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MEMORANDUM AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT OF SDR 4.7 MILLION

TO THE

REPUBLIC OF EQUATORIAL GUINEA

FOR A

CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

OCTOBER 9, 1990

CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (CFAF)
US$1.00	=	CFAF 285 a/

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

BADEA	=	Banque Arabe de Développement Economique en Afrique
CRP	=	Cocoa Rehabilitation Project
IDA	=	International Development Association
IFAD	=	International Fund for Agricultural Development
MALFF	=	Ministry of Agriculture, Livestock, Fisheries and Forestry
OFA	=	Agriculture Development Organization
OPEC	=	Organization of Petroleum Exporting Countries
PPF	=	Project Preparation Facility
SAL	=	Structural Adjustment Loan
SDR	=	Special Drawing Rights
T&V	=	Training and Visit System
WFP	=	World Food Program

FISCAL YEAR

January 1 - December 31

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a/ The exchange rate of the CFA Franc (CFAF) is fixed at 50:1 with the French Franc, which is a floating currency.

EQUATORIAL GUINEA

CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

CREDIT AND PROJECT SUMMARY

Borrower:	Government of Equatorial Guinea
Beneficiary:	Ministry of Agriculture, Livestock Fisheries and Forestry (MALFF)
Amount:	SDR 4.7 million (US$6.3 million equivalent)
Terms:	Standard IDA terms, with 40 years maturity
Onlending Terms:	11% from the Central Bank to OFA and 18% (to be modified yearly, as necessary in consultation with IDA) from OFA to farmers.
Financing Plan:	Government US$ 1.3 million IDA US$ 6.3 million IFAD US$ 5.0 million BADEA US$ 3.9 million OPEC US$ 1.5 million TOTAL US$18.0 million
Economic Rate of Return:	21%
Staff Appraisal Report:	8547-EG
Map:	IBRD No. 22225

MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE REPUBLIC OF EQUATORIAL GUINEA
FOR A CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

The following memorandum and recommendation on a proposed Development Credit to the Republic of Equatorial Guinea for SDR 4.7 million (US$6.3 million equivalent) is submitted for approval. Part I of the document discusses Equatorial Guinea's development problems and prospects, the key priorities of the economic reform program at the macroeconomic and sector levels, and the Bank Group's assistance strategy. It draws upon the Policy Framework Paper covering the period 1988 to 1991, which was approved by the Committee of the Whole in December 1988. Part II of the document describes the proposed Credit.

I. Country Policies and Bank Group Assistance Strategy

Background

1.01 Equatorial Guinea is a small open economy consisting of a continental area, Rio Muni, on the west coast of Africa, and an island group, Bioko and four smaller islands in the Gulf of Guinea. The capital, Malabo, is located on Bioko island and the other major city, Bata, is on the mainland. The population in 1988 was estimated at 350,000 inhabitants and the land area is 28.000 km2. With a GNP per capita of US$390 in 1989, it is classified among the least developed nations of Sub-Saharan Africa. The islands and Rio Muni have different economic bases. Bioko is the more developed and urbanized, and the dominant economic activity is cocoa production. In Rio Muni live approximately 80 percent of the population and the main economic activity is food crops, followed by timber extraction, coffee, and some cocoa production.

1.02 Equatorial Guinea's economy is based on agriculture, which, including fishing and forestry, provides a living for some 80 percent of the population and in 1989 accounted for 58.5 per cent of GDP and 95 percent of total exports. Subsistence agriculture predominates, but cocoa, timber and coffee provide foreign exchange and government revenues. Limited manufacturing exists in the form of wood and cocoa processing, food processing, brick factories and some simple consumer goods, accounting for 1.7 percent of GDP. Construction and public utilities represent 9 percent of GDP; and services accounted for 26 percent of GDP in 1989. The country's main exports are wood and cocoa which in 1989 accounted for 58.4 percent and 35 percent of export of goods respectively. Equatorial Guinea is endowed with fishery resources and viable hydrocarbon deposits. However, the Equatorial Guinean economy presents particularly difficult development challenges: deteriorated productive capacity and related infrastructure; acute shortage of suitably trained personnel which hampers public resource management; acute dependence on two commodities, i.e. cocoa and timber; weak banking system; an overwhelming debt burden and lack of private foreign and domestic entrepreneurship.

1.03 Equatorial Guinea has faced serious economic and financial problems since its independence from Spain in 1968, many of which can be attributed to the destructive rule of the Macias Nguema regime (1968-1979). During this period, foreign investment stopped, the state-operated trading system broke down and the economy retreated into subsistence agriculture. When the present Government took office in 1979, it was confronted with an economy on the verge of bankruptcy; exports had fallen to a third of their 1967 levels, while foodstuffs, which had traditionally been exported were imported to cover the deficit resulting from the breakdown of the marketing system. With regard to human resources, education and health indicators were among the lowest in Sub-Saharan Africa; sanitary conditions were very poor and the incidence of diseases and related mortality and morbidity rates were high. Infrastructure was in total disrepair, financial controls were practically non-existent, and there was an extreme scarcity of skilled manpower.

Recent Economic Developments

1.04 An economic reconstruction program was initiated in 1980, with Fund support, but was not sustained. As a result inflationary pressures accelerated, balance of payments problems rose, and external debt, which had been nil in 1980, rose to 153 percent of GDP in 1985. In 1985, efforts to reconstruct the economy were renewed. A key step in this effort was Equatorial Guinea's entry into the Bank of Central African States (BEAC). The domestic currency was replaced by the CFA franc at a rate that implied a devaluation of 82 percent. The program also emphasized improvements in fiscal and external debt management, increases in producer prices to stimulate production and exports and efforts to restructure the financial system. The program was supported by a stand-by arrangement from the Fund, a Rehabilitation Import Credit (RIC) from IDA, and debt relief from the Paris Club. While the policy measures under this program represented important steps in eliminating distortions in the economy, output did not recover as expected, fiscal and external financial imbalances did not improve, leading to the accumulation of internal and external payment arrears. In addition, due to inappropriate and highly expansionist credit policy, acute liquidity problems emerged in the domestic financial system.

1.05 In late 1987 and early 1988, the Government renewed its efforts to improve economic management. To address the crisis in the banking sector, it began the liquidation process of the two banks in severe financial difficulties, improvements in tax administration were introduced to strengthen revenues, and controls over budgetary outlays and credit policy were tightened.

1.06 In mid-1988, the Government presented its renewed policy effort in a Policy Framework Paper (PFP) for the period 1989-1991; this effort was supported by the Fund through a first year SAF program. Its key objectives were to achieve a real average GDP growth over the program period of 3.5 percent a year, while concurrently sustaining and strengthening the improvement in the implementation of financial policy so as to reduce domestic and external imbalances, and lowering the rate of inflation to an annual average of 4 percent over the program period. The basic elements of the Government's strategy were: agricultural led growth based on comparative advantage and a progressive opening of the economy to market forces;

strengthening public sector resource management and stimulation of private sector initiatives; and mobilization of external assistance on concessional terms to support the program.

1.07 The improvements in economic performance of 1987 and early 1988 proved to be only temporary. With regard to export performance, cocoa production and exports in 1988/89 declined because of excessive and untimely rainfall and declining world prices; timber exports declined due to excessive taxes, high production costs and inadequate maintenance of the sector's capital stock as well as difficulties in bank financing and transport services. On the budget front, in late 1988 there was a large unplanned increase in expenditures and, in 1989, while expenditures were brought under control, revenues declined sharply and the overall budgetary deficit increased to 5.6 percent of GDP compared to a deficit of 3.7 percent of GDP in 1987. With regard to other policy areas, little progress was achieved in liquidating the two bankrupt banks, Guinextebank and the Banco de Credito y Desarrollo (BCD), and policy reversals have taken place in the area of investment programing as the Government sought to implement projects whose economic and social rates of return are estimated to be marginal.

1.08 The deterioration in public finances in 1988-1989, the disagreements with the Government on the public investment program (PIP) and the delays in liquidating the bankrupt banks have derailed the medium-term program outlined in the PFP. IDA staff, in close coordination with the IMF, have resumed dialogue with the Government in order to bring the program back on track. However, significant improvements in budgetary management and wide-ranging structural reforms would need to be realized if a sound financial framework is to be assured and self-sustained growth resumed.

The Outlook for 1990-1991

1.09 Economic prospects for 1990 are more favorable than those of 1989, and real growth may approximate population growth (2.6 percent) compared to 1 percent GDP growth in 1989. The 1990 budgetary performance is also expected to improve over that of 1989. This progress on the budgetary front can be attributed to a large extent to the one-time payments from non-budgeted resources as well as the Government's decision to delay the application of the salary increase that had been approved in the budget, although there was also some progress in revenue collection. It is expected that this budget performance will be sustainable in 1991 and beyond due to the revenues accruing from oil exports which are expected to start rolling in in mid-1991, and provided that Government continues to exercise control on expenditures and continues to improve revenue collection.

1.10 The recently signed exploitation contract with the private foreign firm of the Alba Hydrocarbon field has significantly improved Equatorial Guinea's medium-term prospects. It is expected that by mid-1991, the field could export some 4000 barrels per day of condensate and Equatorial Guinea could become a net oil exporter. Provisional revenue forecasts indicate that revenues accruing to the Government from oil exploitation would amount to US$1.6 million in 1991 and could reach progressively US$7.0 million by 1995, and oil exports could amount to some US$33.0 million in 1991, increasing to

US$44 million p.a. from 1992 onwards, [1] more than doubling Equatorial Guinea's total exports. Thus, both budgetary and BOP results should show a progressive improvement over the coming years.

1.11 Notwithstanding these prospects, the underlying issues causing weak export performance continue unresolved and export prospects for 1990-91 remain dim. In addition, the external debt situation will remain very difficult to manage, unless part of the debt is rescheduled. The outstanding public debt for 1990, including the IMF, is estimated at US$197.5 million or 117 percent of GDP, and the debt service ratio is estimated at 9.1 percent of GDP.

Central Development Issues

1.12 Despite Equatorial Guinea's relatively rich natural resource base that could support in the medium-term enhanced growth and development prospects, the country faces several development constraints. These include a weak balance of payments that is highly dependent on depressed exports of cocoa and timber; domestic resource mobilization that is hampered by the weaknesses of the tax administration; budgetary expenditures dominated by debt service payments; an extremely weak human capital base; a poor and risky investment climate; and a weak administrative capacity. These constraints need to be overcomed through improved macroeconomic policies.

1.13 The 60 percent drop in cocoa export prices in local currency terms from 1985 to 1989, combined with a declining production, has severely undermined Equatorial Guinea's balance of payments and deprived the budget of crucial resources. Although the rapid growth of timber exports from 1983 to 1987 has partially compensated for the disappointing results of the cocoa sector, budgetary revenues as a percentage of GDP declined from 20 percent in 1985 to 13 percent in 1989. Furthermore, the deep decline of international cocoa prices has led to sharp cuts in the official producer prices. Hence, production and techniques need to be improved in order to reduce costs and increase average yields while alternative export opportunities need to be identified and actively promoted. One of the objectives of the proposed project is to raise foreign exchange earnings by promoting the export of traditional and non-traditional crops, including food crops.

1.14 With regard to timber, production and exports have stagnated since 1988. While transportation deficiencies and the crisis in the banking system have negatively affected the sector, the technical and financial weaknesses of the private sector firms operating in the sector, the inappropriate tax and concession system are also key factors explaining this weak performance. The Government needs to perform an in-depth financial and technical audit of the private firms of the sector and implement a wide-ranging reform of the tax and concession systems. Although current production levels of 180,000 m3 p.a. are estimated to be well within estimated maximum sustainable production levels, the Government should finalize the forestry inventory and its reforestation policy before new concessions are granted, so as to ensure the sustainable

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[1] Assuming crude oil at US$30/barrel.

exploitation and management of this renewable resource.

1.15 While part of the decline in resources is explained by the performance of cocoa and timber, other sources of revenues, such as import duties and other indirect and direct taxes, have been declining as a percentage of GDP. In addition, weaknesses in tax administration have led to arbitrary methods of revenue collection. Hence, in order to generate fiscal revenues that grow at least at the same rate as domestic production, a major effort will need to be made to improve administration. This will include a simplification of the tax system and restoration of the tax administration apparatus within the UDEAC rules. In order to implement such a reform, the Government requires substantial technical assistance.

1.16 The Government's expenditure policy is severely constrained by the overwhelming debt service burden. Debt service payments due in 1991 represent 86 percent of government revenues, and are projected to be 70 percent of total revenues during the period 1991-95. In addition to improved fiscal discipline, concessional debt relief would be required; depending on the magnitude and terms of this relief, recourse to further additional resources from bilateral and multilateral donors would be needed in order to reduce considerably the debt service burden and reallocate resources to crucial sectors such as road transport, health, education and basic infrastructure.

1.17 The private sector is extremely weak in Equatorial Guinea, and its development is constrained by a wide array of factors. Property rights are uncertain, the banking sector is weak, key infrastructure needs to be improved, and the regulatory and incentive frameworks are unnecessarily cumbersome and distorted. With regard to the banking system, the Government should accelerate the liquidation process of the two bankrupt banks in order to create a more appropriate setting for the creation of a new private commercial bank. Property rights should be clarified by an updating of the property registries and a review of the legal framework. Ports, telecommunications and other key infrastructure should be improved and properly maintained with the assistance of foreign donors and private firms. The current policy of assuring management and maintenance of these key services by private parties whenever appropriate should be expanded. Finally, regarding the regulatory and incentive frameworks, the Government should carry out a review of these policies with the dual objectives of simplification and liberalization.

1.18 Equatorial Guinea has one of the weakest human capital bases in Africa, leading to inefficient management of available resources and a weak administrative capacity. The Government intends to reform its civil service so as to increase its efficiency and its capacity to formulate and implement economic policy. Also, new strategies are being prepared for the health and education sectors. Equatorial Guinea's poor health indicators are the result of a combination of deficiencies and constraints. Underlying these deficiencies in the health system are an inappropriate strategy and deficient management. Consequently, IDA and the Government have agreed on a health sector strategy which emphasizes the strengthening of sector management planning and budgeting, providing operational support to alleviate the constraints on delivery of basic health care services, and concentrating resources on preventive and primary health care. With respect to education,

the strategy is to continue to support the development of primary education and the expansion of primary schools. The Government would increase the amounts spent on education, which are currently meager, and strengthen sector management.

Bank Group Strategy

The Composition of Past Lending

1.19 Before the present Government came to power in 1979, the Bank Group had made only one credit of US$2.0 million to Equatorial Guinea, for highway maintenance, which was cancelled in 1976 at the Government's request. Since 1982, five IDA credits totalling US$28.8 million equivalent and one Special Africa Facility Credit of US$4.0 million equivalent have been approved. Two of the credits were for technical assistance, one for agriculture, one for Education and a Rehabilitation Import Credit. Policy discussions have been fruitful in the context of the preparation and implementation of agricultural and technical assistance projects and the fast-disbursing Rehabilitation Import Credit (RIC). The RIC was approved in 1986 but became effective in 1987, due to slow progress by the Government in preparing a program with respect to the management of public finances and external debt acceptable to IDA. The project was designed to support the Government's reform program and provide assistance for the rehabilitation of the agricultural and selected infrastructure sectors. The second tranche of the RIC was released in July 1988. The current portfolio consists of three IDA credits.

LENDING PROGRAM FY85-90

	Board Date	Amount US$	Disbursed
Agriculture			
Cocoa Rehabilitation Project	2/19/85	9.30	9.18
Policy Lending			
RIC	5/08/86	6.00	4.05
Human Resources			
Primary Education Project	5/21/87	5.10	1.14
TOTAL			
Number of Projects	3	20.40	14.37

1.20 Project implementation is affected by poor management, generalized institutional weaknesses, lack of adequately trained personnel in the areas of

procurement and project administration, and lack of counterpart funds. An IDA-financed expert, responsible for the administrative coordination of all IDA-financed projects in the country, has been assisting the Government to mitigate these problems through training of local project staff in auditing and accounting, and by putting in place procedures to ensure smooth project execution.

Country Lending Strategy and Priorities

1.21 The Bank's priority in Equatorial Guinea is to promote equitable and sustainable income growth. The policy advice and dialogue focus on (i) promoting sound economic policies, particularly budgetary management, public investment programming (PIP), improving the efficiency of the financial sector, agricultural pricing, debt management, and reviewing the incentive structure so as to promote private sector supply response and investment; and (ii) development of Equatorial Guinea's long-term development potential, particularly human resources, health, agriculture, and environment. The main instruments for implementing this strategy are policy dialogue, lending, and aid coordination.

1.22 There are key constraints to achieving these objectives stemming primarily from issues related to macroeconomic management. Equatorial Guinea's poor performance in addressing these issues has severely affected the country's external credibility. The poor quality of the policy dialogue with IDA has reflected the weak commitment at the highest level to translate the dialogue into meaningful reforms. Furthermore, the failure of the dialogue has reflected the weak institutional capacity available in the country to implement reform measures. The Government needs to take decisive up-front steps to improve economic management and convince donors that it can effectively use external resources.

1.23 The most urgent issues which the Government needs to address are: (i) improvement of budgetary results, focusing on continued expenditure control and improved resource mobilization (improved tax collection and administration); (ii) substantial progress in the liquidation of the two banks (completion of contract negotiations with the selected consulting firm and setting up of the liquidation unit); (iii) preparation of a PIP that addresses Equatorial Guinea's development constraints and resolution of outstanding issues regarding some specific projects --this would entail the preparation of a realistic three-year rolling investment program with adequate provisions for the recurrent costs of planned investments (a Bank mission to review the PIP is scheduled for October 1990); (iv) preparation/implementation of an action program addressing key constraints in the cocoa and forestry sectors (preparation of a forestry action plan and a medium-term program for the sector); and (v) strengthening of the economic management team in order to facilitate the preparation and implementation of a credible adjustment program as well as the dialogue with key foreign partners.

1.24 Provided that the Government makes satisfactory progress in these areas, IDA will put in place a program to assist the Government in addressing Equatorial Guinea's key development constraints. This assistance strategy would consist of a base case program of institution-building projects and high priority investment projects which address long-term development issues, and

whose benefits would continue to accrue to the population despite lukewarm macroeconomic policy performance. The lending program FY91-94 would be limited to one IDA credit a year, amounting to a total investment of about US$20 million. The Crop Diversification and Agricultural Services Project (FY91) aims at alleviating rural proverty by increasing rural incomes and foreign exchange earnings by import substitution; crop diversification; and promoting private sector agricultural export marketing over a five-year period. The project would also improve the nutritional level of the rural population, and the well-being of rural women. The Second Technical Assistance Project would continue to assist the Government strengthen its capacity to prepare and carry out its development strategy. This assistance is warranted given the country's weak human resource base and weak implementation capacity. The Health Project would aim at identifying the key sectoral constraints to the delivery of minimum basic health services, focusing on improving human and financial resources use and combating the most crippling endemic diseases. The Forestry/Environment Project would promote a rational use of natural resources and assist the Government in the management and conservation of the country's rich forestry resources.

1.25 Preliminary discussions on a second year PFP are planned for October during the joint Bank/IMF mission. Provided that PFP preparation and negotiations are successful, that the Government continues to make real progress in macroeconomic management and that the policy dialogue continues to improve, then IDA would reassess the likelihood of putting in place an adjustment program to deepen the country's adjustment process.

1.26 On the other hand, if the Government does not take the steps outlined in para 1.23 above, IDA will not be able to proceed with the base case lending program described in para 1.24, and lending will be limited to the proposed Crop Diversification and Agricultural Services Project. Agriculture is an area where policy dialogue between IDA and the Government has been fruitful. There exists a broad understanding on key issues such as agricultural pricing, the important role of the private sector in production and marketing, and the need to assist in the development of viable private delivery of agricultural inputs such as credit. The project would build on progress achieved under the Cocoa Rehabilitation Project, particularly with respect to establishing a viable credit system, and improving the quality control of cocoa beans.

Aid Coordination

1.27 Improved aid coordination is critical for Equatorial Guinea, which receives one of the highest per capita external aid in Sub-Saharan Africa. The Government's weak administrative capacity implies that the responsibility for assuring that foreign aid is allocated to priority areas and avoiding duplication of efforts will lie mainly with the donors. A Round Table Conference was held in Geneva in November 1988, during which the Government's program received the support of all major donors and the international donor community made substantial pledges of continued assistance to the country over the next years. Taking account of the need for active efforts by donors, it was agreed that sectoral meetings would be organized to allow more specific coordination among all the parties involved. Agriculture, human resources, infrastructure, telecommunications and transport, technical assistance and

public administration were chosen as sectors requiring more consultations. UNDP agreed to coordinate overall aid efforts in general and IDA agreed to coordinate activities in the agricultural sector. The sectoral follow-up of the Donor's Conference on agriculture took place in Malabo in November 1989. The meeting was successful not only in mobilizing needed external resources but also in discussing key agricultural policy issues related to property rights, agricultural pricing, food security, and sector management. The infrastructure follow-up meeting was held in Malabo in early July 1990. Other sectoral follow-up meetings are scheduled to take place in late 1990 and early 1991.

1.28 In view of the high level of external assistance flowing to EQG and the large number of donors involved, improved coordination will be essential to ensure that effective use is made of this external assistance. This task will be considerably facilitated by the commitment made by the UNDP to take the responsibility of lead agency for coordination in the field.

Cooperation with the IMF

1.29 The Bank has worked closely with the IMF in the design and monitoring of the PFP. In 1988, the Bank and IMF carried out joint missions to develop with the Government the three-year policy framework paper. The Government recognizes that continued efforts to improve the major macroeconomic imbalances is a prerequisite for adjustment and that possible Fund programs and a SAL are inter-related. In October, Bank and IMF staff will participate in a joint economic mission to discuss with the authorities the medium-term projections and begin to prepare a second year PFP.

Summary Assessment

1.30 After a period of economic and political mismanagement in the 1970s which led to the disintegration of the economy, the Government of Equatorial Guinea has been making attempts at promoting economic recovery since 1980. From 1980 to 1984 the Government's macroeconomic policies were not conducive to a sustained expansion of the economy. Therefore, in 1985, a more appropriate economic program was launched, which emphasized redressing fiscal imbalances, improving debt management and stimulating production and exports. However, except during a brief period between late 1987 and mid-1988, policy performance was weak and budgetary management and the balance of payments current account did not improve. In addition, there remain a number of major structural problems which impede the achievement of sustainable growth, and to some extent explain the weak macroeconomic performance.

1.31 The agricultural sector's considerable potential has not been developed due to inadequate support services, weak institutions and marketing and an inappropriate incentive structure. The recent decline in international prices of Equatorial Guinea's main agricultural exports has further undermined the sector. Equatorial Guinea has one of the weakest human resource bases in Africa and health and education indicators are among the worst. Furthermore, the public administration is deficient and as a result project implementation is constrained by institutional and management bottlenecks. The deterioration in public finance management in 1989, the policy reversals regarding the public investment program and the delays in liquidating the bankrupt banks

have derailed the medium-term program outlined in the first year PFP. Given the magnitude of existing internal and external imbalances and weak public administration, progress is likely to be slow.

1.32 IDA will continue its dialogue with the Government in order to help in the formulation and implementation of policy reforms that are essential to restoring self-sustained growth; and to help strengthen the Government's capacity to implement its development programs. The level and composition of lending over the next few years will depend on the extent of policy reform. Provided that the steps identified in para 1.23 are taken, IDA will lend one project a year in technical assistance, human resource development (health) and forestry/environment. If no progress is made, IDA will limit its lending to the proposed project in the agriculture sector--the Crop Diversification and Agricultural Services Project. If a PFP is successfully negotiated and policy dialogue continues to improve, IDA will seek to assist the Government to deepen the process and assess the possibility of putting in place a structural adjustment program.

II. The Proposed Credit

2.01 The proposed credit will be issued on standard IDA terms with 40 years maturity and will help to finance a Crop Diversification and Agricultural Services Project. The project will be cofinanced by IFAD for SDR 3.7 million (US$5.0 million equivalent), BADEA for US$3.9 million, OPEC for US$1.5 million, and the Government for US$1.3 million equivalent. The principal implementing agency will be the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF), and project beneficiaries.

2.02 Background. The country's economy is based almost exclusively on agriculture (including fisheries and forestry). In 1988, the sector accounted for 58% of GDP and employed 80% of the labor force. Total export value was US$31.2 million, with timber contributing 60% (US$18.8 million), cocoa 31% (US$9.8 million), and coffee 3% (US$0.8 million). Subsistence agriculture predominates, based on cassava, cocoyam, plantain, banana, fruits and vegetables.

2.03 While production of the main traditional exports has fallen drastically since independence, exports of cocoa have stabilized recently at around 7,500 tons. The on-going, IDA-financed Cocoa Rehabilitation Project has been successful in reestablishing a viable credit system (for example obtaining 98% credit recovery) and improving quality control and marketing for the entire cocoa sub-sector. The IDA Credit is presently scheduled to close in December 1990. Coffee remains largely neglected; much of the production is smuggled to Gabon and Cameroon. Prior to independence, considerable amounts of pineapples, citrus and avocados were produced mainly on the Island of Bioko, for local consumption and export, but these crops have also been virtually abandoned and, except for pineapple and some avocados, little commercial advantage is taken of their remaining production.

2.04 The future growth of the country's economy will continue to depend heavily on the agricultural sector. The potential for agriculture is good since the country is resource-rich without population pressures. Given the unfavourable international price forecasts for cocoa and coffee, and to some

extent also for tropical woods, future growth will depend on productivity and quality improvements of traditional export crops and increased production and export of non-traditional crops. Under the IDA-financed Technical Assistance Project, a study was undertaken which confirmed good market possibilities for exports to Gabon of cocoyams, plantains, chili, cassava, pineapples and citrus.

2.05 There are pervasive constraints to achieving future growth of the sector: (a) sub-optimal production and processing techniques; (b) inadequate technologies and dissemination of new technologies because of the weak research and extension service; (c) inadequate incentives for producers and exporters, including poor pricing policies and an almost non-existent capacity to market products; (d) inadequate land tenure; (e) poor maintenance of roads and lack of regular and affordable maritime and air cargo; (f) weak agricultural credit and agricultural education; and (g) lack of skilled labor.

2.06 These constraints are linked closely to the extremely low level of economic development. This has been exacerbated by a plunge in public revenues due to the fall in commodity prices, an overwhelming burden in servicing public sector debt, and a liquidity crisis in the domestic banking sector. The Government has indicated its agreement to policy reforms in a Policy Framework Paper (PFP) prepared jointly by the Government and the staff of the Fund and the Bank. The PFP outlines the Government's objectives for the medium-term and reflects agreements reached between the Government and IDA and the IMF on the adjustment program. The PFP was approved by the Executive Directors of both the Bank and the Fund in December 1988. In the absence of a SAL, agricultural policy reforms which are important to the success of the proposed project have been made conditions in the Development Credit Agreement and would be implemented as part of project execution.

2.07 Rationale for IDA Involvement. The project will be consistent with the Government's development priorities and IDA's lending strategy which aims at promoting sustainable growth through increases in production and export earnings. Support for export crops, particularly of food crops and other export diversification crops, would be complemented by policy measures, which would create a better policy environment for exports. In addition, IDA is well placed to help strengthen the extension and research services of MALFF as part of its Africa Agricultural Service Initiative. The project would cover an important part of the country's agricultural development strategy and have a significant impact on the entire sector.

2.08 Consistent with IDA's strategy for the development of the sector, the project will use incentives such as land tenure reforms and rural credit to increase the profitability of agricultural production by: (a) encouraging farmers to cultivate cocoa only in the most productive areas instead of increasing the total area of production; (b) reducing through research the cost of black pod treatment and squirrel control; and (c) encouraging intercropping to reduce costs of weeding and increase farm revenues from additional production. The objective of these actions will be that farmers will become sufficiently productive to profitably produce cocoa without subsidy. At the same time, and under the crop diversification program, the removal of subsidies will encourage farmers growing cocoa in marginal areas to diversify out of cocoa into other crops with good market prospects.

2.09 Project Objectives. The main objectives of the proposed project will be to assist the Government to alleviate rural poverty, improve family nutrition and food security, and raise foreign exchange earnings by import substitution and by promoting the export of traditional and non-traditional crops, including food crops. The project will also increase the agricultural productivity of rural women and improve land use and soil conservation practices. Expected increases in food crop production will achieve two complementary project objectives, namely improving farm family food consumption and nutrition levels and increasing the availability and variety of food crops in local markets. By establishing private marketing systems and building research and extension capabilities, the project will address major institutional constraints to further agricultural development. By improving export earnings, the project will generate the resources needed to finance future investment and national agricultural services.

2.10 Project Description. The project aims at increasing rural incomes and foreign exchange earnings by import substitution and promoting private sector export marketing over a five-year period. The project will accomplish this through a combination of policy reforms and investment to: alleviate malnutrition of the rural population by raising production, strengthening agricultural research and extension services, and supporting the organization of farmers and traders, including women. The policy reforms will cover: (a) improving price incentives through reforms of cocoa pricing and the taxation system; (b) restructuring marketing and input supply systems of the traditional export sub-sector; (c) preparing and implementing programs aimed at removing technical constraints on higher cocoa output, including uncertainties over land tenure; and (d) promoting food crop production and non-traditional exports. Project investments will comprise three components:

(a) marketing, which will depend primarily on private initiative, will consolidate and increase the profitability of traditional export crops, expand markets for food crops exports, and promote non-traditional exports to new markets;

(b) agricultural extension and applied research will furnish T&V-based extension services to individual and organized farmers supported by demand-driven applied research, with the immediate objective of increasing the availability of diversified food crops for domestic consumption and export. The component will promote better linkages between extension and research and develop mechanisms to promote a two-way flow of information between extension, research and farmers; and

(c) institutional development will help sustain project accomplishments by creating incentives for private sector investment, building national research and extension management and training capabilities, and ensuring that project activities support farmers and trader organizations and address the needs of women farmers.

2.11 Agreements Reached. Agreements reached with Government include: (a) a plan for constituting the Agricultural Development Organization (OFA) as

an independent and self-financing entity; (b) establishment of creditworthiness criteria for on-lending; (c) recruitment by MALFF of all technical assistance personnel, whose qualifications, experience and terms and conditions of employment will be satisfactory to the Association; (d) appointment in post of qualified key national management staff prior to Credit effectiveness; (e) annual consultation on the rate of interest charged to credit beneficiaries; and (f) annual consultation on the level of cocoa producer prices, export taxes and on the public investment program for agriculture.

2.12 Benefits. Increasing agricultural exports are the country's only short-term option for economic recovery. The project will help alleviate rural poverty, improve nutrition and food security, and raise foreign exchange earnings by import substitution and by increasing the production and export of traditional and non-traditional crops. The project will also increase the agricultural productivity of rural women which represent 55% of the rural population in the country and improve land use and soil conservation practices. It will build sustainable farmer service institutions while project-financed applied research and extension activities will contribute to production increases. Continued quality control and marketing improvements will ensure improved cocoa earnings. At the same time, increased exports of diversified crops, including food crops, will reduce the country's historical dependence on cocoa exports. The opening of new markets will create incentives for private investment by individuals and by small farmer and trader organizations, in which women will be heavily represented. Improved land use and agricultural production practices will support farmer organization and help secure women's access to land. Increased incomes and the production of diversified food crops will improve nutrition levels in the country. It is expected that about 7,000 rural families will benefit directly from marketing activities under the project. Improved technology as a result of strengthened extension service will benefit, in a relatively short period the entire rural population of the country, over 35,000 rural families. Research results in the cocoa sub-sector will, in the medium to long-term, benefit the majority of the rural families on Bioko. In addition, the increase in food production and the direct participation of women in extension activities will directly benefit women as an important labor force in crop production and as heads of rural households. Additional benefits will derive from the training of local staff and the strengthening of farmer organizations. Quantitative benefits consisting of increased production of food crops and cocoa give rise to an overall economic rate of return of 21%.

2.13. Risks. Major risks will relate to: (a) ineffective extension programs and lack of coordination of donor-financed extension and applied research; (b) low adoption of research findings; and (c) a lack of private sector response to production and export marketing incentives. Research and extension service risks as well as the possible low adoption of research findings will be reduced by introducing proven T&V extension methods, adapting those methods carefully to country conditions, linking research and extension planning to demonstrated market demand, supporting coordination of extension and research activities among donor-financed projects and providing technical assistance and training to strengthen Ministry management capabilities. Both production and marketing will be further supported by project-financed farmer and trader organization work. Additional incentives for private initiative

will include the establishment of marketing information services, the provision of training to farmer and trader organizations, and the construction/rehabilitation of needed transportation infrastructure.

2.14. Recommendation. I am satisfied that the proposed credit complies with the Articles of Agreement of the Association and recommend that the Executive Directors approve the proposed credit.

Barber B. Conable
President

Attachments

Washington, D.C.
October 9, 1990

EQUATORIAL GUINEA

ECONOMIC INDICATORS

Population - 1988 estimates: 397,000
GNP Per Capita - 1988 estimates: US$350

Based on Constant Prices and Exchange Rates	estimate			projections							
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
GDP Growth Rate	NA	4.3%	5.0%	1.3%	1.0%	2.9%	3.4%	3.6%	4.0%	4.0%	4.0%
GDY Growth Rate	NA	1.5%	4.9%	-1.3%	-0.9%	2.0%	3.5%	3.4%	4.3%	4.2%	4.2%
GDY/Capita Growth Rate (based on US$)	NA	-1.2%	2.1%	-3.9%	-3.5%	-0.7%	0.8%	0.7%	1.6%	1.5%	1.5%
Priv. Consumption/Capita Growth Rate	NA	20.3%	9.7%	-0.3%	-2.7%	-6.3%	-5.0%	0.1%	-1.7%	-0.0%	-0.0%
Marginal National Savings Rate	NA	-2.65	-1.25	-0.31	8.81	0.04	2.21	0.34	0.78	0.37	0.49
Based on Current Prices and Exchange Rates											
Debt Service (in millions US$)	14.8	12.3	15.0	14.9	16.7	15.3	23.5	22.6	22.0	22.9	22.9
Debt Service/XGNFS	61.3%	50.5%	42.3%	43.2%	57.4%	52.7%	73.1%	64.3%	54.7%	50.1%	43.9%
Debt Service/GDP	17.5%	11.6%	10.8%	10.3%	11.9%	9.1%	13.1%	11.8%	10.7%	10.4%	9.7%
Debt Service/Government Revenue	79.9%	80.9%	69.3%	64.1%	84.8%	59.3%	86.1%	78.0%	70.6%	68.5%	63.5%
Gross Investment/GDP	15.3%	18.6%	23.5%	22.1%	22.3%	20.9%	21.3%	21.5%	21.8%	22.0%	22.2%
Domestic Savings/GDP	6.6%	-10.6%	-14.8%	-25.1%	-25.9%	-16.1%	-11.6%	-10.7%	-7.5%	-5.7%	-3.9%
National Savings/GDP	12.0%	6.3%	0.4%	2.5%	-3.8%	-3.9%	3.1%	4.2%	7.3%	8.5%	10.4%
Public Investment/GDP	NA	11.5%	15.5%	15.4%	15.2%	14.3%	14.5%	14.5%	14.5%	14.4%	14.4%
Public Savings/GDP	NA	7.7%	14.0%	8.1%	7.3%	4.9%	6.2%	6.8%	7.3%	7.3%	7.9%
Private Investment/GDP	NA	7.1%	8.0%	6.7%	7.1%	6.6%	6.8%	7.0%	7.3%	7.5%	7.8%
Private Savings/GDP	NA	-1.4%	-13.6%	-5.6%	-11.1%	-8.9%	-3.1%	-2.6%	-0.0%	1.2%	2.6%
Ratio: Public/Private Investment	NA	1.6	1.9	2.3	2.1	2.2	2.1	2.1	2.0	1.9	1.8
Government Revenues/GDP	20.3%	15.3%	19.9%	15.7%	13.1%	15.3%	15.2%	15.1%	15.2%	15.3%	15.3%
Government Expenditures/GDP /3a	22.6%	21.2%	19.4%	21.7%	18.7%	15.9%	15.7%	15.0%	14.4%	13.9%	13.3%
Budget Overall Balance/GDP /3a	-2.4%	-5.9%	0.5%	-6.0%	-5.6%	-0.6%	-0.5%	0.1%	0.8%	1.3%	2.0%
Government Expenditures/GDP /3b	NA	46.0%	48.4%	54.0%	53.4%	45.7%	45.9%	45.0%	44.0%	43.2%	42.2%
Export GNFS Growth Rate (constant prices)		4.0%	23.5%	-0.0%	-6.8%	-0.0%	4.4%	4.7%	6.7%	6.7%	6.6%
Exports GNFS/GDP	26.5%	22.9%	25.5%	23.8%	20.7%	17.2%	17.9%	18.4%	19.6%	20.8%	22.1%
Imports GNFS Growth Rate (constant prices)		61.8%	35.4%	8.1%	-5.9%	-9.8%	-5.0%	1.2%	-1.3%	1.4%	1.4%
Imports GNFS/GDP	37.2%	52.1%	63.8%	70.9%	68.9%	54.2%	50.8%	50.6%	48.9%	48.5%	48.2%
Current Account (million US$) /1	-2.9	-14.1	-32.2	-28.5	-36.5	-41.9	-32.8	-33.3	-29.6	-29.5	-27.7
Current Account (million US$) /1 /2	-11.6	-37.3	-57.5	-73.7	-72.4	-67.7	-64.8	-67.0	-65.0	-65.7	-65.8
Current Account/GDP	-3.4%	-12.2%	-23.1%	-19.6%	-26.0%	-24.9%	-18.3%	-17.4%	-14.5%	-13.4%	-11.8%
Current Account/GDP /2	-13.7%	-32.5%	-41.3%	-50.7%	-51.6%	-40.2%	-36.1%	-35.0%	-31.7%	-29.9%	-28.0%

/1 Including moratorium interest but excluding gap interest.
/2 Excluding public transfers.
/3a Excluding foreign financed development expenditures.
/3b Including foreign financed development expenditures.
Source: Official government statistics, and staff estimates and projections.

External Financing Requirements (in million of US$)

	1988	1989	1990	1991	1992	1993	1994	1995
Current Account Balance (a)	-74	-72	-68	-65	-67	-65	-66	-68
Amortization MLT Debt	-7	-8	-5	-16	-16	-16	-16	-16
IMF (net)	5	-4	-3	5	0	0	-1	-1
Change in Reserves (b)	5	9	-6	-0	-1	-0	-1	-1
Total Financing Requirements	-71	-74	-81	-76	-83	-81	-83	-84
Disbursements Grants	45	36	26	32	34	35	36	37
o/w Budgetary	6	5	0	1	1	1	1	1
Projects	29	30	27	29	31	32	33	35
Other (net)	11	1	-1	1	2	2	2	2
Drawings Public and Guar. Debt	22	22	23	23	23	21	22	23
o/w Fast Disbursing	3	1	0	0	4	4	4	4
Other	18	21	23	23	19	17	18	19
Rescheduling Official Donors	0	7	25	0	0	0	0	0
Other Capital Flows	4	9	2	10	10	9	11	11
Total Financing Requirements	71	74	76	65	67	66	68	71
GAP	0	0	6	10	17	15	15	13

Notes: (a) Net of grants.
(b) Including change in arrears.

Balance of Payments (million of US$)

	actual		est.	projections							
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Merchandise Exports (fob)	23.7	25.8	29.4	28.6	23.1	22.8	25.3	27.6	31.8	36.4	41.6
Merchandise Imports (cif)	-31.5	-44.2	-54.4	-64.0	-57.8	-54.8	-57.8	-61.6	-65.4	-69.7	-74.3
Trade Balance	-7.8	-18.4	-25.0	35.4	-34.7	-32.0	-32.6	-34.0	-33.6	-33.3	-32.6
Non-Factor Services (credit)	0.4	0.5	6.1	5.9	6.0	6.2	6.8	7.6	8.5	9.4	10.5
Non-Factor Services (debit)	0.0	-15.6	-34.4	-39.0	-36.8	-36.6	-33.3	-35.2	-34.8	-36.9	-39.1
Resource Balance	-7.4	-33.5	-53.3	-68.5	-67.5	-62.4	-59.0	-61.7	-60.0	-60.8	-61.3
Factor Services (net)	-4.2	-3.8	-4.2	-5.2	-4.9	-5.3	-5.8	-5.3	-5.0	-4.9	-4.5
Factor Services (credit)	0.1	2.1	2.1	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Factor Services (debit)	-4.3	-5.9	-6.3	-7.6	-7.3	-7.7	-8.2	-7.7	-7.4	-7.3	-6.9
o/w Interest Payments	-4.3	-5.9	-6.3	-7.6	-7.3	-7.7	-8.2	-7.7	-7.4	-7.3	-6.9
o/w Interest on Gap	0.0	-0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.3	-0.5	-0.6
Goods and Services Balance	-11.6	-37.3	-57.5	-73.7	-72.4	-67.7	-64.8	-67.0	-65.0	-65.7	-65.8
Current Transfers (net)	8.7	23.2	25.2	45.2	35.9	25.8	22.0	33.6	35.0	35.8	37.5
o/w PIP Grants	7.6	19.6	24.5	28.5	30.4	27.0	29.5	30.9	32.3	33.0	34.6
Current Account Balance	-2.9	-14.1	-32.2	-28.5	-36.5	-41.9	-32.8	-33.4	-30.0	-30.0	-28.3
Capital Account Balance	-11.0	12.9	11.0	18.7	24.9	25.6	27.9	34.3	30.5	32.0	30.3
Public & Guar. Capital (net)	2.7	5.0	14.0	14.9	16.0	17.9	7.4	7.3	5.8	6.0	6.4
o/w Disbursements (DSTPPG)	6.2	10.9	22.7	21.8	22.2	23.3	23.4	23.0	21.4	21.7	22.6
o/w Fast Disbursing IDA	0.0	0.0	6.9	3.3	1.4	0.1	0.0	4.0	4.0	4.0	4.0
Amortization	-3.5	-5.9	-6.8	-6.9	-6.2	-5.5	-15.9	-15.6	-15.5	-15.7	-16.3
Gap (net)	0.0	-0.0	-0.0	0.0	0.0	5.6	10.4	17.0	15.2	15.5	13.4
o/w Disbursements	0.0	-0.0	-0.0	0.0	0.0	5.6	10.4	17.0	15.2	15.5	13.4
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0
Other LT Inflows (net)	-2.0	-2.5	-1.4	-0.5	-0.1	1.8	1.8	2.0	2.2	2.5	2.5
Other Capital (net)	-11.7	10.4	-1.5	4.3	9.0	0.5	8.3	8.0	7.3	8.0	8.0
Overall Balance	-13.9	-1.2	-21.2	-9.8	-11.6	-16.4	-4.9	0.9	0.5	2.0	2.0
Financing:	13.9	1.2	21.2	9.8	11.6	16.4	4.9	-0.9	-0.5	-2.0	-2.0
Changes in Net Reserves	4.1	-6.3	15.5	-0.0	-1.2	-6.3	4.9	-0.9	-0.5	-2.0	-2.0
o/w Net Credit from the IMF	-1.4	-1.5	0.0	4.5	-3.8	-2.7	4.9	0.0	0.0	-1.0	-1.0
Other Reserve Changes (- indicates increase)	5.5	-3.8	15.5	-4.5	2.6	-5.6	-0.0	-0.9	-0.5	-1.0	-1.0
Debt Relief	39.9	2.9	0.0	0.0	6.7	24.7	0.0	0.0	0.0	0.0	0.0
Arrears	-30.1	3.8	5.7	9.8	6.1	0.0	0.0	0.0	0.0	0.0	0.0

Financial Operations of Central Administration

(million of CFAF)

	actual		est.	projections							
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Current Revenue	7712	6061	6346	6809	5856	7214	7627	8118	8724	9379	10086
Fiscal Revenue	5652	5623	5104	5357	4858	5749	6123	6572	7134	7743	8402
o/w Trade Taxes	4650	3659	2778	2567	2152	2478	2639	2833	3075	3338	3621
Other Taxes	1002	1964	2326	2790	2706	3271	3484	3739	4059	4406	4780
Non-Tax Revenue	2662	1195	2154	1564	1420	1465	1505	1546	1590	1636	1684
Adj. Blocked Receipts	-602	-727	1088	-112	-422	0	0	0	0	0	0
Total Expenditures & Net Lending	8610	8420	8136	9384	8368	7467	7895	8057	8256	8551	8755
Current Expenditures	6454	6804	5988	7928	6934	6801	7177	7306	7470	7728	7895
o/w Wages & Salaries	1291	1567	1814	1921	2062	2164	2315	2478	2651	2837	3021
Interest Ext. Debt	1932	2037	1881	2263	2333	2161	2274	2124	1980	1911	1744
Material & Services	3231	3000	2291	3744	2539	2476	2587	2704	2839	2981	3130
o/w cocoa subsidies	0	0	0	0	319	0	0	0	0	0	0
Capital Expenditures	1277	937	690	830	829	666	718	751	786	822	860
Net Lending & Part.	879	879	1460	626	605	0	0	0	0	0	0
Balance (Commitment Basis)	-898	-2329	210	-2575	-2512	-273	-267	61	468	829	1331
Net Change of Arrears	1393	694	-799	1744	703	-4975	0	0	0	0	0
o/w Domestic	1089	530	-1360	-91	-424	-420	0	0	0	0	0
Foreign	304	164	561	1835	1127	-4555	0	0	0	0	0
Balance (Cash Basis)	495	-1635	-589	-831	-1809	-5248	-267	61	468	829	1331
Financing	-495	1635	589	831	1809	5248	267	-61	-468	-829	-1331
External (net)	-447	1233	632	1270	1693	1788	-4164	-2955	-2932	-2987	-3133
Amortization	-5130	-960	-1488	-693	-1589	-5971	-4464	-4375	-4352	-4407	-4553
Payable	-1565	-2045	-2636	-2055	-1971	-1529	-4464	-4375	-4352	-4407	-4553
Arrears	-3565	1085	1153	1362	382	-4442	0	0	0	0	0
Disbursements	500	1292	2115	1963	1140	856	300	1420	1420	1420	1420
Past Disb. Credits	0	0	1325	202	0	0	0	1120	1120	1120	1120
France	500	875	0	559	750	0	300	300	300	300	300
Stabex	0	0	373	1202	390	356	0	0	0	0	0
Other	0	417	417	0	0	500	0	0	0	0	0
Debt Relief	4183	1001	0	0	250	0	0	0	0	0	0
Interest	698	251	0	0	0	0	0	0	0	0	0
Principal	3485	750	0	0	250	0	0	0	0	0	0
Rescheduling Arrears	0	0	0	0	1892	6903	0	0	0	0	0
Internal (net)	-48	302	-43	-439	116	-1242	1372	0	0	-274	-274
Bank Credit (net)	-453	367	-191	-7	-6	-1242	1372	0	0	-274	-274
IMF (net)	-841	-742	-344	1012	-1591	-1242	1372	0	0	-274	-274
SAF	0	0	0	1490	0	0	1372	0	0	0	0
Repurchases	-841	-298	0	-119	-1223	-874	0	0	0	-274	-274
Trust Fund	0	-444	-344	-359	-368	-368	0	0	0	0	0
Blocked Deposits	0	0	0	0	0	0	0	0	0	0	0
Oth. Bank	388	1109	153	-1019	1585	0	0	0	0	0	0
Non-Bank Credit (net)	405	-65	148	-432	122	0	0	0	0	0	0
Financing GAP	0	0	0	0	-0	4702	3059	2894	2464	2432	2075

Source: Official Government statistics, and Staff estimates and projections.

Financial Operations of Central Administration

(as percent of GDP)

	actual		est.	projections							
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Current Revenue	20.3%	15.3%	19.9%	15.7%	13.1%	15.3%	15.2%	15.1%	15.2%	15.3%	15.3%
Fiscal Revenue	14.9%	14.1%	12.2%	12.4%	10.9%	12.2%	12.2%	12.3%	12.4%	12.6%	12.8%
o/w Trade Taxes	12.2%	9.2%	6.6%	5.9%	4.8%	5.3%	5.3%	5.3%	5.4%	5.4%	5.5%
Non-Tax Revenue	7.0%	3.0%	5.1%	3.6%	3.2%	3.1%	3.0%	2.9%	2.8%	2.7%	2.6%
Adj. Blocked Receipts	-1.6%	-1.8%	2.6%	-0.3%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenditures & Net Lending	22.6%	21.2%	19.4%	21.7%	18.7%	15.9%	15.7%	15.0%	14.4%	13.9%	13.3%
Current Expenditures	17.0%	16.6%	14.3%	18.3%	15.5%	14.4%	14.3%	13.6%	13.0%	12.6%	12.0%
o/w Wages & Salaries	3.4%	3.9%	4.3%	4.4%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Interest Ext. Debt	5.1%	5.1%	4.5%	5.2%	5.2%	4.6%	4.5%	4.0%	3.4%	3.1%	2.6%
Material & Services	8.5%	7.5%	5.5%	8.7%	5.7%	5.2%	5.1%	5.0%	4.9%	4.8%	4.8%
Capital Expenditures	3.4%	2.4%	1.6%	1.9%	1.9%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%
Net Lending & Part.	2.3%	2.2%	3.5%	1.4%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Balance (Commitment Basis)	-2.4%	-5.9%	0.5!	-6.0%	-5.6%	-0.6%	-0.5%	0.1%	0.8%	1.3%	2.0%
Net Change of Arrears	3.7%	1.7%	-1.9%	4.0%	1.6%	-10.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Balance (Cash Basis)	1.3%	-4.1%	-1.4%	-1.9%	-4.0%	-11.1%	-0.5%	0.1%	0.8%	1.3%	2.0%
Financing	-1.3%	4.1%	1.4%	1.9%	4.0%	11.1%	0.5%	-0.1%	-0.8%	-1.3%	-2.0%
External (net)	-1.2%	3.4%	1.5%	2.9%	3.8%	3.8%	-8.3%	-5.5%	-5.1%	-4.9%	-4.8%
Internal (net)	-0.1%	0.8%	-0.1%	-1.0%	0.3%	-2.6%	2.7%	0.0%	0.0%	-0.4%	-0.4%
Financing GAP	0.0%	0.0%	0.0%	0.0%	-0.0%	10.0%	6.1%	5.4%	4.3%	4.0%	3.2%

Schedule A

EQUATORIAL GUINEA

CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

ESTIMATED COSTS AND FINANCING PLAN

Estimated Project Costs

	Local	Foreign	Total	% of Base Cost
	------(US$ million)		-----	
Technical Assistance	0.0	3.7	3.7	24.2
Vehicles	0.1	0.7	0.8	5.2
Equipment	0.1	1.7	1.8	11.8
Civil Works	0.1	1.2	1.3	8.5
Credit	0.4	0.7	1.1	7.2
Diversification Fund	0.0	0.3	0.3	2.0
Training	0.1	1.4	1.5	9.8
Operation and Maintenance	0.9	2.3	3.2	20.9
Incremental Salaries	1.6	0.0	1.6	10.4
Total Base Costs	3.3	12.0	15.3	100.0
Physical Contingencies	0.2	0.8	1.0	6.5
Price Contingencies	0.5	1.2	1.7	11.1
Total Project Costs	4.0	14.0	18.0	117.6

Financing Plan 1/

	Local	Foreign	Total
	------	(US$ million)	------
Government	1.3	-	1.3
IDA	1.1	5.2	6.3
IFAD	1.2	3.8	5.0
BADEA	0.0	3.9	3.9
OPEC	0.4	1.1	1.5
Total	4.0	14.0	18.0 1/

1/ In addition the WFP would contribute US$1.0 million equivalent through its "food for work" program.

EQUATORIAL GUINEA

CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

PROCUREMENT METHOD AND DISBURSEMENTS

Procurement Arrangements

Project Element	Procurement Method ICB	LCB	Other	N.A.	Total Cost
	(US$ '000)				
Civil Works	-	1.6	-	-	1.6
	-	(0.1)	(0.1)	-	(0.2)
Vehicles	1.0	-	-	-	1.0
Equipment	1.4	0.4	0.4	-	2.2
	-	-	(0.2)	-	(0.2)
Technical Assistance	-	-	3.6	-	3.6
	-	-	(2.7)	-	(2.7)
Training and Studies a/	-	-	1.7	-	1.7
	-	-	(0.3)	-	(0.3)
Credit	-	-	-	1.7	1.7
	-	-	-	(0.3)	(0.3)
Incremental Operating Costs		-	-	3.7	3.7
(Excluding Salaries)	-	-	-	(1.4)	(1.4)
Incremental Local Staff	-	-	-	1.9	1.9
	-	-	-	(0.6)	(0.6)
PPF Refund	-	-	-	0.67	0.67
	-	-	-	(0.67)	(0.67)
TOTAL	2.4	2.0	5.7	7.9	18.00
	-	(0.1)	(3.2)	(3.0)	(6.30)

Note: Amounts in parentheses concern IDA financing. Procurement under other cofinanciers' financing would be made under the cofinanciers' procurement procedures.

a/ Includes international and local training.

Disbursement

Category	Amount (US$ million)	Percentage Financed by IDA
Civil Works	0.1	100%
Equipment	0.2	100%
Technical Assistance	2.4	80%
Training and Studies	0.2	100%
Credit	0.2	100%
Incremental Operating Costs	1.2	35%
Salaries for Incremental Staff	0.5	35%
PPF Refund	0.7	Amount due
Unallocated	0.8	
Total	6.3	

Estimated Disbursements of IDA Credit

	IDA Fiscal Year						
	91	92	93	94	95	96	97
	(US$ million)						
Annual	0.7 2/	1.1	1.3	1.3	1.1	0.7	0.1
Cumulative	0.7	1.8	3.1	4.4	5.5	6.2	6.3

1/ In addition the WFP would contribute US$1.0 million equivalent through its "food for work" program.

2/ It includes a PPF of US$0.67 million.

Schedule C

EQUATORIAL GUINEA

CROP DIVERSIFICATION AND AGRICULTURAL SERVICES PROJECT

Timetable of Key Project Processing Events

(a)	Time taken to prepare:	One year
(b)	Prepared by:	Government, IDA, FAO/CP
(c)	First IDA mission:	October 1983
(d)	Appraisal Departure:	November 1989
(e)	Negotiations:	August 1990
(g)	Planned Date of Effectiveness:	December 1990
(e)	List of relevant PCRs and PPARs:	None

Schedule D

STATUS OF BANK GROUP OPERATIONS IN EQUATORIAL GUINEA

SUMMARY STATEMENT OF LOANS AND IDA CREDITS
(As of August 30, 1990 - MIS data as of October 10, 1990)

Loan or Credit No.	Fiscal Year	Borrower	Purpose	Amount in US$ million (less cancellation) Bank	IDA	Undisbursed	Closing Date
Credits							
4 Credit(s) closed					12.40		
Cr.1489-EQG	1984	EQUATORIAL GUINEA	TECHNICAL ASSISTANCE		6.00	1.95	03/31/91
Cr.1548-EQG	1985	EQUATORIAL GUINEA	COCOA REHAB.		9.30	.12	12/31/90
Cr.1797-EQG	1987	EQUATORIAL GUINEA	EDUCATION I		5.10	3.96	06/30/94
TOTAL number Credits = 3					20.40	6.03	
	TOTAL ****				32.80		
	of which repaid				-----	------	
	TOTAL held by Bank & IDA				32.80		
	Amount sold						
	of which repaid						
	TOTAL undisbursed					6.03	

NOTES

* Not yet effective
** Not yet signed
*** Total Approved, Repayments, and Outstanding balance represent both active and inactive Loans and Credits.
(R) indicated formally revised Closing Date.
(S) indicates SAL/SECAL Loans and Credits.

The Net Approved and Bank Repayments are historical value, all others are market value.

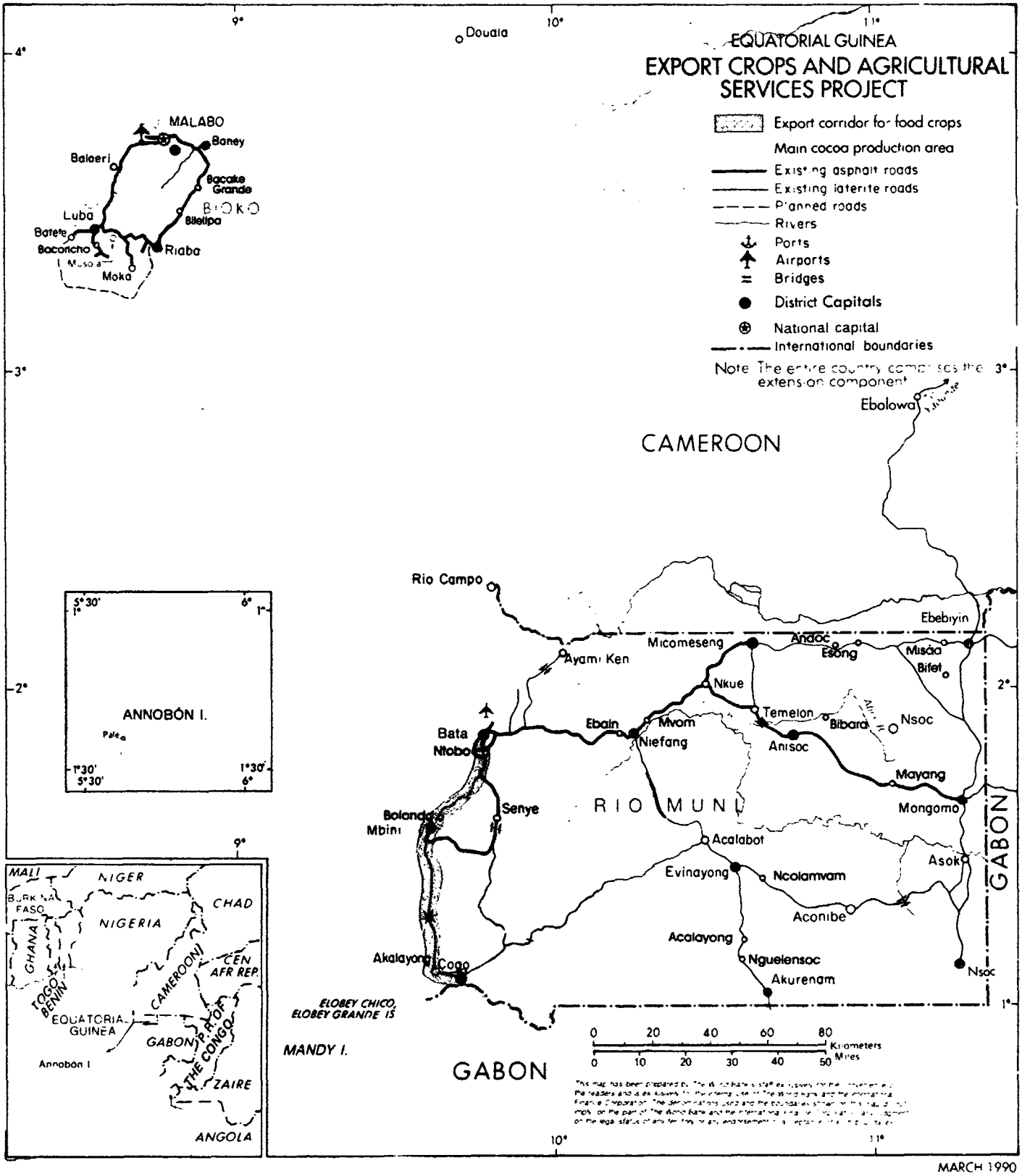
The Signing, Effective, and Closing dates are based upon the Loan Department official data and are not taken from the Task Budget file.

IBRD 22225

EQUATORIAL GUINEA
EXPORT CROPS AND AGRICULTURAL SERVICES PROJECT

Export corridor for food crops
Main cocoa production area
Existing asphalt roads
Existing laterite roads
Planned roads
Rivers
Ports
Airports
Bridges
District Capitals
National capital
International boundaries

Note: The entire country comprises the extension component



MARCH 1990