

Equatorial Guinea

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Overview

Equatorial Guinea is composed of a mainland, Rio Muni, and small islands, including Bioko where the capital Malabo is located, Annobon, Corisco, Elobey and others. According to the 2015 census, Equatorial Guinea's population is 1.225 million people.¹ Equatorial Guinea is bordered to the north by Cameroon, to the south by Gabon, and to the east by the Democratic Republic of Congo. The nation state is rich in arable land and mineral resources, i.e. columbite-tantalite, diamonds, gold, oil and uranium. Petroleum, its primary export, was discovered in the 1990s.² The government of Equatorial Guinea has invested heavily in building modern infrastructure which includes an interconnected transportation network of roads, airports and seaports and an electrical grid with capacity to cover 95 percent of the nation's energy requirements.³

In 2017, Equatorial Guinea scored 1.81 out of 10 on the Economist Intelligence Unit's Democracy Index, placing it 161 out of 167 countries.⁴ Equatorial Guinea is also affected by significant corruption: according to Transparency International's 2018 Corruption Perceptions Index, Equatorial Guinea ranks 16 points out of 100, averaging 18.55 points over the 13 years that the country has been measured.⁵

Equatorial Guinea's economy has halved since 2012. At the time gross domestic product (GDP) stood at CFA12.5 trillion (US\$22.39 billion), while today GDP is at CFA6.9 trillion (US\$12.49 billion).⁶ This downward trend is expected to continue, falling by a nominal 6.5 percent in 2019 from the previous year.⁷ This trend is mainly attributable to the fall in state revenues from oil, a resource the country is heavily reliant on. As of 2017, for example, 75 percent of revenues were from oil.⁸

In addition, the country has high but currently manageable levels of public debt, an equivalent of 53.8 percent of its GDP in 2017. This is, however, a sharp increase from 0.5 percent 10 years previously.⁹ The country recorded a government budget deficit equal to 2.3 percent of the country's GDP in 2017, projected to fall to 0.5 percent in 2019. Inflation is projected to be 1.4 percent in 2019 and 1.9 percent in 2020, which is below the Central African Economic and Monetary Community's (CEMAC) three percent requirement.¹⁰

Access to finance

Equatorial Guinea's banking sector is small and concentrated with six banks – National Bank of Equatorial Guinea (BANGE), BGF Bank, Commercial Bank of Guinea, Caisse Commune d'Epargne et d'Investissement Guinée Equatoriale,

KEY FIGURES

Main urban centres	Malabo
Exchange rate: 1 US\$ = [a] 1 July 2019	580.15 CFA Franc (XAF)
1 PPP\$ = [b]	240.88 CFA Franc (XAF)
Inflation 2018 [c] Inflation 2019 [c]	1.3 2.6
Population [b]	1 308 974
Population growth rate [b] Urbanisation rate [b]	3.6% 4.4%
Percentage of the total population below National Poverty Line (2017) [d]	44.0%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	6.9%
Proportion of the adult population that borrowed formally (2017) [b]	n/a
GDP (Current US\$) (2018) [b]	US\$13 317 million
GDP growth rate annual [b]	-3,0%
GDP per capita (Current US\$) (2018) [b]	US\$10 174
Gini co-efficient (2017) [b]	n/a
HDI global ranking (2017)[d] HD country index score (2017) [d]	14110.591
Lending interest rate (2018) [b]	15.0%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding	n/a
Value of residential mortgages outstanding (US\$)	n/a
Number of mortgage providers Prevailing mortgage rate [f]	n/a 15%
Average mortgage term in years Downpayment	20 50%
Ratio of mortgages to GDP	n/a
What form is the deeds registry? [e]	Paper
Total number of residential properties with a title deed	n/a
Number of houses completed	n/a
Number of formal private developers/contractors	n/a
Number of formal estate agents [g]	2
Cost of a standard 50kg bag of cement	n/a
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units)	22 350 000 XAF
Size of cheapest, newly built house by a formal developer or contractor in an urban area	n/a
Average rental price for this unit in an urban area (local currency units) [g]	200 000 XAF
Number of microfinance loans outstanding	n/a
Number of microfinance providers [f]	1
Number of housing construction loans outstanding	n/a
Number of providers of construction finance	n/a
World Bank Ease of Doing Business Rank [e]	177
Number of procedures to register property [e]	6
Time (in days) from application to completion for residential units in the main urban city	n/a

NB: Figures are for 2019 unless stated otherwise.

[a] Coinmill	[e] World Bank Doing Business 2018
[b] World Bank World Development Indicators	[f] National Bank of Equatorial Guinea (BANGE)
[c] IMF World Economic Outlook Database	[g] Casas Guinea
[d] UNDP: Human Development Reports	[h] Numbeo

Afriland First Bank and Ecobank.¹¹ Three of these hold over 80 percent of industry assets.¹² BANGE was established as a result of a commercial alliance between the State of Equatorial Guinea and the Philippines Bank of Commerce and is the only bank operating in the country whose parent company is local. Like similar small countries which rely heavily on foreign located banks, this can present a challenge if these banks decide to move their investments abroad given scarce domestic investment opportunities or low profitability.¹³ Furthermore, Equatorial Guinea has a constrained microfinance sector, which impedes access to financial services for low income groups.

Up-to-date key statistics on the finance industry are not readily available. Available 2017 figures show lending rates of 15 percent, and deposit interest rates at 2.45 percent. Bank non-performing loans were reported at 27 percent.¹⁴ In 2016, Equatorial Guinea was reported as having 9.15 ATMs and 4.89 commercial bank

branches per 100 000 adults. It had 21.74 borrowers, 205 depositors and 344 bank accounts per 100 000 adults, making its per capita rates relatively high compared with other countries in the region.¹⁵ Only 18.9 percent of the population uses the internet and 66.4 percent are mobile phone subscribers.¹⁶ The use of mobile banking in Equatorial Guinea is also lagging compared to the rest of Africa.¹⁷

The tally of the number institutions providing mortgages is not available. However, one product advertised by BANGE is for “the purchase of first or second houses, construction and improvement of a single-family home”.¹⁸ The mortgage term is five years, at an interest rate of 2.5 percent per annum. This interest rate is relatively low, given that the same bank advertises rural credit for six percent and microloans for seven percent per annum.¹⁹ BANGE also has a “micro bank product” for various purposes including house fittings (Crédito Equipa Tu Casa) and individual and family development credit (Crédito Desarrollo Individual Y Familiar). Interest rates on these loan products are seven percent for a 12-month term, for a maximum loan amount of CFA1 million (US\$1 700).²⁰ More information, particularly on the terms for origination of these loans is required, however.

The World Bank Doing Business 2019 report highlights some challenges with the depth of credit information available on the economy (Equatorial Guinea receives a score of two against the Sub-Saharan average of three, and OECD average of 6.7). The reasons for this are that bureau or registry credit scores are not available to help banks and financial institutions assess the creditworthiness of borrowers for loan origination. Neither can borrowers rightfully access their data in the credit bureaus or a registry, by law.²¹ A total of 8.7 percent of economically active Equatoguinean adults are registered with the credit registry.²²

Affordability

Historically, Equatorial Guinea has had some of the highest growth rates in Africa, which allowed it to achieve a GDP per capita (Purchasing Power Parity) of CAF19.5 million (US\$33 620) in 2018. As a result, Equatorial Guinea is classified as a middle income country.²³ Yet the country ranks 141 out of 188 countries in the Human Development Index, currently scoring 0.591,²⁴ which shows the highly skewed distribution of wealth in the country. The country has reported relatively modest unemployment levels, compared to others on the continent, at 6.9 percent in 2018.²⁵ The oil-dominated economy requires a small highly skilled labour force, which makes the country heavily dependent on foreign workers.²⁶ The oil sector does not create a commensurate number of jobs – it employs only four percent of the labour force, yet constitutes over 85 percent of GDP.²⁷ This points at a need to diversify the economy, a significant economic thrust the government is pursuing.

The country’s most recent household survey was conducted in 2006. At that time, it was reported that over 79 percent of the rural population and 30 percent of the urban population were living below the poverty line.²⁸

While no average price of housing is available, a general sense of the cost of a house is obtainable. The cheapest government-built house is CAF8 million, available through rent to own. Within the private sector, according to one source, the price per square meter for an apartment in the city centre is CAF447 000 (US\$755).²⁹ A 50m² apartment would therefore be CAF22 350 000 (US\$38 000). Another source advertises a five-bedroom house at CAF3 million (US\$51 000).³⁰ Taking the lower figure, and the mortgage product of BANGE, it would take a monthly income of CAF350 000 (US\$603) to afford a mortgage.³¹ This is not within the reach of most citizens, with the average salary placed at CAF250 000 (US\$431).³²

Housing supply

Currently, 40.3 percent of Equatorial Guinea’s population is reported as living in urban areas, with the urbanisation rate estimated at 4.28 percent annually (2015-2020).³³ The broader population growth of the country is 3.6 percent.³⁴ Housing is largely self-built from natural materials, i.e. wooden planks or palm thatch, cane and mud walls.

There is a formal state programme for social housing which aims to ensure better access to service infrastructure.³⁵ Through the programme, the government has

Availability of data on housing finance

Access to data on housing finance in Equatorial Guinea is a challenge, and little information and data is available publicly or online. The country also does not have the multilateral actors and donors, whose activities often come with data collection and analysis, given its middle income status. State openness on information has improved, with the country’s adoption in 2019 of the International Monetary Fund’s (IMF’s) Enhanced General Data Dissemination System, which publishes essential macroeconomic data.⁵² The data therein, while still insufficient, will improve with time.

built more than 9 000 units, available through rent-to-own mechanisms. However, the programme, which was highly subsidised by the state, has been suffering since the drop in the price of oil and came to a halt in 2015. The programme has been variously described as too small, however, to be effective, vulnerable to corruption and to elite capture,³⁶ and arguably poorly targeted.³⁷ Further, data on expenditure, product types and delivery is scarce. The Centre for Affordable Housing Finance (CAHF) has previously reported that the state planned to spend CFA1 492 billion (US\$2.6 billion) on social housing. By mid-2014, only CFA388 billion (US\$670 million) or 26 percent had been spent.

Furthermore, according to CAHF, the government funded a series of public housing blocks in Bioko Norte, for low income earners in 2015. More than 1 000 houses were also built in Sampaka, a small town north of Malabo.³⁸ Another more recent report reported that more than 8 600 state-subsidised homes were delivered on the island of Bioko in 2019.³⁹

Property markets

Equatorial Guinea’s score for Doing Business in 2019 is 41.94 out of 100, giving it a global ranking of 177 out of 190. This is three years of decline, with the last ranking at 162. It registers a relatively low score of four on the quality of the land administrative system index, against an average score of 8.8 in Sub-Saharan Africa.⁴⁰ The land administrative system and cadastre are largely paper-based, transparency of the system is low with no officially available statistics tracking land transactions, and there is no service by the state to deliver binding documentation or maps showing ownership, on request.⁴¹ The titling and cadastre systems also do not cover the full extent of the country, nor the largest city in the country. The cost of procedures to register property is high, at 12.5 percent of the cost of the property, compared to the Sub-Saharan average of 7.6 percent. It takes 23 days to register a property.

Policy and regulation

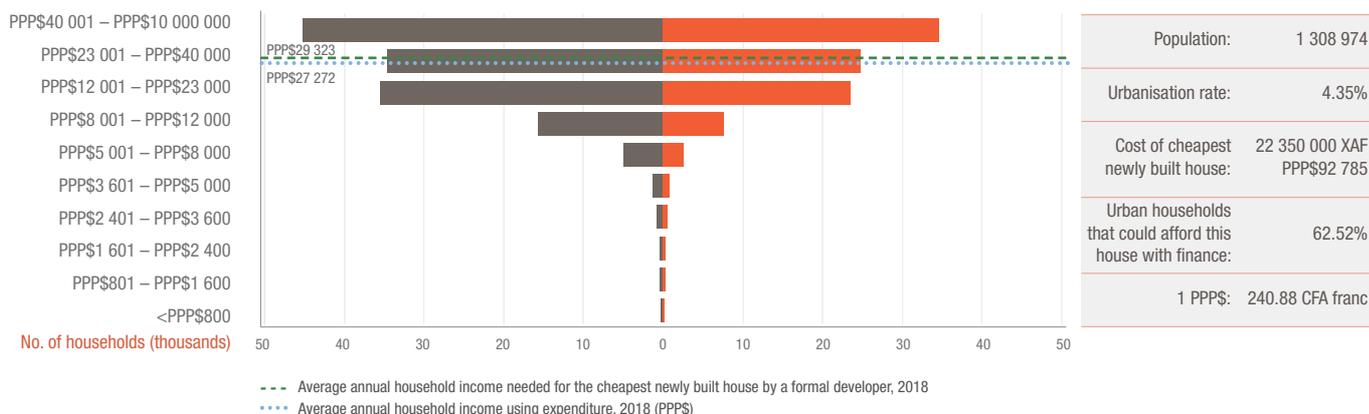
Horizonte 2020 was launched in 2007 as the country’s overall strategic development plan. It identifies, as part of its projected outputs, the “creation of urban local plans for all cities” and “development of the water and sanitary sector” and “collection and treatment of household waste.”⁴² Other priorities set out in the plan include developing and implementing adequate regulations for the housing market and increasing and diversifying financial support for social housing construction projects.⁴³ The government has created the Social Development Fund with a budget of US\$1 billion to support the strategy.⁴⁴

Little information is available on the successes of this programme, although the challenges posed by declining government oil revenues have reportedly had a detrimental impact on its implementation.⁴⁵

One of the most significant challenges to the economy is the lack of transparency in the use of revenues from the country’s main export, oil. Equatorial Guinea has applied for membership of the extractive industries transparency initiative (EITI). Equatorial Guinea also has weaknesses in managing its public finance system.⁴⁶ A number of reforms to address this have been implemented, including better control and tracking of public spending and enhanced revenue administration.⁴⁷ The sustainability of these measures will depend on political will. Given Equatorial Guinea’s over-reliance on oil revenues, reforms have also targeted increasing the proportion of non-resource tax revenues through stimulating growth and diversification within the private sector.⁴⁸ Again, little data is available on the success of these measures.

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Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/C-GIDD, 2019>

Access to credit has improved through amendments to the Organisation for the Harmonisation of Corporate Law in Africa (OHADA)⁴⁹ Uniform Act on Secured Transactions.⁵⁰ This allows a broader range of assets to be used as collateral, using proceeds of the asset as security, and introducing the possibility of out-of-court enforcement. The regional public credit registry (for the Central African Monetary Union) now also provides online access to information for banks.⁵¹

Opportunities

Economic opportunities in Equatorial Guinea lie in diversification beyond the oil industry, into other economic sectors, a reality which the state acknowledges. From a housing perspective, this means delivering products that target the more affordable segment, not employed by the relatively well-paid oil industry. The limited finance market with restricted access also does not target lower income earners, and there are no innovative housing financing products. There is therefore potential to introduce such products, for example housing microfinance.

Websites

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