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July 21, 2022

**Statement by Mr. Alhosani and Ms. Hamzah on Republic of Equatorial Guinea
(Preliminary)
Executive Board Meeting
July 25, 2022**

We thank staff for the well written report, we also thank Mr. Andrianarivelo, Mr. Sidi Bouna, and Mr. Ondo Bile for their useful buff statement. We are in broad agreement with staff's policy recommendations and appraisal. We commend the authorities for their decisive and prudent policy actions following the COVID-19 Pandemic which are helping in boosting economic recovery. Equatorial Guinea has been hit by several shocks including the COVID-19 Pandemic and the Bata explosions in 2021 following a prolonged period of low hydrocarbon prices and decline in real GDP. The conflict in Ukraine is also imposing new global challenges that include higher inflation and increasing food prices. Against this backdrop, we would like to make the following points:

The conflict in Ukraine and global inflationary pressures accompanied by high food prices would impose further challenges and can negatively impact economic activity.

We are pleased that overall macroeconomic conditions have gradually improved with Real GDP expected to grow by 5.8 percent in 2022. However, risks to the outlook remain tilted to the downside with increasing inflation and heightened uncertainty regarding global financial market conditions. As inflation is expected to have risen to 6 percent in 2022 due to overall global inflationary pressures and the impacts of the conflict in the Ukraine, the authorities are encouraged to provide more targeted support and relief measures to mitigate risks, such as subsidization of basic food items for the most vulnerable segment of the population, in the absence of support from a national social safety net. We also agree with staff that the authorities should use the opportunity from the ongoing surge in international oil prices to rebuild sufficient macroeconomic buffers, including via the accumulation of foreign reserves.

Maintaining fiscal discipline over the medium term is key to preserving debt sustainability and addressing long-standing banking sector vulnerabilities. As progress with the clearance of domestic arrears has been slow over 2020-21 due to the pandemic and the Bata emergency, we encourage the authorities to strengthen debt management and clear domestic arrears at the earliest to help strengthen the banking sector and support non-hydrocarbon sector recovery. We take note of the authorities' commitment to maintaining fiscal sustainability by reducing the non-hydrocarbon primary deficit and their adoption of measures to increase revenues including collection of VAT and customs in addition to their advancement on the goal of boosting domestic food production and expanding social safety net programs.

Advancing structural reforms with a view to raising non-hydrocarbon growth and economic diversification is key to ensure sustainable and inclusive growth. We take note of the implementation of the 2035 Development Plan and encourage the authorities to accelerate its implementation including any related reforms to diversify the economy and boost inclusive growth. We also agree with staff that to facilitate diversification, ongoing work on leveraging existing public infrastructure to stimulate new economic activities, such as making the Bata port a trans-shipment hub for Central African countries, should be stepped up. We encourage the authorities to continue to advance on their structural reforms agenda and address key rigidities which may help unleash supplemental sources of revenue. Digitalization can also be a powerful tool to help simplify processes and accelerate financial inclusion efforts which can aid in protecting people in need, especially during emergency situations, as was the case following the Bata explosion. We also positively take note of the enhancement of the online tourist visa and encourage the authorities to continue implementing measures that can strengthen private sector confidence and enhance the business climate.

Finally, we encourage the authorities to utilize all fund resources in addressing any statistical shortcomings and capacity development needs.

With these remarks, we wish the people of Equatorial Guinea all the best and the Equatoguinean authorities success in their future endeavors.