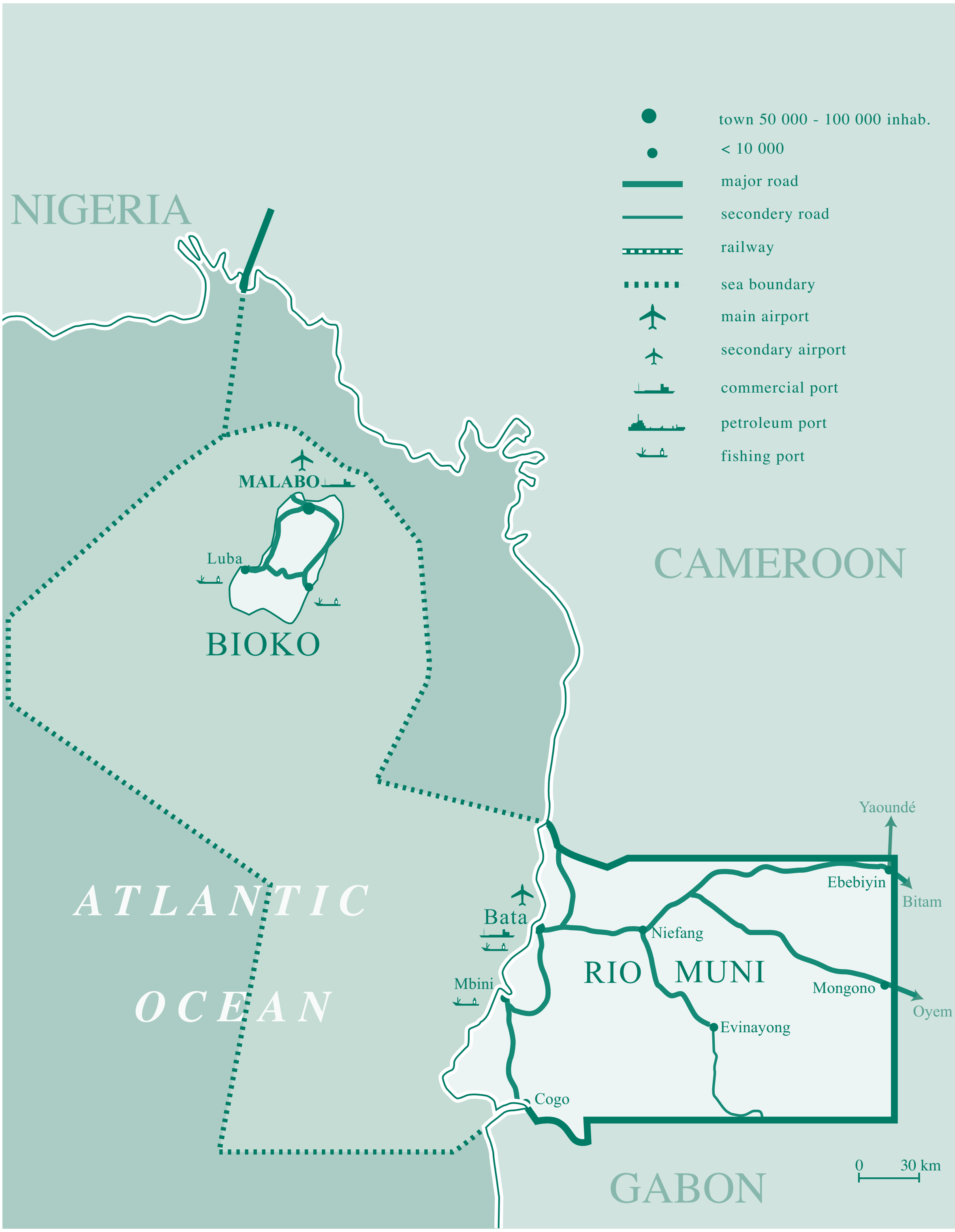
Equatorial Guinea

key figures

• Land area, thousands of km²	28
• Population, thousands (2007)	507
• GDP per capita, USD at constant 2000 prices (2007)	9 543
• Life expectancy (2007)	44.4
• Illiteracy rate (2007)	11.8

Equatorial Guinea



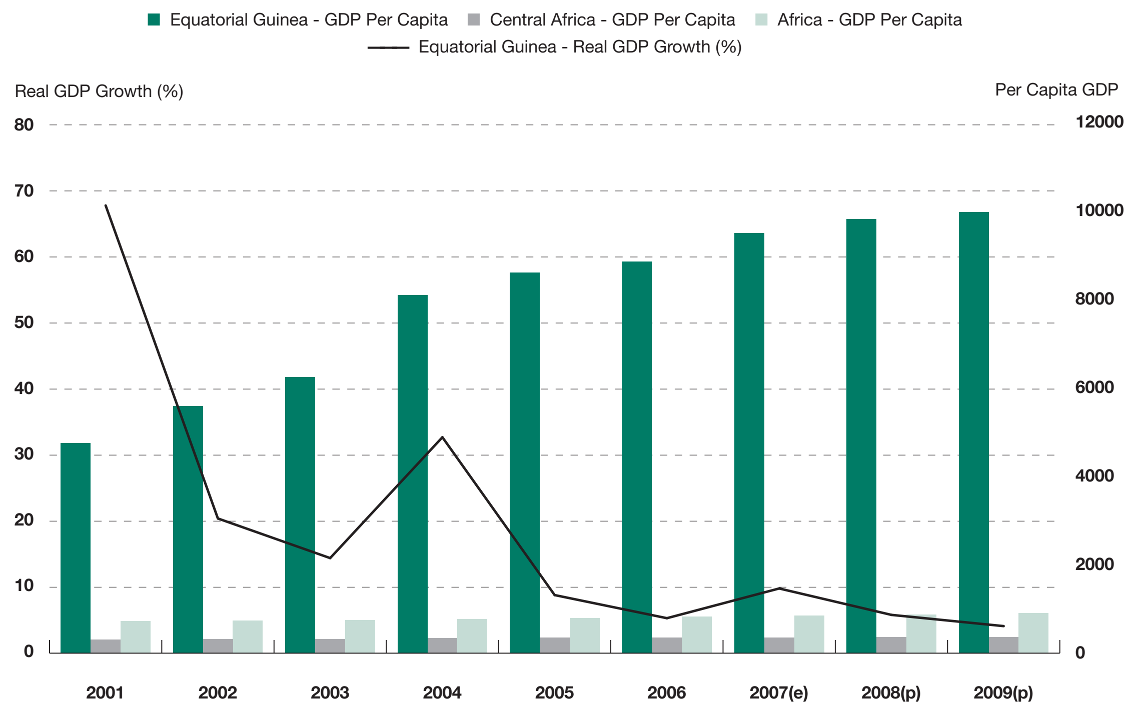
THE STRENGTH OF EQUATORIAL GUINEA'S economic growth was confirmed in 2007, with real GDP growth of 9.8 per cent compared with 5.3 per cent in 2006. The boost to the country's economy is due mainly to improved oil and gas production and the buoyancy of public infrastructure-construction works. This was accompanied by continuous improvement in the performance of the construction sector, banking services, telecommunications, tourism and wood processing.

One important event that took place in 2007 was the second Economic National Conference, held in November, ten years after the first conference in 1997. The conference, entitled "Equatorial Guinea 2020 – Agenda for the Diversification of the Sources of Growth: Diagnosis and Strategy Lines", looked into guidelines to evaluate the country's enormous, still unexploited potential and to diversify the national economy, mainly by developing the fishing industry, tourism and financial services.

Petroleum-linked growth and macroeconomic stability have not helped reduce poverty and inequality.

The sustained economic growth and the increase in oil revenue, however, have had very little effect on poverty reduction in the country and on improving the general standard of living of the population. The poverty rate in Equatorial Guinea remains extremely high. The country also suffers from a high infant-mortality rate,

Figure 1 - Real GDP Growth and Per Capita GDP
(USD at constant 2000 prices)



Source: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations

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persistent epidemics, a poor rate of access to drinking water, low vaccination coverage and a weakly managed public administration, education sector and health sector.

Recent Economic Developments

Equatorial Guinea's economy recorded 9.8 per cent growth rate in 2007, up from 5.3 per cent in 2006. This exceptional progress is due to an improvement in oil production, especially in the production of liquefied natural gas (LNG), thanks to the building of new installations.

The contribution of hydrocarbons to GDP in 2006 was 87 per cent. The oil industry has without doubt become the engine of Equatorial Guinea's economy, a long way ahead of other industries, including agriculture and wood.

Oil production in 2007 was estimated at 370 000 barrels per day, or 135 million barrels per year, an 11.6 per cent rise in production compared to 2006. Cumulative crude oil production had decreased by 6.61 per cent the previous year, falling from 129.5 million barrels in 2005 to 120.9 million barrels in 2006. This slowdown, however, was compensated for in value by the large increase in Equatorial Guinea oil prices throughout 2006, which never fell below USD 60 (US Dollar) a barrel. The average export price was XAF 227 900 (CFA Franc BEAC) per tonne in 2006, compared with 188 000 in 2005. With proven reserves of 1.8 billion barrels, the country can depend on relatively high levels of production for about 20 years.

Besides oil, Equatorial Guinea is rich in natural gas deposits, especially methanol, with estimated reserves of 40 billion m^3. In 2006, production of methanol and other gases totalled 1.64 million m^3, compared with 1.49 million m^3 in 2005. In 2007, methanol and condensate production rose significantly, by about 10.2 per cent. Estimated production for 2007 is 3.16 million m^3, and the projection for 2008 is 3.28 million m^3.

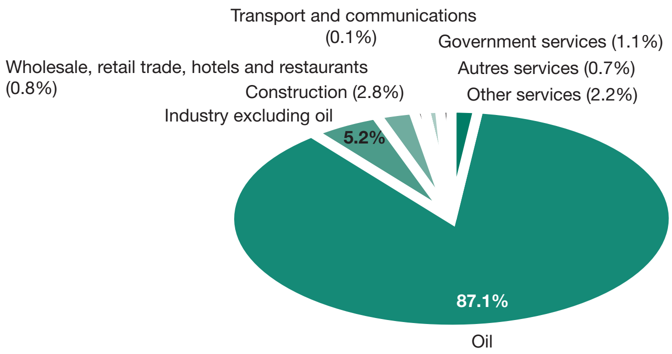
The increased production in this industry is mainly due to the evolution in the production of butane and propane gas since capacity building was undertaken at the Punta Europa plant, where production has increased by 102 per cent since 2005. Natural gas, particularly methanol, provides a real alternative to address the decline in the extraction of black gold. The many oil enterprises operating in Equatorial Guinea should allow the country to acquire the necessary technology for a better exploitation of its energy potential.

Regarding other primary-sector activities in 2007, gross wood production reached 399 400 m^3, compared with 443 800 m^3 in 2006 and 460 800 m^3 in 2005, showing a continuous decline in wood production. In contrast, timber production increased by 6.3 per cent thanks to a strengthening of the capacities of processing plants. Located mainly on the continental part of the country, the forest cover extends over 20 000 square kilometres of the country, or nearly 80 per cent of the territory. In order to preserve its forestry resources, the government of Equatorial Guinea has set limits on what land can be exploited and on the number of enterprises permitted to operate. This has reduced the area of exploited forests from 1.2 million hectares in 1994 to 400 000 hectares, and the number of enterprises from 52 in 1994 to about 15.

Excluding hydrocarbons, the primary sector represented only 1.5 per cent of GDP in 2006. The different programmes set up to improve food security have not had the desired effects. The reasons for this, in large part, are the persistence of an insufficient level of management staff, the lack of material and financial support to farmers, and the condition of the road infrastructure.

Cocoa and coffee are the main export crops. Cocoa production stabilised at 3 000 tonnes in 2006, a slight increase on the production in 2005. Cocoa has been hit by the rising costs of inputs, by the scarcity of labour and most of all, by the instability of producer prices. In 2006, the price of cocoa stabilised at XAF 826 / kilogram, down from XAF 1 076 in 2003, which is a 24 per cent fall in three years.

Figure 2 - **GDP by Sector in 2006** (percentage)



Source: Authors' estimates based on local authorities' data.

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Regarding coffee, the most recent data show a slight recovery, especially in the province of Kie-Ntem, which has experienced a relative rise in purchases from planters, despite the global decline brought about mainly by the fall in international prices.

The wood processing industry is grouped in the Rio Ekuku port area, south of Bata, a region specialising in sawing and peeled-veneer leaves. The favourable market conditions enabled a significant annual 11 per cent increase in processed-wood production between 2000 and 2006.

The energy industry (electricity and gas) is experiencing a strong period of growth thanks to the strengthening of its electricity-production capacity and the acquisition of new thermal power stations. Energy-sector activity remained solid in 2007, owing in part to high levels of electricity production and an increase in metered consumption. In late December 2007, electricity production had reached 181 375 kWh, compared with 136 950 kWh at the same period in 2006, representing a 32.4 per cent increase.

Manufacturing production could benefit from the increased standard of living of the population thanks to oil revenues and contribute to the country's economic growth, provided that certain obstacles are minimised: the insufficiency of transport infrastructure, the scarcity of qualified human capital and the excessively complicated administrative procedures involved in starting a business.

In contrast, construction is in full expansion. Over the past few years, the industry has been boosted by colossal levels of public investment, particularly for building schools, health centres and subsidised housing, the road network and public works.

With regard to fishing, Equatorial Guinea's territorial waters are rich in fish, but are still not well-exploited. Traditional fishing cohabits with industrial fishing, which comprises many national firms, including Guinea Pesca S.A., Alfa Marina S.A., Armement de pêche-Gabon and other authorised firms.

Total industrial fishing production is currently around 340 tonnes, but the new processing plant built by Cepesca S.A. in Mbini should increase total output in the next few years. As for traditional fishing, the latest figures published by the fishing authorities show that there has been a considerable decrease in this form of fishing during the current period. In 2007, the volume of fish caught decreased by 12.1 per cent to less than 350 tonnes due to the ageing small-scale fleet.

The structure of demand reflects Equatorial Guinea's dependence on oil. The country must also import most of its consumer goods, a situation set to continue into 2008 and 2009. There was sustained public investment in 2007 in order to strengthen the country's basic infrastructure. This public investment was 15 per cent higher than in 2006. Private investment, particularly in the oil industry, reached a record high in 2007, and made a significant contribution to consolidating the country's GDP. Equatorial Guinea's economy has become a very attractive target for foreign direct investment in the region. Household consumption was solid in 2007, increasing by 13.5 per cent in volume owing to increased household income due to higher wages in the public sector. Final consumption in the public sector increased by 6 per cent, largely because of the equipment and supplies needed by national enterprises and consumption by the public administration.

Table 1 - **Demand Composition**

	Percentage of GDP (current prices)		Percentage changes, volume			Contribution to real GDP growth		
	1999	2006	2007(e)	2008(p)	2009(p)	2007(e)	2008(p)	2009(p)
Gross capital formation	**76.4**	**40.2**	**12.3**	**8.3**	**5.0**	**13.3**	**9.2**	**5.6**
Public	6.8	17.0	15.0	5.0	5.0	6.8	2.4	2.4
Private	69.6	23.2	10.4	10.9	5.0	6.4	6.8	3.3
Total Consumption	**40.5**	**12.9**	**0.1**	**2.3**	**3.0**	**0.0**	**0.9**	**1.1**
Public	7.2	2.9	7.4	6.2	6.3	0.5	0.4	0.4
Private	33.3	10.0	-1.3	1.4	2.3	-0.5	0.5	0.7
External Demand	**-16.8**	**46.9**				**-3.5**	**-4.2**	**-2.6**
Exports	100.4	97.3	5.5	2.3	1.1	10.4	4.2	1.9
Imports	-117.2	-50.3	5.8	3.6	2.0	-13.8	-8.4	-4.6
Real GDP growth	**-**	**-**				**9.8**	**5.8**	**4.1**

Source: Bank of Central African States (BEAC) and domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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The continuing needs of Equatorial Guinea's economy for input supplies (spare parts, tools and equipment, and consumer goods) should consolidate final consumption (public and private) in 2008 and 2009. Exports, however, are expected to decrease in volume in 2008 and 2009 due to the downward trend in oil production, with oil extraction having reached a certain maturity. The discovery of new gas reserves in the past few years has not compensated this downward trend. The hazards of oil production will significantly affect GDP growth in the next few years. Projections are based on growth's slowing down in 2008 and 2009, to 5.8 per cent and 4.1 per cent, respectively.

Macroeconomic Policies

Fiscal Policy

Overall balance was estimated at 22.8 per cent of GDP in 2007. This high proportion was due to a better collection of oil revenues, which reached an all-time high of more than XAF 2 000 billion.

Oil revenue represented 42.7 per cent of GDP in 2007, a slight fall on 2006 revenue, manifestly due to the instability of oil and natural-gas prices. Non-oil revenue, which had been stagnant since oil had begun to dominate national economic activity, has once again become significant since tax reforms were passed in February, introducing value-added tax and a new customs-taxation law aimed at improving the collection of non-oil tax revenues.

Total expenditure increased in 2007 to 22.8 per cent of GDP, compared to 21.4 per cent in 2006. In volume, total expenditure reached XAF 956.4 billion in 2006 and XAF 1 1184 billion in 2007, representing a 24.2 per cent increase from 2006.

Current expenditure in 2007 was stabilised at 4.5 per cent of GDP. This stability is a reward for the

Table 2 - **Public Finances** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Total revenue and grants[a]	**18.8**	**31.3**	**37.5**	**47.6**	**45.7**	**44.8**	**43.9**
Tax revenue	4.0	2.1	1.5	1.7	1.6	1.4	1.4
Oil revenue	13.6	28.3	34.8	44.4	42.7	42.0	41.2
Total expenditure and net lending[a]	**16.8**	**19.7**	**16.4**	**21.4**	**22.8**	**20.4**	**21.4**
Current expenditure	10.0	5.0	4.5	4.4	4.5	4.1	4.3
Excluding interest	*9.0*	*4.8*	*4.3*	*4.3*	*4.4*	*4.0*	*4.3*
Wages and salaries	2.8	1.2	1.0	0.9	0.9	0.7	0.8
Interest	1.1	0.2	0.2	0.1	0.1	0.0	0.0
Capital expenditure	6.8	14.7	11.9	17.0	18.3	16.4	17.1
Primary balance	**3.0**	**11.8**	**21.4**	**26.3**	**23.0**	**24.4**	**22.5**
Overall balance	**2.0**	**11.6**	**21.2**	**26.2**	**22.8**	**24.3**	**22.5**

a. Only major items are reported.
Source: BEAC and domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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efforts made by the government of Equatorial Guinea to compensate for higher international oil prices and a higher wage bill.

Overall, the 2007 fiscal year was expected to close with a substantial surplus of 22.8 per cent, despite the budget position's having deteriorated with respect to 2006. The budget balance is expected to improve in 2008, but then to deteriorate in 2009 if there is a fall in oil prices, hence in total revenue.

As a member state of the Central African Economic Community and Monetary Union (CEMAC), which has subscribed to the Extractive Industries Transparency Initiative (EITI), the economic and financial policy of the government of Equatorial Guinea advocates the promotion of transparency in the management and use of oil revenues by placing surplus oil revenues in special funds. These funds are intended, in particular, for future generations and to support efforts to diversify the economy.

In 2007, fiscal policy focused on promoting quality basic infrastructure as part of the Millennium Development Goals (MDGs). This policy was accompanied by efforts to strengthen the human capital by prioritising education, health and national security, as well as by increasing expenditure on goods and services.

Projections for 2008 and 2009 are based on a downward trend in total national revenue, especially in oil revenue. The overall balance, however, should remain largely positive, and should not dip below 20 per cent of GDP.

Monetary Policy

As a member of the CEMAC, Equatorial Guinea implements the community's monetary policy. The Bank of Central African States (BEAC) ensures the stability of the parity of the CFA franc. At the end of 2007, the country's situation was characterised by the consolidation of external assets of the monetary system, the strengthening of the state's position as creditor and an increase in the money supply.

The broad money supply (M2) grew by 14 per cent during the period, moving beyond the XAF 320 billion bar, while the reserve ratio for the monetary base remained stable, at an estimated 99.2 per cent.

The inflation rate was 4.9 per cent at the end of 2007, just below the 5 per cent rate recorded in 2006. Nonetheless, this rate remains above the 3.5 per cent limit required by the CEMAC. It also reflects a slight increase in the prices of consumer goods, since the country imports most of its products and consumer goods, especially food and clothes, and capital equipment. A considerable decline in inflation is however expected in 2008 and 2009, mainly due to a return to stability in consumer prices and to a considerable increase in the country's food-crop production.

In 2007, the buoyancy of household consumption, helped in particular by the expansion of activities of labour-intensive industries such as construction, affected the evolution of consumer prices. Despite the measures taken in the last quarter of 2007 to control the prices of basic consumer staples, as well as the relative reduction in the cost of telephone communications and the ongoing state subsidies to motor-fuel pump prices, this pressure looks set to continue due to pay rises for civil servants, the scarcity of skilled local labour, and legislation requiring enterprises to hire Equatorial Guinea nationals.

The state's domestic and external debt-reduction policy made a large contribution to domestic credit, and public-treasury credit balances with the banking system reached record levels in 2007, 36 per cent higher than in 2006. Domestic credit was affected by excess public liquidity, but also by the weak capacity of the private sector to provide bank loans, leading to a total absence of state debt for the period.

External Position

Equatorial Guinea's main commercial partners are the United States (US), China, France, Spain and the United Kingdom (UK). The US remains its leading export partner by acquiring 35 per cent of Equatorial Guinea's exports, in particular hydrocarbons extracted from offshore fields in the Gulf of Guinea. The country's external position is built upon a narrow export base concentrated on natural resources, particularly oil and natural gas. These products are particularly affected by terms-of-trade shocks, making the country highly vulnerable to changes in international prices. Oil and methanol have dominated exports for the past decade at 96 per cent of GDP. Equatorial Guinea is the leading oil exporter in the franc zone, ahead of the Republic of the Congo and Gabon.

In 2007, exports of goods and services accounted for 92.5 per cent of GDP, compared with 96.3 per cent in 2006, thus dropping by 3.8 points. This slowdown in exports was mainly due to the opening of new oil fields in the Gulf of Guinea, which attracted labour to the new sites at the expense of the old ones. In addition, the increased production expected in 2008 and 2009 could be followed by a reduction in oil prices, which would affect the country's volume of exports.

Imports of goods and services recorded a substantial increase of 17.1 per cent in 2007 compared with 2006, with a total volume of XAF 2 630.3 billion. This rise was due to the growth in imports in the oil industry and the public sector. Demand for staples also rose, thanks to increased expenditure on goods and services by the public sector and the consolidation of household purchasing power.

There remained, however, a trade-balance surplus of 63.3 per cent of GDP for 2007, compared with

Table 3 - **Current Account** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Trade balance	38.7	64.5	68.4	65.6	63.3	65.7	63.6
Exports of goods (f.o.b.)	98.0	98.3	98.1	96.3	92.5	91.1	89.2
Imports of goods (f.o.b.)	59.3	15.0	29.8	30.7	29.2	25.4	25.7
Services	-55.5	-26.7	-19.5	-18.7	-18.6	-16.4	-14.9
Factor income	-13.7	-63.2	-58.3	-47.9	-45.7	-40.0	-36.3
Current transfers	0.6	-1.0	-0.9	-1.1	-1.3	-1.4	-1.7
Current account balance	**-29.9**	**-26.3**	**-10.4**	**-2.1**	**-2.3**	**7.9**	**10.7**

Source: BEAC and domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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65.6 per cent in 2006. Otherwise, there was a slight deterioration of the current external balance, at -2.3 per cent of GDP in 2007, as against -1 per cent the preceding year, as an effect of the lower trade-balance surplus and of the decline in the services balance, revenues and current transfers.

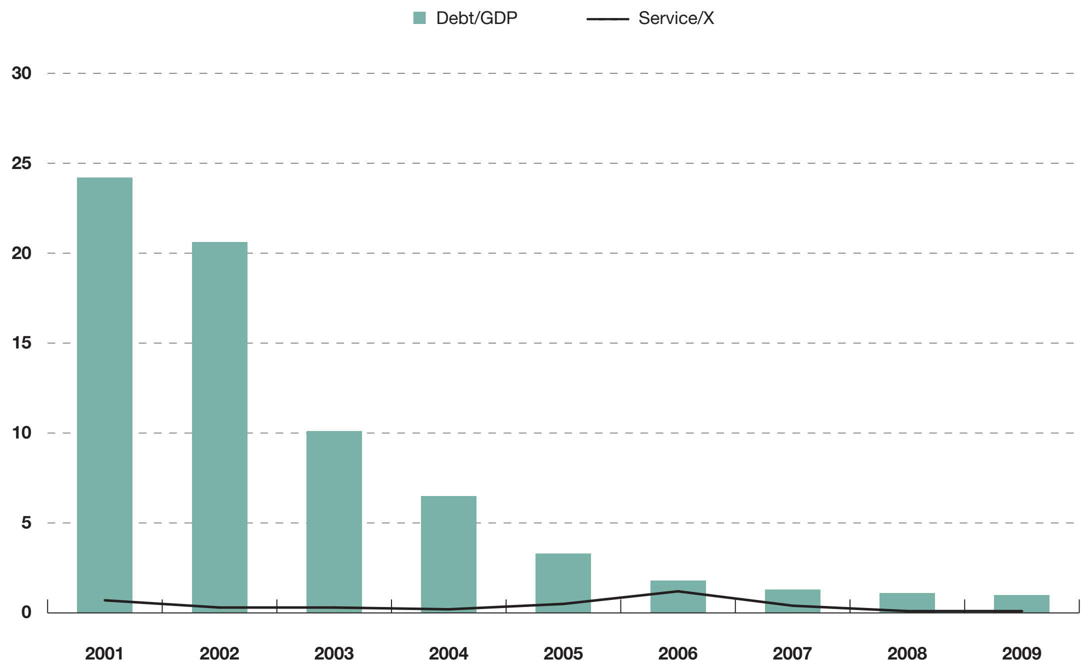
Also of note is the weak growth in credits to the economy (1.7 per cent in 2007 compared with earlier projections of 8.2 per cent), which is related to reduction in the levels of overdrafts granted to economic operators, in a context of inflows of external resources following the good performance of the oil markets.

The country's exceptional resources have helped to attract public and private capital. In 2006, Equatorial Guinea alone benefited from more than one-third of foreign direct investment in the Central Africa region, totalling more than USD 3.7 billion. The massive influx of foreign capital is an illustration of the growing interest of international investors for a young, expanding economy.

The increase in oil exports and the continued high oil prices have contributed to strengthening the country's foreign assets, which increased by 30 per cent compared to 2006. This performance was mainly due to the increase in the state's share of certain oil contracts, hopped up by the spiralling international prices of hydrocarbons.

With regard to public debt, the continued drive to consolidate external accounts and the increase in public resources of the past few years have improved the indicators of the country's external debt, which is the lowest in the region. This made it possible to renegotiate the country's bilateral debt with Spain in 2003 and with Italy in 2005; arrears owed to Spain were paid in 2004, and in 2005, there was advance repayment of part of the debt owed to Italy. Thus, the ratio of outstanding external debt in relation to GDP fell from 4.1 per cent in 2005 to 2.2 per cent in 2006, and to less than 1.8 per cent for 2007 and 2008.

Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

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In contrast, debt service as a percentage of budget revenue increased from 1.1 per cent in 2005 to 1.9 per cent in 2006. Given the country's level of wealth per person and its low outstanding debt, Equatorial Guinea is not eligible for the Highly Indebted Poor Country (HIPC) initiative. This comfortable situation does not, however, in any way mean that the international community has no interest in the country: international aid takes the form of technical co-operation and expertise in areas related to human development. This aid is directed at helping Equatorial Guinea to achieve the MDGs, the country lagging far behind in education, health and general law.

Structural Issues

Recent Developments

Rational management of oil revenue represents a challenge for the authorities of Equatorial Guinea, for although revenue is considerable, results are below what the country should be achieving with the means it has available. Furthermore, the authorities made a commitment to increase transparency in the management of oil revenues when Equatorial Guinea signed up to the EITI in March 2005.

In 2003, administrative decentralisation law was passed to transfer powers to the country's 30 municipalities. Modernisation of the public sector was also a key objective in the recommendations made at the second Economic National Conference, held in Bata in November 2007.

The conference, entitled "Equatorial Guinea 2020", defined an agenda for the diversification of sources of growth, in particular by developing fishing, tourism and financial services. The conference also called for the public sector to be modernised.

The 2008 edition of the World Bank's report on the business environment, *Doing Business 2008*, gives Equatorial Guinea a world ranking of 165, down from 157 in 2005. On average, it takes 136 days to start a business in Equatorial Guinea, compared with 20 days in Cameroon and 14 days in the Central African Republic; it also takes 45 days to complete the formalities for an employment contract, compared with 23 days in Cameroon. This situation makes it impossible for a competitive private sector to emerge in Equatorial Guinea and for the country to diversify its economy. If it is to climb up to the ranking of countries that provide a truly attractive business environment, Equatorial Guinea must tackle the challenge of transforming the rules, the habits and the behaviour that undermine economic activity.

It should be noted that the business environment is improving thanks to higher taxation, the entry into force of regional regulations such as the Cemac regulations and the implementation of processes intended to harmonise business legislation.

Furthermore, the government is continuing in its efforts to liberalise the economy in the name of the freedom to conduct a business. There has been a considerable increase in the number of domestic and foreign private firms to have been awarded public contracts. These firms are involved in building infrastructure that is vital for the population: education, justice, health and subsidised housing. Nonetheless, contracts still have to operate within a local institutional reality that has not adapted to changes: administrative formalities are slow and complex, qualified staff is scarce and there is no reliable information system.

Efforts to diversify the economy necessarily include the development of road and maritime infrastructure and better air connections between the different regions. The road network, one of the country's weaknesses, is managed by the public authorities. In 2006, the length of asphalt roads doubled thanks to the financial and technical support provided by the African Development Bank (AfDB) and the European Union (EU). A new road connecting Bata to the eastern border was built with the support of China. Asphalt motorways now serve the Evinayoung region and connect Senye and Mbini, while the road from Malabo to Luba and Riaba on Bioko Island has been tarred. The two most important cities in the country, Bata and Malabo, will benefit from the current projects.

With regard to air transport, the renovation and expansion projects for Malabo Airport and Bata Airport are supported by the AfDB and the Kuwait Fund for Arab Economic Development. Malabo Airport can now be used by large aircraft.

Maritime infrastructure is also being developed. In the port of Malabo, which has 204 metres of berths and an annual capacity of 200 000 tonnes, expansion work began in March 2006, with the project contracted to the Moroccan enterprise Somagec. When the work has been completed, in around 2009, the total length of berths at the port will be 1 400 metres, divided into three units meeting international standards. Vessels and container ships of all sizes will then be able to dock at the port of Malabo.

The construction sector has also been classified as priority, especially for the development of the capital, Malabo, by building the new town "Malabo II". Most state services and many enterprise headquarters are expected to be based in this huge new district, including the national oil enterprise GEPetrol. Housing will also be built there. The estimated total cost of the current projects is set at USD 750 million.

Subsidised housing is also a matter of concern for the authorities, and in June 2006 the head of state launched a large project to build 2 330 subsidised homes for underprivileged members of the population. This market has been contracted to Chinese enterprises (China Dalian) and to Moroccan (Get, Chaabi) and Lebanese (Seguibat) enterprises.

Banking in Equatorial Guinea is governed by the Bank of Central African States (BEAC). Four banks operate in the country. In addition to the BGFI Bank Guinée équatoriale, a subsidiary of the Gabon-based BGFI group (Banque gabonaise et française internationale), there is also the Caisse commune d'épargne et d'investissement (CCEI), a subsidiary of CCEI Bank-Cameroun; the Société générale de banques en Guinée Équatoriale (SGBGE), a subsidiary of the French group Société Générale; and a new bank, the Banco Nacional de Guinea Equatorial (BANGE), which began operating in September 2006. These banks cover most of the country and provide a range of banking services, loans for exports, commercial loans and real-estate loans.

With regard to finance, the aggregate balance-sheet total for 2007 was XAF 420 billion, an 11 per cent increase on the figure recorded in 2006. Gross loans to clients increased by 31 per cent during the same period, and net loans rose by 32.5 per cent to XAF 137 billion in one year.

According to the BEAC, reports issued by domestic banks and the latest checks carried out do not reveal the need for any additional provisions to the levels of 2006. Furthermore, 345.6 per cent of loans are covered by deposits and operations with clients yield XAF 239 million in surplus resources. In 2007, there was surplus cash flow of 63.8 per cent of the total balance, a 1.5 per cent decrease compared to the previous year.

With regard to solvency, all four banks seem to have good risk cover, weighted by a net-equity ratio of more than 8 per cent. As for the coverage of capital assets by fixed resources, three banks have a ratio greater than or equal to 100 per cent and are able to finance up to 50 per cent of their use with fixed resources for a residual maturity of more than five years.

Technical and Vocational Skills Development

The public system for vocational and technical training is suffering from a definite shortage of institutions and poor organisation. There are only two vocational training centres in the entire country, and their infrastructure is inadequate. They are Modeste Gene Roz, in Bata, and 12 Octobre, in Malabo. These two institutions constitute the country's entire potential for technical and vocational training in the public-education sector.

They offer few specialisations related to the needs of the national economy. Modeste Gene Roz, in Bata, is the larger of the two centres in terms of the number of trainees and staff. It was attended by 705 trainees in 2006/07, enrolled in one of four curricula: administration, auto mechanics, auto electrics, joinery.

The 12 Octobre centre in Malabo, the capital, is the smaller of the two centres. Though it was opened only recently, it does not have sufficient equipment or qualified trainers. Although the building is new, the situation in the centre is deplorable, thus depriving the young population of an important training institution to prepare them for the workplace.

In both centres, the training is split into three levels. The first level, called "*Officialia*", consists of three years of theoretical and practical studies. The second level, "*Maestria*", provides vocational training, also a three-year course, leading to a vocational masters degree. The third level is a one-year bridge course to vocational training for those who have been through the general education system and is called "*Curso Acceso Technico*" (CAT).

Vocational training in the private sector is very recent in Equatorial Guinea. The main training provided by those centres that do exist is to become secretaries and data-entry clerks.

Vocational training is an important part of the national plan for the development of education for all (EPT), which itself is an integral part of Equatorial Guinea's strategic education programme, the implementation of which is related to all sectors of the country's society. The Economic National Conference held in November 2007 identified vocational training as a priority for government action within the framework of its poverty-reduction strategy (PRSP).

There are no clear statistics on the level of employment in the country, nor on the unemployment rate amongst the working population. Like most other African countries where the young account for more than 60 per cent of the total population, Equatorial Guinea suffers from a fairly high level of unemployment, which is higher in the cities, owing to high levels of rural-urban migration.

Existing training does not meet the needs of today's labour market. Surveys carried out amongst economic operators seem to suggest that unemployment in Equatorial Guinea is due more to an under-qualified workforce than to insufficient vacancies. There is a gap between the needs of enterprises and the skills available. The law on employment prioritises the domestic workforce: at least 65 per cent of professionals hired by an enterprise must be Equatorial Guinea nationals. This percentage is even higher for non-professional staff. New recruits must, if needed, be given refresher training, but unfortunately this is not always sufficient for the staff to acquire the necessary skills. Many enterprises complain that it is difficult to comply with the quotas for recruitment of Equatorial Guinea nationals due to the lack of available skills. The gap between supply and demand in employment is partly filled by hiring foreign workers. The migration policy may, therefore, be used as a strategic lever for a better regulation of the employment market.

The government has introduced a major reform to the vocational and technical training sector. This reform was adopted by the governing council, and it was announced that it would come into force at the start of 2008. The reform focuses on three areas: *i)* modernising the training facilities, *ii)* building up the staff, and *iii)* increasing and diversifying the branches.

To achieve the goal of modernisation, the government has issued a call for tenders to renew and purchase new equipment for both training centres. In addition to machines, the authorities envisage introducing good-quality educational material, particularly computer and audiovisual equipment.

Staff is another government priority. Grants have been allocated for training teachers specialising in specific fields in collaboration with Spanish and French co-operation.

Finally, the authorities have planned the introduction of new branches, based on the evolution of the labour market and the increasing demand of domestic and foreign enterprises operating in the country. The new branches will be: industrial designer, lathe operator, accounting and stock management, and industrial maintenance.

The government authorities remain in charge of funding for vocational training, but the allocated amount is a tiny share of the ministry of national education budget: less than 5 per cent in the past few years.

Some sectors of the economy are expected to contribute towards the funding of vocational training. The state thus issued a decree in 2004 to open a technological oil institute, the Institut technologique du pétrole, which is managed in co-operation with the private sector. In addition to this initiative, the issue of vocational training is relevant to all sectors, especially those targeted for diversification of the economy: fish and aquaculture, finance, tourism and agriculture. Diversification will not be possible without a qualified workforce. An essential task is to identify the vocational-training needs.

Various donors, such as UNESCO, the ILO, and Spanish and French co-operation, jointly finance some projects as part of bilateral or multilateral co-operation with the government or the private sector.

Therefore, if we are to ensure a better match between the skills available on the market and the needs of enterprises, the major challenge in terms of employment is related to vocational training. The training sector is still not provided with sufficient equipment and management staff, and it remains essential to upgrade the sector in order to support the country's socio-economic evolution and enable various economic sectors to develop.

Political Context

Equatorial Guinea is governed by a strong presidential regime. Since taking power in 1979, President Teodoro Obiang Nguema Mbasogo was elected for a new seven-year term of office in December 2002, with more than 97 per cent of the vote.

The current political structure is based on the 1996 constitution, which provides for three branches of power: executive, legislative and judiciary. Executive power is exercised by the president of the republic, who appoints a prime minister as the head of the government, as well as the other members of the government. Legislative power is exercised by the national assembly, whose members are elected by universal suffrage for a five-year term. Judicial power is vested in various courts throughout the country; the highest court is the supreme court of justice. The head of state appoints the president of the supreme court and the other members of the supreme court for a five-year term.

The most recent legislative elections took place in March 2004. The party in power, the Partido Democrático de Guinea Ecuatorial (PDGE), holds an overwhelming majority, with 98 of the 100 seats in the national assembly.

The political field has recently been opened up, enabling various political parties to emerge, such as Convergencia para la Democracia Social (CPDS), Unión Popular (UP), Acción Popular de Guinea Ecuatorial (APGE), Unión Democrática y Social (UDS) and Convergencia Social Democrática y Popular (CSDP).

Over the course of a long process of consolidation of democracy and governance in the country, the foundations have been built for civil-society organisations to operate through two acts of parliament on associations and NGOs.

Social Context and Human Resources Development

Despite sustained growth and a considerable influx of revenues, the social situation in Equatorial Guinea is way behind all expectations. Based on human development indicators (HDIs), Equatorial Guinea was ranked 127th out of 177 countries in the Human Development Report (2007-2008) published by the United Nations Development Programme (UNDP), seven places below its 2006 ranking. This ranking, which places Equatorial Guinea amongst countries with average human development, was reached because of the increase in its per capita GDP and not because of improvements in social indicators (access to public care and services, increase in level of education and training).

Of the total population, 67 per cent were living in extreme poverty (income of less than one dollar a day) between 1994 and 2001. This figure rises to 70 per cent in rural areas, compared with 60 per cent in urban areas. According to a household survey for poverty evaluation (EEH) carried out by Equatorial Guinea in 2006, 76.8 per cent of the population is poor, which translates into a head-of-household poverty ratio of 66.4 per cent. This is a very poor ratio for a country where average income per capita was greater than USD 20 000.

The analysis shows that poverty affects relatively more women than men, and more the rural areas than the urban ones. The health situation in the country remains alarming, despite the relative improvement of a number of human-development indicators. For example, life expectancy at birth has increased to 50.4 years, but the infant mortality rate remains high, at around 123 per 1 000 live births, and the maternal mortality rate is 680 per 100 000 live births. Malaria remains the main cause of death, with 49 per cent of deaths of children under five linked to this disease. These statistics reveal the low coverage of vaccinations against diseases in the country; so far, through the expanded vaccination programme, 32.3 per cent of children have been vaccinated against measles, 34 per cent against tuberculosis, and 32 per cent against diphtheria, tetanus and whooping cough.

The HIV/AIDS prevalence rate has reached 7.2 per cent of the population aged 15 to 49. The government has taken a number of measures to deal with this situation, including strengthening health programmes for mothers and children, setting up a national AIDS council, and creating a capacity-building project, with funding from the World Health Organisation (WHO), to fight against HIV/AIDS.

Health infrastructure is improving, with 300 first-level and second-level health centres and about 10 municipal and provincial hospitals run by a public health-care fund (Ineseso), which pays for about half of the medical costs of the insured. A new 110-bed polyclinic with very modern facilities opened in Bata in May 2007. The new centre provides care in most medical disciplines, but the infrastructure and health equipment are insufficient and not well-maintained.

Despite implementing a plan to deploy the very first students to graduate in medicine, in 2006, these graduates were not evenly distributed between urban and rural areas. The human-resources development plan is not taken into account, thus preventing a rational distribution of human resources and delaying policies from being adopted to motivate health staff in their positions of employment. The government is forced to resort to hiring foreign medical staff, especially Spanish-speaking staff, from Cuba, Argentina and a few European countries.

The insufficient number of nursery schools, primary schools, secondary schools, universities and vocational training centres, and the lack of sufficient infrastructure (drinking water, sanitation, furniture, electricity, computer equipment) are the main problems that the education sector in Equatorial Guinea must deal with. Despite these deficiencies, the level of education is continually improving and primary-school enrolment reached 87 per cent in 2007, while secondary-school enrolment reached 25 per cent. This progress is mainly thanks to the increase in the number of schools in the different regions: there are now 784 primary schools (including 115 private schools) and 71 secondary schools (including 40 private schools); in 2007 there were 1 500 classes, compared with 1 378 in 1999.

Nevertheless, the undertrained teaching body and the lack of appropriate teaching materials hinder qualitative improvements to the education system. Particularly in secondary education, the number of qualified teachers is well below the number needed, especially in rural areas. Most qualified teachers are either members of religious orders or are foreigners, and most work part time. In 2007, the government invested USD 5 million to train 2 000 teachers, 36 educational advisers and 45 education inspectors.

The sector also benefits from the support of many national and international institutions. In 2006, the United Nations had spent more than USD 5 million on training 2 000 teachers. The Spanish agency for international development co-operation (AECID) and the Spanish education ministry have contributed to developing school and university curricula, as have other countries such as France and China. Nonetheless, although the first economic conference, in 1997, allocated 15 per cent of the national budget to education, in recent years this allocation has been reduced: between 2002 and 2007, national expenditure on education represented less than 4 per cent of total government expenditure.

