NFA/deposit accumulation compared to the December 2019 EFF program. The authorities have not decided the potential specific use of the SDR allocation. Equatorial Guinea meets the eligibility requirements for support under the RFI, as it has an urgent balance of payments need which, if not addressed, will result in an immediate and severe economic disruption. The urgency of the BOP need calls for an RFI before the off-track EFF can be brought back on track.

17. Capacity to repay the Fund. Equatorial Guinea has adequate capacity to repay the Fund, but this is subject to risks. Total obligations (existing and prospective credit) to the Fund remain manageable, peaking at 0.5 percent of GDP in 2026, while outstanding Fund credit peaks at 3.0 percent in 2023. Further, Equatorial Guinea maintains access to the regional CEMAC reserve pool, which remains adequate despite the COVID-19 shock, and was recently boosted by the new SDR allocation to a projected 3.9 months of extra-regional imports in 2021. The country's deposits at the BEAC are also projected to remain adequate, guaranteeing continued access to the reserve pool. However, risks have increased, considering the deterioration of the outlook, including from reduced deposit accumulation at the BEAC, higher Fund exposure after the RFI purchase. Nonetheless, and while overall external debt is projected to increase, it would be from a low base (14 percent of GDP in 2019), peaking at 27.7 percent of GDP in 2028. Overall public debt would decrease to about 43 percent of GDP in 2021 and would gradually decline just below 42 percent by 2026. Both public and external debt are assessed to remain sustainable, although they are subject to risks, mainly related to oil price volatility and elevated gross financing needs (Annex II).

18. Safeguards Assessment. The BEAC has implemented the priority recommendations from the 2017 safeguards assessment, including the alignment of its secondary legal instruments with the BEAC Charter and issuance of FY2019 audited financial statements in full compliance with IFRS. The RFI support will be channeled to the Treasury by the BEAC.

STAFF APPRAISAL

19. The Bata explosions and still unfolding second wave of COVID-19 pandemic are having a severe impact on Equatorial Guinea. Before the onset of these shocks, macroeconomic imbalances were expected to narrow, and non-hydrocarbon economic activity was projected to recover in 2021. The shocks are projected to delay the recovery of real non-hydrocarbon GDP growth, widen macroeconomic imbalances, and give rise to large external and fiscal financing needs in 2021.

20. Staff supports the authorities' immediate actions to respond to the crisis and their commitment to maintaining fiscal sustainability and continuing with reforms envisaged under the extended arrangement under the EFF. The near-term focus on fiscal accommodation and efforts to protect vulnerable groups are welcome. Measures to strengthen banking sector stability, such as the settlement of domestic arrears and the recapitalization of the largest bank, also need to be implemented without further delay. Additionally, it is important that the authorities honor their commitment to prepare and publish, in consultation with staff, a list of meaningful public assets for privatization, which should be inclusive of highly liquid assets of high market value. Once the emergency phase of this crisis passes and the pandemic abates, it is important that the authorities resume growth-friendly fiscal consolidation to bring the non-hydrocarbon primary deficit back in line with the program parameters so that public debt remains sustainable. Staff also welcomes the authorities' commitment to continue implementing reforms to improve governance, enhance transparency and accountability, including at the country's largest bank, and fight corruption. Reforms on revenue administration and strengthening public financial management framework also need to continue.

21. Staff welcomes the recent progress with advancing governance reforms, but emphasizes that this effort must be sustained and reforms be fully implemented. Building on the momentum created by the recent passage of the anti-corruption law, the authorities should press ahead with the issuance of the implementation decree(s) related to the asset declaration regime for senior public officials and the governance of the Anti-Corruption Commission. Staff welcomes the commitment to promptly adopt a Presidential decree requiring key high-level public officials to submit their asset declarations for publication on an easily accessible official website and urges its swift implementation.

22. Staff welcomes the financial controls and transparency arrangements that the authorities have adopted to track COVID-19 and Bata emergency and recovery-related expenditures. The authorities should follow through with their commitments to complete the ex post independent audits of the COVID-19 pandemic and Bata emergency and recovery-related expenditures and to publish the results. Staff welcomes the establishment of the escrow accounts at the BEAC for COVID and Bata emergency spending, to be replenished by the existing BEAC IMF account where the RFI purchase will be made, with drawings from these three accounts subject to the BEAC's rules, including on transparency and anti-money laundering. Staff also welcomes government's commitments to adhere to good practices in procurement, including issuing

regulations to require that beneficial ownership information of awarded companies be requested in procurement contracts for government spending on the Bata emergency and COVID-19 responses—with these contracts being published on a government website.

23. Staff supports the authorities' request for a purchase under the RFI. This would provide much needed resources to meet urgent funding needs arising from the widespread property destruction and loss of life caused by the Bata explosions, coupled with the growing scale and severity of the COVID-19 shock. As RFI resources will cover only a fraction of such funding needs, additional external emergency support is required to cover remaining needs. Staff urges the authorities to secure such assistance. Resumption of the EFF-supported program would help cover financing gaps, including by catalyzing donor support.

Table 1. Equatorial Guinea: Selected Economic and Financial Indicators, 2018–26

	Est.	2019		2020		2021		2022		2023		2024		2025		2026
	2018	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Projections				
(Annual percentage change, unless otherwise specified)																
Production, prices, and money																
Real GDP	-6.2	-5.9	-6.0	-1.9	-4.9	1.0	4.1	-4.7	-5.6	-1.5	-1.0	-2.8	-2.1			
Hydrocarbon sectors ¹	-12.4	-10.4	-9.3	-5.0	-6.2	-0.6	5.9	-11.3	-12.5	-5.2	-5.5	-9.6	-9.0			
Non-hydrocarbon sectors	2.6	0.0	-1.9	1.7	-3.4	2.9	2.2	2.2	2.2	2.1	3.0	2.8	2.9			
GDP deflator	9.5	-3.2	-2.2	0.4	-9.3	-0.6	12.3	2.7	0.8	2.2	3.4	4.2	4.7			
Hydrocarbon sectors	19.8	-9.8	-9.3	-3.6	-27.3	-5.5	36.7	-1.8	-8.6	-3.7	-1.4	-1.8	-0.1			
Non-hydrocarbon sectors	-1.9	1.0	2.5	2.0	2.8	2.0	0.8	2.1	3.4	3.4	3.4	3.4	3.3			
Consumer prices (annual average)	1.3	0.9	1.2	1.7	4.8	1.7	0.5	1.8	3.1	3.1	3.1	3.1	3.0			
Consumer prices (end of period)	2.6	1.6	4.1	1.7	-0.5	1.7	3.2	1.8	3.0	3.0	3.0	3.0	3.0			
Monetary and exchange rate																
Broad money	-2.5	1.0	-6.3	3.7	-7.0	4.9	10.0	4.3	5.7	5.6	6.5	6.3	6.3			
Nominal effective exchange rate (- = depreciation)	3.3	...	-1.1	...	2.7			
Real effective exchange rate (- = depreciation)	2.0	...	-2.3	...	7.5			
External sector																
Exports, f.o.b.	11.9	19.2	-18.7	-7.9	-35.2	-6.1	44.9	-11.9	-18.8	-7.5	-5.4	-9.3	-6.8			
Hydrocarbon exports	12.7	-18.9	-18.4	-8.6	-35.4	-6.8	43.6	-13.0	-20.1	-8.6	-6.8	-11.3	-9.2			
Non-hydrocarbon exports	-8.6	-27.9	-27.9	14.9	-29.2	13.5	84.4	11.9	12.2	12.5	14.4	14.5	15.3			
Imports, f.o.b.	7.3	-17.8	-15.6	-3.3	-24.3	-17.6	24.3	-12.5	-18.1	-15.1	-1.9	97.2	6.4			
Terms of trade	14.2	-15.2	-6.2	-4.7	-4.3	-5.5	12.2	-1.3	-7.9	-4.1	-1.3	-22.8	13.8			
Government finance																
Revenue	16.8	-14.3	-14.3	-3.4	-33.9	0.2	35.2	-3.2	-9.9	-1.0	1.5	-0.7	3.3			
Expenditure	-1.0	-18.4	-20.6	-2.2	-17.7	-3.1	26.3	-7.1	-8.6	-6.2	1.0	0.3	1.8			
(Percent of GDP, unless otherwise specified)																
Investment and savings																
Gross investment	12.5	12.2	7.7	13.1	5.3	11.7	11.1	12.2	12.0	11.4	11.8	25.6	27.0			
Gross national savings	7.2	6.5	1.7	7.3	-1.0	7.9	6.9	8.1	6.8	7.5	7.8	9.6	9.5			
Government finance																
Revenue	19.9	17.8	18.5	17.5	14.2	17.5	16.4	17.3	15.6	15.3	15.2	14.9	15.0			
Of which: hydrocarbon revenue	16.2	14.3	14.7	12.8	10.6	11.4	12.3	10.1	10.5	9.3	8.5	7.6	6.7			
non-hydrocarbon revenue	3.7	3.5	3.8	4.7	3.6	6.1	4.1	7.1	5.0	6.0	6.7	7.3	8.2			
Expenditure	19.4	16.5	16.7	16.4	16.0	15.8	17.2	15.0	16.6	15.4	15.2	15.1	15.0			
Overall fiscal balance (Commitment basis)	0.5	1.3	1.8	1.1	-1.7	1.6	-0.8	2.3	-1.0	-0.1	-0.1	-0.2	0.0			
Overall fiscal balance (Cash basis) ²	1.3	-0.6	-0.5	-21.3	-3.2	1.6	-11.5	2.3	-1.0	-0.1	-0.1	-0.2	0.0			
Non-hydrocarbon primary balance ³	-15.1	-12.4	-12.1	-10.6	-11.1	-8.1	-11.5	-6.2	-9.9	-7.9	-7.1	-6.4	-5.4			
Outstanding public debt ⁴	41.2	46.2	43.0	46.6	48.9	45.3	42.7	44.4	45.4	44.4	43.5	42.8	41.4			
Change in domestic arrears	0.8	-2.0	-2.3	-22.4	-1.4	0.0	-10.6	0.0	0.0	0.0	0.0	0.0	0.0			
External sector																
Current account balance (including official transfers; - = deficit)	-5.3	-5.7	-6.1	-5.7	-6.3	-3.8	-4.2	-4.1	-5.2	-3.8	-4.0	-16.0	-17.4			
Total external public debt	12.6	11.2	13.9	13.0	15.3	14.8	16.1	16.2	20.6	22.0	23.7	25.7	27.1			
External debt service-to-exports ratio (percent)	3.3	4.3	6.0	6.3	7.4	6.7	5.2	9.6	7.8	8.6	9.4	11.4	15.2			
External debt service/government revenue (percent)	6.9	8.6	11.9	11.8	14.5	11.8	11.0	15.4	14.7	15.1	15.4	17.0	20.6			
Memorandum items																
CEMAC Foreign Reserves																
(US\$ billions, end-of-period) ⁵	6.6	8.3	7.4	10.5	7.8	12.5	8.9	13.9	10.3	11.5	n.a.	n.a.	n.a.			
(in months of extrazone imports)	2.7	3.3	3.6	4.2	3.1	4.8	3.4	5.3	3.8	4.1	4.2	4.4	n.a.			
Oil price (U.S. dollars a barrel) ⁶	67.2	59.7	60.5	56.7	38.8	54.3	56.2	53.7	52.7	50.6	49.5	48.9	48.9			
Nominal GDP (billions of CFA francs)	7,275	6,950	6,690	6,842	5,768	6,875	6,744	6,726	6,415	6,456	6,606	6,691	6,854			
Nominal GDP (millions of US dollars)	13,097	11,864	11,417	11,639	10,036			
Non-hydrocarbon GDP (billions of CFA francs)	3,855	3,949	3,875	4,096	3,849	4,298	3,964	4,481	4,191	4,426	4,714	5,012	5,328			
Oil volume (crude + condensado, millions of barrels)	57	53	53	50	52	43	48	37	41	38	35	31	28			
Exchange rate (average; CFA francs/U.S. dollar)	555.4	585.8	585.9	587.8	574.8			

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

¹ Including oil, LNG, LPG, butane, propane, and methanol.² Includes a one-time clearance of outstanding arrears through securitization in 2021.³ Excluding oil revenues, and interest earned and paid.⁴ Outstanding public debt includes domestic arrears, which amounted to 12.4 percent of GDP in 2020.⁵ The SDR allocation is not included in this figure.⁶The local price of crude oil is the Brent and includes a quality discount.

Table 2a. Equatorial Guinea: Balance of Payments, 2018–26¹
(Billions of CFA francs, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	Projections
	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	
Current account	-382	-397	-405	-392	-365	-264	-285	-277	-333	-248
Trade balance	1762	1379	1394	1219	785	1263	1306	1118	1053	1035
Exports of goods, f.o.b.	3046	2455	2477	2260	1605	2122	2325	1869	1888	1742
Hydrocarbon exports	2951	2386	2408	2181	1556	2032	2236	1768	1787	1629
Crude oil	1959	1692	1708	1521	1075	1234	1325	1050	1042	925
Liquefied natural gas	680	443	445	411	302	492	543	429	424	408
Liquefied petroleum gas	124	100	101	94	86	135	147	124	127	115
Methanol	187	150	155	156	93	170	221	165	195	180
Non-hydrocarbon exports	95	69	69	79	49	90	90	100	101	113
Imports of goods, f.o.b.	-1284	-1076	-1083	-1041	-820	-858	-1019	-751	-835	-707
Petroleum sector	-68	-107	-107	-165	-139	-83	-103	-77	-112	-86
Petroleum products	-250	-229	-227	-222	-124	-217	-172	-217	-163	-159
Public sector equipment and construction	-517	-397	-401	-350	-298	-299	-399	-245	-300	-248
Other ²	-448	-343	-347	-303	-258	-259	-345	-212	-260	-215
Services (net)	-912	-730	-737	-667	-434	-637	-664	-591	-601	-549
Income (net) ³	-999	-850	-866	-753	-538	-701	-744	-618	-602	-555
Current transfers	-233	-196	-196	-192	-178	-190	-184	-185	-183	-179
Capital and financial account	407	447	219	531	193	363	387	336	205	171
Capital account	0	0	0	0	0	0	0	0	0	0
Financial account	407	447	219	531	193	363	387	336	205	171
Direct investment	310	240	240	347	155	370	239	355	236	247
Portfolio investment (net)	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Other investment (net) ⁴	99	208	-20	185	39	-6	148	-18	-30	-75
Medium- and long-term transactions	64	-37	-66	49	26	14	128	-21	-11	-10
General government	64	-37	-66	49	26	14	12	-21	-11	-10
Of which: amortization	-78	-87	-120	-101	-94	-86	-88	-121	-111	-110
Monetary authority	0	0	0	0	0	116	0	0	0	0
Other sectors	0	0	0	0	0	0	0	0	0	0
Short-term transactions	35	245	46	136	13	-19	21	3	-18	-65
General government ⁵	-48	66	75	131	58	0	20	0	0	0
Banks	1	71	81	1	34	1	0	-1	0	0
Other sectors	82	108	-110	4	-78	-21	0	4	-19	-65
Errors and omissions	0	0	0	0	0	0	0	0	0	0
Overall balance	25	50	-186	139	-172	99	102	59	-127	-77
Financing	-25	-50	186	-139	172	-99	-102	-59	127	77
Change in gross international reserves ⁶ (- = increase)	-25	-74	95	-259	143	-218	-290	-163	-127	-35
Exceptional financing	0	44	67	-44	29	0	-95	0	0	0
Financing gap	0	24	24	121	0	119	284	104	255	112
Program Financing	0	24	24	121	0	119	148	104	175	0
African Development Bank	0	0	0	73	0	72	56	57	130	0
IMF-EFF	0	24	24	48	0	47	92	47	45	0
RFI					0.0		37			
Residual gap		0	0	0	0	99	0	80	112	157
Memorandum items:										
Growth of hydrocarbon exports (percent)	17.8	-23.1	-22.6	-8.9	-34.1	-5.8	53.3	-12.1	-19.0	-8.6
Growth of non-hydrocarbon exports (percent)	-4.5	-31.6	-31.6	14.5	-27.9	14.8	96.9	13.0	13.7	12.8
Non-hydrocarbon current account	-1287	-1009	-1019	-895	-789	-794	-973	-697	-802	-675
Sources: Equatoguinean authorities; and staff estimates and projections										

¹ The BOP data in this table are not compiled in accordance with the IMF's Balance of Payments Manual, fifth edition. The historic data have not been derived from customs' and bank records' data, but from estimates of BEAC. Fund staff have made ad hoc adjustments to the data.

² Including private sector consumption and non-hydrocarbon sector investment imports.

³ Including investment income of oil companies, which includes reinvested earnings (with an offsetting entry in foreign direct investment).

⁴ The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities.

⁵ Since 2000, entries represent changes in government deposits in commercial banks abroad.

⁶ Consists only of items on the balance sheet of the BEAC (i.e., excluding government bank deposits abroad).

Table 2b. Equatorial Guinea: Balance of Payments, 2018–26¹

(Percent of GDP, unless otherwise specified)

	2018		2019		2020		2021		2022		2023		2024		2025		2026	
	Prog.	Est.	Prog.	Proj.	Projections													
Current account	-5.3	-5.7	-6.1	-5.7	-6.3	-3.8	-4.2	-4.1	-5.2	-3.8	-4.0	-16.0	-17.4					
Trade balance	24.2	19.8	20.8	17.8	13.6	18.4	19.4	16.6	16.4	16.0	14.4	1.9	-0.9					
Exports of goods, f.o.b.	41.9	35.3	37.0	33.0	27.8	30.9	34.5	27.8	29.4	27.0	24.9	22.3	20.3					
Hydrocarbon exports	40.6	34.3	36.0	31.9	27.0	29.6	33.1	26.3	27.9	25.2	23.0	20.1	17.8					
Crude oil	26.9	24.4	25.5	22.2	18.6	18.0	19.6	15.6	16.2	14.3	12.7	11.0	9.6					
Liquefied natural gas	9.4	6.4	6.6	6.0	5.2	7.2	8.0	6.4	6.6	6.3	5.9	5.3	4.8					
Liquefied petroleum gas	1.7	1.4	1.5	1.4	1.5	2.0	2.2	1.8	2.0	1.8	1.6	1.3	1.2					
Methanol	2.6	2.2	2.3	2.3	1.6	2.5	3.3	2.5	3.0	2.8	2.7	2.5	2.3					
Non-hydrocarbon exports	1.3	1.0	1.0	1.2	0.8	1.3	1.3	1.5	1.6	1.8	2.0	2.2	2.5					
Imports of goods, f.o.b.	-17.6	-15.5	-16.2	-15.2	-14.2	-12.5	-15.1	-11.2	-13.0	-11.0	-10.5	-20.4	-21.2					
Petroleum sector	-0.9	-1.5	-1.6	-2.4	-2.4	-1.2	-1.5	-1.1	-1.7	-1.3	-1.4	-13.0	-14.0					
Petroleum products	-3.4	-3.3	-3.4	-3.2	-2.2	-3.2	-2.6	-3.2	-2.5	-2.5	-2.4	-2.4	-2.4					
Public sector equipment and construction	-7.1	-5.7	-6.0	-5.1	-5.2	-4.4	-5.9	-3.6	-4.7	-3.8	-3.6	-2.7	-2.6					
Other ²	-6.2	-4.9	-5.2	-4.4	-4.5	-3.8	-5.1	-3.2	-4.1	-3.3	-3.1	-2.3	-2.2					
Services (net)	-12.5	-10.5	-11.0	-9.7	-7.5	-9.3	-9.8	-8.8	-9.4	-8.5	-7.8	-7.5	-6.7					
Income (net) ³	-13.7	-12.2	-12.9	-11.0	-9.3	-10.2	-11.0	-9.2	-9.4	-8.6	-7.9	-7.8	-7.1					
Current transfers	-3.2	-2.8	-2.9	-2.8	-3.1	-2.8	-2.7	-2.8	-2.9	-2.8	-2.7	-2.7	-2.7					
Capital and financial account	5.6	6.4	3.3	7.8	3.3	5.3	5.7	5.0	3.2	2.6	2.5	14.5	15.7					
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Financial account	5.6	6.4	3.3	7.8	3.3	5.3	5.7	5.0	3.2	2.6	2.5	14.5	15.7					
Direct investment	4.3	3.5	3.6	5.1	2.7	5.4	3.5	5.3	3.7	3.8	3.8	16.3	17.0					
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Other investment (net) ⁴	1.4	3.0	-0.3	2.7	0.7	-0.1	2.2	-0.3	-0.5	-1.2	-1.4	-1.7	-1.3					
Medium- and long-term transactions	0.9	-0.5	-1.0	0.7	0.4	0.2	1.9	-0.3	-0.2	-0.2	-0.2	-0.4	-0.9					
General government	0.9	-0.5	-1.0	0.7	0.4	0.2	0.2	-0.3	-0.2	-0.2	-0.2	-0.4	-0.9					
Of which : amortization	-1.1	-1.2	-1.8	-1.5	-1.6	-1.3	-1.3	-1.8	-1.7	-1.7	-1.7	-1.9	-2.4					
Monetary authority	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0					
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Short-term transactions	0.5	3.5	0.7	2.0	0.2	-0.3	0.3	0.0	-0.3	-1.0	-1.1	-1.4	-0.4					
General government ⁵	-0.7	0.9	1.1	1.9	1.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0					
Banks	0.0	1.0	1.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Other sectors	1.1	1.6	-1.6	0.1	-1.4	-0.3	0.0	0.1	-0.3	-1.0	-1.1	-1.3	-0.4					
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Overall balance	0.3	0.7	-2.8	2.0	-3.0	1.4	1.5	0.9	-2.0	-1.2	-1.5	-1.5	-1.8					
Financing	-0.3	-0.7	2.8	-2.0	3.0	-1.4	-1.5	-0.9	2.0	1.2	1.5	1.5	1.7					
Change in gross international reserves ⁶ (- = increase)	-0.3	-1.1	1.4	-3.8	2.5	-3.2	-4.3	-2.4	-2.0	-0.5	-0.8	-1.1	-1.3					
Net change in external arrears	0	0.3	1.0	0	0.5	0	-1.4											
Financing gap	0.0	0.3	0.4	1.8	0.0	1.7	4.2	1.5	4.0	1.7	2.4	2.7	3.0					
Program financing		0.3	0.4	1.8	0.0	1.7	2.2	1.5	2.7	0.0	0.0	0.0	0.0					
RFI							0.5											
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	1.2	1.7	2.4	2.7	3.0					
Memorandum items:																		
Non-hydrocarbon current account	-17.7	-14.5	-15.2	-13.1	-13.7	-11.6	-14.4	-10.4	-12.5	-10.5	-9.6	-8.0	-7.3					

Sources: Equatoguinean authorities; and staff estimates and projections.

¹ The BOP data in this table are not compiled in accordance with the IMF's Balance of Payments Manual, fifth edition. The historic data have not been derived from customs' and bank records' data, but from estimates of BEAC. Fund staff have made ad hoc adjustments to the data.² Including private sector consumption and non-hydrocarbon sector investment imports.³ Including investment income of oil companies, which includes reinvested earnings (with an offsetting entry in foreign direct investment).⁴ The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities⁵ Since 2000, entries represent changes in government deposits in commercial banks abroad.⁶ Consists only of items on the balance sheet of the BEAC (i.e., excluding government bank deposits abroad).

Table 3a. Equatorial Guinea: Summary of Central Government Financial Operations, 2018–26
(Billions of CFA francs, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections
Revenue	1,447	1,240	1,240	1,197	820	1,200	1,108	1,163	998
Hydrocarbon revenue	1,178	995	984	874	611	784	830	683	676
Tax revenue	262	384	426	253	310	222	222	199	232
Other revenue	917	612	558	622	302	562	608	483	444
Non-hydrocarbon revenue	268	245	256	323	208	416	271	480	322
Tax revenue	155	175	177	226	131	290	182	340	223
Other revenue	114	69	80	97	78	126	88	140	99
Grants	0	0	0	0	0	7	0	0	0
Expenditure	1,408	1,149	1,119	1,123	921	1,088	1,163	1,011	1,063
Expense	761	751	771	803	726	816	858	791	786
Expense (primary)	714	706	714	724	650	700	742	678	676
Compensation of employees	176	185	190	191	195	195	195	195	197
Purchase of goods and services	346	364	370	370	322	355	377	343	338
Subsidies and transfers ¹	192	157	154	163	133	150	171	140	141
Interest	48	44	57	78	76	116	116	113	110
Domestic	25	25	29	38	55	60	82	55	74
Foreign	23	20	28	40	21	56	34	58	36
Net acquisition of non-financial assets	647	398	347	320	194	272	305	220	277
Net lending/borrowing (overall fiscal balance)	39	91	121	75	-101	112	-55	152	-65
Net financial transactions	-39	-115	-145	-195	101	-232	-229	-255	-189
Net change in domestic arrears ²	56	-136	-156	-1,535	-83	0	-718	0	0
Net acquisition of financial assets	-121	26	69	-42	127	-51	5	-34	24
Domestic deposits	-32	-40	-6	-174	69	-51	-15	-34	20
Foreign deposits/assets ³	-89	66	75	131	58	0	20	27	3
Net incurrence of liabilities	100	19	-10	1,442	95	-181	590	-222	-213
Domestic ⁴	36	56	56	1,393	69	-194	578	-201	-202
Foreign	64	-37	-66	49	26	14	12	-21	-11
Disbursements	142	50	54	150	120	100	100	100	100
Amortization (-)	-78	-87	-120	-101	-94	-86	-88	-121	-111
Net change in external arrears	0	44	67	-44	29	0	-95	0	0
Other	-74	-69	-115	-15	-68	0	-11	0	0
Program financing (EFF)	24	24	121	0	119	148	104	175	0
Financing gap	0	0	0	0	0	136	0	80	112
RFI	0	0	0	0	0	37	0	0	0
Residual gap	0	0	0	0	0	99	0	80	112
Memorandum items:									
Overall fiscal balance	39	91	121	75	-101	112	-55	152	-65
Percent of GDP	0.5	1.3	1.8	1.1	-1.7	1.6	-0.8	2.3	-1.0
Non-hydrocarbon primary balance ⁵	-1,100	-861	-810	-723	-643	-557	-776	-419	-638
Percent of non-hydrocarbon GDP	-28.5	-21.8	-20.9	-17.6	-16.7	-13.0	-19.6	-9.4	-15.2
Non-hydrocarbon revenue (percent non-hydro GDP)	7.0	6.2	6.6	7.9	5.4	9.7	6.8	10.7	7.7
Of which: Tax revenue	4.0	4.4	4.6	5.5	3.4	6.7	4.6	7.6	5.3
Outstanding public debt ⁶	41.2	46.2	43.0	46.6	48.9	45.3	42.7	44.4	45.4
Gross government deposits	825	860	756	902	629	953	759	987	762
Of which: available	257	259	160	301	83	352	87	386	88
Deposits with BEAC ⁷	156	196	225	370	121	421	252	454	254
Of which: available	61	101	135	274	31	325	35	359	36
Deposits abroad	440	436	365	304	308	304	308	308	308
Of which: available	144	131	7	0	0	0	0	0	0
Deposits with commercial banks	228	228	166	228	200	228	200	228	200
Of which: available	52	27	17	27	52	27	52	52	52
Nominal GDP	7,275	6,950	6,690	6,842	5,768	6,875	6,744	6,726	6,415
Nominal non-hydrocarbon GDP	3,855	3,949	3,875	4,096	3,849	4,298	3,964	4,481	4,191

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

¹ Includes social benefits and other transfers.

² Includes a one-time clearance of outstanding arrears through securitization in 2021. Since approval of the extended arrangement under the EFF, the amount of expected arrears clearance has declined to 718 billion CFAF from 1,535 billion CFAF. This change is due to the following: (i) a comprehensive audit, which reduced the figure by about CFAF 440 billion; (ii) settlement of a portion of arrears through securitization (CFAF 290 billion); and, (iii) payments in 2020.

³ 2021–2023 refers to repayment of financial assets.

⁴ Statutory advances are assumed to be repaid in 10 years, starting in 2022. Includes amortization of advances in 2022–26, and payment of arrears in 2021–26.

⁵ Equal to the overall balance minus interest and hydrocarbon revenues.

⁶ Outstanding public debt includes domestic arrears.

⁷ The SDR allocation is reflected via an increase in government deposits with BEAC.

Table 3b. Equatorial Guinea: Summary of Central Government Financial Operations, 2018–26
 (Percent of GDP, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections
Revenue	19.9	17.8	18.5	17.5	14.2	17.5	16.4	17.3	15.6
Hydrocarbon revenue	16.2	14.3	14.7	12.8	10.6	11.4	12.3	10.1	10.5
Tax revenue	3.6	5.5	6.4	3.7	5.4	3.2	3.3	3.0	3.6
Other revenue	12.6	8.8	8.3	9.1	5.2	8.2	9.0	7.2	6.9
Non-hydrocarbon revenue	3.7	3.5	3.8	4.7	3.6	6.1	4.0	7.1	5.0
Tax revenue	2.1	2.5	2.6	3.3	2.3	4.2	2.7	5.1	3.5
Other revenue	1.6	1.0	1.2	1.4	1.3	1.8	1.3	2.1	1.5
Grants	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Expenditure	19.4	16.5	16.7	16.4	16.0	15.8	17.2	15.0	16.6
Expense	10.5	10.8	11.5	11.7	12.6	11.9	12.7	11.8	12.3
Expense (primary)	9.8	10.2	10.7	10.6	11.3	10.2	11.0	10.1	10.5
Compensation of employees	2.4	2.7	2.8	2.8	3.4	2.8	2.9	2.9	3.1
Purchase of goods and services	4.8	5.2	5.5	5.4	5.6	5.2	5.6	5.1	5.3
Subsidies and transfers ¹	2.6	2.3	2.3	2.4	2.3	2.2	2.5	2.1	2.2
Interest	0.7	0.6	0.9	1.1	1.3	1.7	1.7	1.7	1.7
Domestic	0.3	0.4	0.4	0.6	1.0	0.9	1.2	0.8	1.0
Foreign	0.3	0.3	0.4	0.6	0.4	0.8	0.5	0.6	0.6
Net acquisition of non-financial assets	8.9	5.7	5.2	4.7	3.4	4.0	4.5	3.3	4.3
Net lending/borrowing (overall fiscal balance)	0.5	1.3	1.8	1.1	-1.7	1.6	-0.8	2.3	-1.0
Net financial transactions	-0.5	-1.7	-2.2	-2.9	1.7	-3.4	-3.4	-3.8	-3.0
Net change in domestic arrears ²	0.8	-2.0	-2.3	-22.4	-1.4	0.0	-10.6	0.0	0.0
Net acquisition of financial assets	-1.7	0.4	1.0	-0.6	2.2	-0.7	0.1	-0.5	0.4
Domestic deposits	-0.4	-0.6	-0.1	-2.5	1.2	-0.7	-0.2	-0.5	0.0
Foreign deposits/assets ³	-1.2	0.9	1.1	1.9	1.0	0.0	0.3	0.0	0.0
Net incurrence of liabilities	1.4	0.3	-0.1	21.1	1.6	-2.6	8.7	-3.3	-3.3
Domestic ⁴	0.5	0.8	0.8	20.4	1.2	-2.8	8.6	-3.0	-3.1
Foreign	0.9	-0.5	-1.0	0.7	0.4	0.2	0.2	-0.3	-0.2
Loans	2.0	0.7	0.8	2.2	2.1	1.5	1.5	1.6	1.5
Amortization (-)	-1.1	-1.2	-1.8	-1.5	-1.6	-1.3	-1.3	-1.8	-1.7
Net change in external arrears	0.0	0.6	1.0	-0.7	0.5	0.0	-1.4	0.0	0.0
Other	-1.0	-1.0	-1.7	-0.2	-1.2	0.0	-0.2	0.0	0.0
Program financing (EFF)		0.3	0.4	1.8	0.0	1.7	2.2	1.5	2.7
Financing gap		0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0
RFI		0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0
Residual gap		0.0	0.0	0.0	0.0	0.0	1.5	0.0	1.2
Memorandum items:									
Overall fiscal balance	0.5	1.3	1.8	1.1	-1.7	1.6	-0.8	2.3	-1.0
Non-hydrocarbon primary balance ⁵	-15.1	-12.4	-12.1	-10.6	-11.1	-8.1	-11.5	-6.2	-9.9
Gross government deposits	11.3	12.4	11.3	13.2	10.9	13.9	11.3	14.7	11.9
Of which: available	3.5	3.7	2.4	4.4	1.4	5.1	1.3	5.7	1.4
Deposits with BEAC ⁶	2.1	2.8	3.4	5.4	2.1	6.1	3.7	6.8	4.0
Of which: available	0.8	1.4	2.0	4.0	0.5	4.7	0.5	5.3	0.6
Deposits abroad	6.1	6.3	5.5	4.4	5.3	4.4	4.6	4.5	4.8
Of which: available	2.0	1.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with commercial banks	3.1	3.3	2.5	3.3	3.5	3.3	3.0	3.4	3.1
Of which: available	0.7	0.4	0.3	0.4	0.9	0.4	0.8	0.4	0.8

Sources: Data provided by the Equatoguinean authorities; and staff estimates and projections.

¹ Includes social benefits and other transfers.

² Includes a one-time clearance of outstanding arrears through securitization in 2021. Since approval of the extended arrangement under the EFF, the amount of expected arrears clearance has declined to 718 billion CFAF from 1,535 billion CFAF. This change is due to the following: (i) a comprehensive audit, which reduced the figure by about CFAF 440 billion; (ii) settlement of a portion of arrears through securitization (CFAF 290 billion); and, (iii) payments in 2020.

³ 2021–2023 refers to repatriation of financial assets.

⁴ Statutory advances are assumed to be repaid in 10 years, starting in 2022. Includes amortization of advances in 2022–26, and payment of arrears in 2021–26.

⁵ Equal to the overall balance minus interest and hydrocarbon revenues.

⁶ The SDR allocation is reflected via an increase in government deposits with BEAC.

Table 4. Equatorial Guinea: Monetary Survey, 2018–26
(Billions of CFA francs, unless otherwise specified; end of period)

	2019			2020			2021			2022			Projections			
	2018	Prog.	Est.	2018	Prog.	Est.	2018	Prog.	Proj.	2018	Prog.	Proj.	2023	2024	2025	2026
Net foreign assets	98	110	-77	319	-251	488	-204	604	-123	-88	-19	85	202			
Bank of Central African States (BEAC) ¹	-30	52	-125	262	-268	432	-220	548	-138	-104	-36	68	185			
Commercial banks	129	58	48	56	16	55	16	56	16	16	16	17	17			
Net domestic assets	1,044	1,064	1,147	898	1,247	789	1,299	727	1,281	1,311	1,322	1,299	1,270			
Domestic credit	1,536	1,458	1,589	1,325	1,654	1,330	1,775	1,284	1,791	1,786	1,765	1,782	1,782			
Net claims on the public sector	334	350	656	177	724	126	817	30	778	717	626	550	474			
Net credit to the central government	327	366	646	240	711	237	805	187	766	705	613	543	467			
Central Bank	453	437	408	310	511	307	623	258	604	562	490	424	353			
Claims	609	633	633	680	631	728	759	712	743	681	606	517	425			
Credit under statutory ceiling	609	609	609	609	609	609	547	547	485	423	361	299				
Counterpart of IMF credit		24	24	71	23	119	150	165	196	196	184	156	126			
Deposits	-156	-196	-225	-370	-121	-421	-136	-454	-139	-119	-116	-92	-71			
Commercial Banks	-127	-71	238	-71	201	-71	181	-71	162	142	123	118	113			
Claims on the Treasury	102	158	403	158	401	158	381	158	362	343	323	318	313			
Deposits	-228	-228	-166	-228	-200	-228	-200	-228	-200	-200	-200	-200	-200			
Credit to public enterprises	8	8	11	8	13	8	13	8	12	12	12	8	7			
Credit to financial institutions	13	16	4	16	0	16	0	16	0	0	0	0	17			
Credit to the private sector	1,188	1,091	928	1,132	930	1,188	958	1,238	1,013	1,069	1,139	1,214	1,291			
Credit to the economy	1,209	1,116	943	1,156	943	1,212	970	1,262	1,025	1,082	1,152	1,239	1,315			
Other items (net)	-492	-394	-442	-427	-407	-540	-475	-557	-510	-475	-443	-407	-417			
Broad money	1,142	1,173	1,070	1,217	996	1,277	1,095	1,331	1,158	1,223	1,302	1,385	1,472			
Currency outside banks	162	171	166	183	179	192	171	201	202	198	200	224	246			
Deposits	981	1,002	903	1,034	816	1,084	924	1,131	956	1,025	1,103	1,160	1,226			
<i>Memorandum items:</i>																
Contribution to the growth of broad money (percentage points)																
Net foreign assets	-10.1	1.0	-15.3	17.8	-16.3	13.9	4.7	9.1	7.5	3.0	5.6	8.0	8.4			
Net domestic assets	11.3	0.0	9.1	-14.1	9.3	-9.0	5.3	-4.9	-1.7	2.6	0.9	-1.7	-2.1			
<i>Of which:</i> net credit to the central government	14.8	1.4	28.2	-14.8	6.3	-4.2	9.4	-7.5	-3.5	-5.3	-7.5	-5.8	-5.5			
Credit to the economy (annual percentage change)	2.3	-7.2	-22.0	3.6	0.0	4.8	3.0	4.2	5.6	5.5	6.4	7.6	6.1			
Credit to the private sector																
Annual percentage change	2.9	-7.4	-21.8	3.7	0.2	4.9	3.0	4.2	5.7	5.6	6.5	6.6	6.3			
In percent of GDP	16.3	15.7	13.9	16.5	16.1	17.3	14.2	18.4	15.8	16.6	17.2	18.2	18.8			
Broad money (annual percentage change)	1.1	1.0	-6.3	3.7	-7.0	4.9	10.0	4.3	5.7	5.6	6.5	6.3	6.3			
Currency outside banks	11.7	2.7	3.0	7.3	7.6	4.9	-4.4	4.3	17.9	-1.9	0.8	12.3	9.7			
Deposits	-0.5	0.7	-7.9	3.1	-9.7	4.9	13.2	4.3	3.5	7.2	7.6	5.2	5.7			
Velocity (GDP/M2)	6.4	5.9	6.2	5.6	5.8	5.4	6.2	5.1	5.5	5.3	5.1	4.8	4.7			

Source: Equatorial Guinea authorities and IMF staff estimates.

1/The SDR allocation is reflected via a neutral double entry of higher reserves and higher long-term liabilities, which has zero impact on reported net foreign assets.

Table 5. Equatorial Guinea: Fiscal Financing Requirements, 2019–22
 (In billions CFA francs, unless otherwise indicated)

	2019		2020		2021		2022	
	Prog.	Out.	Prog.	Est.	Prog.	Proj.	Prog.	Proj
A. Overall fiscal deficit (commitment basis)	-91	-121	-75	101	-112	55	-152	65
B. Other financing needs	223	276	1,779	177	281	946	322	313
Amortization	87	120	243	94	281	228	322	313
External	87	120	101	94	86	88	121	111
Domestic	0	0	142	0	194	140	201	202
Repayment of BEAC statutory advances	0	0	0	0	0	0	62	62
Repayment of other domestic debt	0	0	142	0	194	140	139	140
Repayment of domestic arrears (including through securitization)	136	156	1,535	83	0	718	0	0
C=A+B Total financing needs	131	155	1,704	277	168	1,001	170	378
D. Identified sources of financing	108	131	1,583	277	49	717	66	124
External disbursements	50	54	150	120	100	100	100	100
Net change in external arrears	44	67	-44	29	0	-95	0	0
Deposits/assets	26	69	-42	127	-51	5	-34	24
Domestic	-40	-6	-174	69	-51	-15	-34	-3
Foreign	66	75	131	58	0	20	0	27
Bonds to securitize domestic arrears	0	0	1,535	0	0	718	0	0
Issuance of short-term domestic debt (net)	56	56	0	69	0	0	0	0
Other	-69	-115	-15	-68	0	-11	0	0
E. Program financing (EFF)	24	24	121	0	119	148	104	175
African Development Bank	0	0	73	0	72	56	57	130
IMF	24	24	48	0	47	92	47	45
F. Financing gap (C-D-E)	0	0	0	0	0	136	0	80
G. RFI	0	0	0	0	0	37	0	0
H. Residual (F-G)	0	0	0	0	0	99	0	80

Source: Fund staff estimates and projections.

Table 6. Equatorial Guinea: External Financing Requirements, 2019–22

(In millions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022	
	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.
1. Total financing requirements	760	491	1,057	398	978	1,372	974	1,075
Current account deficit	678	691	667	634	455	529	482	626
Trade balance	2,354	2,379	2,074	1,367	2,173	2,426	1,942	1,982
Exports	4,191	4,228	3,845	2,793	3,649	4,319	3,246	3,553
Imports	-1,837	-1,848	-1,771	-1,426	-1,476	-1,893	-1,304	-1,571
Services (net)	-1,247	-1,258	-1,134	-755	-1,096	-1,233	-1,027	-1,130
Income (net)	-1,450	-1,477	-1,280	-936	-1,205	-1,381	-1,074	-1,133
Transfers (net)	-335	-335	-327	-309	-327	-341	-322	-344
Debt amortization	148	205	173	164	148	163	210	209
Net change in external arrears (increase = -)	-80	-115	-80	-51	0	177	0	0
Net change in government deposits abroad (increase=+)	-112	-128	-223	-101	0	-37	0	0
Net change in net reserves (increase=+)	126	-161	441	-248	375	540	282	239
2. Total financing sources	719	451	852	398	773	845	793	596
Capital transfers	0	0	0	0	0	0	0	0
Foreign direct investment (net)	410	410	590	269	636	445	617	444
Portfolio investment (net)	-2	-2	-2	-2	-2	-2	-2	-2
Debt financing	85	92	255	208	172	186	174	188
Public sector	85	92	255	208	172	186	174	188
Commercial banks' capital flows	121	138	2	59	2	1	-2	0
Other net capital inflows ¹	105	-187	6	-136	-36	216	7	-35
Errors and omissions	0	0	0	0	0	0	0	0
3. Financing gap	40	40	205	0	205	527	180	479
4. Identified Financing	40	40	205	0	205	274	180	329
IMF	40	40	81	0	81	170	81	86
AFDB	0	0	124	0	124	104	99	244
5. RFI	0	0	68
5. Residual	0	0	0	0	0	184	0	150

Source: IMF staff estimates

¹Includes the SDR allocation

Table 7. Equatorial Guinea: Indicators of Capacity to Repay the Fund, 2021–33

	Projection												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Fund obligations based on existing credit	(in millions of SDRs)												
Principal	0.0	0.0	0.0	4.9	4.9	4.9	4.9	4.9	4.9	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	3.1	3.1	3.1	3.1	3.1	3.1	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit	(in millions of SDRs)												
Principal	0.0	0.0	0.0	16.7	28.5	38.7	34.2	34.2	34.2	29.3	29.3	7.3	0.0
Charges and interest	1.2	2.4	2.6	2.6	2.4	2.1	1.7	1.4	1.0	0.6	0.3	0.1	0.0
Total obligations based on existing and prospective credit													
In millions of SDRs	1.2	2.4	2.6	19.3	30.9	40.7	35.9	35.5	35.2	29.9	29.6	7.4	0.0
In millions of U.S. dollars	1.7	3.5	3.9	28.4	45.6	60.0	52.9	52.4	51.8	44.1	43.7	10.9	0.0
In percent of exports of goods and services	0.0	0.1	0.1	0.8	1.4	2.0	1.8	1.7	1.6	1.3	1.2	0.3	0.0
In percent of debt service 1/	0.1	0.3	0.4	2.8	4.4	5.5	4.8	4.6	4.5	3.8	3.8	1.0	0.0
In percent of GDP	0.0	0.0	0.0	0.2	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.1	0.0
In percent of total government revenues	0.1	0.2	0.2	1.5	2.4	3.1	2.6	2.4	2.2	1.7	1.6	0.5	0.0
In percent of gross international reserves	0.3	0.4	0.4	2.8	3.9	4.5	3.5	2.9	2.4	1.8	1.6	0.7	0.0
In percent of quota	0.7	1.5	1.7	12.3	19.6	25.9	22.8	22.6	22.3	19.0	18.8	4.7	0.0
Outstanding Fund credit													
In millions of SDRs	193.7	252.3	252.3	235.6	207.1	168.4	134.2	100.1	65.9	36.6	7.3	0.0	0.0
In millions of U.S. dollars	280.0	367.7	369.5	346.2	305.2	248.2	197.8	147.5	97.1	54.0	10.8	0.0	0.0
In percent of exports of goods and services	6.0	9.4	10.1	9.9	9.5	8.1	6.6	4.7	2.9	1.5	0.3	0.0	0.0
In percent of debt service 1/	13.0	36.4	36.8	34.4	29.8	22.7	17.8	13.1	8.5	4.7	0.9	0.0	0.0
In percent of GDP	2.2	3.0	3.0	2.8	2.4	1.9	1.5	1.0	0.6	0.3	0.1	0.0	0.0
In percent of total government revenues	13.7	19.6	19.8	18.3	16.2	12.8	9.6	6.7	4.1	2.1	0.4	0.0	0.0
In percent of gross international reserves	46.6	43.4	40.4	33.9	26.2	18.7	13.0	8.2	4.5	2.2	0.4	0.0	0.0
In percent of quota	123.0	160.2	160.2	149.6	131.5	106.9	85.2	63.5	41.8	23.2	4.6	0.0	0.0
Net use of Fund credit	(in millions of SDRs)												
Disbursements	164.4	58.6	0.0	-16.7	-28.5	-38.7	-34.2	-34.2	-34.2	-29.3	-29.3	-7.3	0.0
Repayments	0.0	0.0	0.0	16.7	28.5	38.7	34.2	34.2	34.2	29.3	29.3	7.3	0.0
Memorandum items:	(in millions of U.S. dollars unless indicated otherwise)												
Exports of goods and services	4,660	3,912	3,650	3,483	3,213	3,048	3,015	3,122	3,324	3,513	3,725	3,920	3,527
Debt service	2,157	1,011	1,005	1,007	1,025	1,092	1,112	1,128	1,140	1,148	1,137	1,043	950
Nominal GDP	12,528	12,074	12,179	12,478	12,639	12,943	13,569	14,324	15,238	16,161	17,133	17,851	17,413
Total government revenues	2,045	1,878	1,863	1,893	1,880	1,941	2,064	2,195	2,385	2,573	2,716	2,064	1,978
Gross official reserves imputed to Equatorial Guinea 2/	600	848	916	1,022	1,166	1,329	1,527	1,796	2,148	2,451	2,681	1,468	3,367
Quota (millions of SDRs)	158	158	158	158	158	158	158	158	158	158	158	158	158

Source: Fund staff estimates and projections.

1/ Total debt service includes IMF repayments.

2/ Includes the SDR allocation.

Table 8. Equatorial Guinea: Schedule of Purchases and Timing of Reviews Under the Extended Arrangement, 2019–22

Date of availability	Condition for purchases	Amount	Percentage of Quota
		Million SDRs	1/
December 18, 2019	Approval of the extended arrangement under the EFF.	29.287	18.6
May 18, 2020	Observance of PCs for end-December 2019, continuous PCs, and completion of the first review.	29.287	18.6
November 18, 2020	Observance of PCs for end-June 2020, continuous PCs, and completion of the second review.	29.287	18.6
May 18, 2021	Observance of PCs for end-December 2020, continuous PCs, and completion of the third review.	29.287	18.6
November 18, 2021	Observance of PCs for end-June 2021, continuous PCs, and completion of the fourth review.	29.287	18.6
May 18, 2022	Observance of PCs for end-December 2021, continuous PCs, and completion of the fifth review.	29.287	18.6
November 18, 2022	Observance of PCs for end-June 2022, continuous PCs, and completion of the sixth review.	29.287	18.6
Total		205.009	130.2
Memorandum item			
September, 2021	Rapid Financing Instrument	47.250	30.0

Source: Fund staff projections
1/ Equatorial Guinea's quota is SDR157.5 million.

Annex I. Methodology for Quantifying the Economic Impact of the Bata Explosions

This annex summarizes the methodology and assumptions used by staff to derive a preliminary economic impact of the Bata explosions (as shown in Text Table 3, 115). For COVID-related expenditures, data are taken from the Ministry of Finance. In contrast, for the Bata explosions, staff devised its own estimate given that comprehensive official estimates were not available at the time of writing. Staff's estimate is based on best available information as follows:

- *Immediate assistance to affected households:* This estimate is set in line with the CFAF 10 billion allocated by the authorities to a dedicated fund for addressing humanitarian and social needs arising from the Bata explosions, including cash transfers distributed to affected households in April. The estimate is broadly aligned with the related UN estimate.
- *Cost of lost business:* Staff assumes that destroyed neighborhoods within 2 km of the blast epicenter would not produce output for two months. Staff also used granular satellite data from UNOSAT on population within this radius. Finally, staff assumed that GDP would be proportional to population, with an upward adjustment as output per capita in the country's largest two cities is expected to be higher than in rural areas.
- *Damage to non-military residential housing:* This estimate is based on the UN's Multi-cluster/sector Initial Rapid Assessment, which stipulates that 18,860 persons were affected directly by the explosions. This information is converted into affected housing units by using average household size (of 4.6 persons per household per latest census). Housing units are allocated into zones based on distance from the epicenter, based on the UNOSAT granular population data. Attributed reconstruction cost is higher in zones closer to the epicenter based on information obtained from local construction companies. The derived estimate is broadly consistent with initial but incomplete information from housing units surveyed on the ground in Bata by UNDP.
- *Damage to military housing and military non-residential buildings:* Estimates are based on the authorities' data of the original construction costs of these structures minus depreciation.
- *Damage to infrastructure and other damages:* This component includes damages to schools and other government buildings, commercial/industrial buildings, and road, electricity, and water/sewer infrastructure. Damages are derived using proportionality assumptions where possible, such as school-age population for schools, and estimates of construction costs from local construction companies.

Annex II. Debt Sustainability Analysis¹

Equatorial Guinea's public debt remains sustainable, but its vulnerability to risks is elevated due to elevated gross financing needs. The public debt-to-GDP ratio—which is mostly domestic—is projected to fall to about 43 percent in 2021 (from 49 percent in 2020), as the economy recovers from the COVID-19 shock and oil prices recover. Stress test scenarios confirm increased vulnerability of public debt to a low growth/wide primary deficit scenario. Between 2021 and 2029, the gross financing needs ratio is about 5 percentage points of GDP higher than in the December 2019 DSA (EFF DSA), pointing to higher financing risks. Steadfast implementation of measures under the EFF-supported program—including non-hydrocarbon revenue mobilization, expenditure restraint, and sustainable growth—are essential to reduce the primary deficit and keep the public debt ratio on a firm downward trajectory while keeping gross financing needs manageable.

A. Public Sector Debt Sustainability Analysis

1. Before the Bata explosions and the onset of the COVID-19 pandemic, Equatorial Guinea's public debt and gross financing needs (GFN) were projected to decline substantially over the medium term. Under the EFF program, after stabilizing at about 46 percent of GDP during 2019–2020, public debt was projected to gradually decline to 20 percent by 2029. At the same time, after peaking in 2020 to accommodate a planned arrears securitization operation, gross financing needs were expected to sharply fall in 2021, and henceforth average 4 percent of GDP through 2029. This performance was predicated in large part to the narrowing of macroeconomic imbalances, supported by several years of strong fiscal consolidation, that projected to continue in the EFF-supported program approved by the Executive Board in December 2019. While the largest component of public debt consists of domestic arrears (53 percent of total domestic debt and 36 percent of total debt), the authorities have outlined a program for payment through securitization. The other major component of public debt is external debt, held largely under a collateralized loan facility (72 percent of public external debt) with the Export-Import Bank of China (Eximbank). Under the EFF arrangement, the authorities have committed not to contract new collateralized debt.

2. The Bata explosions and unprecedented economic stress unleashed by the COVID-19 pandemic, including the cost of procuring vaccines, will cause Equatorial Guinea's public debt ratio and gross financing needs to rise substantially. In 2021, debt is projected to fall to 43 percent of GDP (from about 49 percent in 2020). But then rises, albeit slightly to 45 percent during 2022–23, about 3 percentage points higher than in the EFF DSA projection for 2022–23. Henceforth, the debt ratio is projected to gradually fall to 27 percent by 2031. Gross financing needs are also projected to increase by about 5 percentage points compared to the EFF DSA. The authorities indicated that they will cover the new financing needs in 2021, *inter alia*, through RFI assistance, and by repatriating about CFAF 20 billion (0.3 percent of GDP) of government assets held abroad, along with additional loans from AfDB and other multi-lateral institutions. With discussions

¹ The DSA does not reflect the SDR allocation.

on the latter at an initial stage, RFI resources could help catalyze these and other resources. In this context, this DSA assumes that all residual financing needs during 2021–31 are met through borrowing from bilateral and multilateral creditors (approximately 1.9 percent of GDP in additional financing per year). That said, additional fiscal consolidation (once the Bata rehabilitation and the pandemic are over) could help lower financing needs and external funding requirements. This could include further reductions in the still somewhat-high capital spending levels.² Under the EFF-supported program, the authorities are also preparing a substantive list of state assets to be privatized and another list of entities that will be restructured or placed under a concession regime with the private sector (a missed structural benchmark, end-June 2020). This plan would be expected to provide additional financial resources to help close the financing gap, which are conservatively not included in the DSA at this stage. The fiscal adjustment underlying the DSA projections is based on the authorities' commitment to ongoing reforms to revenue administration and management, which is assumed to boost non-hydrocarbon revenue, as well as on their commitment to further reducing capital expenditure. Nonetheless, fiscal risks remain material, should these reforms be delayed or not deliver the expected savings.

Text Table 1. Revisions to Baseline Debt and Gross Financing Needs Projections
(Percent of GDP, Fiscal Years)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Public Debt											
Debt, current baseline	43.0	48.9	42.7	45.4	44.4	43.5	42.8	41.4	39.2	36.5	33.6
Debt, EFF request	46.2	46.6	45.3	44.4	41.4	38.5	35.3	31.8	28.2	24.3	20.8
Difference	-3.2	2.3	-2.6	1.0	3.0	5.0	7.5	9.6	11.0	12.2	12.9
Revision due to:	-3.2	2.3	-2.6	1.0	3.0	5.0	7.5	9.6	11.0	12.2	12.9
National accounts revision	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2
Revisions to projections:	-3.7	1.8	-3.1	0.6	2.6	4.6	7.1	9.3	10.8	12.0	12.7
Growth and inflation	1.4	8.2	0.4	1.7	1.8	1.3	1.2	0.9	0.7	0.6	0.4
Non-hydrocarbon primary balance	-0.7	-2.2	1.3	4.8	6.7	8.6	10.0	11.0	11.6	12.0	12.3
Resource revenue	0.2	4.8	3.4	3.7	4.2	4.6	5.9	7.1	8.1	8.6	8.7
Interest payments	0.2	0.2	0.2	0.1	0.0	0.0	-0.1	-0.2	-0.4	-0.5	-0.7
Interest receipts	-0.1	-0.2	-0.2	-0.3	-0.4	-0.5	-0.6	-0.6	-0.7	-0.7	-0.7
Net deposit accumulation	-0.6	-3.7	-4.0	-5.1	-5.6	-5.5	-5.4	-5.3	-5.1	-4.8	-4.6
Other 1/	-3.9	-5.2	-4.2	-4.3	-4.2	-3.9	-3.9	-3.6	-3.5	-3.1	-2.8
Gross Financing Needs											
GFNS, RFI baseline	0.4	4.9	22.8	9.4	7.5	7.1	7.8	7.6	7.1	6.5	5.7
GFNS, EFF request	3.5	23.9	5.3	5.2	4.3	3.9	5.0	3.8	3.7	2.7	2.2
Difference	-3.1	-19.0	17.6	4.2	3.3	3.2	2.8	3.8	3.4	3.8	3.5
Revision due to:	-3.1	-19.0	17.6	4.2	3.3	3.2	2.8	3.8	3.4	3.8	3.5
National accounts revision	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revisions to projections:	-3.1	-19.2	17.5	4.1	3.2	3.1	2.7	3.8	3.4	3.8	3.5
Growth and inflation	0.1	4.2	0.1	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.0
Non-hydrocarbon primary balance	-0.8	-1.4	3.2	3.4	2.0	2.0	1.5	1.2	1.0	1.0	1.0
Resource revenue	0.2	4.6	-0.7	0.1	0.6	0.5	1.4	1.4	1.2	0.9	0.6
Amortization	-2.8	-27.4	14.8	1.0	0.9	0.8	-0.2	1.0	1.0	1.6	1.5
Interest payments	0.1	-0.1	-0.4	-0.3	-0.2	-0.1	-0.1	0.0	0.0	0.1	0.1
Other 1/	0.0	0.9	0.5	-0.2	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.2

Sources: National authorities and Fund staff estimates.

1/ Includes nominal debt stock adjustment for 2015–2018.

Note: Sums may not exactly equal totals due to rounding errors.

² This should have no major impact on economic growth given that capital expenditures are import-intensive, implying a low fiscal multiplier.

3. Gross financing needs are higher than under the December 2019 DSA. As shown in the Text Table, the weaker baselines for both the debt ratio and gross financing needs reflects three factors: (i) lower hydrocarbon-related revenues over the projection horizon; (ii) weaker non-hydrocarbon primary balance broadly in line with higher public spending to combat the COVID-19 virus and finance the explosion-related expenses; and (iii) higher debt amortizations, as a result of higher prior year deficits.

4. Despite the weaker outlook, staff assess Equatorial Guinea's public debt as sustainable:

- **At the core is the authorities' commitment to the EFF-supported program.** Once the emergency phase of the Bata rehabilitation and the COVID-19 crisis passes (including the cost of vaccines), resumption of growth-friendly fiscal adjustment embedded in the program would put debt on a firm downward trajectory and reduce gross financing needs. Under the EFF-supported program the authorities had committed to an ambitious but necessary adjustment to put public debt on a sustainable path, while protecting social spending. The proposed adjustment remains feasible, once the crisis passes, given the already substantial adjustment that the authorities have undertaken during 2014-2019, primarily through the reduction of capital spending, and their commitment to bring the EFF-supported program back on track.
- **Growth is expected to strengthen over the medium term.** After six consecutive years of negative growth averaging -6.8 percent during 2015 to 2020, average growth is projected to become less negative for the next ten years, averaging 0.3 percent from 2021 to 2030 (compared with -0.1 percent in the EFF DSA). This improved growth outlook is driven by new projects and output projections that would slow the pace of output decline in the hydrocarbon sector. Moreover, as these projections are conservative and do not fully reflect the expected hydrocarbon output increases, overall growth over the medium term could be higher than contained in the macro framework. This would also have a positive impact on government revenue and the debt ratios.
- **The authorities have outlined a plan for economic diversification that should make the economy and public finances less dependent on the fortunes of the hydrocarbon sector.** In this context, they have begun to reform the environment for doing business to make it conducive to a thriving private sector. Other plans are for the creation of an investment promotion agency and a one-stop shop for external trade.
- **The authorities continue working to clear government arrears, despite the challenges posed by the COVID-19 pandemic.** The authorities continue to work on the securitization steps, including on quantifying construction companies' past-due tax obligations (to be netted out before the securitization) in preparation for the execution of the transaction before the first EFF review. It is expected that this operation could provide a boost to liquidity in the banking system and help to revive lending to the private sector. On external arrears, the authorities indicated that they are advancing talks with Spain and Belgium, with the aim of clearing arrears to Spain and Belgium before the first review of the EFF. The authorities also have external arrears to a Chinese commercial entity.

5. Nevertheless, Equatorial Guinea faces several debt vulnerabilities:

- **External risks:** Options to issue CFA-franc denominated debt to local investors remain limited and this has forced the authorities to rely increasingly on external creditors—especially the Eximbank China facility. As a result, the shares of foreign-held debt, FX-denominated debt, and external financing needs are above the lower early warning thresholds. That said, a large part of the external financing needs also reflects external current account deficits linked to foreign direct investment.
- **Secured lending:** Collateralization requirements limit scope for buffer accumulation, entailing less resilience to shocks. However, these risks are also mitigated by the absence of alternative funding sources and ready availability of the Eximbank China facility, which has prevented further disruptive adjustments from financing constraints.
- **Short maturity debt:** The share of short-term debt is above both the lower and upper warning thresholds—indicating increased debt roll-over risk. However, short-term debt is low (4.4 percent of GDP) and so are rollover risks. In addition, this risk is mitigated to some extent by available deposits held by the government at the BEAC and the commercial banks, which cover the required amortization.
- **Financial sector vulnerability:** The level of NPLs in the banking system is about 50 percent, with much of it concentrated in the largest bank. The government has recently acquired the majority in this bank and has commenced a revamp of its corporate governance structure and personnel and an audit in line with COBAC's advice. These measures, together with the pending arrears securitization, will provide the authorities with a more precise figure on the recapitalization needs. Once these reforms have been implemented, the authorities stressed that they plan to privatize the Bank.

6. Other diagnostics highlight risks to the baseline debt outlook.

- The fan charts indicate that there is significant uncertainty around the baseline. As a small, commodity-based, and open economy, Equatorial Guinea is subject to significant macroeconomic volatility—including from international fuel price movements—causing the fan charts to exhibit a wide range of potential debt outcomes. That said, in an asymmetric fan chart, an extreme downside shock that constrains growth to zero results in a slightly downward-sloping debt path, reflecting a balance of risks skewed, somewhat, to the upside.
- High volatility has also resulted in large past forecast errors for growth, inflation, and the primary balance, though not uniformly optimistic or pessimistic (Figure 2a).
- The fiscal adjustment to which the authorities have committed under the EFF-supported program is ambitious by cross-country experience, both in terms of the magnitude and the resulting level of the cyclically adjusted primary balance (Figure 2b). However, the risks to the

fiscal projections illustrated by these comparisons are contained by the very large adjustment over 2016–19, which suggests that these targets could still be within reach.

B. Stress Tests

7. The paths of debt and gross financing needs, under some scenarios, are substantially more vulnerable to macroeconomic shocks relative to the EFF DSA, owing to the impact of the COVID-19 pandemic. Under the macro-fiscal stress-tests, debt levels and gross financing needs rise, but remain below the benchmark levels of 70 percent of GDP for debt, and the 15 percent benchmark for GFNs (except in 2021 due to the planned debt securitization). Under the alternative stress tests, a macro-fiscal shock causes public debt ratio to reach as high as 69 percent of GDP in 2026, and then gradually declines (while it never breaches the 70 percent threshold). Gross financing needs for combination shocks breaches the 15 percent of GDP threshold once in 2021 (the year with the planned debt securitization), henceforth gradually falling. That said, with GFNs above the historical average over the projection horizon, and given limited financing sources (including the likely inability of the banking sector to provide financing), financing risks have increased.

8. Steadfast implementation of measures under the EFF-supported program, once the COVID-19 shock passes, remain critical to maintaining a sustainable debt path and reducing gross financing needs to a prudent level. In this regard, the authorities would need to resume their ambitious fiscal consolidation path based primarily on increasing public revenues through improved revenue administration, and also by streamlining public spending, and improving public financial management. Particular attention would also need to be given to improving debt management and the development of an appropriate debt management strategy in line with TA recommendations.

C. External Debt Sustainability Analysis

9. A deterioration in the paths of external debt and external financing requirements, relative to the EFF DSA is also projected amid the COVID-19 shock. In 2021, the external debt ratio is projected to jump to 16.1 percent of GDP (14.8 percent in the EFF DSA), peak in 2028 at 27.7 percent, and then decline to 23 percent by 2031. External financing requirements are expected to increase in 2021 to 6.3 percent of GDP (from 5.1 percent in the EFF DSA). Henceforth, they increase rapidly to a peak of 19.8 percent in 2026 and then decline, as three large planned foreign direct investment projects in the hydrocarbon sector are implemented. Absent these projects, external financing requirements are expected to be manageable, averaging about 6 percent of GDP during the 2020–2029 period, about 3.3 percentage points of GDP higher than in the EFF DSA.

10. Stress scenarios continue to show that Equatorial Guinea's external debt has the greatest sensitivity to the non-interest current account, combined, and real depreciation shocks (Figure 6). With external debt already having a steady upward trajectory under the baseline through 2028, the adverse scenarios cause further sharp increases. The shock that produces effects with the greatest magnitude (21 percent of GDP) is the non-interest current account shock, which

reflects its historic wide volatility and causes a substantial accumulation of external debt. The inclusion of a somewhat lesser sized current account shock in the combined scenario, and the exchange rate shock also causes a sizeable effect, in each case raising external debt by about 11 percent of GDP by 2031. The growth shock also produces, sizeable effects on external debt.

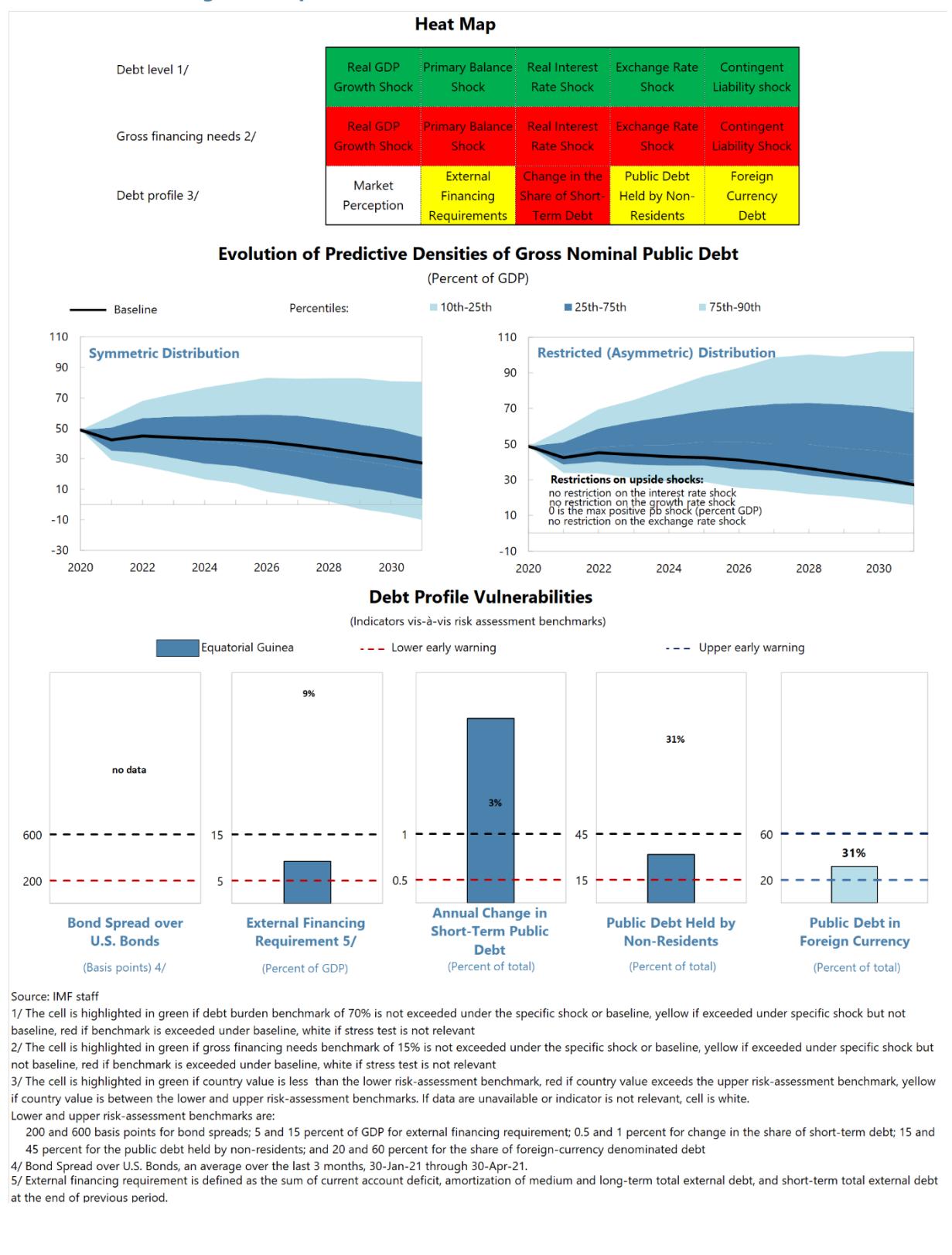
Figure 1. Equatorial Guinea: Public DSA—Risk Assessment

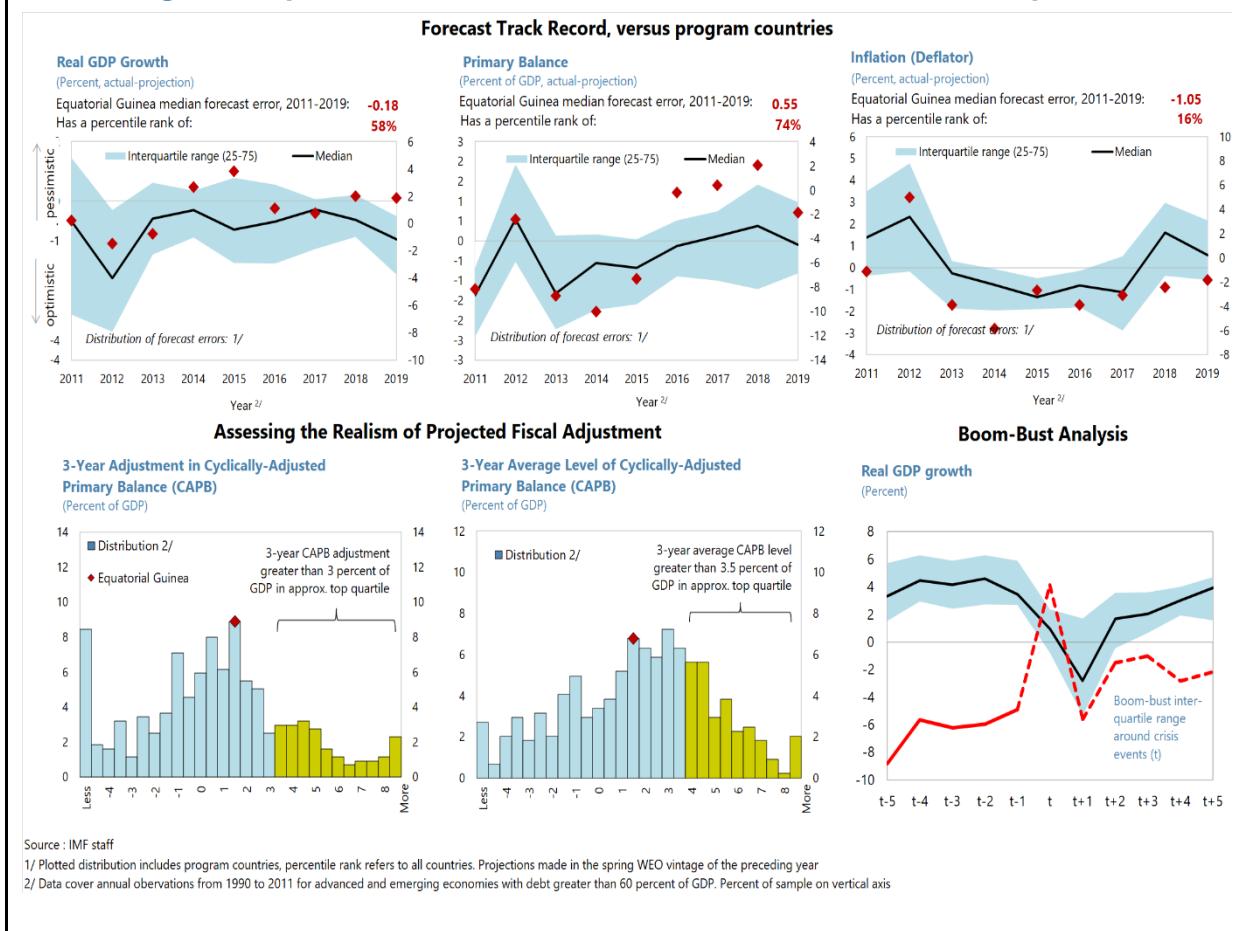
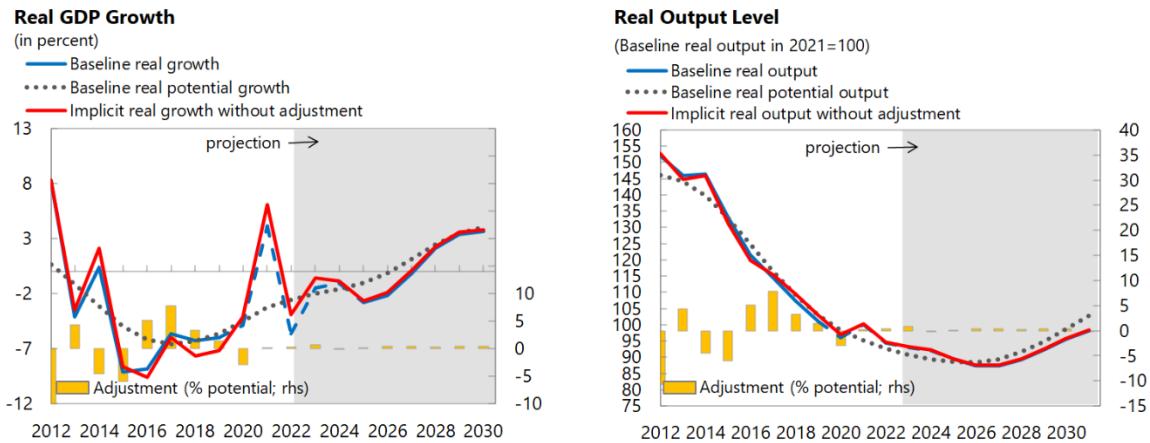
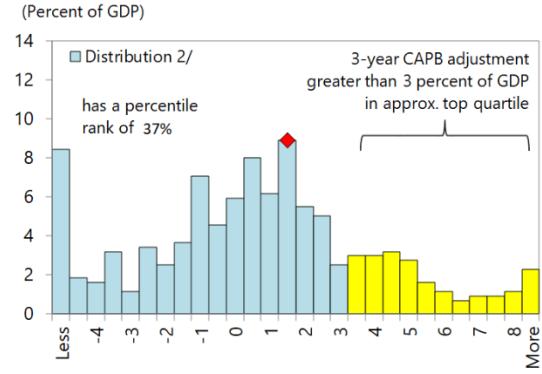
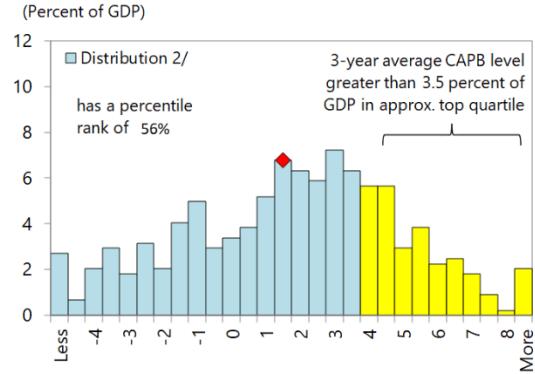
Figure 2. Equatorial Guinea: Public DSA—Realism of Baseline Assumptions

Figure 2. Equatorial Guinea: Public DSA—Realism of Baseline Assumptions (Concluded)**Growth and Level of Output in Absence of Fiscal Adjustment**

Assumed multiplier of 0.2, persistence of 0.6

**Assessing the Realism of Projected Fiscal Adjustment****3-Year Adjustment in Cyclically-Adjusted Primary Balance (CAPB)**
(Percent of GDP)**3-Year Average Level of Cyclically-Adjusted Primary Balance (CAPB)**
(Percent of GDP)

Source : IMF staff.

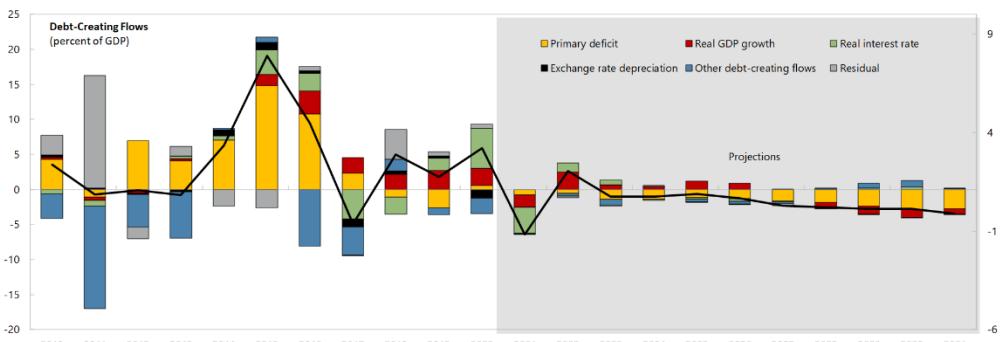
2/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 3. Equatorial Guinea: Public DSA—Baseline Scenario
 (Percent of GDP, unless otherwise indicated)

Debt, Economic and Market Indicators 1/2/

	Actual										Projections										As of April 30, 2021																								
	2010-2018 3/			2019			2020			2021			2022			2023			2024			2025			2026			2027			2028			2029			2030			2031			Sovereign Spreads		
	Nominal gross public debt	21.2	43.0	48.9	42.5	45.1	44.0	43.0	42.4	41.1	38.8	36.2	33.5	30.7	27.3	EMBIG (bp)4/	n.a.	Ratings	Foreign	Local	Moody's	n.a.	n.a.	S&Ps	n.a.	n.a.	Fitch	n.a.	n.a.																
Nominal gross financing needs	6.8	0.4	4.0	17.9	9.5	7.7	7.5	8.2	8.5	7.9	7.3	6.4	4.7	3.9																															
Real GDP growth (percent)	-3.1	-6.0	-4.9	4.1	-5.6	-1.5	-1.0	-2.8	-2.1	-0.1	2.1	3.4	3.6	2.7																															
Inflation (GDP deflator, percent)	4.5	-2.2	-9.3	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3	3.2																															
Nominal GDP growth (percent)	1.4	-8.0	-13.8	16.9	-4.9	0.6	2.3	1.3	2.4	3.8	5.6	6.4	6.1	6.0																															
Effective interest rate (percent) 5/	3.7	1.9	2.7	3.9	3.6	3.6	3.6	3.6	3.4	3.5	3.5	3.6	3.6	3.6																															

	Contribution to Changes in Public Debt										Projections										Cumulative			Debt-stabilizing primary balance 10/																	
	Actual																																								
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031					
Change in gross public sector debt	4.1	1.8	5.9	-6.4	2.6	-1.0	-1.0	-0.7	-1.3	-2.3	-2.6	-2.8	-2.8	-3.5																											
Identified debt-creating flows	2.1	1.1	5.3	-6.3	2.8	-0.9	-0.9	-0.6	-1.2	-1.9	-2.5	-2.7	-2.7	-3.4																											
Primary deficit	5.3	-2.6	0.5	-0.8	-0.6	-1.4	-1.4	-1.2	-1.3	-1.6	-1.9	-2.4	-2.8	-2.8																											
Primary (noninterest) revenue and grants	23.6	18.5	14.1	16.3	15.5	15.2	15.1	14.8	14.9	15.1	15.2	15.6	15.8	15.8																											
Primary (noninterest) expenditure	28.9	15.9	14.6	15.5	14.9	13.8	13.7	13.6	13.6	13.5	13.4	13.2	13.0	13.0																											
Automatic debt dynamics 6/	1.0	4.7	6.9	-5.5	3.8	1.3	0.5	1.0	0.5	-0.1	-0.8	-1.0	-0.8	-0.7																											
Interest rate/growth differential 7/	0.9	4.5	8.2	-5.5	3.8	1.3	0.5	1.0	0.5	-0.1	-0.8	-1.0	-0.8	-0.7																											
Of which: real interest rate	-0.1	1.8	5.7	-3.7	1.3	0.7	0.1	-0.2	-0.4	-0.2	0.0	0.2	0.4	0.1																											
Of which: real GDP growth	1.0	2.7	2.4	-1.7	2.5	0.7	0.4	1.2	0.9	0.0	-0.8	-1.2	-1.1	-0.8																											
Exchange rate depreciation 8/	0.2	0.3	-1.3																											
Other identified debt-creating flows	-4.3	-1.0	-2.2	-0.1	-0.4	-0.8	0.0	-0.4	-0.3	-0.2	0.2	0.7	0.9	0.1																											
Net privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																											
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																											
Other liabilities (net deposit accumulation)	-4.3	-1.0	-2.2	-0.1	-0.4	-0.8	0.0	-0.4	-0.3	-0.2	0.2	0.7	0.9	0.1																											
Residual, including asset changes 9/	2.0	0.7	0.6	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	-0.1	-0.1																											



Source: IMF staff

1/ Public sector is defined as general government

2/The SDR allocation is not included in the DSA.

3/ Based on available data

4/ Bond Spread over U.S. Bonds.

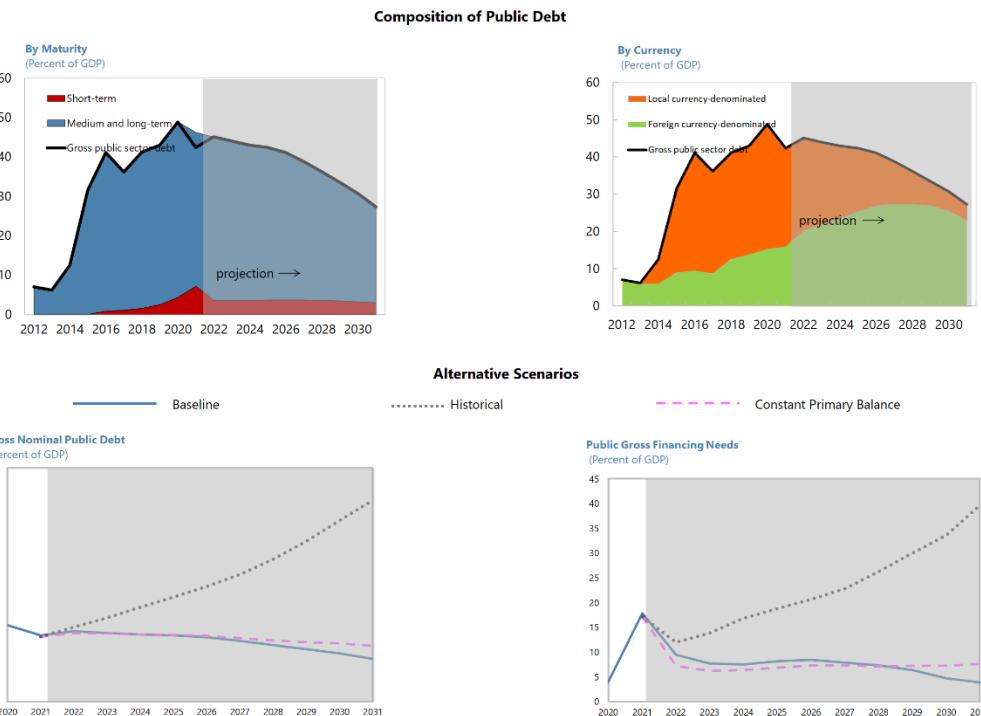
5/ Defined as interest payments divided by debt stock at the end of previous year

6/ Derived as $[(r - p(1+r)) - g + ae(1+r)]/(1+g+p+gp)$ times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation7/ The real interest rate contribution is derived from the denominator in footnote 6 as $r - \pi(1+g)$ and the real growth contribution as $-g$ 8/ The exchange rate contribution is derived from the numerator in footnote 6 as $ae(1+r)$.

9/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year

Figure 4. Equatorial Guinea: Public DSA—Composition of Public Debt and Alternative Scenarios



Baseline scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Historical scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Real GDP growth	4.1	-5.6	-1.5	-1.0	-2.8	-2.1	-0.1	2.1	3.4	3.6	2.7	Real GDP growth	4.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Inflation	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3	3.2	Inflation	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3
Primary balance	0.8	0.6	1.4	1.4	1.2	1.3	1.6	1.9	2.4	2.8	2.8	Primary balance	0.8	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2
Effective interest rate	3.9	3.6	3.6	5.5	3.6	3.6	3.4	3.5	3.5	3.6	3.6	Effective interest rate	3.9	3.7	4.7	5.5	6.0	6.4	6.6	6.9	1.2	1.1
Constant primary balance scenario																						
Real GDP growth	4.1	-5.6	-1.5	-1.0	-2.8	-2.1	-0.1	2.1	3.4	3.6	2.7	Real GDP growth	4.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Inflation	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3	3.2	Inflation	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3
Primary balance	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	Primary balance	0.8	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2	-4.2
Effective interest rate	3.9	3.7	3.6	3.6	3.6	3.6	3.5	3.6	3.7	3.7	3.9	Effective interest rate	3.9	3.7	4.7	5.5	6.0	6.4	6.6	6.9	1.2	1.1

Source: IMF staff

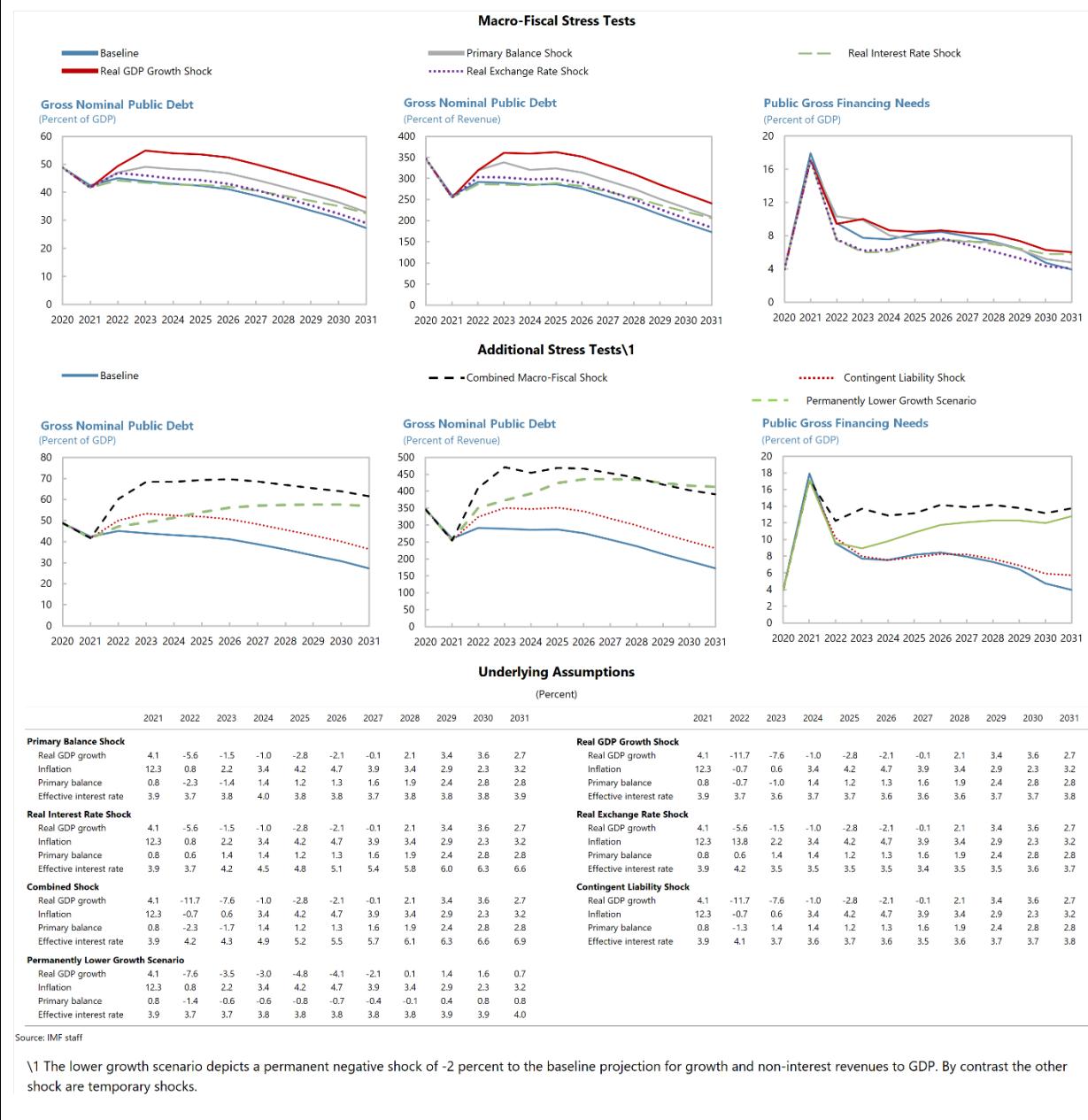
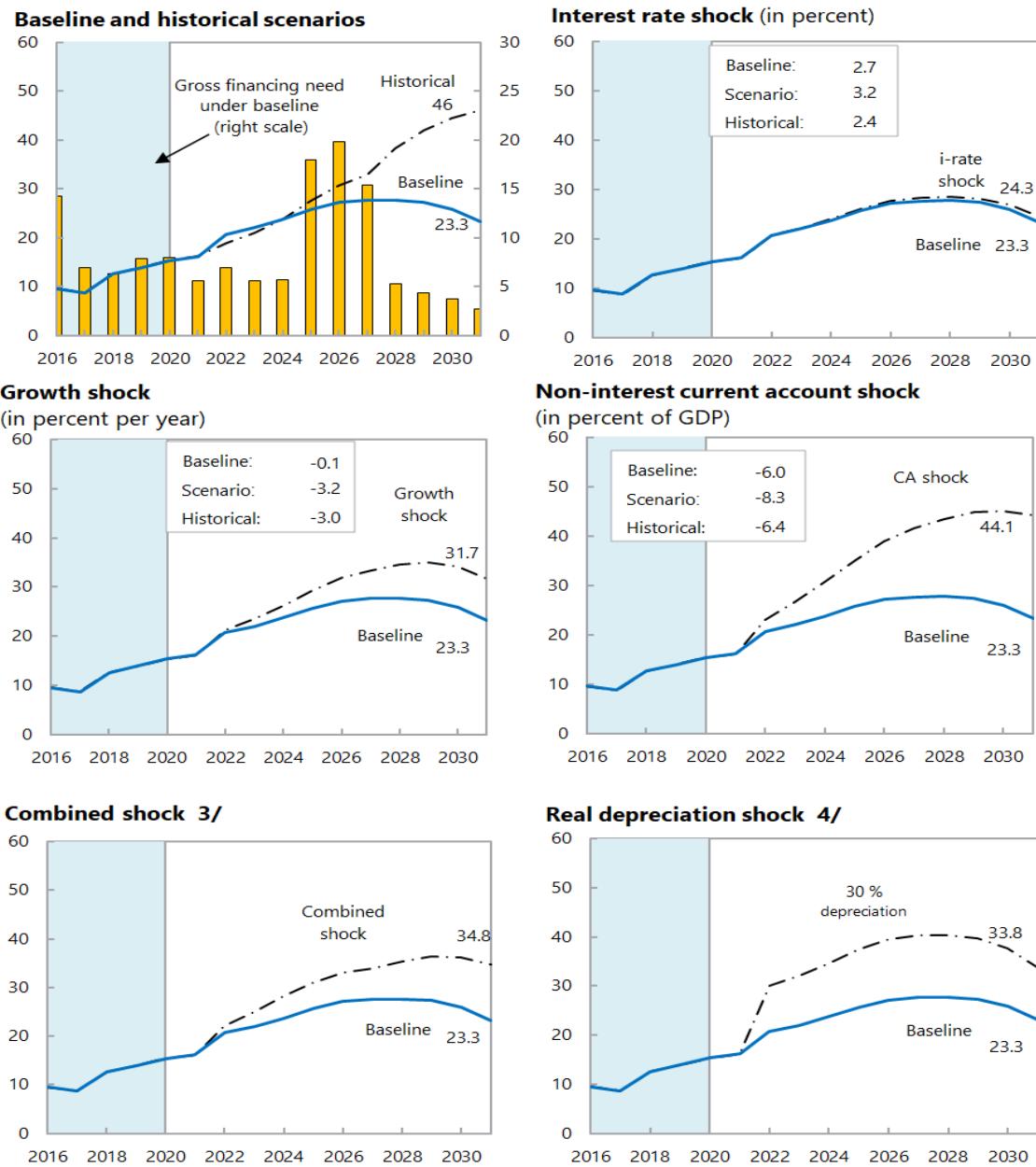
Figure 5. Equatorial Guinea: Public DSA—Stress Tests

Figure 6. Equatorial Guinea: External Debt Sustainability—Bound Tests 1/2/
 (External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2021.

Table 1. Equatorial Guinea: External Debt Sustainability Framework, 2016–31^{1/}

(Percent of GDP, unless otherwise indicated)

	Actual										Projections									Debt-stabilizing non-interest current account 7/ -2.2
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031				
Baseline: External debt	9.5	8.7	12.6	13.9	15.3	16.1	20.6	22.0	23.7	25.7	27.1	27.6	27.7	27.3	25.8	23.3				
Change in external debt	0.5	-0.8	3.9	1.3	1.5	0.8	4.5	1.4	1.7	2.0	1.5	0.5	0.0	-0.4	-1.5	-2.6				
Identified external debt-creating flows (4+8+9)	11.7	0.7	0.4	4.3	5.6	0.2	2.4	0.3	0.4	0.4	1.0	1.0	-1.8	-1.0	-1.1	-1.5				
Current account deficit, excluding interest payments	12.6	5.6	5.0	5.6	5.9	3.7	4.6	3.2	3.4	15.4	16.7	12.2	2.1	1.3	0.7	0.0				
Deficit in balance of goods and services	-3.3	-10.4	-11.7	-9.8	-6.1	-9.5	-7.0	-7.5	-6.6	5.6	7.7	3.8	-6.0	-6.6	-6.9	-7.4				
Exports	39.5	40.8	44.2	39.7	29.9	37.2	32.4	30.0	27.9	25.4	23.5	22.2	21.8	21.8	21.7	21.7				
Imports	36.2	30.5	32.6	29.8	23.8	27.7	25.3	22.4	21.3	31.0	31.2	26.0	15.8	15.2	14.8	14.4				
Net non-debt creating capital inflows (negative)	-2.9	-4.4	-4.3	-3.6	-2.7	-3.5	-3.7	-3.8	-3.8	-16.3	-17.0	-12.0	-4.1	-2.0	-1.5	-1.4				
Automatic debt dynamics 2/	1.9	-0.6	-0.3	2.3	2.3	0.0	1.5	0.9	0.8	1.3	1.2	0.7	0.1	-0.2	-0.3	-0.1				
Contribution from nominal interest rate	0.4	0.2	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.6				
Contribution from real GDP growth	0.9	0.5	0.5	0.9	0.8	-0.5	0.9	0.3	0.2	0.7	0.5	0.0	-0.6	-0.9	-0.9	-0.7				
Contribution from price and exchange rate changes 3/	0.6	-1.2	-1.1	1.0	1.1				
Residual, incl. change in gross foreign assets (2-3) 4/	-11.2	-1.5	3.5	-3.0	-4.1	0.6	2.1	1.1	1.3	1.5	0.5	-0.5	1.9	0.6	-0.3	-1.0				
External debt-to-exports ratio (in percent)	24.1	21.3	28.4	35.0	51.3	43.3	63.7	73.6	85.0	101.1	115.3	124.4	126.9	125.0	118.8	107.0				
Gross external financing need (in millions of US dollars) 5/	1602.7	841.8	828.8	896.1	797.8	692.7	835.7	676.3	712.6	2266.2	2565.5	2081.7	748.1	655.6	597.4	465.9				
In percent of GDP	14.3	6.9	6.3	7.8	7.9	5.5	6.9	5.6	5.7	17.9	19.8	15.3	5.2	4.3	3.7	2.7				
Scenario with key variables at their historical averages 6/						16.1	18.8	21.0	23.8	27.5	30.5	32.8	38.2	42.0	44.4	46.0	-4.3			
Key Macroeconomic Assumptions Underlying Baseline																				
Nominal GDP (US dollars)	11240.8	12200.9	13097.0	11417.3	10036.4	12527.6	12074.0	12178.9	12478.0	12639.1	12943.4	13569.3	14324.1	15238.4	16161.0	17133.1				
Real GDP growth (in percent)	-8.8	-5.7	-6.2	-6.0	-4.9	4.1	-5.6	-1.5	-1.0	-2.8	-2.1	-0.1	2.1	3.4	3.6	2.7				
Exchange rate appreciation (US dollar value of local currency, chang	-0.2	2.1	4.5	-5.2	1.9	6.8	1.3	0.2	0.1	0.0	0.0	1.0	0.0	0.0	0.0	0.0				
GDP deflator (change in domestic currency)	-6.3	12.7	9.5	-2.2	-9.3	12.3	0.8	2.2	3.4	4.2	4.7	3.9	3.4	2.9	2.3	3.2				
GDP deflator in US dollars (change in percent)	-6.5	15.1	14.5	-7.3	-7.6	19.9	2.1	2.4	3.5	4.2	4.7	5.0	3.4	2.9	2.3	3.2				
Nominal external interest rate (in percent)	3.4	2.2	3.6	2.9	2.7	4.1	3.3	3.0	2.9	2.8	2.7	2.7	2.6	2.5	2.5	2.5				
Growth of exports (US dollar terms, in percent)	-25.8	12.2	16.3	-21.9	-33.6	55.1	-16.1	-6.7	-4.6	-7.7	-5.1	-1.1	3.6	6.5	5.7	6.0				
Growth of imports (US dollar terms, in percent)	-169.7	-8.6	14.7	-20.1	-29.7	44.9	-11.7	-10.7	-2.7	47.4	3.0	-12.7	-35.7	2.0	3.7	2.6				
Current account balance, excluding interest payments	-12.6	-5.6	-5.0	-5.6	-5.9	-3.7	-4.6	-3.2	-3.4	-15.4	-16.7	-12.2	-2.1	-1.3	-0.7	0.0				
Net non-debt creating capital inflows	2.9	4.4	4.3	3.6	2.7	3.5	3.7	3.8	3.8	16.3	17.0	12.0	4.1	2.0	1.5	1.4				

1/The SDR allocation is not included in the DSA.

2/Derived as $[r - g - r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms; g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.3/The contribution from price and exchange rate changes is defined as $[-r(1+g) + ea(1+r)]/(1+g+r+gr)$ times previous period debt stock. r increases with an appreciating domestic currency ($e > 0$) and rising inflation (based on GDP deflator).

4/For projection, line includes the impact of price and exchange rate changes.

5/Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

6/The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Appendix I. Letter of Intent

July 30, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Madame Georgieva:

1. The government of Equatorial Guinea hereby requests emergency financing from the IMF under the Rapid Financing Instrument (RFI) in the amount of SDR 47.25 million (about US\$68 million), corresponding to 30 percent of our quota. Our intention is to use these resources as budget support to finance emergency measures in response to the accidental Bata explosions and the fallout from the still unfolding COVID-19 pandemic, including purchasing vaccines. We also expect it will catalyze additional external emergency budgetary support. By maintaining our close engagement with the IMF, and with support from our other development partners, we expect to effectively respond to the humanitarian needs that have arisen from these shocks as well as the national health and macroeconomic emergency, including to help limit any negative impacts on the pursuit of our economic and development goals.

2. Equatorial Guinea has suffered a substantial weakening of its near-term economic outlook and a sharp increase in economic and financial stress since approval of the EFF-supported program in December 2019, initially due to the COVID-19 outbreak and now the recent explosions in Bata. To mitigate the impact of the Bata explosions on the population we are increasing public spending, while the immediate effects of the blasts are reducing private economic activity in the non-hydrocarbon sector. These effects are compounding existing measures to contain the COVID-19 pandemic that are strongly impacting government non-hydrocarbon revenues, and have also impacted negatively our economy. Thus, an urgent BOP need has emerged that, if not addressed, would result in immediate and severe economic disruption. While we continue to implement our reform commitments laid out under the extended arrangement under the EFF to the best of our ability in light of the constraints, our progress has been slower than envisaged under the EFF-supported program, and the immense uncertainty of the present situation, domestic economic shocks and our urgent need for financing make it impossible at present to recalibrate the EFF-supported program.

3. The Bata explosions have put additional stress on the 2021 budget which has already had to accommodate the COVID-19 crisis. Lower non-hydrocarbon sector growth has reduced non-hydrocarbon government revenues, which are projected to fall short of our pre-COVID projection (under the EFF-supported program) by 2.0 percent of GDP for 2021. At the same time, the projected cost of our Bata emergency and rehabilitation, and pandemic response plan, including the cost of procuring vaccines, is 1.3 percent of GDP in 2021. This cost is in addition to the pandemic impact on 2020 fiscal revenues and spending, that contributed to a worsening of the fiscal balance by 2.8 percent of GDP (relative to the EFF-supported program). The combined effect of spending and revenue impacts would weaken the overall fiscal balance for 2021 by 2.4 percent of GDP (relative to the EFF-supported program), with a projected deficit of 0.8 percent.

4. The Bata explosions and the ongoing COVID-19 pandemic, including purchases of vaccines, are also expected to worsen our external accounts. Imports of supplies and construction materials to provide for the needs of the victims of the Bata explosions, and vaccines to inoculate at least 70 percent of the adult population against COVID-19 would cause imports to increase in 2021, contributing to a considerable widening of the external current account deficit. At the same time, in the financial account, foreign direct investment will be lower, reflecting project implementation delays and tighter financial conditions. This would increase external financing needs by 3.1 percent of GDP in 2021 (relative to the EFF-supported program). Imports of construction inputs and equipment would also remain higher in 2022.

5. We have taken measures to contain and mitigate the fallout from the Bata explosions and the COVID-19 pandemic on the most vulnerable segments of the population and limit the impact on economic activity. In particular, our government has allocated CFAF 10 billion as an initial amount to meet the immediate needs of the victims of the Bata explosion and also established a taskforce to draft plans for rehabilitation and reconstruction of private property and public infrastructure. To fight the COVID-19 pandemic, we have deployed a comprehensive frontline-health spending plan to bolster both prevention and mitigation. In particular, we have recently procured a substantial quantity of over 800,000 vaccine doses from China and started a national vaccination campaign on March 3, 2021. As per our recently signed agreement with the UN, we will collaborate with the United Nations to obtain 600,000 doses of COVID-19 vaccines, financed by the Equatorial Guinea Multi-Partner Trust Fund (along with other participating UN organizations) to complement our efforts to vaccinate at least 70 percent of the adult population by end-2021. Earlier in the pandemic, we established a social assistance scheme for the most vulnerable, provided resources to allow for the continuity of education, provided logistics assistance to supply food markets. Our government has also provided some limited and temporary tax relief to the private sector to help address cash-flow pressures and cushion adverse effects on activity and employment. Further, with the assistance of the UN we have conducted a study to measure the socio-economic impact of the pandemic on Equatorial Guinea and continued joint work is ongoing to derive policy recommendations in a socio-economic response plan. This work will help inform our policies for recovery to a sustainable growth path over the medium term. We intend to use the RFI resources for budget support to finance the Bata emergency and rehabilitation response and COVID-19 related measures, including the purchase of vaccines. In addition, starting in 2021 we are committed to repatriate all available financial assets held abroad as soon as they become available for repatriation and no later than end-

December 2023. We will keep the Fund informed of the status of the repatriation of these resources. If necessary, we stand ready to further reduce non-priority expenditures this year and revise the budget accordingly.

6. Notwithstanding the impact of the Bata explosion and the pandemic, our government remains committed to maintaining fiscal sustainability and continue to implement the policies required to support that objective. Once the shocks have abated, foreign direct investment inflows should resume, and economic growth strengthen. Non-hydrocarbon sector growth will also improve once domestic arrears are settled, a process that we expect to complete by the second half of 2021. Our government is committed to implementing fiscal reforms to continue to reduce the non-hydrocarbon primary deficit, notably with the help of improved revenue administration and continued spending rationalization. In line with these projections, public debt relative to GDP, after rising substantially in 2020, should begin to gradually decline starting in 2021. We are advancing talks with Spain and with Belgium's export credit agency (Credendo) on the settlement of arrears and remain committed to clearing these arrears before the first review under the EFF-supported program. Likewise, regarding our arrears to a Chinese commercial entity, we are under discussions to agree on a new repayment calendar, while we have completed in 2021 two of the three overdue payments that had been outstanding at end-2020.

7. We remain committed to the objectives and reform agenda of the EFF-supported program. In July 2020 we adopted an anti-corruption decree law in line with our international obligations under the United Nations Convention Against Corruption (UNCAC), and we published it on the Ministry of Finance website in August 2020. In line with the decree law, parliament approved in April an anti-corruption law and it was issued by the Presidency in May. As the decree-law, the regular law has also been published at the Ministry of Finance website (prior action). Relatedly, we will also issue the implementation decree(s) related to the asset declaration regime for senior public officials and the governance of the Anti-Corruption Commission within the 60 days specified in the anti-corruption law. In line with the anti-corruption law, we commit to adopting a Presidential decree requiring key high-level public officials to submit their asset declarations for publication on an easily accessible official website by a date prior to the first review of our EFF-supported program. To contribute toward closing the financing gap, and by a date prior to the first review of our EFF-supported program, we commit to reconsider the list of meaningful public assets for privatization, in consultation with Fund staff, and the publication of the list, which would be inclusive of highly liquid assets of high market value. We will continue to work to implement other measures contained in the EFF-supported program and the government's action plan that seek to improve transparency, foster good governance, and fight corruption. In the area of public financial management, since the requested fiscal safeguards review could not yet take place due to the COVID-19 crisis, we are taking measures to increase transparency and accountability in the use of any emergency resources that the government receives. We are committed to adhering to good practices in procuring and awarding contracts for all government spending in relation to the Bata emergency and COVID-19 responses by issuing regulations by end-August 2021 to require for beneficial ownership information of awarded companies to be required in procurement contracts. We also commit to publishing all procurement contracts (for government spending in relation to the Bata emergency and COVID-19 responses), that are awarded subsequent to the issuance of the beneficial ownership

information regulations, on the Ministry of Finance website (including the names of the companies awarded the contract and their beneficial ownership information, the specific nature of the goods or services procured, their price per unit, and the overall contract amount) with Fund technical assistance as needed by end-September 2021 and continuing to publish this information thereafter on a regular basis. We will also publish on the same website reports of ex-post validation of delivery. Further, we have hired an external, independent international firm to audit the COVID-related spending (including spending related to the November 2020 BDEAC COVID loan), and has already started this audit after sending the first batch of documents to the audit firm. Additionally, we have also hired the audit firm contracted for the COVID audit to also audit all Bata emergency response and rehabilitation-related expenditures, by extending their terms of reference. The extension to the terms of reference for the audit of the Bata emergency and rehabilitation-related spending was prepared in consultation with IMF staff. We are committed to finishing this audit by end-April 2022 and that on COVID-related spending by end-September 2021, and publishing their results on the Ministry of Finance's website by then. To further enhance transparency in Bata and pandemic emergency spending, we opened two escrow accounts at the BEAC—one for COVID and one for Bata emergency spending—to be replenished by the existing BEAC IMF Transactions Account where the RFI purchase will be made, with drawings from these three accounts subject to the BEAC's rules, including on transparency and anti-money laundering.

8. The Government of Equatorial Guinea values its engagement with the IMF. It does not intend to introduce or intensify exchange and trade restrictions and other measures or policies that would compound Equatorial Guinea's balance of payments difficulties.

9. The government of Equatorial Guinea reaffirms its willingness to maintain its engagement with the IMF and uphold its commitments under this instrument. We will cooperate with the IMF in relation to any updated safeguards assessment of BEAC to be carried out by the IMF. We hereby grant our permission for the publication of this Letter of Intent, the staff report and related documents for the request for financial support under the RFI.

10. Please accept the assurances of our highest consideration and esteem.

/s/

Valentin Ela Maye

Minister of Finance, Economy and Planning

Table 1. Prior Actions

Measure	Objective	Target Date	Verification Indicators
Passage by Parliament of an anti-corruption law in line with the 2020 decree-law and international obligations under the UNCAC, and issuance of the law by the Presidency and its publication.	Bring the domestic anti-corruption framework in line with good practices.	Five days before the Board date.	Publication on the MFEP website: (i) The anti-corruption decree-law; (ii) The regular anti-corruption law; (iii) Dates on which Parliament passed the regular law and on which the Presidency issued the law.
Hire an international independent audit firm and start the audit of pandemic-related expenditures.	Ensuring that financial assistance received as part of the COVID-19 response is used for intended purposes.	Five days before the Board date.	Publication on the MFEP website: (i) The name of the audit firm hired; (ii) Terms of reference of the audit; (iii) Date on which the first batch of documents is sent to the audit firm.
Hire an international independent firm to audit the Bata emergency response and rehabilitation related expenditures, and commit to publishing the results of the audit.	Ensuring that financial assistance received as part of the Bata emergency and rehabilitation response is used for intended purposes.	Five days before the Board date.	Publication on the MFEP website: (i) The name of the audit firm hired; (ii) Terms of reference of the audit.
Establish two escrow accounts at BEAC—one for COVID and one for Bata emergency spending.	Specifying financial and governance controls over the resources received for emergency and disaster response.	Five days before the Board date.	Documentary information confirming that the escrow accounts were established at the BEAC including the date of their establishment.

Source: IMF staff

**Statement by Mr. Aivo Andrianarivelos, Executive Director for Equatorial Guinea;
Mr. Mohamed Sidi Bouna, Senior Advisor to the Executive Director, and
Mr. Eustaquiana Ndong Ondo Bile, Advisor to the Executive Director**

September 15, 2021

I. Introduction

On behalf of the authorities of Equatorial Guinea, we would like to thank staff for the fruitful discussions held with the authorities virtually and the extensive exchanges leading up to the request of the Rapid Financing Instrument (RFI). We would also like to express our gratitude to the Executive Board and Management for their continued support to Equatorial Guinea. This request is to be situated in the framework of the CEMAC regional global strategy whose highest authorities have jointly committed themselves to have, for each member state, an IMF supported reform program.

Equatorial Guinea was hit hard by the COVID-19 pandemic just three months after the approval of a three-year Extended Fund Facility (EFF) in December 2019. A few months after the health pandemic struck, the country suffered a massive accidental explosion at a military warehouse in Bata, the largest city of the country, on March 7, 2021. The dual shocks, together with the deployment of containment and mitigation measures, have adversely impacted economic activity and weakened considerably the fiscal and external positions, creating a substantial financing gap, and jeopardizing growth prospects.

Downside risks to the outlook have increased due to the uncertainty related to the duration and severity of the pandemic. Despite the challenges they face, the authorities remain committed to bringing the EFF program back on track, once the ongoing work on outstanding structural measures is finalized. To that effect, they have implemented the prior actions on governance and safeguards required under the RFI.

To address the urgent external financing needs valued at 4.1 percent of GDP in 2021 resulting from the dual shocks, the authorities are requesting a purchase under the RFI for 30 percent of the country's quota (SDR 47.25 million). These resources will be used for budget support to finance part of the emergency measures in response to the accidental explosions in Bata and the fallout from the still unfolding COVID-19 pandemic, including vaccine purchases. Additionally, the authorities are committed to repatriating all available financial assets held abroad, as soon as they become available for repatriation, and will keep the Fund informed of the status of the repatriation of these resources. The authorities stand ready to reprioritize expenditures further this year and revise the budget accordingly, and as needed. They will continue to work with development and multilateral partners, including the African Development Bank (AfDB), to help close the remaining financing gap.

II. Socio-Economic Impact of the COVID-19 Pandemic and March 7 Explosions in Bata

The effects of the Covid-19 outbreak in Equatorial Guinea since detection of the first case on March 13, 2020 are substantial. Data from the Ministry of Health and Social Welfare indicate that about 9,939 persons have been infected with COVID-19, and 129 of them have died since March 2020. As of September 6, 2021, of the 544 active cases being monitored, 3 of them have resulted in fatality and 86 recovered. As a result of the stringent containment measures and the country's reliance on commodity exports, real GDP contracted by 4.9 percent in 2020. In 2021, growth is expected to recover, reaching 2.8 percent, driven by positive developments in the oil and gas industries and tertiary sectors, and underpinned by the relaxation of the strict containment measures and the improvement in the vaccination roll out.

An evaluation of the extensive damage caused by the massive explosions in Bata point to considerable damage, including the death of 107 persons, and approximately 19,000 directly affected, plus countless of properties damaged at different levels depending on their proximity to the epicenter. During that period, a second massive infections wave of the COVID-19 pandemic also hit the country.

As a result of the dual shocks that hit the country, the fiscal deficit is anticipated to widen amid a shortfall in domestic revenue and considerable expenditures increase to accommodate COVID-19-related outlays and Bata's rehabilitation and reconstruction costs. This deterioration of public finances is expected to worsen despite efforts to restrain spending and reprioritize investment projects. The combined effect of revenue losses and increased expenditure is expected to weaken the non-hydrocarbon primary fiscal balance by 3.4 percent of GDP relative to the EFF-supported program projection. On the external front, the overall current account deficit is expected to widen to 4.3 percent of GDP in 2021, from 3.8 percent projected previously. The resulted balance of payments financing needs created by the dual shocks is estimated at about 4.1 percent of GDP in 2021. Further weakening of the current and capital accounts is projected, and if not addressed, will keep negative the country's net foreign assets at the BEAC.

III. Policy Response to the Dual Shocks

Following the detection of the first case of COVID-19, the authorities adopted several timely key containment and mitigation measures. Early on, they transformed a newly built health facility into a specialized center for COVID-19 which quickly helped harness their technical capacity to diagnose virus infections locally. With the assistance of their development partners, they acquired sufficient testing kits and hospitalization equipment for COVID-19 patients and adopted strict containment measures which helped mitigate the spread of infections and limited the death toll in the country. The authorities have also procured, through donations and purchases, a substantial quantity of over 800,000 doses of vaccines from China and started a national vaccination campaign on March 3, 2021. Under a recently signed agreement with the United Nations (UN), they expect to obtain additional 600,000 doses of COVID-19 vaccines, financed by the Equatorial Guinea Multi-Partner Trust Fund,

which places their objective to vaccinate 70% of adults by end-2021 on a solid footing. As of September 6, 2021, a total of 360,446 persons have been vaccinated, representing respectively a 43.27% and 53.73% of targeted population at the insular region and continental parts of the country.

Likewise, the authorities established early on a social assistance scheme for the most vulnerable, provided resources for communities' education, and logistics assistance to supply food in the markets. Similar measures were adopted to support Small and Medium Enterprises (SMEs), including limited and temporary tax relief to the private sector to help address cash-flow pressures and cushion adverse effects on economic activity and employment. With the UN's assistance, a study has been conducted to measure the socio-economic impact of the pandemic on Equatorial Guinea and a continued joint work is underway to derive policy recommendations in a socio-economic response plan. The outcome of those works will help inform the authorities' policies for recovery to a more sustainable growth path over the medium term.

The authorities remain committed to maintaining fiscal sustainability by pursuing required reforms, with a near-term focus on limiting the macroeconomic and social impact of the Bata explosions and the COVID-19 crisis. Their fiscal measures will continue to strengthen existing social safety nets and support the most affected and vulnerable segments of the population and businesses. They are also committed to growth-friendly fiscal adjustment to bring the non-hydrocarbon primary deficit to sustainable levels once the crisis abates. Their efforts to improve revenue administration and capital spending rationalization, as well as safeguarding social spending have led to new leadership at the ports and customs. Additional reforms are also underway at the tax administration, including (i) unification of the management of large taxpayers, (ii) separation of management and operation functions, (iii) reform of the audit function, and (iv) development of the tax information system. Most of these reforms are being supported through continued technical assistance from the Fund and are expected to be completed by end-2022.

The authorities continue to clear government arrears, despite the challenges posed by the COVID-19 pandemic and Bata emergency. They expect to conclude this process and issue securities at market rates during the second half of 2021, with the assistance from legal and financial advisors. The authorities concur with staff's assessment on the usefulness of a timely settlement of these obligations, which will lead to a reduction in NPLs and strengthening banks' liquidity and solvency positions. Such timely settlement will ensure an effective banking system functioning and support the needed recovery of the non-hydrocarbon sector. The authorities are committed as well to ensuring the full recapitalization of the country's largest bank and ensuring its independence from a governance standpoint. On external arrears, the authorities are ensuring that all external arrears meet the Fund's guidelines. Regarding the SDR allocation, the authorities will continue to comply with regional policy objectives, including rebuilding regional reserves, while considering any possible additional urgent pandemic-related needs and domestic financing constraints.

The authorities are committed to the appropriate use, monitoring, and reporting of COVID-19 and Bata's rehabilitation related spending, as reflected in their letter of intent. They will take steps to ensure that financial assistance is used for the intended purposes and that all emergency spending is appropriately justified. As a result, an independent international firm has been hired to work on the audit of all COVID-related spending, and the first batch of documents have been sent to the audit firm. They have also requested a fiscal-safeguards review (FSR) in February 2020. To further enhance transparency in emergency spending, the authorities have opened two escrow accounts at the BEAC, one for COVID expenses and the other for Bata emergency spending. Both accounts will be replenished by the existing BEAC's IMF Transactions Account where the RFI purchase will be made. Drawings from these accounts will be subject to the BEAC's rules, including on transparency and anti-money laundering. Quarterly reports of RFI spending will be published periodically on the Ministry of Finance website, which will also host the pandemic related public procurement contracts, including the names of the awarded companies and their beneficial owners. A post-crisis audit will be completed and published on the same website. Still, the authorities are committed to continue reporting on COVID-19 developments, including testing, cases, and deaths, regularly on the webpage of the Ministry of Health and Social Welfare.

IV. Conclusion

The authorities of Equatorial Guinea are highly appreciative of the Fund's support and its catalytic role, as they seek financing to meet vital spending needs. They are committed to implementing policies that foster sustainable and speedy economic recovery. Their near-term utmost priority is to fight off the health crisis, its adverse economic effects as well as repairing the damage on private and public properties caused by the explosions in Bata. Going forward, the authorities remain strongly committed to the CEMAC regional reform program and to the objectives of the EFF arrangement and will continue to work on its implementation. They look forward to Directors' favorable consideration of their request for emergency financing under the RFI.