Report on Investment Business Climate in Equatorial Guinea

February, 2012

Government of the Republic of Equatorial Guinea

Ministry of Economy, Trade and Business Promotion

United Nations Development Program (UNDP)

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Abbreviations and Acronyms

ADB	**African Development Bank**
CEMAC	**Community of Central African States**
CSOs	**Civil Society Organizations**
EG	**Equatorial Guinea**
EU	**European Union**
FCFA	**Central African CFA Franc**
GDP	**Gross Domestic Product**
GF	**Guarantee Fund**
GSP	**Generalized System of Preferences**
HDI	**Human Development Index**
ICSID	**International Centre for Settlement of Investment Disputes**
IDB	**Inter-American Development Bank**
IFC	**International Finance Corporation**
ILO	**International Labor Organization**
IMF	**International Monetary Fund**
LAC	**Latin America and Caribbean**
LNG	**Liquefied Natural Gas**
LPG	**Liquid Petroleum Gas**
MIGA	**Multilateral Investment Guarantee Agency**
MSME	**Micro, Small and Medium Business**
OECD	**Organization for Economic Cooperation and Development**
OHADA	**Organization for the Harmonization of African Mercantile Law**
UNDP	**United Nations Program for Development**
SGR	**Mutual Guarantee Companies**
SIMTRA	**Streamlined Procedures SIMTRA, FUNDES, IDB 2010**
SMEs	**Small and Medium Enterprises**
SSA	**Sub-Saharan Africa**
UDEAC	**Customs and Economic Union of Central Africa**
USA	**United States of America**
WB	**World Bank**

EXECUTIVE SUMMARY

Sub-Saharan Africa (SSA) has had a significant participation among high growth countries, given that between 2001-2011, 6 countries among the top 10 belong to this region, and the IMF estimates for the next five years the share will be even higher, reaching 7 from 10 countries, with some projections from private banks that have significant regional coverage, such as Standard Chartered estimate 7% growth for the next 20 years. This is the background against which this study for Equatorial Guinea has been developed.

Given the population, market size, the managerial, technological, commercial and entrepreneurial capacity existent in Equatorial Guinea (EG), **growth and development of the country should be based on the export and production of tradable goods and services that meet both the needs the internal and the external markets and the development of economic and social** infrastructure as well as the construction and provision of housing, public works and social services aimed at welfare of the population.

The country has an abundant wealth of non-renewable resources being used properly, which set the stage for the diversification of its economy and improvement of economic infrastructure and social conditions. On the other hand, Equatorial Guinea has a number of renewable natural resources: forests, land, fertile soil, adequate rainfall and climate, compared to the rest sub-Saharan Africa in which only 5% of agricultural land has irrigation, being therefore subject to frequent droughts and famines.

The country is also endowed with an abundant marine and aquaculture capacity for fisheries. The recent improvement of roads allow reasonable access to land to put into production potential of agricultural production, livestock, poultry and forestry as well as the potential for developing sustainable tourism. **The development of agribusiness sector are key because the high relative price of food contributes to the high cost of living and ¨consumption basket¨ with consequences on real wages and competitiveness of labor intensive goods and services which could be easily replaced by domestic production creating jobs and replacing imports.**

The same thoughts apply for other labor-intensive products with high potential, which could be produced as high quality goods to supply the domestic, foreign or niche markets, as applicable, for which it is necessary to regulate and organize the situation of land tenure, since there apparently is abundance of both private and public land to that could be developed and what lacks is a strategy regarding the choice of sectors and strategic partners to set up a business structure and supply value chains.

Also, there should be a convergence between the provision of infrastructure and services, domestic and foreign investment, disaggregate global strategies and policies at sector and territorial, and local levels.

A similar situation occurs in the industrial, manufacturing and service sectors for which it would have to work with a very specific and focused approach, based on some preliminary guidelines and directives outlined in the Industry Congress held in Malabo on November 21 and 22, 2011.

Although there should be no discrimination as to the origin of foreign investors and their links with local partners, most likely dominate those which have already invested in Equatorial Guinea in recent years, and these are from the originate in the U.S., China, and especially European Union countries which may have more limitations for investment in the coming years, due to slow economic recovery faced by developed OECD countries with respect to emerging market countries, which is why the promotion policy should be more effective and proactive.

It must be clarified that the legal-institutional regime of Equatorial Guinea has been analyzed only for the purpose of determining to what extent it requires a revision and update in light of new conditions and policies that the Government wants to establish, which the case of SMEs and labor legislation is.

It is important to strengthen and develop the public sector and civil society organizations and the creation of a Center for Promotion of Private Investment to coordinate this activity, which should be provided with an adequate structure, human, material and financial resources and appropriate managerial capacities.

There is agreement by the foreign private sector and representatives of embassies in general about the uncertain process of visa provision is a barrier to conducting business in addition to promoting tourism in EG. The Government should apply clear and transparent rules that consider the needs of potential investor's visas, for Directors, Managers of existing companies that supply goods and services, skilled labor which is not available in the country, for tourism and specialized agencies which provide technical assistance and cooperation.

The general labor market conditions indicate gaps in technical and vocational training and training is needed to compete in agriculture and industrial production sectors. In particular, the existence of a strong predominance of the hydrocarbon sector leads to high compensation and employment contracts for this trade enclave that hinders the development of other sectors. The labor market requires regional harmonization and training programs to mitigate the effects of a probable "Dutch disease" in sectors not related to hydrocarbons.

As for the Business Climate, this is basically analyzed based on the study of the ¨ Doing Business Report International Finance Corporation (IFC) World Bank (WB) in 2012 and fieldwork in Malabo from 9 November 22, 2011. The matters which have been prioritized are: **simplification of procedures to start a business, access to financing, promotion of MSMEs, simplification and tax management, payment of taxes, registration of contracts, management of foreign trade and sub regional harmonization labor standards.**

We recommend creating a Center for Promotion of Private Investment in Equatorial Guinea which should be responsible for promoting private investment and business climate for EG, coordination of activities with sector ministries and agencies in this area, monitoring and evaluation of the plan to improve overall business climate and sector actions.

I. Introduction and objectives of the study

Equatorial Guinea has had sustained economic growth driven by the hydrocarbons sector, which began operating in 1992 and growing since 1996 with a noticeable increase in foreign direct investment led by U.S., Chinese, French and Spanish companies, between that period and the present.

Between 2008 and 2012 the Government of Equatorial Guinea launched a New Stage of Economic and Social Progress, whose pillars were: diversification in the production of petroleum and petroleum products, construction of basic infrastructure, modernization of the public administration, the establishment Agenda of the Horizon 2020 Diversification, investment in information and communication technologies (fiber optics). This will create the basis for sustainable development, economic diversification and improvement of social conditions.

Particularly, anticipating that the production of hydrocarbons horizon in 2009 was 15 years, at the production rate of recent years, there is the implicit risk of being subject to external shocks, which means being dependent of the fluctuations in the prices of ¨commodities¨ in the international markets.

The main objective of this study is to identify the core elements of the country's investment framework that limit the capacity to attract more private investment, both domestic and foreign, and to develop concrete proposals to address key bottlenecks / limitations found. What has been proposed is a practical analysis with specific operational recommendations for Equatorial Guinea. The expected outputs of this work include:

1. Clear and precise identification of the main elements of the investment framework of Equatorial Guinea that limit the attraction of more private domestic and foreign investment.

2. Specific operational recommendations to address the main bottlenecks / constraints found that limit the attraction of more private domestic and foreign private investment as well as the expansion of the existing one.

3. The presentations of the study as required.

4. One or two conferences on successful experiences in attracting investment, identifying potential lessons learned.

To do this work, a review of the country´s socioeconomic background was done with the purpose to serve as a framework to move from operational proposals for business and investment climate to sector strategies and actions.

The mission appreciates the support and cooperation provided by the Economist Glenda Gallardo, Senior Economic Advisor, Mr. Leo Heileman, RC / RR, Mr. Nuno Queiros DRR, from UNDP, Bienvenido Osa Micha, UNDP Program Officer, the Minister of Economy, Trade and Business Promotion, Excellency Francisca Tatchouop, officials and consultants who accompanied the mission permanently during his fieldwork Mr. Lic. Gil Eyi Alu Nsuga, Dr. BienvenidoNvo Nvo, the Director-General for Economics

Illustrious Mr. Don Francisco-Javier Bela Boya, Deputy Minister of Justice, Excellency Sergio Esono Abeso Tomo and Dr. NJ Ayuk JD, MBA LLP Law firm EG Centurion. Operational recommendations are accompanied by an institutional proposal and that of a Monitoring and Evaluation system to accompany its implementation.

This work consists of the following chapters: socio-economic situation of Equatorial Guinea; foundations for private sector growth; legal and institutional framework of Equatorial Guinea; Business and Investment Climate; Conclusions, Recommendations and Next Steps; Interviews and Background.

II. Socioeconomic situation of Equatorial Guinea

Global Framework

Many have noted with interest the rise of so-called BRIC countries (Brazil, Russia, India and China) and the movement of economic power towards the East as Asia advanced with respect to the rest of the world.

However, the surprising success story lies elsewhere, since between 2001-2010 of the 10 fastest growing countries worldwide The Economist[2] reported that at least 6 were in Sub-Saharan Africa (SSA) (11.1 Angola %, Nigeria 8.9%, Ethiopia 8.4%, 7.9% Chad, Mozambique 7.9%, Rwanda 7.6%, the countries considered had populations over 10 million people) all with annual growth rates about 8%.

In the two decades prior to 2000 only Uganda was among the top 10, with the other 9 countries in Asia. IMF projections for 2011-2015 are that 7 SSA countries will be among the 10 economies of high growth rates. In a long-term projections assume that Africa will grow at 7% annually over the next 20 years, slightly higher than China. Thus SSA faces several challenges: the high population growth, dependence on commodities by some countries, the need to diversify their economies and exports, political and institutional instability, corruption, weak rule of law, bottlenecks in infrastructure, insufficient coverage and quality of health and education.

Equatorial Guinea

Equatorial Guinea has a high economic growth led by oil, with an average growth rate of 6.6% in the last three years. IMF projections for 2011 are for growth of 7.0%. The GDP is US$ 12 billion, while GDP per capita of US$ 11 billion which EG as a high-income country, with the rate of investment / GDP 2011: 35.3%. The inflation rate projected for this year, not significantly different from those of the last three years: 6.5%. The public debt / GDP are estimated as 8.5%. Hydrocarbon exports in 2011 reached US$ 13.4 billion.

Equatorial Guinea's population is approximately **1,044,000 inhabitants (Census 2001),** with a birth rate of 2.8%, a life expectancy of 51 years, a fertility rate of 5.3%, the level of literacy rate covers 93% of the population, while sanitation reached 60% of the population in 2005. EG in 2011 occupied the Human Development Index (HDI) position136 out of 187 countries which corresponds to a 0.537 score.

[2]A more hopeful continent: The lion kings? The Economist January 8th 2011.

Of the total area of 28,046 km2 surface covered by the country, 16,000 km2 are forests with precious hardwoods but with a wide variety due to the fact that it is natural forest, only 11,000 km2 are agricultural land, with the current contribution of agriculture to GDP being 3% (in 2000 was 10%) which gives an idea of agriculture and forestry potential of the country.

Economic developments in recent decades are marked by the beginning of oil exploitation in 1992 and had its peak in1996. Since then the economy has grown by over 30% annually, on average, becoming the engine of growth in the region of Central Africa, using the National Development Plan, called ¨Horizon 2020¨ approved in 2007 as a framework public investments.

Currently, Equatorial Guinea is the third largest oil producer in Sub-Saharan Africa after Nigeria and Angola, with more barrels per capita than any country in the region. Hydrocarbons accounted in 2009 for about 72% of real GDP (59% extraction and 13% processing), over 95% of exports and 93% of government revenues.

Most of the US$ 11 billion dollars of direct foreign investment in Equatorial Guinea, since the mid-'90s, came from U.S. companies. The discovery of large deposits of oil and gas in the '90s has transformed the economy of Equatorial Guinea into the fastest growing economy in Africa and major investment destinations in the continent especially considering the compatibility the Gulf of Guinea oil with refineries in the Gulf of Mexico and the USA.

Indeed, Equatorial Guinea's economy is mainly based on the extraction and processing of hydrocarbons, with an average percentage of value added estimated at over 85% before the crisis of 2009, for a total production of 300,000 barrels / day. There is a reserve estimate at 2009 of 1,700 million barrels of oil equivalent to 15 years of operation at current production rates.

Furthermore, the use of liquid gas and derivatives (condensates of oil among others), to obtain three final products for export: liquefied natural gas (LNG), methanol, and LPG (liquefied petroleum gas, butane and propane). In the future there are also various initiatives of extraction, production and generation of added value.

Economic development of Equatorial Guinea started with the production of its oil resources which began in 1992 but experienced a real boom in 1996. Between that year and 2008 nominal GDP at current prices has increased by 56, with a cumulative annual growth rate of 36%. Since then, the Equatoguinean State started using its oil profits as a ¨wealth fund¨, first to return the investments made, as well as to share the significant savings with future generations (intergeneration fund) and start an ambitious public investment program.

The growth in previous years has been heavily influenced by the tremendous development of the oil extraction industry with a growth of 10.7% in 2008 and 5.3% in 2009. The real engine of economic activity is public investment (about 80% of public expenditure), being allocated apparently, for the most part, on a discretionary basis by the public sector; also the public finances have an intergenerational savings fund with which they can make real growth independent from domestic spending.

Primary Sector

The agricultural sector has declined since the beginning of the oil era. From being an agricultural powerhouse based on cocoa and coffee, which were the main export products the current activity is very limited given that cocoa production reached less than 1,000 tons per year, with the rest of the agricultural production low, and at subsistence levels. The figures provided by the African Statistical Yearbook 2011 are: 45,000 tons cassava, sweet potato 36,000 tons, 31,000 tons bananas, and 6,000 tons coconut.

An important part of the nutritional needs of fruit and vegetables are provided from abroad, which is the case of Cameroon, for lack of supply and organized farms. The causes of the underdevelopment of agriculture are related to competition with other sectors for the factors of production and the high cost of inputs to which it is necessary to add the lack of incentives.

With regard to lumber production and exports in 2008 it amounted to US$ 65 million. The sector activity is carried out exclusively in the continental mainland and after years of being one of the main sources of national income it is currently at a moderate level of exploitation as an outcome of a law that gives priority to the first transformation in the country by banning the export of round wood or raw.

Given that the fishing industry is one of the sectors identified by the Government as key for the diversification of production in the medium-term. **However, the country does not have fishing ports or fish processing plants**. There are no community agreements so that fishing companies have private agreements, primarily for tuna fishing and other migratory species; fishing is done by large industrial type boats unloading the catch in other countries. In coastal areas, small artisanal fishing that barely covers national needs is done. Recent estimates put the potential at 75,000 tons (55,000 tons on the offshore platform and 20,000 in the continental mainland).

Finally, there is a potential for mining of iron, gold and other minerals, which has not been explored or exploited yet.

Secondary Sector

In the secondary sector the hydrocarbon processing sector stands out and especially in recent years due to the rate of investment of the State the construction sector. Regarding hydrocarbon processing capacity as of 2009 there was further value added due to the production of liquefied gas (LNG), methanol and liquefied petroleum gas (LPG).

With regard to construction, in the country there are over 100 construction companies, of which several dozen are active representations, while some large multinationals with active portfolios are being installed such as Vinci, Bouygues, Somagec or Audebrecht. The sector's gross added value estimated by the IMF in 2009 was 1,600 M Euro.

The rest of the secondary sector´s activity occurs in the power sector and to a much lesser extent the ancillary industries linked to construction such as small sawmills carpentry workshops, workshops aluminum, and precast concrete floors.

In the food sector there are several bottlers of beer, water and soft drinks.

Tertiary Sector

Regarding transport, the isolated character of the country facilitates the development of a number of airports and ports to connect the country. Malabo International Airport is regional head of several countries, through the Ethiopian Airlines, Kenya Airways and local Ceiba, and has connections with several European airlines such as Iberia, Air France, Lufthansa and Air Europa.

In telecommunications, according to the African Statistical Yearbook 2011, the country had in 2008 15 fixed lines per 1,000 inhabitants, 525 mobile phones per 1,000 inhabitants and 14,400 Internet users in 2010, a penetration rate of 2.2%. The main problem is lack of communications abroad to internet through fiber optics (a project that is expected to be completed in 2012 by putting into operations the Trans African Cable ACE).

There are currently three mobile telecommunications operators: GETESA-ORANGE-; HITS-TELECOM; GECOMSA; one fixed telephony operator: GETESA-ORANGE and several Internet service providers: IPX, and GETESA GUINEANET-ORANGE.This is a sector whose development is essential for competitiveness and development of other economic and social areas of the country.

Regarding the financial sector there are four banks in the country: CCEI Bank, SGBGE, BGFI and BANGE and one being installed, ECOBANK, the areas with greatest potential for development is the means of payment and access to credit, with insurancebeing an area of limited development, but with great potential because of the Government's efforts to boost the sector.

With reference to the electricity sector, there is only one supplier, and because SEGESA explosive growth in electricity demand there are permanent shortages, and there are currently several projects underway to extend the distribution network and provide a substantial increase of the supply generation that will enable to ensure in the medium-term the supply in major cities. According to the African Statistical Yearbook 2011, domestic production in 2007 was 95 million kWh.

The Development Plan ¨Horizon 2020¨ identifies as possible sources of growth and economic diversification and job creation: fishing and aquaculture, agriculture, aimed at food security and import substitution, with limited scope for export of traditional agricultural commodities, transport services, through ports and roads. The official events including tourism, ecotourism and financial services are also mentioned.

According to the Department of Statistics, Ministry of Planning, in 2001 unemployment was 30%, with no current data on this subject, although the World Bank gives a figure of 6.4% for 2004.

Moreover, as noted above, in the HDI for 2011 Equatorial Guinea is ranked 136 in the Human Development Index (HDI) out of 187 countries which corresponds to a 0.537 score.

Equatorial Guinea is a member of the Economic and Monetary Community of Central Africa (CEMAC) as such it applies to imports from third countries a common customs tariff. It can also qualify for trade benefits granted under the Generalized System of Preferences (GSP) scheme for industrialized countries. Also, Equatorial Guinea is a signatory to the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP). Equatorial Guinea was a signatory to the Cotonou Agreement, signed in Benin on 23 June 2000 which regulated relations between the European Union (EU) and 71 African, Caribbean and Pacific (ACP), but expired at the end of 2007. Equatorial Guinea is not a WTO member, but has filed an application for membership.

With the addition of Equatorial Guinea in 1993 to the OHADA, the Organization for the Harmonization of African Business Law, the country seeks to reduce the mistrust with the legal system of the country betting on the unification of standards with 16 neighboring countries that signed the agreement accession in 1993.

The major exporting countries to Equatorial Guinea have been China, USA, France, Spain, the UK and Italy, in that order. There are other informal flows some African countries such as Morocco, Ivory Coast and Cameroon. The main export items are to the petrochemical and energy sector to import machinery and industrial equipment for the development of its activities in the construction industry, which imports machinery and construction materials, fuels and consumer goods, especially vehicles, food and drinks.

The main importing countries are the U.S., Spain, Canada, China and Brazil, in that order. As major oil and gas exports and its derivatives followed by long-range timber and cocoa.

III. Basis for Private Sector Growth

The basis for the current private sector growth of EG is:

- Macro Global Business Environment which sets the rules for markets and international trade, allowing competitive access to market opportunities

- Stable domestic macroeconomic environment to which contributes the fact that Equatorial Guinea (EG) belongs to UDEAC / CEMAC and the currency is F CFA.
- Investment in Physical and Social Infrastructure performed in recent years allows EG a prominent position compared to other countries in the Central Africa sub-region and within sub-Saharan Africa
- The Rule of Law is an area in which the Government is placing increasing emphasis within its policy of productive diversification

The Pillars of Entrepreneurship for Private Sector Growth should be:

- *Leveled playing field, that requires a system of rules and enforcement capacity* that inspires confidence and reasonably limit the costs to businesses by promoting entrepreneurship, competition and growth.
    - *Rules of admission, operation and exit of firms* which ensures competitiveness and renewal of these.
    - *Tax reform: simplification, transparency, stability*, allowing the formalization and expansion of the tax base.
    - *Financial reform and access to capital*: Creating domestic financial markets that allow access to MSMEs by strengthening the business climate and financial institutions is the fuel that allows the growth of real sector of the economy.
    - *Development of human skills and knowledge* are what allow increased productivity, competitiveness and thus sustainable wages and incomes.

The Need for Investment in Human Capital

For countries with high concentration of income from export sectors based on nonrenewable resources, investments in improvements of skills, professional, technical and business capacities of its workforce are essential to achieve high levels of productivity and sustainable development.

The greatest resource of EG are its human resources, therefore programs which entail investments in human capital are of high priority and should include:

- Training of senior public sector management in priority areas of government administration.
- Development programs in business management. Agreements with leading institutions.
- Training programs and internships in key industrial sectors.
- Programs Scholarships and internships abroad university in areas and sectors identified as priorities under EG Horizon 2020.
- Strengthening schools and technical training programs.

IV. The Public Sector and Civil Society Organizations in Equatorial Guinea

EG´s institutions are relatively new, since only it became independent only 43 ago and therefore needs to strengthen its institutions.

This incipient public sector requires strengthening and development due to the active role it plays in promoting development, because of the importance of the hydrocarbons sector, on the one hand, as well as for the development and operation of infrastructure and utilities, both economic and social on the other.

This requires a state that can plan and manage public works, regulate public and social services as well as fulfill its role in development and welfare.

There also is a role for the state with the private sector and civil society regarding the provision of: education, health and social welfare, employment and labor regulation.

Moreover, the state also has a role in promoting the development of infrastructure and economic services and promotion of private investment, entrepreneurship and MSME in the provision, operation and regulation of infrastructure and public services, energy, hydrocarbons and derivatives; strategic sectors established by Agenda 2020, MSME promotion strategies, and development of financial instruments.

The, so far, poorly developed Civil Society Organizations (CSOs), which therefore have to be strengthened, may play an articulating role between business, society and the State, fulfilling different functions of training, promotion, organization, etc.

It is important to promote the development of civil society organizations (CSOs) representing: Productive sectors; Professionals and business sectors; Micro, small and medium enterprises; Social sectors; Community sectors.

Corporate Social Responsibility should also be promoted among large and medium enterprises operating in the country.

V. Institutional Framework for Investment

1. Supranational regulatory and / or Communitarian

- Integration of Equatorial Guinea in the economic circle of Central Africa (UDEAC / CEMAC).
- Legal Framework for Investment and SMEs.
- Common convertible currency (CFA Franc).
- Legal security of investment fitted into the framework of the Organization for the Harmonization of Business Law in Africa (OHADA).

- Uniform Act of commercial law
- Uniform Law on commercial companies
- Uniform Law on warranties and guarantees.
- Uniform Law on credit recovery and coercion.
- Uniform bankruptcy law
- Uniform Arbitration Act
- Uniform Accounting Law Act

2. Economic Governance and Corporate Governance

The New Partnership for Africa's Development (NEPAD), is a program of the African Union (AU), adopted in Lusaka, Zambia in 2001, aimed at increasing thegrowth, development and participation of Africa in the global economy, is an attractive regional option GE. CEMAC countries such as Gabon, Cameroon and Congo have participated in this program. The diversification proposal, developed by the OECD for Africa working together with NEPAD, as well as the promotion of thealliance of the public and private sectors for development encourage EG to take this path.

NEPAD considers it is essential that the development of Africa and the regional cooperation programs are carried out in the context of economic and political governance. The **African Mechanism of Peer Review (APRM)** is a mutual agreement, voluntarily adopted by Member States of the African Union, to promote and enforce standards of governance. The peer review mechanism is a mechanism of self-monitoring.

The mandate of the Mechanism is to ensure that policies and practices of participating countries conform to agreed values in the following four areas of government: democracy and political, economic governance, corporate governance and socio-economic development. As part of the mechanism is periodic reviews of the participating countries to assess progress towards achieving mutually agreed objectives. It should be highlighted that there is no conditionality for the peer review mechanism.

Although NEPAD analyzes 4 areas: democracy and governance, economic governance and management policy, corporate governance and socio-economic interests in this case:

Economic governance and management:
The good economic governance, including transparency in financial management is an essential prerequisite for economic growth and poverty reduction.

Corporate governance:
This area focuses on the promotion of ethical principles, values and practices that are in line with the broader social and economic objectives for the benefit of all citizens. It works to promote a sound framework for corporate governance. Under the area of economic and corporate governance for the following purposes:

- Strengthen capacity of Member States to ensure good corporate governance and management development programs;
- To help improve the technical aspects of procurement processes;
- Strengthen capacity to monitor and control the programs and projects to support efforts to strengthen the ability of firms to implement flagship programs and projects;
- Promote an enabling environment for business and an effective regulatory framework for economic activities;
- Improve accountability of companies;
- Empower the Diaspora and to create conditions that allow them to play an active role in the development, democracy, conflict prevention and post-conflict reconstruction processes;
- Promote macroeconomic policies that support sustainable development;
- Support the implementation of sound, transparent and predictablepublic policies,and
- Promote good management of public finances.

Progress to date has been the following:
From the January 29, 2011, the Peer Review Mechanism (APRM) had 30 member states: Algeria, Angola, Benin, Burkina Faso, Cameroon, Congo, Djibouti, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Liberia , Malawi, Mali, Mauritania, Mauritius, Mozambique, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Uganda and Zambia.

Between January 2006 and January 2011, 14 member countries have gone through peer review: Ghana, Rwanda, Kenya, South Africa, Algeria, Benin, Uganda, Nigeria, Burkina Faso, Mali, Mozambique, Lesotho, Maurice and Ethiopia.

3. Multilateral Investment Guarantee Agency (MIGA) World Bank Group

The Multilateral Investment Guarantee Agency (MIGA), part of the World Bank Group, promotes foreign direct investment-FDI- in its membership of 175 countries, including EG. For this purpose, MIGA provides insurance to companies that invest in member countries for political risk guarantees and advisory services, training, support and mediation.

MIGA is governed by the Executive Board of the Bank. The MIGA member countries have committed a capital of U.S. $ 1,150 million to the institution, which has already paid 20 percent. The Agency also operates through retained earnings.

MIGA insures eligible projects against losses related to currency transfer restrictions, expropriation, war, civil disturbance and breach of contract. This strengthens the confidence of lenders and investors. MIGA insures investments of the private sector from member countries aimed at developing countries up to 15 years. These investments include shares, shareholder loans and shareholder loan guarantees.

The objective of MIGA's operational strategy is to attract investors to the difficult operating environment by encouraging developing countries to reform their investment environment and address investors' perceptions towards political risk. It focuses on areas where there is greater potential to promote change, such as areas affected by conflict and South-South investment.

Since its inception in 1988, MIGA has issued guarantees for over US$ 21 billion to more than 600 projects in 100 developing countries. In fiscal 2009, MIGA issued US$ 1,400 million in investment guarantees for 26 projects. Sub-Saharan Africa, despite being a strategic priority, received only US$ 50 million in guarantees for 10 projects. Eastern European and Central Asia regions received the largest volume of guarantees, designed to support the banking sector in the region hit by the global financial crisis.

The financial sector accounts for the bulk of MIGA's gross portfolio (47 percent), followed by the infrastructure sector with a share of 35 percent, while agriculture, manufacturing and services take 11 percent. The oil, gas and mining sector projects represent 7 percent of the portfolio of the Agency.

MIGA supports the type of investment projects that have a good foundation in development and meet high environmental and social standards, by applying its own set of safeguard policies. However, these policies are modeled on the much-criticized performance standards of the IFC (International Finance Corporation)

MIGA also offers other services as part of its overall effort to encourage foreign direct investment in the developing world. Together with the Foreign Investment Advisory Service (FIAS-World Bank Group), MIGA helps developing member countries to present themselves as suitable investment destinations for potential foreign investors. Areas of assistance include strategic planning, marketing and obtaining project financing from private banks.

For over 10 years MIGA has operated a series of online information services, providing information to international investors about investment opportunities through Web sites (fdi.net) and the Center for Political Risk Insurance - Political Risk Insurance Centre (pri-centre.com).

MIGA also helps to resolve investment disputes and the legal staff of MIGA provides advice to member governments regarding the negotiation of bilateral investment treaties and other investment-related issues. The Agency may mediate in conflicts between states and investors not guaranteed by MIGA, if disputes "hinder further investment in the country." In such circumstances, MIGA seeks compensation for its mediation services.

Due to its characteristics and objectives, although EG is a member of MIGA, the appropriateness and potential attractiveness to current and potential investors in the country of MIGA must be further analyzed.

4. The Convention on the Recognition and Enforcement of Foreign Arbitral Awards

The Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the ¨New York Convention¨ was adopted by a diplomatic conference of the United Nations on 10 June 1958 and entered into force on June 7, 1959. The Convention requires courts of contracting states to comply with private agreements to arbitrate and to recognize and enforce arbitral awards made in other contracting states. Widely regarded as the key instrument for international arbitration, it applies to arbitrations that are not considered as domestic awards in the state where the application for recognition and enforcement. Although other international conventions apply to cross-border enforcement of arbitration awards, the New York Convention is by far the mostimportant.

In 1953, the International Chamber of Commerce (ICC), produced the first draft Convention on the Recognition and Enforcement of International Arbitral Awards to the Economic and Social Council of the United Nations. With slight modifications, the Council introduced the convention of the International Conference in the Spring of 1958. The Conference was chaired by Willem Schürmann, the Dutch Permanent Representative to the United Nations and Oscar Schachter, a leading figure in international law who later taught at Columbia Law School and Columbia School of International and Public Affairs, and served as President of the American Society of International Law.

International arbitration is an increasingly popular alternative dispute resolution for cross-border commercial transactions. The main advantage of international arbitration through the courts is its applicability: an international arbitral award is applicable in most countries. Other advantages of international arbitration include the ability to select a neutral forum to resolve disputes as arbitral awards are final (not subject to appeal) and not subject to ordinary forms, the ability to choose flexible procedures for the arbitration, and confidentiality.

Once a dispute is resolved between the parties, the winning party has to collect the award or judgment. Unless the losing party's assets are in the country where the judgment of the court was done, the winning party needs to obtain a judgment in the jurisdiction where the other party resides or where its assets are located. Unless there is a treaty on the recognition of judgments from the country where the judgment was rendered and the country where the winning party seeks to collect, the winning party may not be able to use the judgment of the court to collect.

Under the Convention, an arbitral award rendered in any other state in general, can be freely executed in any other Contracting State (unless some Contracting States may choose to meet only the awards of other Contracting States - the "reciprocity" reservation) only subject to certain, limited defenses. These defenses are:

1. A portion of the arbitration agreement was, under the applicable law to him, due to some incapacity;
2. The arbitration agreement was invalid under its relative laws;
3. A party has been duly notified of the appointment of the arbitrator or arbitration proceedings or was otherwise unable to present its case;
4. The award deals with a topic that does not include by or not falling within the terms of the arbitration, or contains matters beyond the scope of the arbitration (except that an award which contains decisions on these matters may be forced to the extent that it contains decisions on matters submitted to arbitration can be separated from matters that have not been submitted);
5. The composition of the arbitral court was not in accordance with the agreement of the parties or, failing the agreement, with the law of the place where the hearing took place (the "lex loci arbitri");
6. The prize is not yet binding on the parties, or has been annulled or suspended by a competent authority, either in the country where the arbitration took place, or in accordance with the law of the arbitration agreement;
7. The subject of the concession was not capable of resolution by arbitration, or
8. Enforcement would be contrary to "public policy".

Countries that have adopted the New York Convention have agreed to recognize and enforce international arbitration awards. On July 23, 2011, there were 146 signatories that had adopted the New York Convention, 144 of the 193 member states of the United Nations, Cook Islands (New Zealand dependent territory), and the Holy See have adopted the Convention New York. Only 49 UN Member States and Taiwan have not yet adopted the Convention in New York. A number of British dependent territories have not signed the Convention provided by Order in UN Council. Equatorial Guinea has not yetagreed and signed the New York Convention and would be appropriate and timely that it do so.

5. The International Centre for Settlement of Investment Disputes (ICSID) Belonging to the World Bank Group

The ICSID does not conciliate or arbitrate conflicts; however *it provides the institutional and procedural framework for independent conciliation commissions and arbitral courts* constituted in each case to resolve the dispute. Equatorial Guinea has not yet acceded to the ICSID.

ICSID has two sets of procedural rules governing the initiation and conduct of proceedings under its auspices. These are: i) the ICSID Convention, regulations and standards, and (ii) the Additional Facility Rules of ICSID.

ICSID Convention, Regulations and Rules. The ICSID Convention establishes the basic framework for conciliation and arbitration of investment disputes arising between member countries and investors who are nationals of other member countries.

This framework is complemented by the Regulations and Community rules adopted by the Administrative Council of ICSID in accordance with the Convention.

A key feature of conciliation and arbitration under the ICSID Convention is based on a treaty establishing an autonomous and independent institution and conclusion of such proceedings.

Arbitration and conciliation under the Convention is entirely voluntary, but once the parties have given their consent it may not be withdrawn unilaterally. A distinctive feature is that an arbitration award under the Convention cannot be annulled by the courts of any contracting State, and is only subject to post-award remedies under the Convention.

The Convention also requires that all Contracting States, whether or not parties to the dispute, recognize and enforce ICSID Convention arbitration awards.
• The difference should be between an ICSID Contracting State and an individual or company that qualifies as a national of another Contracting State to the ICSID. (ICSID Contracting Statesmay designate political subdivisions and agencies to adhere to the procedures of ICSID).
• The conflict must be considered a legal dispute arising directly out of an investment.
• The conflicting parties must have consented in writing to submit their dispute to ICSID arbitration or conciliation.
Under the ICSID Convention, the Secretary General is vested with the power limited to "screen" applications for the institution of conciliation and arbitration, ICSID, and to refuse registration, if based on the information provided in the request, the Secretary-General finds that conflict is manifestly outside the jurisdiction of the Centre.

ICSID Additional Facility

In addition to providing facilities for conciliation and arbitration under the ICSID Convention, the Centre has had since 1978 a set of Additional Facility Rules authorizing the ICSID Secretariat to administer certain types of proceedings between

States and Nationals of other countries that are outside the scope of the Convention. These include:
• Conciliation and arbitration procedures for resolving disputes arising directly from an investment, where the State Party or the State of origin of the foreign national is not an ICSID Contracting State.
• Procedures for conciliation and arbitration between the parties, at least one of which is a Contracting State or national of a Contracting State for the settlement of disputes do not arise directly from an investment.
• Determination of the facts of the case.

Other Dispute Resolution Center

ICSID Additional Activities in the field of conflict resolution have included the Secretary General of ICSID accepting to act as appointing authority of arbitrators in ad-hoc (ie, non-institutional) arbitration proceedings. This is most commonly performed in the context of arbitration agreements in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), which are specially designed for ad hoc procedures. At the request of the parties and the court in question, the ICSID is also committed to providing administrative proceedings conducted under the Arbitration Rules of UNCITRAL. The services provided by the Centre in these procedures may vary from limited assistance with the organization of hearings and holding fund all secretarial services in administering the case.

6. Local Law

- Tax Law: Law Nº. 4/2004 28.10.2004.Regulates EG´s tax system, defines special rules for "artisans" or workers working at their homes, not using more than 5 workers and employees which only sell the product of their labor. Fishermen also incorporate a maximum of two assistants and sailors, coachmen or drivers who drive their own vehicle. **This rule needs to be updated to include tax benefits for SMEs with a modern definition of that category. These tax benefits complement the efforts of the government for implementing a Development Fund for SMEs.**
- Decree 127 of 4/9/2004: National Participation in Entrepreneurial Activity
- Special Investment Act of SMEs: Law no. 6/1990 of 29.10.1990.
- Industrial Standards Act: Act no. 8/2000 of 6.12.200.
- General Labor Law No. 2 of 01.04.1990

There is a Preliminary Draft Reform General Labor Act for Equatorial Guinea, January 2012.

- Labor Standards
- The role of foreign workers
- Labor market adjustment
- The labor market regulations and the adaptability of the workforce
- Decent Work

7. Investment Promotion Scheme.

- Regulated by the Investment Law: Law no. 7/1992 of 30.04.1992.

The Investment Law of 1992 in principle seems to require modification in light of the legislation of other countries and emerging markets successful in regard to attracting foreign direct investment.

- Decree No. 127/2004 establishing Equatoguineans participation in foreign companies set up by EG or foreign firms in the country, which may not be less than 35% of the capital.

Although this rule may result in debates it is justified by the fact that the policy aims at creating and promoting a national businesses associated with FDI, as well as promoting training of labor and employment.

8. Investment Incentives:

- *The creation of new jobs*: reduction of income base on income equivalent tax of 50% on wages paid for 18 years.

- *Training for national staff*: reduction of income base of income tax equivalent to 200% of non-salary cost allocated to training for 18 years.

- Other advantages: the regional or local development, the participation of nationals in the capital of the firms.

9. Arrangements for the Promotion of SMEs: Law no. 16/1995 of 13.06.1995.

- Activities include production, processing and services whose capital is owned at least 51% by nationals who play leadership roles in the business.
- May be set individually, cooperative or private equity companies, mixed or foreign public firms.
- The application for their establishment shall be submitted to the Sector Department of the activity to be developed
- SMEs whatever their class, who wish to opt for the benefits of the law must register with the Ministry of Economy, Trade and Business Promotion
- The companies must also carry Accounting and Results of their activities.

10. Promotion Structure

- The State will promote the creation of financial institutions to encourage the development of SMEs
- Advantages in the installation phase
    - 10% reduced rate of customs duties on materials, machinery and others
    - 50% reduction in corporate tax exemption from capital increase and built property
    - Tax exemption on industrial and commercial profits except minimum fiscal quota
- Markets / Government procurement
    - Preferential access to public tenders of less than 100 million CFA F
    - Large companies benefiting may subcontract 20% to SMEs.

Although the SMEs law was quite advance when enacted in 1995 it should be reviewed and updated in terms of the parameters through which it considers size of micro, small, and medium enterprises in EG (10.2 to 500 million CFA Francs) as well as updated regarding business promotion mechanisms in light of changes in global and regional economy.

It is also important to consider promotional aspects such as: associativity, cluster and sector consortia for specific purposes, value chains, supplier and distributor development programs. These allow a more effective and efficient attention of micro and small enterprises in order to enhance their competitiveness and growth.

In recent years there have been a diffusion of inclusive business models through which the large and medium enterprise participate together with the micro and small business owners and low-income workers, as consumers and users, on the demand side, and on the supply side, as suppliers, distributors and employees generating sustainable income and employment, in a mutually beneficial and inclusive relationship for both that covers the about 4 billion people who are at the bottom of the pyramid and live on less than US$ 8 a day.

Furthermore, there are business incubators that promote the start-up and growth of MSMEs and the financial instruments, some of which are mentioned in the latter chapter, in line with the policy that have been deployed by various countries to promote their financing from the State, such as the Small Business Administration (SBA) in the U.S., established in 1952 and channeled through the financial system like it is done in other OECD countries.

VI. Business and Investment Climate

This work was carried out based on the Doing Business Report published by the International Finance Corporation (IFC) from the World Bank (WB) for 2012, the field work done in Equatorial Guinea, during the period November 10 to 22, 2011, and different documents and papers available on the situation of the country.

The work proposals suggested for addressing and improving the ¨business climate¨, form the basis for discussion, prioritization and intensification of work at the sector level that will be the outcome from policy decisions, technical, economic and sequence,depending on the strategy and roadmap selected.

Experiences and ¨good practices¨ have been identified in Latin America and Caribbean region and some other regions and countries that may be considered as a reference and background for EG. This is the case, for example, the ¨One Stop Window¨ for simplification of procedures for enterprise start-ups (SIMTRA) that has been executed over the last 10 years in LAC, and considered a ¨good practice¨ by the IDB, Guarantee Funds and Mutual Guarantee Funds

(FG and SGRs) and other tax and customs simplification, for example.

The doing business of the International Finance Corporation (IFC) provides information about the ease or difficulty faced by small and medium local entrepreneurs to start a business when they meet the relevant regulation or legislation.

Measures and tracks changes in regulations in 10 areas of the business cycle of a business: starting a business, dealing with construction permits, access to electricity, registering property, access to credit, protecting investors, paying taxes, conduct trade across borders, enforce contracts and resolve insolvency problems.

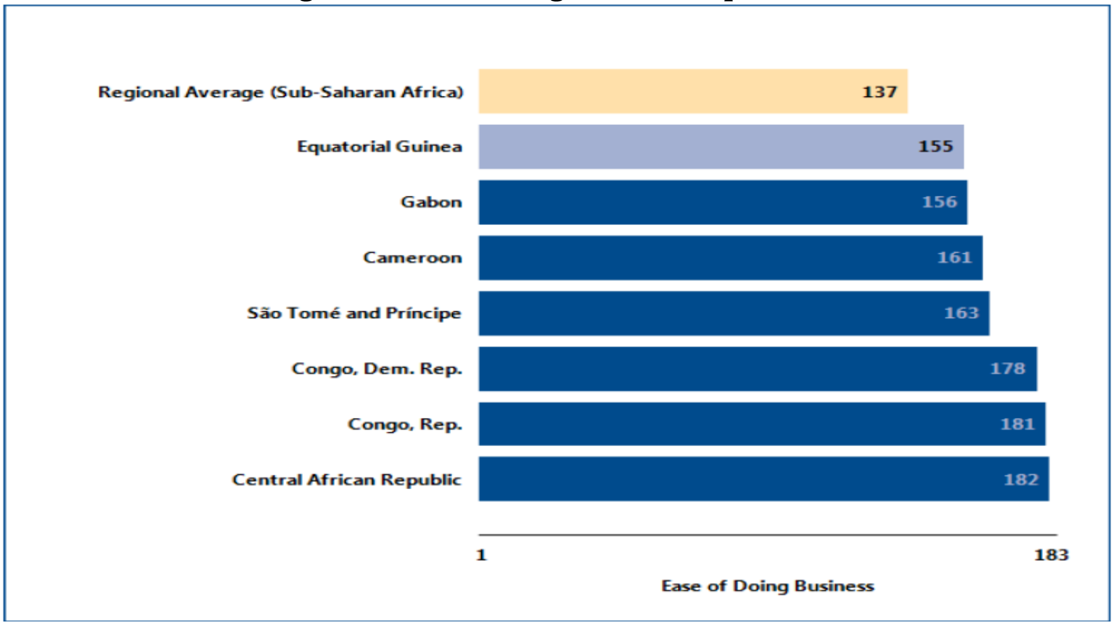
In a series of annual Report on Business Climate (Doing Business) presents quantitative indicators on business regulation and protection of property rights that can be compared across 183 economies in the world that can determine how each country already ranked.

¨Doing Business¨ 2012 ranking Equatorial Guinea

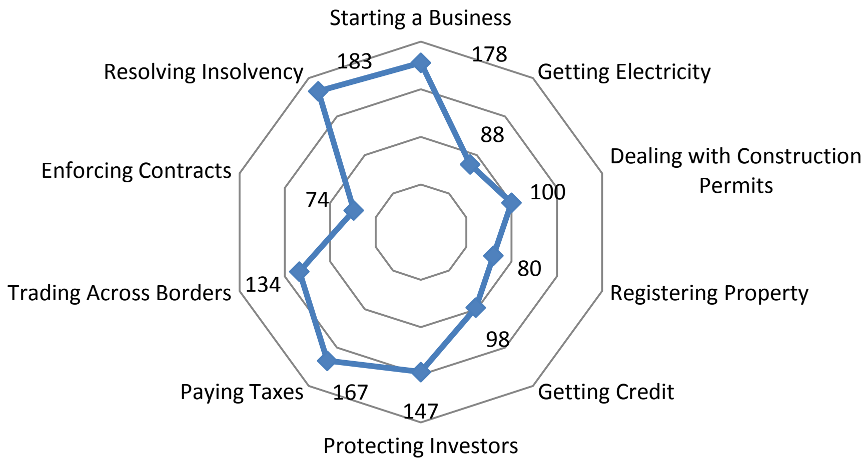
- **DoingBusiness Ranking 2011 161**
- **DoingBusiness Ranking 2012 155**
- **Change +6**

The observed change is due to better performance of EG.

Doing Business Ranking 2012 for Equatorial Guinea



Doing Business Ranking 2012 ranking per Indicator



Doing Business Ranking
Comparison2012-2011 EG SSAand LAC

Indicator	Equatorial Guinea 2012	Equatorial Guinea 2011	Change in Rank	Sub SaharanAfrica	LatinAmerica
Starting a Business	178	181	3	68	45
Dealing with Construction Permits	100	101	1	63	40
Getting Electricity	88	93	5	122	72
Registering Property	80	76	-4	66	50
Getting Credit	98	139	41	110	84
Protecting Investors	147	145	-2	112	85
Paying Taxes	167	166	-1	115	72
Trade Across Borders	134	135	1	134	87
Enforcing Contracts	74	73	-1	65	51
Resolving Insolvency	183	183	0	127	100
Global Position	**155**	161	+6		

1. Starting a Business Indicator

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Procedures (number)	21	8	14	5
Time (days)	137	37	54	13
Costs (% of income per capita)	101,4	81,2	37,3	4,7
Paid - in Min. Capital (% of income per capita)	14,6	129,8	4,3	14,1

These indicators show the bureaucratic procedures and legal steps to be completed by an entrepreneur to incorporate and register a new company. These have been identified by ¨ Doing Business¨ through collaboration with relevant local professionals and law firms, regulations and publicly available information on business entry in the economy. Below is a summary of the procedures and time estimates. These procedures are applied to a typical company used by ¨ Doing Business¨.

1.1 Characterization of the procedure for starting enterprises

Procedure time and estimated cost (if any):

1. Copy criminal record, 1 day at no cost;
2. Notary legalizes the articles of association, 3-14 days, 3-6% equity, although not required by law, lawyers do this and there is only a notary in Malabo and one in Bata;
3. Bank account opening and bank certificate, legally the company must deposit the minimum capital before registration of the company which is not possible before registration is required by the bank, takes 1 day free of charge;
4. Solvency certificate, 2 days, XAF 10,000 to 15,000 (stamp);
5. Certificate of fiscal solvency, 2 days, XAF 5000-10000 (stamps) Ministry of Finance,
6. Authorization by the Prime Minister, explaining the business value to society often prepared by a lawyer, depending on the sector, may be referred to the relevant sector ministry, accompanied by two certificates of solvency, 1-2 months XAF 2000 (stamp).
7. Application of tax registration. Presentation of copy includes Prime Minister, approved, and approved notary statutes. Payment rates at bank and then presented in the treasury for tax identification number. 1 day simultaneous with previous procedures, 1% of capital (NIF tax identification No.) + XAF 2000.Ministry of Labor.
8. Notification of commencement of operations, 1% of wages paid to the Worker Protection Fund, workers pay 0.5%, 1 day, XAF 300 (form), 6,750 (small) XAF and 12.500(medium)XAF.
9. Registration Social Security. You must register employees in the first month they receive salaries that are 21.5% of salary to the employer, 4.5% for the worker. Special forms up to 13 pages, to be purchased, 1 day, XAF 300 per page.
10. Application for registration in the SME Department of the Ministry of Economy, Trade and Business Promotion. Annual rate varies by company, 1 day, XAF 150,000.
11. Ministry of Development and Planning. The rate varies according to the company, 1 day, XAF 150,000.
12. Payment of fees in the treasury account, 1 day.

13. Obtain confirmation of receipt Treasury; see Procedure 3-5 days, no charge.
14.Get Tax ID No. FRS, 2 days, including in the process.
15.Get registered at the Ministry of Labor, 1 day.
16. Get Social Security Number. Get licensed by the Department.
17 SMEs, 14 days.
18.License from the Department of Commerce, 14 days.
19. License from the Ministry of Development and Planning, 14 days.
Some of these activities are carried out simultaneously with other procedures. Also, some terms thereof are variable.

1.2 Proposal simplification of procedures and one-stop-window

- **In the case of EG, it is important to simplify the number of procedures, duration and reduce the costs of starting a new venture or business.**
- **The implementation of a one-stop-window for the simplification of procedures is a very effective tool in countries that have implemented it.**

The global best practices have been applied in New Zealand, while Sub-Saharan Africa it has been implemented in Rwanda

Why is it important to simplify?
Dispose of cheaper and more expeditious processes is an element that stimulates the formalization of businesses and conversely, the slower and more expensive one encourages entrepreneurs to operate in the informal sector.Cheaper and more expeditious procedures discourage corruption.

The evidence indicates an inverse relationship between the relative complexity of the procedures for business registration and the indicator of corruption in a country. If you take the time indicator of the process as an indicator of relative complexity, and the Index of Corruption Perception (CPI) it can be seen that those countries where the procedure for registration of companies have a longer duration are also countries with a higher level of relative corruption.

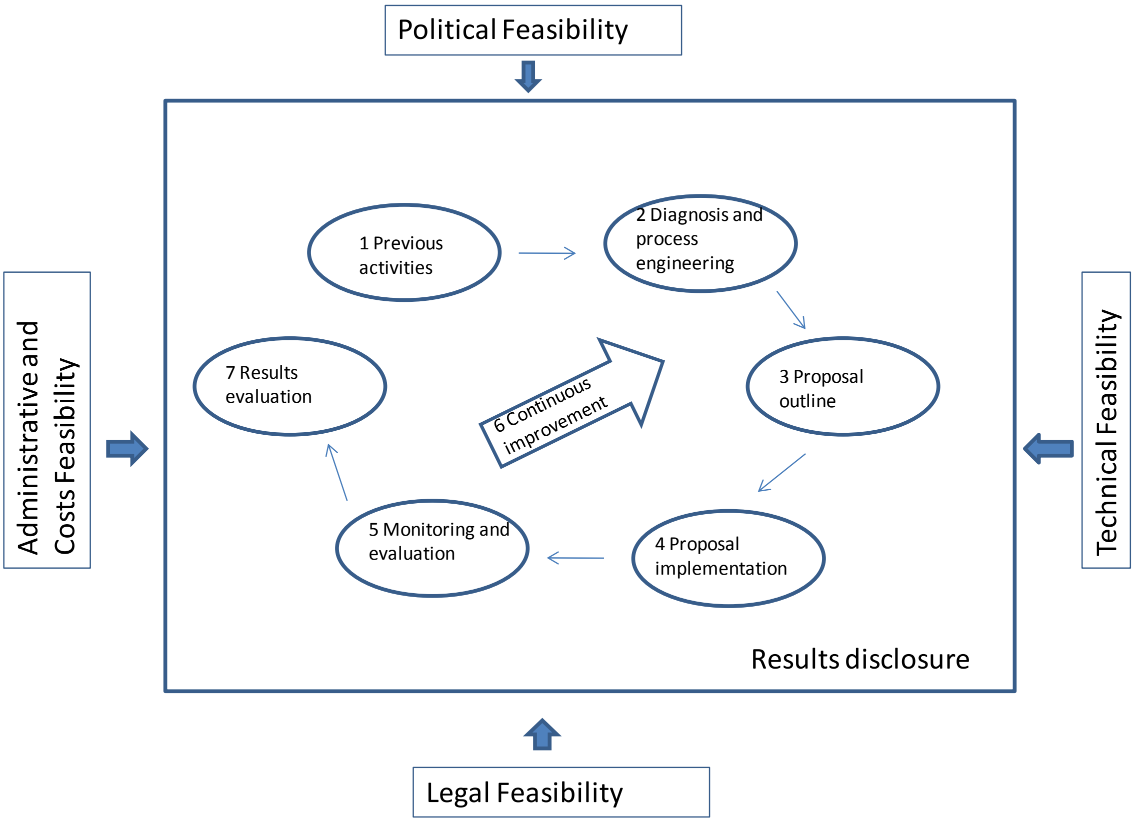
Proposed Procedure Simplification Program:
a) Design of a single point of contact between the institution and the entrepreneur (specializedprocessing window/ one-sto-window).
b) Elimination of formalities and unnecessary and costly requirements.
c) Presumption of Good Faith.
d) Removal of Previous inspections.
e) Design of a Single File to identify the companies.
f) Establish deadlines for most procedures.
g) Decentralization in decision making process.
h) Disclosure of requirements and procedures for each step.
i) Transfer of tools and training for officials responsible for the procedures.
j) Monitoring, Follow up and Continuous Improvement.
k) Accountability and engagement of entrepreneurs.

Of all procedures that an entrepreneur faces to register and operate a business, you may identify basic obligations common to all types of business or companies (which can *be identified as basic formalities of registration) and "other specific obligations" of registration that are specific and depend on the type of business.*

The ¨One Stop Shop¨ Procedure Simplification Program (SIMTRA) developed by FUNDES in LAC has been applied in over 90 experiences at the municipal level, provinces and countries is considered a ¨good practice ¨ by the IDB due to its results and impact over more than 10 years.

*In this regard, the Ministry of Economy, Trade and Business Promotion has prepared a study for the creation of a One-Stop Business Registry. The Government should consider and adopt this study and it is advised that a **Reform Committee** be created at the Ministerial level that can implement this measure.*

SIMPLIFICATION METHODOLOGY



2. Access to Credit

Indicator	Equatorial Guinea	Sub SaharanAfrica	LatinAmerica	OCDE
Strength of Legal Rights Index (0 - 10)	6	6	6	7

Depth of Credit Information Index (0 - 6)	2	2	3	5
Public Registry Coverage (% of adults)	2,9	3,2	10,1	9,5
Private Bureau Coverage (% of adults)	0	5	34,2	63,9

Source: World Bank (IFC) Doing Business 2012

It is important to expand the coverage of public record information:

- Include positive and negative background;
- Mainstream retailers' credit records as well as those from public services
- Preserve historical records.
- Provide access to records.

2.1 Characteristics of the financial sector of EG

- Small size, with a high percentage of unbanked population (without access to the system).
- Excess of deposits over loans.
- High level of financial illiteracy.
- Insufficient amount of bankable projects.
- Limited amount of financial instruments (they are just issuing the first local debit cards).
- Enterprise Capital Source: self, family, friends and reinvestment.
- Lack of culture and saving instruments.
- Lack of security / collateral instruments.
- Poor development of financial instruments and credit.

2.2 Proposed access to credit for MSMEs:

a. Development of Financial Literacy Programs

Poor banking, savings culture and development of financial instruments in the country reflect the incipient economic progress and the lack of financial depth,which includes the absence of other instruments such as insurance to accompany economic and social progress.

In this regard, it is important to develop a progressive and targeted financial literacy activities not only allow the banking of SMEs but also for the low-income population permitting the gradual financial inclusion through access to mobile banking which can promote the development of trade in goods and services.

The implementation of universal banking accounts for low-income population for the accreditation of incomes and subsidies and for payments of services, transfers and loans has been a successful experience in countries such as Argentina.

b. Promotion Guarantee Funds and Mutual Guarantee Sector Funds

Despite the importance of the micro, small and medium enterprises (MSME) for the optimal functioning of the economies of the countries, poor access to competitive financing remains a problem for their development.

Small businesses usually do not have the financial strength, size, turnover and sufficient degree of formality to stimulate the financial system, primarily banks, to regard these firms as attractive and subject to credit when compared to medium and large corporations. Credit to MSMEs is still perceived by banks as *high risk and with high operative costs*. For that reason, *they tend to restrict it to those companies with reasonable guarantees to cover possible defaults and recovery costs*.

This phenomenon is reinforced by the fact that prudential regulations generally require higher provisions in the case of loans to small businesses. Thus, companies can miss a portion of their business by not having access to competitive financing.

One of the main barriers faced by MSMEs to access different sources of financing in competitive terms is the lack of sufficient safeguards they can provide to the credit agencies. Security systems try to address this structural weakness in the financing of firms, common to most developed countries and most developing countries.

In developing countries the scope and depth of their financial systems are considerably more limited, as well as the degree of appropriateness and adequacy of banking regulation, the ability to enforce contracts, protection of creditor rights and efficiency of the judicial system. This exacerbates the lack of willingness of banks to lend to small businesses.

Restrictions on financing of small businesses are verified in developing countries and are also due to deficient protection of credit rights and information asymmetries. Banks perceive greater risk in small enterprises, as well as a higher cost of lending to smaller firms.

The issue of loan guarantees is at the epicenter of the problem of small businesses access to credit for their ability to counter-potentially greater risks and maintain a low cost for the recovery of delinquent borrowers, if they are backed by liquid collateral.

Governments have been forced to respond to the recurring problem of lack of access to credit and have used various models of credit guarantees to try to avoid that good business projects should not be excluded from equity financing due to the lack sufficient collateral.

Guarantee schemes are basically grouped into two models: guarantee funds'portfolios covering MSME credit and credit guarantee companies, mutual or reciprocal in nature that support individual transactions credit to MSMEs.

Two basic models of guarantee systems. Without attempting to enter a detailed description of theoretical models of guarantee funds and guarantee companies, it is worth noting some basic features that contribute to differential understanding of specific models analyzed in this overview.

Guarantee Funds

Guarantee funds tend to operate on the basis of a guarantee of portfolio to lenders of financial institutions. In this model, guarantee funds, usually set up by public and financial institutions, have an administrator who has signed agreements with credit institutions. These agreements allow to automatically endorse a percentage of transactions that meet certain eligibility requirements backed by borrowers, generally referred to the status of micro, small medium enterprise, and eligible for credit operations, refer also to the maximum amount of credit endorsed and sometimes for specific purposes.

Institutions themselves are usually responsible for conducting the analysis of the debtor. The fund manager follows up on credit transactions in the portfolio guaranteed, verifies compliance with the conditions of eligibility and, in cases where the corporate borrower is in default, verifies that the credit institution carries out the procedures for normal recovery, which often include court proceedings, prior to disbursement to the credit institution's share of credit due.
In the agreements signed between fund managers and banks, the conditions are agreed to manage the recovery of bad loans and to distribute recoveries. Typically, the beneficiary of the guarantee should not contribute with equity but pay a guarantee commission, which is the price that the fund charges to the credit institution and it impacts the beneficiary of the guarantee.

Mutual Guarantee Company

In the mutual guarantee companies (SGR),the joint and solidary is the basic characteristic of the guarantees, in the sense the beneficiary of the guarantee should be established as a participating member of firm without detracting that the main funds of the company come from other agents, public or private, non-beneficiaries, known as promoters / protector members and, therefore, contribute their own resources. Analysis lies in the mutual guarantee company itself, which decides the granting of the guarantee to the borrower by granting individual rights or direct guarantees to the lender. Additionally, financial institutions make their own assessment of borrower's risk.

The SGR are companies designed for the primary purpose of facilitating the management of credit, to SMMEs participating partners, by providing guarantees and technical, economic and financial backing. Allows a partnership strategy between big companies and SMMEs.

The SGR are relatively new in LAC, which began in the mid-'90s driven by the IDB, as in the rest of the world MGCs existed, some in the form of Mutual Guarantee Cooperatives and Spain , Italy, Germany, Belgium and the United States. The SGR for agricultural trusts - exporters implemented in Argentina (Agroaval and Agrofactoring) are an interesting example to analyze.

Purpose of the SGR:

The SGR seek to position themselves as financial intermediaries in this way:

- Negotiate on behalf of a group of MSMEs improved credit conditions.
- Try to optimize the general conditions of access to finance for MSMEs, particularly in terms of cost, time and guarantees.
- Being closer to the entrepreneur and have greater certainty about the chances of success of their projects.
- advise on the formulation and presentation of projects.

c. Leasing Promotion Instruments

The leasing market for vehicles and machinery is one that naturally develops in these markets, although certain minimum conditions are required for its initiation and evolution to be determined.

d. Promotion of Micro Finance institutions

In the same way as for the case of entities for leasing microfinance institutions require certain cultural conditions, market size and others to thrive locally and community to be determined beforehand.

e. Insurance

In the case of insurance, in addition to traditional tools, there are othesr linked to production and social insurance such as micro agricultural, health and water, etc. that could be promoted.

3. Construction Permit Processing

Indicator	Equatorial Guinea	Sub SaharanAfrica	LatinAmerica	OCDE
Procedures (number)	15	15	14	14
Time (days)	166	206	221	152
Costs (% of income per capita)	150,6	805,7	160,3	45,7

3.1 Characterization:

- Equatorial Guinea has good regional indicators in the processing of construction permits.
- Processing costs are low compared to those in the region and are similar to the LAC average.

4. Access to Electricity

Getting Electricity

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Procedures (number)	5	5	6	5
Time (days)	106	137	65	103
Costs (% of income per capita)	571,1	5429,8	593,7	92,8

4.1 Characterization access to electricity:

- Equatorial Guinea has good regional indicators regarding procedures t0 access to electricity services.
- While costs are low compared to regional costs, possibilities for improvement are many, even more taking into account the incorporation of new plants and networks to the system.

5. Registering Property

Registering Property

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Procedures (number)	6	6	7	5
Time (days)	23	65	66	31
Costs (% of income per capita)	6,2	9,4	5,9	4,4

5.1 Characteristics of property registry

- Equatorial Guinea has property indicators and procedure costs lower than the averages of the region.
- However, the files used for its identification and update, are managed by completely obsolete technology.

5.2 Proposal for property registry

- Establish a single log file and modern properties, allowing the systematic identification of the owner / taxpayer so as to update the land registry and tax that allows the exploitation and economic transactions of real estate, land and land and other property, land titles and broaden the tax base of municipalities.
- This registration may be paid in part by the same taxpayers.

6. Investor Protection

Protecting Investors

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Extent of Disclouse Index (0-10)	6	5	4	6
Extent of Director Liability Index (0-10)	1	4	4	5
Easy of Shareholder Suits Index (0-10)	4	5	6	7
Strenght of Investor Protection Index (0-10)	3,7	4,5	5,1	6

6.1 Characteristics of investor Protection in EG

- Although EG shows weaknesses in this indicator, it did not emerge as a major theme in the interviews and can be addressed through technical cooperation with South Africa.
- The best overall performance corresponds to New Zealand while the regional one, to South Africa.
- Areas for improvement:
    - Lack of contract review by external auditors.
    - Lack of regular publication of contracts and corporate events.
    - Lack of public records of essential corporate events.
    - Insufficient third-party liability.
    - Lack prosecution of shareholders and third parties.
    - Insufficient protection to minority investors

This indicator measures the strength of the protection of minority shareholders against managers use corporate assets for personal benefit. The indicator measures three dimensions of investor protection: transparency of related party transactions for personal gain (rate of expansion of information dissemination), responsibility for their own benefit relationships (extent of director liability index) and the ability of the shareholder to sue officers and directors for misconduct (ease rates shareholder lawsuits). The charted is the simple average of the strength of these three indices.

The best overall performance is for New Zealand and regional for South Africa.

Although EG already ranked relatively poorly in this indicator, it did not emerge as a major theme in the interviews and can be addressed internally through technical South-South cooperation.

6.2 Recommendations regarding the protection of investors:

This issue was addressed in Section V 2 with regard to the convergence of the Economic and Corporate Governance.

• It is important to improve the communication and dissemination of business, corporate transactions and events, providing them with transparency.

• The training of the Judiciary and lawyers, accountants and auditors will also enhance the protection of the parties.

7. Tax Collection

Paying Taxes

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Payments (number per year)	47	37	32	13
Time (hours per year)	492	318	382	186
Profit Tax (%)	0	18,1	19,9	15,4
Labor Tax and Contributions (%)	25,4	13,5	14,6	24
Other Taxes (%)	20,6	25,5	13,2	3,2
Total Tax Rate (% profit)	46	57,1	47,7	42,7

- One of the problems expressed by large, medium as well as small businesses is the lack of transparency in terms of taxes to be paid, as well as frequency, time spent and other costs that entails.
- The best global practices are Chile and Norway and in the region, Mauritius and Seychelles.
- Areas for improvement.
    - Streamlined payment processing.
    - Cost in hours of paperwork.
    - Rates.

7.1 Characterization of the tax collection system EG

- Wide range of taxes
- High labor and social taxes
- Lack of transparency in taxes between companies in the same sector and of similar size

- The time spent in the payment of taxes is high with the subsequent costs involved
- Frequency of inspections by various agencies (tax, customs, labor, social security, etc.) implies cost, time and discouragement for the taxpayer and negative effects on the economy.
- Disincentives to taxpayers and encouragement to informality

7.2 Proposal to improve the tax collection system EG

- Simplify and broaden the tax base
- Improve the collection and payment system
- Streamline the inspection criteria of contributors so as to show a rational and progressive tax policy and administration to encourage formalization.
- Contribute to transparency and predictability of tax administration.

In most countries of the world countries have reduced the amount of taxes, simplified and streamlined payments by its consolidation, rate reduction, and electronic payments

The best global practices are Chile and Norway and in the region, Mauritius and Seychelles.

8. Trading Across Borders

Trading Across Borders

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Documents to Export (number)	7	8	6	4
Time to Export (days)	29	32	18	11
Costs to Export (US$ per container)	1.411	1.960	1.257	1.032
Documents to Import (number)	7	9	7	5
Time to Import (days)	48	37	20	11
Costs to Import (US$ per container)	1,411	2,503	1,546	1,085

- In terms of documentation and expected time to complete export and import activities, EG shows better indicators than the average sub-Saharan African countries, but when compared with best practices, important windows of opportunity for improvement are identified.
- One of the successful experiences in the region's progress in cross-border trade is Madagascar.

8.1 Characteristics of international and cross-border trade

In terms of documentation and expected time to complete export and import activities, GE shows better indicators than the average Sub-Saharan Africa, but when compared with best practices, important windows of opportunity for improvement appear.

One of the successful experiences in the region's progress in cross-border trade is Madagascar.

Madagascar reforms in foreign trade issues, began with the requirements imposed by the integration into the Common Market for East and Southeast Africa (COMESA) in 2005 and integration into the African Development Community in Southeast in 2007.

Reforms implemented by Madagascar followed best practices in Singapore, one of the leading countries in terms of world operative procedures related to foreign trade. The experiences of Ghana and Côted'Ivoire were taken into consideration.

The main policies that were implemented were:

a. Improvements in infrastructure and human resources training for Customs Service.

b. Transposition of legislation that gave more autonomy to the ports.

c. Container terminal equipment with electronic tracking of goods.

d. Introduction of electronic windows software platforms runs by TradeNet style (Singapore).

e. Incorporation of public enterprises - private investment and port management.

f. Incorporation of public and major exporters and importers to stop foreign trade. In a later stage, this window must be integrated with other e-government developments.

g. Simplification of procedures through the establishment of control lines (green / blue / red) according to types of goods, country of origin, integrated foreign trade agreements and audits scheduled.

The improvements in infrastructure, human capital and technologies must be accompanied by modern codes of conduct and transparency in customs management and effective participation and inclusion in the new procedures for all public organizations responsible for public and private companies and participants.

Finally, improvements in procedures should result in lower costs of foreign trade management. As seen in the summary table, EG export and import costs US$ 1,411 per container, it is more efficient than the average Sub-Saharan region and not entirely negative compared with average costs of OECD countries (US $ 1,032 and US$ 1,085 per container export and import). However, note that Southeast Asian countries like Singapore and Malaysia have cost US$ 450 per container export and US$ 435 per container import. Leading countries in Latin America and Chile recorded costs of US$ 795 per container export and import, which ultimately are the examples to keep in mind as targets.

8.2 The recommendations in foreign trade, applicable for Equatorial Guinea **can be summarized as:**

- Review of export and import procedures, aiming at its simplification, avoiding duplication of controls, identifying possible steps that can advance in parallel and identification of costs associated with each procedure.
- Training program for human resources from customs and other government departments involved in the processes and procedures of foreign trade.
- Gradual implementation of a “one-stop window” for foreign trade procedures.
- Incorporation of agencies and government departments for a “one-stop window”.
- Incorporating the latest technology in customs clearance, such as Singapore TradeNet style.
- Provision of accreditation to dispatchers and import and export companies.
- Analysis and expansion of cooperation agreements with customs services from ECCAS countries and outside the region.
- Periodically review and shorten, when possible the period of export / import.

9. Enforcement of Contracts

Enforcing Contracts

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Procedures (number)	40	39	40	31
Time (days)	553	655	708	518
Cost (% of claim)	18,5	50	31,2	19,7

- As relates to procedures and costs involved to enforce contracts, Equatorial Guinea does not show very different indicators from those of the OECD countries.
- It is important the country's full participation in the decisions of ICSID / World Bank.

10. Resolving Insolvency

Resolving Insolvency

Indicator	Equatorial Guinea	Sub Saharan Africa	Latin America	OCDE
Time (years)	No practice	2,7	40	1,7
Cost (% of estate)	No practice	19	15	9
Recovery Rate (cents on the dollar)	0	19,1	30,7	68,2

- Missing practice or background of practices on the resolving insolvencies.

However, this may be because some of the contracts of a certain size are registered abroad, which is a common practice with foreign corporations or doing business in developing countries.

Presumably, this situation will be maintained for several years until the economic and commercial reputation of EG gradually allows foreign investors to register contracts in the country. This will depend on the strengthening and development of the Judicial System, training of lawyers in the country and the independence between the different Branches of Government.

11. The Labor Market

Fixed-term contracts: minimum wages higher than other countries in the region

Economy	Fixed-term contracts prohibited for permanent tasks?	Maximum length of a single fixed-term contract (months)	Maximum length of fixed-term contracts, including renewals (months)	Minimum wage for a 19-year old worker or an apprentice (US$/month)	Ratio of minimum wage to value added per worker
	Difficulty of Hiring				
Angola	Yes	12 (Art. 16(1)b)	12	126,9	0,20
Botswana	No	No limit	No limit	100,6	0,11
Burkina Faso	No	24 months for the national workers	No limit	63,0	0,71
Cameroon	No	24 months	48	59,9	0,34
Central African Republic	Yes	24	48	39,3	0,57
Chad	No	24	48	124,2	1,28
Congo, Dem. Rep.	Yes	24	48	65,0	2,20
Congo, Rep.	Yes	24	24	102,5	0,30
Côte d'Ivoire	No	24	24	0,0	0,00
Equatorial Guinea	Yes	24 (Art. 7(2))	24	236,0	0,11
Gabon	No	24	48	41,0	0,04
Ghana	No	No limit	No limit	27,6	0,15
Kenya	No	No limit for term contracts (excluding casual employees)	No limit	78,9	0,66
Mozambique	Yes	24	72	80,5	1,16
Nigeria	No	No limit	No limit	126,5	0,70
Rwanda	No	No limit	No limit	18,5	0,23
Senegal	Yes	24	48	77,3	0,48

Greater constraints apply to work at night and holidays in the case of continuous work

Economy	Standard workday in manufacturing (hours)	Minimum daily rest required by law (hours)	Maximum overtime limit in normal circumstances (hours)	Premium for night work (% of hourly pay) in case of continuous operations	Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	Major restrictions on night work in case of continuous operations?	Major restrictions on weekly holiday in case of continuous operations?	Paid annual leave for a worker with 9 months of tenure (in working days)	Paid annual leave for a worker with 1 year of tenure (in working days)
	Rigidity of Hours								
Angola	8 hours	10 (Art. 97(6))	None (Art. 102(1)	25%	100%	Yes	Yes	18,0	22,0
Botswana	8 or 9 hours- Sec	12	14 hrs/week (Sect. 95(7), Employmen	0%	100%	No	No	11,3	15,0
Burkina Faso	8 hours	N/A. Regulations do n	20 hours a week	0%	0%	No	No	0,0	22,0
Cameroon	8 hours	14	2 hours/day	50%	0%	No	No	13,5	18,0
Central African Republic	8 hours	N/A	N/A	0%	50%	No	Yes	18,0	24,0
Chad	9 hours	39 hours a week	54 hours a week	0%	100%	No	No	18,0	24,0
Congo, Dem. Rep.	9 hours/day	12	N/A	25%	0%	No	No	9,0	12,0
Congo, Rep.	7 hours	N/A	20 hours a week	0%	50%	No	Yes	0,0	26,0
Côte d'Ivoire	8 hours/day	N/A.	3 hours/day, 15 hours/week, 75 hour	38%	0%	No	No	0,0	26,4
Equatorial Guinea	8 hours	12 hours (Art 50)	2 hours/day, 200 hours/year	25%	50%	Yes	Yes	16,0	22,0
Gabon	8 hours	12 hours	No express legal limitation	50%	100%	No	No	0,0	24,0
Ghana	8 hours	12	4 hours	0%	0%	No	No	15,0	15,0
Kenya	8 hours (Regulatio	N/A	12 hrs/2 weeks (Regulation 5 (3)(b) o	0%	0%	No	No	16,0	21,0
Mozambique	8 hours	N/A	96 hours/3 months; 8/week; 200/yea	0%	100%	No	Yes	9,0	12,0
Nigeria	8 hours	N/A	N/A	0%	0%	No	No	0,0	20,0
Rwanda	Article 49 of the la	There is no minimum	The law states a maximum number o	0%	0%	No	No	18,0	18,0
Senegal	8 hours	11	10 hours/week and 500 hours/year	38%	0%	No	Yes	0,0	24,0

Approval required from third parties for layoffs

Economy	Dismissal due to redundancy allowed by law?	Third-party notification if 1 worker is dismissed?	Third-party approval if 1 worker is dismissed?	Third-party notification if 9 workers are dismissed?	Third-party approval if 9 workers are dismissed?	Retraining or reassignment obligation before redundancy?	Priority rules for redundancies?	Priority rules for reemployment?
	Difficulty of Redundancy							
Angola	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Botswana	Yes	Yes	No	Yes	No	No	Yes	Yes
Burkina Faso	Yes	No	No	Yes	No	No	Yes	Yes
Cameroon	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Central African Republic	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Chad	Yes	Yes	No	Yes	No	No	Yes	Yes
Congo, Dem. Rep.	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Congo, Rep.	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Côte d'Ivoire	Yes	No	No	Yes	No	No	No	Yes
Equatorial Guinea	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Gabon	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Ghana	Yes	Yes	Yes	Yes	Yes	No	No	No
Kenya	Yes	Yes	No	Yes	No	No	Yes	No
Mozambique	Yes	Yes	No	Yes	No	No	No	No
Nigeria	Yes	No	No	Yes	No	No	Yes	No
Rwanda	Yes	No	No	No	No	No	Yes	No
Senegal	Yes	Yes	No	Yes	No	Yes	Yes	Yes

High costs of compensation in relation to those applied in the region

	Notice period for redundancy dismissal (for a worker with 9 months of tenure, in salary weeks)	Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 9 months of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (for a worker with 20 years of tenure, in salary weeks)	Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)
Economy	Redundancy Costs							
Angola	4,3	4,3	0,0	2,2	10,8	21,7	54,2	11,6
Botswana	4,3	4,3	1,8	2,4	12,0	36,0	84,0	16,8
Burkina Faso	4,3	4,3	0,0	1,1	5,4	11,9	29,3	6,1
Cameroon	2,1	1,0	0,0	1,5	7,6	15,2	30,3	8,1
Central African Republic	4,3	4,3	17,3	17,3	17,3	17,3	17,3	17,3
Chad	2,1	4,3	0,0	0,0	5,4	11,9	27,1	5,8
Congo, Dem. Rep.	2,8	4,2	0,0	0,0	0,0	0,0	0,0	0,0
Congo, Rep.	4,3	4,3	0,0	0,0	6,1	13,4	29,9	6,5
Côte d'Ivoire	4,3	4,3	0,0	1,3	6,5	14,1	31,4	7,3
Equatorial Guinea	4,3	4,3	4,8	6,4	32,1	64,3	128,6	34,3
Gabon	2,1	1,0	0,0	0,0	4,3	8,7	17,3	4,3
Ghana	2,0	2,0	6,5	8,7	43,3	86,7	173,3	46,2
Kenya	4,3	4,3	1,6	2,1	10,7	21,4	42,9	11,4
Mozambique	4,3	4,3	13,0	13,0	32,5	65,0	130,0	36,8
Nigeria	4,0	4,0	1,7	2,3	11,4	22,9	45,8	12,2
Rwanda	2,1	4,3	0,0	4,3	8,7	13,0	21,7	8,7
Senegal	4,3	1,0	0,0	5,4	9,8	16,3	33,6	10,5

11.1 Characterization of EG Labor Market:

- The 2012 Doing Business Annual Report published by the WEF World Bank presents indicators of workers employment with flexible measurements of procurement regulations, regulations of working hours and layoffs, all consistent with the relevant ILO conventions.

- The information is presented for comparative purposes but no ranking of countries is prepared. Aggregated Doing Business ranking is not included.

- For the purposes of analyzing the situation of EG, employment indicators are compared with those of the CEMAC countries.

- In terms of flexibility / difficulty of workers' recruitment, EG is positioned as the country with more stringent requirements within the regional cluster. EG is one of the three countries that prohibits fixed-term contracts for permanent tasks and, as well as in Congo, establishes a maximum contract duration, including renewals of 24 months for fixed-term contracts.

- EG registers the *highest minimum wage for young workers and apprentices in the region, doubling that of the following country.*

- *EG shows workdays standards more stringent than the countries of the region in most of the indicators used.* However, EG is the only country in the CEMAC with greater restrictions on night working hours in case of continuing operations and one of the two CEMAC countries showing greater restrictions to working hours on days off in case of continuing operations .

- The CEMAC region shows harmonization of regulations vis-à-vis layoffs by excess of workers.
- However, *EG have higher costs of layoffs, in terms of claims and compensations, than the rest of the countries of the CEMAC*.

12. Expatriate and Tourist Visas

12.1 Characterization:

- There is a common agreement between the private sector and embassies, who have economic interests in EG, about the fact that the uncertain process of visa means a barrier to conducting business and promoting tourism in EG. It should be convenient to apply clear and transparent rules that consider the needs of visa from potential investors, management staff of existing companies that supply goods and services, skilled manpower not available in the country, tourism and specialized agencies of technical assistance and cooperation.

12.2 Proposal:

- Establish a transparent and agile visa mechanism for investors, top managers, managerial and technical staff as well as skilled manpower, not available in the country, to address the needs of diversification and country economic growth, including the promotion of tourism in its different forms and in accordance with good practices of developed countries.

VII. Conclusions and Recommendations

Conclusions

1. Equatorial Guinea has had sustained economic growth driven by the hydrocarbons sector, which began operating in 1992 and growing since 1996 with a marked increase in foreign direct investment (FDI) in recent years which reached US$ 11 billion and developed a New Stage of Economic and Social Progress through a program of investment in economic and social infrastructure between 2008-2012 in excess of US $ 5 billion that sets the stage for the diversification of the economy within the framework of Agenda ¨Diversification Horizon 2020¨.
2. The country is relatively small with an estimated population of 1,044,000 inhabitants (Census 2001), with a birth rate of 2.8%, a life expectancy of 51 years, a fertility rate of 5.3%, the literacy reached 93% of the population, sanitation covering 60% of the population in 2005.
3. The GDP is US$ 12 billion, while GDP per capita of US$ 11,000 which positions EG as a high-income country, with the rate of investment / GDP 2011: 35.3%. The inflation rate projected for this year,is not significantly different from those of the last three years: 6.5%. The public debt / GDP estimate is 8.5%. Hydrocarbon exports in 2011 reached US $ 13.4 billion.

4. Since it is a relatively young country, and it has been only 43 years since its independence, and the great responsibility that the State regulation and management of the hydrocarbon sector entails, the development of renewable natural resources, economic and social infrastructure through different mechanisms, it is necessary strengthen and develop the public sector´s management capacity in critical areas by training human resources, incorporating appropriate technology, as well as monitoring and evaluation mechanisms and management information systems.
5. Furthermore, and also because the same reasons outlined above, it is necessary to promote the formation of civil society organizations (CSOs / NGOs) to supplement the work of state and private sector so it can interact with the community providing support and training services, training, etc.
6. The largest renewable resource that EG has is its people in which it must invest as part of its strategy for growth and development. It should have two levels:
•Formal education: preschool, primary, secondary and tertiary / university
•Vocational education, labor and technical

In both cases the funding effort and the regulation and supervision must be performed by the public sector but in some cases the benefit may be provided by civil society and the private sector.

This is a job that has to be done within a medium and long-run perspective of decades that implies not only quantity but quality even more.

VII. Improvement of infrastructure and social and economic services: Although in recent years the country has made remarkable progress with respect to the above conditions is still necessary to overcome certain problems that would allow improvements in both social and economic conditions.

- Social
    - Water
    - Sanitation
    - Housing
    - Health
    - SocialSecurity
    - Food security
    - Environment
- Economic
    - Telecommunications
    - Road
    - Transport
    - Logistics
    - Electricity
    - Ports
    - Airports
    - Environment

VIII. The institutional framework for trade, investment, SMEs, labor and EG, but quite advanced by the time it was established must be updated in light of the changes that have happened in the recent period, particularly in making classification criteria of MSMEs by size, the new instruments for promoting and financing, and new labor standards adopted to the ILO in the 1998 Convention.

IX. **Regarding the business climate** the country already ranked better than the other 7 countries in the Central African sub region and shortened the distance from the SSA. The analysis has given particular attention to matters related to those in which EGhas a significant gap and therefore a significant potential for improvement as is the case with: arrangements for starting a business, access to credit, registering property, protecting investors, tax payments, and foreign trade.

X. **As for the labor market characteristics**, the report Doing Business shows that regulations must be harmonized with EG labor the rest of the countries of CEMAC. This harmonization should include, preferably, aspects of determination of duration of employment to fixed term contract, restrictions on working hours at night and during non-working days for continuous production processes and costs of compensation, among others.

Recommendations and Next Steps

- Establish a **Center for Promotion of Private Investment for Equatorial Guinea** composed of the following areas:

1. Promotion and International Relations

2. Information and M&E,

3. Research,

4. Policy, Administration and Legal

- Responsible for *promoting private investment and business climate for EG and for the coordination of activities with sector ministries and agencies* in this area.
- In charge of monitoring and evaluation of the *Plan for Improvement of the Business Climate, at global and sector levels.*
- A **Reform Committee** will be created. It will be responsible for interagency coordination of this initiative.

Functions:

- Advocacy
- Building the “Country Image”
- Investment Generation
- Investor Service

A Private Investment Promotion Center should have a **Medium Term Action Plan** and an **Annual Operating Plan** to measure and correct the implementation and management progress.

Best practices: IDA Ireland, CINDE Costa Rica.

I. **Coordinate with the sector ministries** the revision and update of laws and regulations.

II. **Design, start-up and implementation of projects**:

- Transparent and flexible visa system for expatriates and tourists.
- Simplification of procedures for establishment of companies
- Access to credit instruments: FG, SGRs, financial literacy, credit insurance, micro insurance, etc..
- Promotion of MSMEs
- Labor and vocational training.
- Property Registry
- Tax simplification.
- Taxes.
- Simplification of trade procedures.
- Regional harmonization of labor regulations.

III. **Accompanying productive diversification policies** with tax and financial incentives in accordance with the needs and characteristics of each sector:

    - Agrifood
    - Forestry and wood
    - Ichthyology and Fisheries
    - Tourism
    - Construction
    - Manufacturing and services

- IV. **Accompanying productive and economic infrastructure** necessary for selected projects

    - Transport

- Telecommunications, requires increased competition and improvements in the regulation
- Electricity (in progress)
- Logistics, key to competitiveness in a globalized econom

Annex I

Economic Indicators

Variable	2010	2011 e	2012 p	2013 p
GDP constant prices. Percent change	-0,76	7,1	4,0	6,8
GDP current prices. US$ billions	14.500	19.418	20.271	21.871
GDP per capita current prices. US$	11.045	14.374	14.582	15.290
Total Investment (% GDP)	48,4	35,4	36,8	32,8
Gross National Savings (% GDP)	24,2	25,7	26,3	25,0
Inflation average consumer prices. Percent change	7,5	7,3	7,0	7,0
Inflation, end of period consumer prices. Percent change	7,5	7,3	7,0	7,0
Volume of imports of goods and services. Percent change	-19,2	-10,2	7,8	4,5
Volume of exports of goods and services. Percent change	-6,9	3,5	2,2	6,0
Population (Thousands)	1.313	1.351	1.390	1.430
General Government Revenue. Percent of GDP	30,0	29,1	27,9	24,6
General Government net lending / borrowing (% of GDP)	-5,2	-3,1	-3,9	-1,9
General Government Gross Debt (% of GDP)	7,5	8,5	10,6	9,0
Current Account Balance (% of GDP)	-24,2	-9,6	-10,5	-7,8

Source: IMF. September 2011 WEO Database

Annex II

1. Interviews

Minister of Economy Trade and Business Promotion (MECPE), Excellency Mrs. Francisca Tatchouop and Cabinet
Deputy Minister of Justice H Excellency Dr. Sergio Esono Abeso Tomo
Cabinet Advisory Meeting
Ministry of Planning. Secretary-General GE Planning
MarathonOil. Marvin J. Raindson Manager
Ministry of Mines, Energy and Industry. Mr. Director General of Oil Economy
Societe Generale de Banques in Guinee Equatoriale. Massez Bruno, Director General
Economic Office in Spain. Economic and Commercial Counsellor Head. Mr. Sergio Perez Saiz
Ministry of Public Works and Infrastructure. Aurelio Andeme MBA OLO, ING, Inspector General of Services
Rafael BonekeCAMA, Director General of Urban Planning and Land
Mark EkuaEdu, Director General of Public Works
Hotel Ibis. General Manager Hotel Ibis at EG
Ministry of Agriculture and Forestry. Vice Minister of Agriculture and Forestry. Diosdado Sergio Osa-Mongomo
Deloitte. StephaneKlutsch, Managing Partner
Yves Parfait Nguema Mba, SeniorMgr
Patrick ElaMañeNchama, Supervisor
LNG. Bill Wheeler, Managing Director
Patrick Sanders, Sales Manager
China Dalian. Deputy Director General
Economic Office of Embassy of France. Mr. Gilles Maarek, Minister of Cooperation, Mr. Jose Manuel Pastor, Head of Project Management Reform of Public Finances and Ms. Marine UTGE ROYO, Head of Trade and Economic Mission.
Atlantic Methanol. Philip Sharp, Vice President Operations and Resident Mgr
SOGECO-ECOCASA. PredragMilenkovic, Deputy Director General
Air France. LaberguериePeyo, Director
Iberia. Commercial Management Meeting
Mallo HOUSE SA. Luis Acevedo, Director General
Ministry of Finance. Secretary General of the Ministry of Finance
Services Plus Group SA. Manuel Nguema MBA, Chairman and CEO
United Nations Development Programme. (UNDP), Mr. Leo Heileman, Resident Representantive and Ms. Glenda Gallardo, Senior Economics Advisor.

Annex III

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