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IMF Executive Board Approves US$ 282.8 Million Three-Year Extended Fund Facility Arrangement for Equatorial Guinea

- *The IMF-supported program aims at maintaining macroeconomic and financial stability, while improving social protection, fostering economic diversification, strengthening governance and fighting corruption.*
- *The authorities' program builds on the country's efforts in recent years to reduce macroeconomic imbalances and address macro-critical governance and corruption challenges facing Equatorial Guinea.*
- *Executive Board decision allows an immediate disbursement of an amount equivalent to SDR29.287 million (about US$ 40.4 million) to Equatorial Guinea.*

On December 18, 2019, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the IMF's Extended Fund Facility (EFF) for Equatorial Guinea in an amount equivalent to SDR205.009 million (about US$ 282.8 million, or 130 percent of Equatorial Guinea's quota in the Fund). The arrangement is intended to support the authorities' three-year economic program, which aims at further reducing macroeconomic imbalances and addressing financial sector vulnerabilities; improving social protection and human capital development; promoting economic diversification; and fostering good governance, increasing transparency and fighting corruption—all with the overarching aim of achieving sustainable and inclusive economic growth. Equatorial Guinea's Fund-supported program will also serve as a mechanism to catalyze additional external resources as well as contribute to rebuilding CEMAC regional reserves.

The IMF Executive Board's decision enables an immediate disbursement of SDR29.287 million, about US$ 40.4 million. Disbursement of the remaining amount will be phased in over the duration of the program, subject to semi-annual reviews of the Fund-supported program by the Executive Board.

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

"In recent years, the Equatoguinean economy has been impacted by a sharp decline in oil prices and a secular decline in hydrocarbon output, which led to large macroeconomic imbalances and negative economic growth. The economy has also been affected by longstanding governance and corruption problems. While the authorities have taken steps to address these challenges, a more comprehensive approach is needed to tackle them effectively and achieve sustainable and inclusive growth. Strict implementation of the authorities' commitments and adherence to a firm timetable is essential.

"Against this background, the authorities' program aims to: (i) preserve macroeconomic and financial stability; (ii) improve governance and fight corruption; (iii) support human capital development and improve social protection; and; (iv) promote economic diversification.

"Increasing transparency, improving governance and fighting corruption are critical to improve socio-economic outcomes. Priority should be given to: (i) strengthening the anti-corruption framework by addressing conflict of interests and adopting and enforcing a robust asset declaration regime for senior public officials; (ii) fostering hydrocarbon sector transparency, including the publication of all active oil and gas contracts, the audits of GEPetrol and SONAGAS and reports on hydrocarbon sector data and information as well as through EITI membership; (iii) further improving public financial management (PFM); and (iv) strengthening the rule of law and the AML/CFT framework. In support of the program, the Fund will also conduct a fiscal safeguard review in early 2020. Strict and full implementation of these measures is essential.

"Sustained fiscal consolidation is necessary to address the permanent decline in hydrocarbon revenue, maintain debt sustainability, and strengthen the external position. This requires further reducing low-efficiency capital expenditures, increasing non-hydrocarbon revenue and continued improvement in PFM. At the same time, the composition of expenditure needs to shift away from capital outlays to create space for higher social spending.

"Clearance of government domestic arrears will help reduce high non-performing loans and strengthen the banking system, boosting private confidence and allowing banks to support the recovery of the non-hydrocarbon sector. Early action is needed to address the issue of undercapitalized banks.

"Reforms to improve the business environment and promote economic diversification are also critical to support sustainable and inclusive economic growth."