

Budget

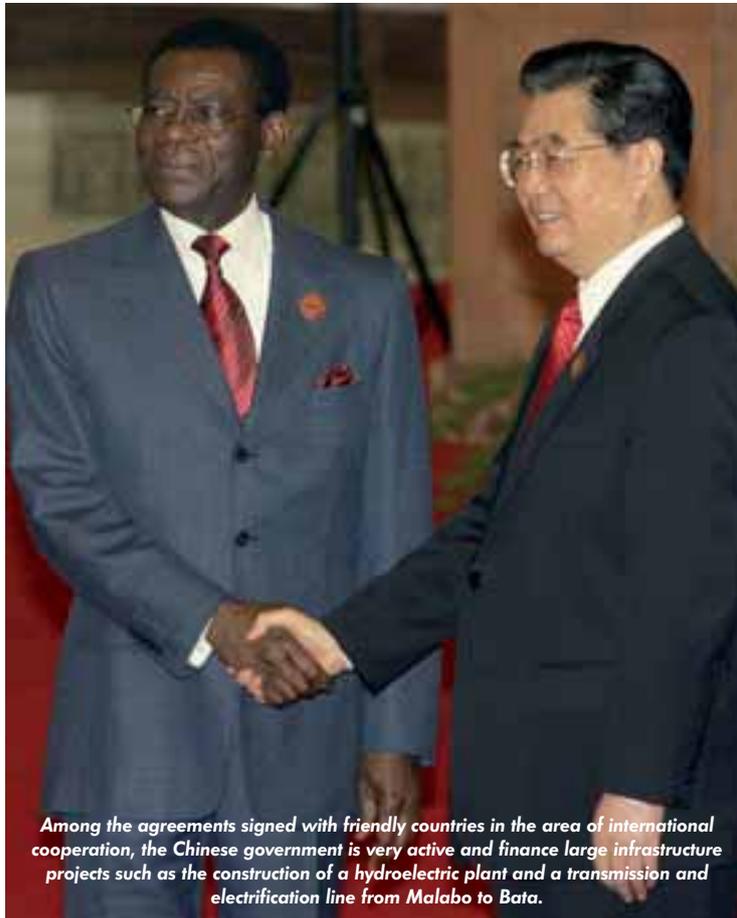
A FISCAL POLICY GEARED TO PERFORMANCE

Stable macroeconomic guidelines and the optimization of budget management form the bases of Equatorial Guinea's current economic performance.

Sound public finances, comfortable foreign currency reserves, and debt under control and firmly oriented towards developmental aims, these are the main features of the fiscal policy of Equatorial Guinea, which enable it to resist the potential temptations of petroleum revenues. The Minister of Finance and Budget likes to remind us precisely of this point – everything must contribute to laying the way for a brighter future and a legacy of a financially successful and healthy country. Thus the debt, which is limited to 5% of GDP, serves mainly to finance development projects, since Equatorial Guinea has signed agreements with friendly countries in the area of international cooperation – with the Chinese government, for example, to finance large infrastructure projects throughout the country, such as the construction of a hydroelectric plant and a transmission and electrification line from Malabo to Bata... *“These infrastructure projects, whose profitability is guaranteed, should generate earnings in the future that will make them self-financing. However, in terms of GDP percentage, the financing cost of these projects is very low and does not present any risk of default in terms of CEMAC criteria for multilateral convergence”*, the Minister of Finance and Budget reassures us.

This positive management of public finances is achieved in close collaboration with the specialized services of the International Monetary Fund (IMF), a financial institution known for its adherence to the principles of budgetary stability and macroeconomic

guidelines, which participates in the optimization of fiscal management in consultation with Equatorial Guinea under article IV of its statutes. Indeed, according to this article, the



Among the agreements signed with friendly countries in the area of international cooperation, the Chinese government is very active and finance large infrastructure projects such as the construction of a hydroelectric plant and a transmission and electrification line from Malabo to Bata.

IMF has a mandate to monitor the economic, financial, and exchange policies of its members, so as to insure the efficiency of the international monetary system. The IMF's evaluation of such policies implies a complete analysis of the general economic situation and political strategy of each member country. IMF economists visit the member country, usually once a year, to collect and

analyze data, and to hold meetings with central bank and government officials. After these consultations, the team submits a report with recommendations for the authorities to the governing board of the IMF for discussion.

Thus, one of the major challenges facing Equatorial Guinea is that of diversifying its sources of budgetary revenue, an objective the authorities have already demonstrated a considerable commitment to achieving. By doing so, the aim is to avoid the syndrome of years with lower petroleum revenues, since following the minor oil crisis of 2008, oil revenues fell somewhat, causing a gap between projected and real revenues. But this situation has not prevented the country from continuing its impressive program of modernizing the economy through the construction of infrastructure and the strengthening of competitiveness in certain emerging sectors through targeted spending.

So as to reinforce these non-petroleum revenues to maintain its investment capacity intact, and to cover administrative expenditure, the government also plans to modernize its fiscal and customs administrations. These reforms are being made in consistency with the guidelines issued by the Economic and Monetary Community of Central African States (convergence indicators of the regional economic program of the CEMAC), an economic community in which Equatorial Guinea plays a leading role.

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