Sub-Saharan Africa

Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Annual Meetings 2020

WORLD BANK GROUP
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Sub-Saharan Africa

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ANGOLA

Table 1	2019
Population, million	31.8
GDP, current US$ billion	89.3
GDP per capita, current US$	2806.9
International poverty rate ($ 19)[a]	51.8
Lower middle-income poverty rate ($ 3.2)[a]	73.2
Upper middle-income poverty rate ($ 5.5)[a]	89.3
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	113.5
Life expectancy at birth, years[b]	60.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2018)

Angola's economy and public finances have been affected by the COVID-19 pandemic primarily through its negative impact on the oil sector. The result is a deepening of the recession that began in 2015. COVID-19 measures are financed mostly by expenditure re-prioritization, yet a fiscal deficit in 2020 will further increase the very high public debt. Exchange rate depreciation is also adding to debt and inflation. A spike in food prices and reduced activity in services are expected to increase poverty and food insecurity.

Recent developments

The COVID-19 crisis has pushed Angola into a fifth year of recession, with GDP projected to contract by 4 percent in 2020. Although the spread of COVID-19 in Angola has been limited (10 per 100,000 as of September 11), the pandemic has resulted in lower oil prices and restrictive OPEC+ quotas. Oil production declined 17 percent year-on-year in September 2020, standing at 1.2 million barrels per day. Services activities dropped sharply in the first half of 2020 as spillovers from the oil crisis and the additional impacts of COVID-19 cause a contraction of the non-oil sector. In contrast to 2019, when non-oil GDP expanded by 2 percent, in 2020, both oil and non-oil sectors are contracting (by 6.8 percent and 2.6 percent, respectively). The crisis is expected to increase unemployment above the 31.8 percent rate recorded in late 2019.

Driven by the decline in the volume and value of oil exports, the current account is expected to swing into deficit of 1.3 percent of GDP in 2020. Oil export revenues (in US dollars) declined by 39 percent in the first half of 2020, compared to the same period of 2019. In the context of the oil price decline and heightened debt vulnerabilities, the currency lost 37 percent of its value vis-à-vis the US dollar by August 2020, relative to the average of 2019. Net international reserves stood at US$9.3 billion in early September (6 months of imports).

With the pass-through from currency depreciation, inflation accelerated, standing, as of August, at 23.4 percent, up from 16.9 percent at end-2019. Prices for food, much of it imported, rose faster (by 29.9 percent). Without subsistence production and with food accounting for 44 percent of expenditures, urban households are particularly vulnerable.

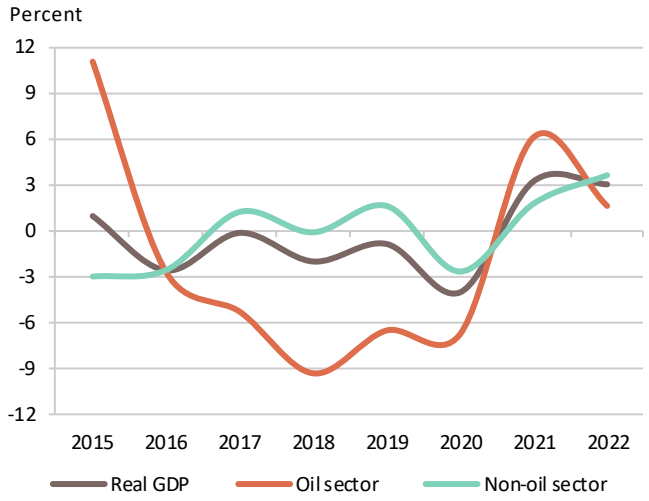
The central bank implemented small rate cuts and reduced reserve requirements in response to the crisis. Financial institutions were instructed to grant a debt service moratorium of 60 days. Nonperforming loans remain very high at 34.5 percent in mid-2020 but are concentrated in a few banks that are undergoing restructuring.

A fiscal deficit of 2.8 percent of GDP is expected in 2020, after surpluses in 2018 and 2019. The government has approved additional spending to fight the COVID-19 pandemic, with new health expenditures estimated at 0.2 percent of GDP. Spending on social protection is also expected to increase due to the rollout of the Kwenda cash transfer program. However, in accordance with the supplementary budget for 2020, new spending will be more than offset by expenditure cuts in non-priority areas, responding to the drastic loss in current revenues. Debt is expected to peak in 2020 at 120 percent of GDP.

Outlook

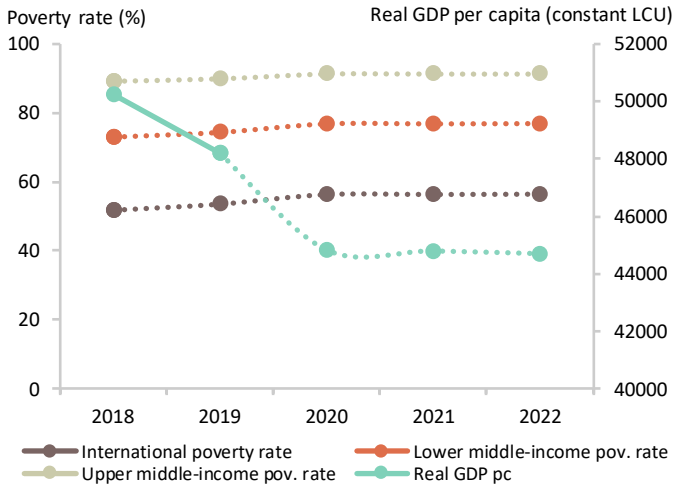
A partial recovery is expected in 2021, with GDP projected to grow by 3.2 percent. The recovery is conditional on a stronger oil sector, especially an end to OPEC+ production cuts and resumption

FIGURE 1 Angola / Real GDP Growth, oil and non-oil sectors



Sources: National Statistics Institute of Angola. World Bank - Macroeconomics, Trade & Investment Global Practice.

FIGURE 2 Angola / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

of investments to halt the structural decline in production. This is consistent with a world economy gradually recovering from COVID-19 as vaccines are rolled out in 2021.

Increased competitiveness of local production relative to imports due to currency depreciation and a stronger macro framework will support the non-oil sector. Structural reforms, including restructuring of the banking sector and privatization of unproductive state assets will further improve growth prospects.

The current account is expected to be in balance in 2021, aided by increased oil proceeds and compressed imports. Inflation is expected to peak in late 2020 and retreat gradually in the following years as the impact of currency depreciation wanes.

Fiscal and debt consolidation is critical to ensure the sustainability of the recovery. The fiscal deficit is expected to decline to 0.1 percent of GDP in 2021, with non-oil taxes making up an increasing share of revenues. Debt is expected to decline to 94 percent of GDP by 2022 based on continued fiscal retrenchment, prudent debt management, and debt reprofiling.

The combination of weaker employment opportunities and higher food inflation will increase food insecurity and poverty. Projections, tentative due to limited data, suggest that 56.4 percent of the Angolan population, or 18.5 million people, live on less than $1.90 (2011 PPP) in 2020, an increase of nearly 2.6 million people from 2018. This rate is expected to remain stable through 2022. While the new cash transfer program only reaches 5,800 families in September 2020 during its pilot phase, its expected coverage of 1.6 million families by 2022 should have a significant impact on poverty.

Risks and challenges

Fluctuations in oil price remain the main risk factor, given the country's continued dependency on oil and precariously high debt burden. A renewed decline in oil prices, which could be caused by a more prolonged pandemic, would require Angola to accelerate fiscal consolidation or seek more debt reprofiling.

A more widespread COVID-19 outbreak in Angola could also extend the recession in the non-oil sector, causing even more hardship for the population. Impacts on poverty can be mitigated by continued strengthening of the social protection system. Additionally, steps to reduce food inflation and reliance on imported food could serve as an important short-term tool to tackle food insecurity.

Beyond short-term challenges of macro-fiscal and debt sustainability, Angola's transition to a more diversified, private-sector led growth model has become even more urgent in the face of COVID-19. Sectors ranging from agriculture to financial services have large untapped potential, which can generate the jobs crucial for long-term poverty reduction in the face of high unemployment. However continued progress on structural reforms, including fuel price adjustments, are needed to advance towards a more productive and inclusive Angola.

TABLE 2 Angola / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-0.1	-2.0	-0.9	-4.0	3.2	3.0
Private Consumption	2.9	-3.4	-2.1	-1.5	2.1	2.3
Government Consumption	0.3	-1.7	-1.6	-6.6	-0.5	3.8
Gross Fixed Capital Investment	3.0	-5.5	-1.0	-2.4	2.0	5.0
Exports, Goods and Services	24.5	-7.6	0.8	-6.8	6.1	2.2
Imports, Goods and Services	11.2	-16.0	0.0	-2.9	2.1	2.9
Real GDP growth, at constant factor prices	-1.0	-3.5	-1.2	-4.0	3.2	3.0
Agriculture	0.5	-7.7	-5.5	-3.9	1.8	2.9
Industry	-3.2	-5.8	-2.8	-5.0	4.6	2.2
Services	2.1	0.7	1.8	-2.7	1.5	4.0
Inflation (Consumer Price Index)	29.8	19.6	17.1	21.7	17.8	14.5
Current Account Balance (% of GDP)	-0.5	7.0	5.8	-1.3	0.1	0.9
Net Foreign Direct Investment (% of GDP)	-7.2	-6.1	-2.0	1.7	1.4	1.7
Fiscal Balance (% of GDP)	-4.3	2.7	0.8	-2.8	-0.1	1.0
Debt (% of GDP)	69.3	89.0	109.3	120.3	107.5	93.8
Primary Balance (% of GDP)	-1.0	7.2	6.0	4.0	6.1	6.7
International poverty rate ($1.9 in 2011 PPP)[a,b]		51.8	53.6	56.4	56.4	56.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]		73.2	74.4	76.8	76.8	76.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]		89.3	90.0	91.3	91.3	91.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2018-IDREA. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2018) with pass-through = 1 based on GDP per capita in constant LCU.

BENIN

Table 1	2019
Population, million	12.0
GDP, current US$ billion	14.4
GDP per capita, current US$	1193.7
International poverty rate ($ 1.9)[a]	49.6
Lower middle-income poverty rate ($ 3.2)[a]	76.3
Upper middle-income poverty rate ($ 5.5)[a]	90.6
Gini index[a]	47.8
School enrollment, primary (% gross)[b]	122.0
Life expectancy at birth, years[b]	61.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2018).

Following strong growth in 2019 (6.9 percent), driven by a pickup in manufacturing, the economy is expected to decelerate in 2020 due to the COVID-19 crisis affecting trade and services sectors. The external and fiscal balances will deteriorate. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is tilted to the downside with risks stemming from a sustained COVID-19 outbreak, the continued border closure with Nigeria, and the 2021 Presidential elections.

Recent developments

Following a robust 6.9 percent growth (4.0 percent in per capita terms) in 2019, economic activity decelerated in early 2020 due to the COVID-19. Growth reached 3.9 percent year-on-year (y-oy) in the first quarter, down 2.8 percentage points (ppts) on a yearly basis. On the supply side, the fall was due to disruptions in manufacturing (-2.9 percent y-o-y) while COVID-19 containment and mitigation measures adversely effected the retail sector (-6.5 percent y-o-y). Inflation turned negative in 2019 (-0.9 percent), but the trend reversed in the first half of 2020 reaching 2.0 percent in August 2020, on the back of higher transport and produce prices.

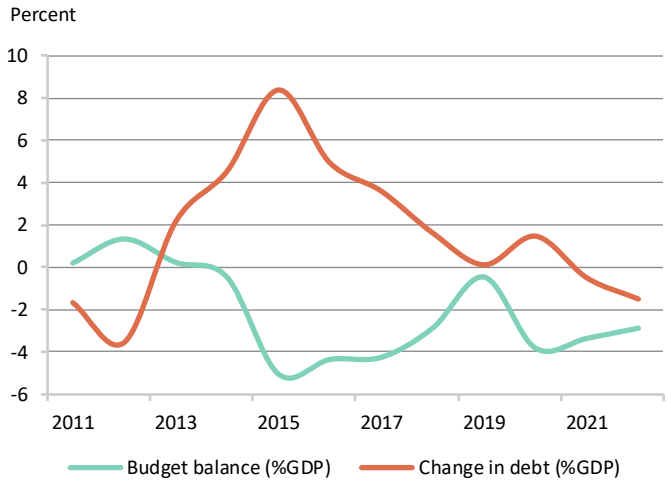
The current account deficit (including grants) shrank from -4.5 percent in 2018 to -4.3 percent of GDP in 2019. Boosted by high cotton production, formal exports increased by 6.7 percent y-o-y in the first quarter, but were down in the second (-39.5 percent y-o-y seasonally adjusted) due to the impact of COVID-19 on cotton and cashew prices. Imports were also down (-36.2 percent y-o-y) as the Nigerian border closure weighted on re-exports. Still, the terms of trade improved in early 2020 as a result of the drop in oil prices, but the impact should be limited due to reliance on smuggled fuel from Nigeria.

The fiscal deficit (including grants) significantly narrowed, from 2.9 percent of GDP in 2018 to 0.5 percent of GDP in 2019, mostly due to the under-execution of externally-financed projects. During the first half of 2020, the fiscal deficit increased (to 2.4 percent of GDP) because of higher spending associated with the crisis response and persistently lower customs revenues linked to the border closure (-25 percent y-o-y). Domestic revenues have shown resilience however (+26.1 percent y-o-y) thanks to reforms on VAT. The debt-to-GDP ratio was stable at 41.2 percent of GDP in 2019.

Benin's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related extra spending, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extended refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

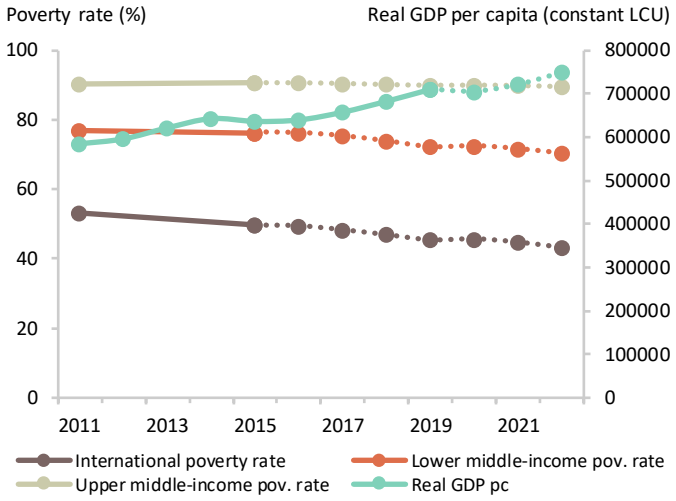
The recent 2018-19 WAEMU harmonized households survey confirms that poverty and vulnerability remain high. National poverty stood at 38.5 percent in 2019, with rural poverty at 44.2 percent (+12.8 ppts higher than urban). World Bank estimates suggest that the $1.9 a day (2011 PPP) poverty rate declined from 49.6 percent in 2015 to 45.4 percent in 2019. Non-monetary poverty indicators have improved as well. Inequality is estimated to be moderate based on consumption aggregates, with a Gini index of 34.7 percent in 2019. The COVID-19

FIGURE 1 Benin / Fiscal deficit and government debt



Sources: Beninese authorities and World Bank projections.

FIGURE 2 Benin / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

crisis is expected to reverse some of these gains in the short-term.

Outlook

COVID-19 has led to a deterioration of Benin's economic outlook. GDP growth is projected to decelerate by close to 5 ppts to 2 percent in 2020 (-1.0 percent in per capita terms) driven by a slowdown in services and manufacturing. Notwithstanding the high uncertainty, growth is expected to recover slowly to potential by 2022. Exports and private consumption could bounce back in 2021, as the pandemic wanes. The gradual recovery assumes a rebound in the global economy due to the rollout of vaccine in 2021 and a re-opening of the border with Nigeria. Inflation is expected to reach 2.5 percent in 2020 due to the impact of COVID-19 on trade.

In the short-term, Benin's external position will deteriorate. The current account deficit is expected to widen in 2020 (to 5.3 percent of GDP) with a decline in cotton exports and re-export activity with Nigeria. The deficit will be increasingly financed through concessional borrowing and grants from development partners. WAEMU reserves are expected to decline to 4.5 months of imports in 2020 as member countries are hit by the COVID-19 crisis. Over the medium term, the current account deficit should gradually decline to 4.8 percent of GDP by 2022, as exports recover.

The fiscal deficit is projected to increase to 3.7 percent of GDP (including grants) in 2020, compared with the pre-COVID estimate of 2.0 percent of GDP, due to increased social and healthcare spending, and lower tax revenues due to subdued economic activity, and persistent border closures and recession in Nigeria. The wider deficit is expected to be financed by grants, concessional financing, and additional bond issuance in the regional market. The deficit should gradually return to the WAEMU convergence criterion by 2022. The public debt to GDP ratio is projected to decrease to 42.2 percent as early as 2021, confirming the moderate risk of debt distress.

Poverty is expected to decrease over the projection period as the country recovers from the crisis, despite increasing in 2020 as a result of the slowdown in per capita growth. The pace of poverty reduction will stumble however, due to the ongoing COVID-19 pandemic. The $1.9/day PPP poverty headcount rate would decrease from 45.7 percent in 2020 to 43.1 percent in 2022, while the $3.2/day PPP poverty rate would decrease from 72.5 percent in 2020 to 70.3 percent by 2022.

Risks and challenges

The outlook is highly uncertain with substantial downside risks primarily linked to the duration of the COVID-19 pandemic both globally and regionally. A prolonged outbreak would compromise economic recovery, increasing the fiscal and external financing requirements and debt pressures. Additional containment measures would also undermine poverty reduction by threatening the livelihoods of the large informal sector (85 percent of employed). Lower cotton prices, weather fluctuations and the persistence of the border closure with Nigeria into 2021 are additional risks. Presidential elections in March 2021 could increase the risk of higher discretionary spending. Achieving economic diversification and reducing the economic and fiscal dependence from Nigeria remain medium-term challenges to accelerate economic transformation and poverty reduction.

TABLE 2 Benin / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	5.7	6.7	6.9	2.0	5.0	6.7
Private Consumption	3.5	3.5	3.5	2.9	3.4	3.7
Government Consumption	7.0	6.0	5.8	10.0	1.1	3.3
Gross Fixed Capital Investment	25.5	16.3	10.2	4.4	5.9	14.2
Exports, Goods and Services	7.0	5.0	8.6	-27.8	27.2	27.8
Imports, Goods and Services	14.3	4.8	3.4	-16.5	16.1	22.3
Real GDP growth, at constant factor prices	6.0	6.7	6.9	2.0	5.0	6.7
Agriculture	7.3	7.3	7.2	4.2	6.7	7.8
Industry	10.5	6.2	6.2	1.0	5.7	7.4
Services	1.6	6.7	7.1	0.8	2.9	5.0
Inflation (Consumer Price Index)	1.8	0.8	-0.9	2.5	2.0	2.0
Current Account Balance (% of GDP)	-4.1	-4.5	-4.3	-5.3	-4.8	-4.8
Net Foreign Direct Investment (% of GDP)	1.1	1.2	1.3	0.6	1.0	1.3
Fiscal Balance (% of GDP)	-4.3	-2.9	-0.5	-3.7	-3.4	-2.8
Debt (% of GDP)	39.5	41.1	41.2	42.7	42.2	40.7
Primary Balance (% of GDP)	-2.8	-1.3	1.1	-1.8	-1.2	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	48.3	46.8	45.4	45.7	44.7	43.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.3	73.8	72.2	72.5	71.6	70.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	90.4	90.1	89.9	89.9	89.8	89.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2015-EMICOV. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

BOTSWANA

Table 1	2019
Population, million	2.3
GDP, current US$ billion	18.3
GDP per capita, current US$	7894.6
International poverty rate ($19)[a]	14.5
Lower middle-income poverty rate ($3.2)[a]	36.5
Upper middle-income poverty rate ($5.5)[a]	59.1
Gini index[a]	53.3
School enrollment, primary (% gross)[b]	103.2
Life expectancy at birth, years[b]	69.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2018)

Botswana's economy is set to contract by a record 9.1 percent this year as COVID-19 induced global demand shocks batter the diamond and tourism industries. Poverty is expected to increase to 60.2 percent in 2020, up from 56.7 in 2019, using the upper-middle-income country threshold. While favorable developments in the global diamond industry are central to the short-term recovery, COVID-19 has accentuated the need for a transformation in Botswana's growth model to develop a diversified and robust economy, and accelerate job creation.

Key conditions and challenges

Botswana's diamond-cum-public sector-led development model is showing its limitations: growth remains sluggish and ailing job creation. Growth averaged at 3.6 percent over the last decade, below the 6 percent average between the early 1990s and 2000s. Weakened global demand has kept diamond proceeds below pre-global financial crisis levels. Increased competition from synthetic diamonds and higher production costs have added further pressures. Continued fiscal expansion to support growth has created large fiscal deficits, eroded buffers and weakened the external position. Low capital accumulation and sluggish productivity has constrained growth in the non-diamond economy. Meanwhile, unemployment has remained high, largely as the private sector struggles to create jobs due to high costs/barriers to doing business, and inequality is stark.

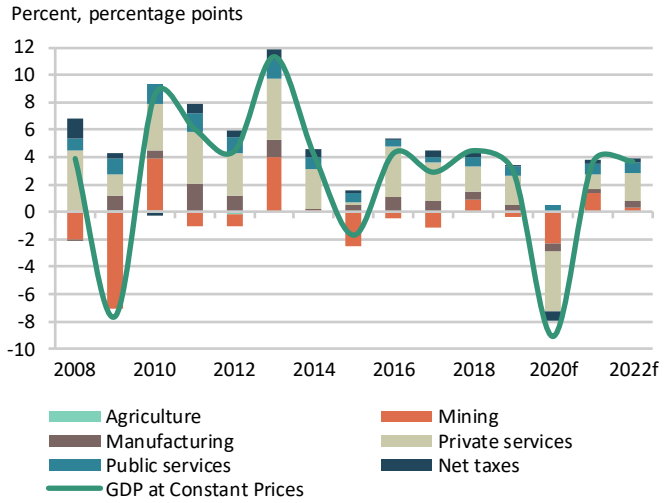
COVID-19 has exacerbated existing economic and social challenges, setting back some gains made in poverty reduction over the past 5 years. It has also underscored the urgent need for a significant shift towards a more diversified economy. Botswana's 2020/21 – 2022/23 Economic Recovery and Transformation Plan (ERTP), which focuses on "building-back-better" by (i) supporting the economic recovery, (ii) accelerating structural transformation and (iii) building resilience, provides the footing– but will require significant financing and political commitment to materialize. Improving public sector spending efficiency, rationalizing the SOE sector and addressing constraints that hinder private sector engagement in trade and investment are central to the recovery.

The impact of the pandemic will depend on how it continues to unfold, both locally and abroad. Botswana's increase in cases since July means more protracted travel restrictions and lockdown measures could be expected - ultimately slowing the pace of the recovery. Second waves of the pandemic in key export markets such as Europe and Central Asia, as well as a sluggish recovery in the diamond market could challenge the recovery.

Recent developments

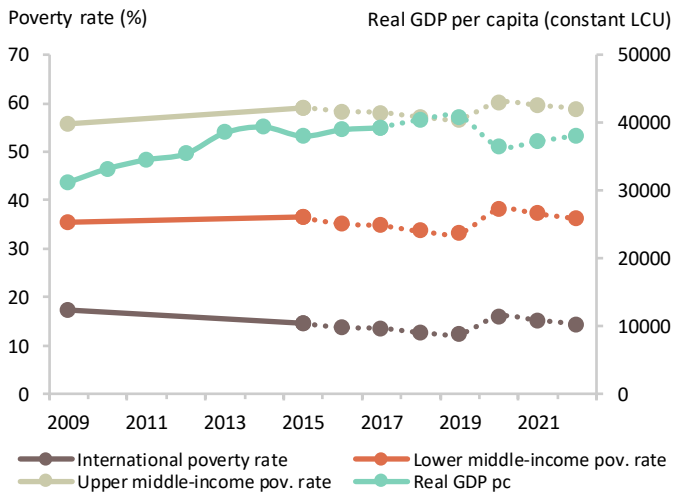
COVID-19 has pulled the breaks on economic activity. Global demand for diamonds has fallen sharply and containment measures have reduced processing and polishing capacity. Locally, inventories have continued to accumulate as sales remain muted due to cancellations of sights for diamond sales following travel restrictions. Production has also been limited: Q2 output narrowed by almost 70 percent year-on-year. Travel restrictions have severely affected tourism, with surveyed entities reporting a 72 percent revenue loss in March - a trend likely to continue in 2020. Overall, business surveys point to deteriorating conditions including declines in production, sales, profitability, investments and trade. Unemployment is on the

FIGURE 1 Botswana / Actual and estimated sectoral contributions to Real GDP growth



Sources: Statistics Botswana and World Bank staff estimates.

FIGURE 2 Botswana / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

rise, and the youth have been disproportionally affected. The unemployment rate (based on individuals who were actively seeking work) reached 23.2 percent in Q1:2020, up from 22.2 percent in Q4 and 20.7 percent in Q3 of 2019.

Government finances are under significant pressure. Mineral revenues, which represent over a third of overall collection, narrowed by 96 percent in May (y/y) due to low diamond production and sales. This, along with measures introduced to alleviate the impact of COVID-19 on businesses (including tax deferrals) will lead to a 20 percent reduction in overall revenue collection (y/y). Efforts to strengthen health services and support households will create added spending pressures, with the budget deficit widening to 7.2 percent of GDP (from 4 percent last year). Financing pressures are evident. The Government Investment Account (GIA) shrank by 40 percent to US$ 1.2billion in the 12 months to June. With 4 years of consecutive deficits eroding existing buffers, public debt levels are set to pick up to 24 percent of GDP (from 18 percent last year), with a significant amount drawn from through the issuance of government bonds.

The COVID-induced shock to diamond exports has severely weakened the external position. After slipping into negative territory last year for the first time since 2012, Botswana's current account deficit is set to widen due to a sharp decline in diamond exports (which account for 90 percent of exports). Exports were close to zero in April and in May due to travel restrictions. While lower imports and expected SACU transfers could alleviate pressures on the external account, these are not enough to counter the significant decline in mineral exports. Notably, reserves have fallen by US400million between April and June reflecting a widening trade balance.

Outlook

Output is set to contract by 9.1 percent this year as the economy (particularly mining, hospitality and service sectors) contends with the pandemic. Developments in the global diamond industry will have a telling impact on the short-term recovery given dependence on the precious commodity. The expected pickup in mining production following the sharp contraction this year, along with the easing of travel restrictions and a resumption in diamond sales could see the economy rebounding to 3.6 percent in 2021. This said, and with the economic impact of COVID-19 likely to be deep and long-lasting, further catalysts for longer lasting growth will be required. The poverty rate is projected to reach 60.2 in 2020, measured using the upper-middle-income country poverty line (US$5.5/person/day in 2011PPP). Consequently, an additional 110,000 people will be living in poverty in 2020, reaching a total of 1.5 million – a record-high for Botswana.

Fiscal pressures will remain a challenge, particularly as Botswana embarks on the much-needed ERTP to address structural challenges and COVID-19's long-term impact. With the ERTP expected to cost approximately US$ 1.7billion over a period of 2.5 years, and a similar amount of funding required to cover the budget deficits over the same period, Botswana's fiscal position is likely to remain under pressure in short-to-medium term. This, along with a sharp decline in SACU transfers in 2021/22 due to the deferred impact of COVID-19, will widen the budget deficit next year.

The anticipated recovery in diamond exports will help improve the trade balance next year, but the gradual increase in imports from resumed economic activity allied with lower SACU transfers will likely keep the current account in a deficit position over the medium term. Efforts to diversify exports and attract foreign investment could lead to an improvement in the external position, although this could take some time.

TABLE 2 Botswana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	2.9	4.5	3.0	-9.1	3.6	3.7
Private Consumption	6.5	4.1	3.5	-2.5	1.9	2.2
Government Consumption	1.5	3.7	3.3	-10.4	7.6	8.0
Gross Fixed Capital Investment	-8.8	8.1	6.5	6.8	0.5	-8.4
Exports, Goods and Services	-16.0	7.1	-16.6	-45.3	39.7	29.8
Imports, Goods and Services	-21.4	12.3	6.7	-24.7	20.0	10.5
Real GDP growth, at constant factor prices	2.8	4.5	3.2	-9.1	3.6	3.7
Agriculture	1.9	2.6	-0.1	1.5	1.3	1.1
Industry	-2.5	5.5	0.2	-13.8	6.2	3.1
Services	5.1	4.1	4.4	-7.5	2.7	4.0
Inflation (Consumer Price Index)	3.3	3.2	2.8	2.0	3.0	4.0
Current Account Balance (% of GDP)	5.3	0.6	-7.6	-6.9	-9.9	-4.9
Net Foreign Direct Investment (% of GDP)	1.5	1.1	1.2	0.5	0.6	0.7
Fiscal Balance (% of GDP)[a]	-1.1	-4.7	-4.0	-7.2	-7.8	-5.7
Debt (% of GDP)	18.3	18.1	18.3	24.4	26.7	26.9
Primary Balance (% of GDP)[a,b]	-0.6	-4.1	-3.5	-6.4	-7.1	-5.1
International poverty rate ($1.9 in 2011 PPP)[c,d]	13.5	12.7	12.4	16.0	15.2	14.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	34.9	33.7	33.3	38.2	37.3	36.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	58.0	57.1	56.7	60.1	59.5	58.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).

(b) Refers to Public and Publicly Guaranteed debt.

(c) Calculations based on 2015-BMTHS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(d) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

BURKINA FASO

Table 1	2019
Population, million	20.3
GDP, current US$ billion	15.2
GDP per capita, current US$	746.6
International poverty rate ($ 19)[a]	43.8
Lower middle-income poverty rate ($ 3.2)[a]	76.7
Upper middle-income poverty rate ($ 5.5)[a]	92.3
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	96.1
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2018).

Following 5.7 percent growth in 2019, the economy is projected to contract by 2 percent and the fiscal deficit to double to 6 percent of GDP in 2020, mainly due to the COVID-19 shock. Reversing a long-term trend, poverty will also increase. Over the medium term, growth and poverty reduction are expected to gradually recover, although this outlook is subject to uncertainty related to the speed of the global recovery, the trajectory of domestic COVID-19 infections, and insecurity.

Recent developments

The country's real GDP growth decelerated to 5.7 percent in 2019 from 6.8 percent in 2018, due to moderating growth in agriculture – driven by a 30 percent fall in cotton production – and a worsening security situation that affected an important gold mine towards the end of 2019. The impact of the COVID-19 pandemic in the first six months of 2020 was also stronger than anticipated. Real output contracted by 1.4 percent and 8.6 percent (y/y) in the first two quarters, respectively. The contraction was broad-based with significant losses in hotels and restaurants (-32 percent), commerce (-25 percent), and real estate activities (-13 percent).

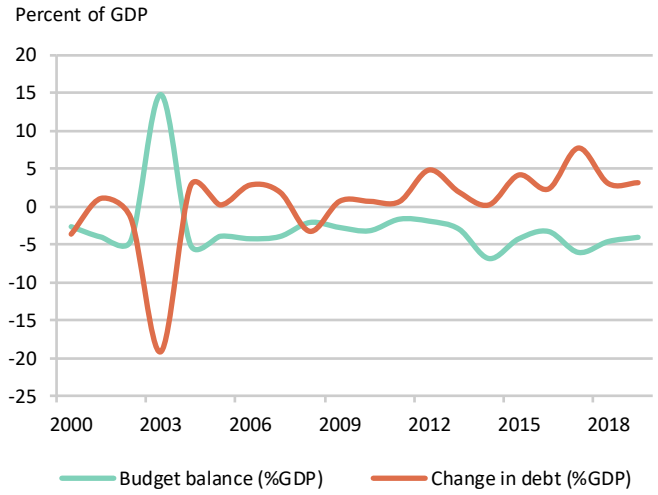
The current account deficit (CAD) widened to 4.8 percent of GDP in 2019, driven by the decline in cotton production combined with lower cotton prices. With FDI inflows hardly covering a quarter of the CAD, the bulk of the deficit was financed through debt-creating portfolio flows and concessional loans. In the first six months of 2020, the CAD narrowed by one percentage point of GDP due to lower imports of oil and higher prices of gold. With COVID-19, FDI coverage of the CAD is projected to decline in 2020.

The 2019 fiscal deficit narrowed by one percentage point (to 3.2 percent of GDP) mainly driven by a one-off revenue windfall from 4G-license sales, combined with significant cuts in public investments. The fiscal deficit is expected to more than double in 2020, compared to 2019. As of end-May 2020, only 35 percent of the revenue projected under the post-COVID revised budget had been collected, while 42 percent of total spending had materialized. In 2019, public debt has increased for the fourth consecutive year, to 40.0 percent of GDP and is projected to reach 47.7 percent in 2020, with a further compositional shift towards more expensive domestic borrowing. The country remains at moderate risk of external and overall debt distress, as assessed by the latest joint Bank-Fund debt sustainability analysis from August 2020.

Burkina Faso's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID -19 related spending, in March the BCEAO implemented a set of monetary and macroprudential measures. These include lowering its policy rate to a fixed 2.5 percent and extending refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

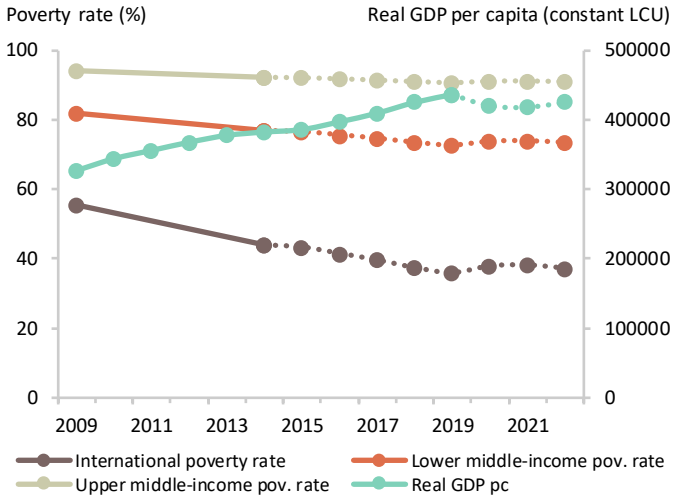
The latest household poverty survey, carried out in 2014, indicated that 40.1 percent of the population lived below the international poverty line of US$ 1.9 PPP per person per day. Subsequent calculations suggest a consistent decline, with 36.0 percent estimated in 2019. The Covid-19 pandemic has partially reversed this progress. High-frequency data collected in the second quarter of

FIGURE 1 Burkina Faso / Fiscal Outlook (present)



Source: World Bank

FIGURE 2 Burkina Faso / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

2020 reveal that poverty has been increasing for the first time in over a decade, driven by direct income losses due to layoffs, the economic slowdown, or a reduction in remittances inflows.

Outlook

The COVID-19-related economic shutdown during the second quarter of 2020 will have a significant impact on growth in 2020. Economic activity is projected to contract by 2 percent. Only public consumption (3.1 percentage points) and agriculture (0.4 percentage points) are projected to positively contribute to growth, with COVID-19 related spending measures and a weather related rebound, respectively. Inflation is projected to rebound to 3.2 percent by end-2020 as food prices recover from 2019 deflationary pressures. A gradual recovery is projected in 2021, with inflation remaining above 2 percent.

The CAD is projected to narrow to 3.8 percent of GDP in 2020- 2021 mainly due to gold exports benefiting from record high prices and a lower oil import bill. FDI coverage of the CAD is projected to decline from 25 percent in 2019 to about 14 percent in 2020-2021. Over the medium term, the CAD is projected to increase moderately and stabilize slightly above 4.0 percent as oil prices rise and the services deficit remains high.

Compared to the initial 2020 budget, the fiscal deficit is expected to almost double to 6.0 percent of GDP and will be mostly financed through domestic borrowing (57 percent). Tax revenue collection is projected at 17.7 percent of GDP—2.9 percent lower than anticipated under the initial budget. On the expenditure side, compared to the initial budget, the wage bill will be kept unchanged and some non-priority spending will be cancelled (-0.4 percent of GPD) to accommodate COVID-19-related transfers and health expenditures (+1.1 percent of GDP). Moreover, non-urgent investments will be postponed (-1.2 percent of GDP) in favor of COVID-19-induced health investments (+1.7 percent of GDP). Public debt will rise to 47.7 percent of GDP in 2020 and remain on an upward trajectory over the medium term, although the country's debt rating is expected to remain at "moderate". On the monetary front, WAEMU reserves are expected to fall to about 4.5 months of imports in 2020 as member countries increase fiscal spending while also facing lower net capital inflows.

The US$ PPP 1.9 poverty rate is expected to rise by 2 percentage points from 2019 to 2020, drawing an additional 400,000 people into extreme poverty. In 2021, the effects of the COVID-19 shock will persist, and extreme poverty could affect 50,000 new people. Poverty reduction would resume in the medium term as economic growth gradually returns to its pre-COVID path.

Risks and challenges

The post-2020 outlook is clouded by uncertainty and exposed to downside risks. Firstly, subsequent waves of COVID-19 would increase pressure on firms and individuals and require stronger medium-term adjustment efforts to maintain fiscal sustainability. Second, the spreading security crisis—with over 1 million internally displaced persons—could affect gold exports, agricultural production and services output. Third, the country is constantly exposed to risks of locust attacks and extreme weather events such as the floods of September 2020 have shown.

TABLE 2 Burkina Faso / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	6.2	6.8	5.7	-2.0	2.4	4.7
Private Consumption	2.8	1.5	7.2	0.0	3.5	6.2
Government Consumption	-10.1	8.1	19.6	19.1	-2.4	-3.2
Gross Fixed Capital Investment	15.2	18.0	-6.4	-17.8	7.9	9.0
Exports, Goods and Services	15.9	6.0	-2.3	-7.1	4.6	5.2
Imports, Goods and Services	4.1	3.5	-1.6	-2.4	7.0	6.2
Real GDP growth, at constant factor prices	5.5	6.5	5.7	-2.0	2.4	4.7
Agriculture	-1.1	9.9	4.6	1.5	2.5	3.7
Industry	9.3	3.6	1.9	-3.1	1.3	3.1
Services	6.7	6.6	8.2	-3.0	2.9	5.9
Inflation (Consumer Price Index)	0.4	2.0	-3.2	3.2	2.1	2.4
Current Account Balance (% of GDP)	-5.0	-4.1	-4.8	-3.8	-3.8	-4.1
Net Foreign Direct Investment (% of GDP)	-0.1	1.2	1.3	0.9	0.9	0.7
Fiscal Balance (% of GDP)	-6.8	-4.2	-3.2	-6.0	-4.6	-4.0
Debt (% of GDP)	33.5	37.7	40.0	47.7	50.7	53.9
Primary Balance (% of GDP)	-6.0	-3.2	-1.9	-4.7	-2.9	-2.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.6	37.4	36.0	37.9	38.2	37.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	73.5	72.7	73.7	73.9	73.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.5	91.0	90.7	91.1	91.2	91.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-ECVM and 2014-EMC. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2009-2014) with pass-through = 1based on GDP per capita in constant LCU.

BURUNDI

Table 1	2019
Population, million	11.6
GDP, current US$ billion	3.0
GDP per capita, current US$	260.7
International poverty rate ($19)[a]	72.8
Lower middle-income poverty rate ($3.2)[a]	89.6
Upper middle-income poverty rate ($5.5)[a]	96.9
Gini index[a]	38.6
School enrollment, primary (% gross)[b]	121.4
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011PPPs.
(b) Most recent WDI value (2018).

Economic growth is projected to fall to 0.3 percent in 2020 from 1.8 percent in 2019 due to the COVID-19 outbreak. Macroeconomic challenges include a large external imbalance and fiscal pressures. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 85.9 percent in 2022. The medium-term growth outlook is clouded by downside risks weighed down by the uncertainty around the magnitude of impact of COVID-19.

Recent developments

The COVID-19 shock is interrupting Burundi's fragile economic recovery. Real GDP growth has been revised to 0.3 percent in 2020, which is 1.7 percentage points lower than the pre-COVID projection and a sharp decline from growth of 1.8 percent in 2019. Although Burundi has fewer confirmed COVID-19 cases—508 cases with only one death officially reported to September 29—the global crisis has hit Burundi through trade. The economy is facing a twin demand and supply shock while Burundi has limited fiscal, monetary and financial buffers.

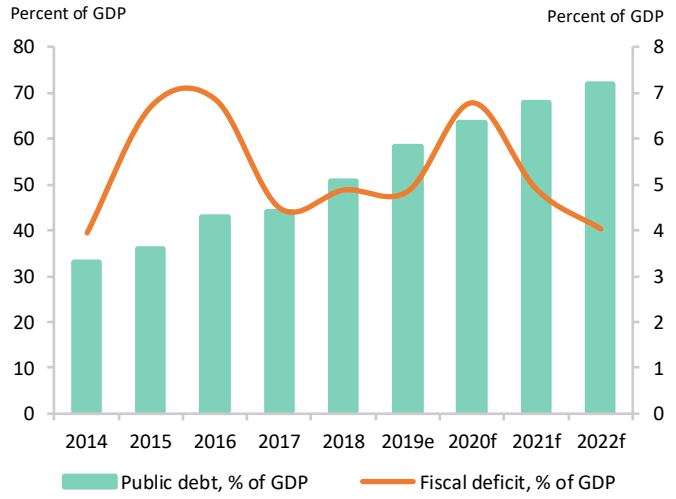
Since March 2020, the government has introduced measures to mitigate health risks stemming from the movement of goods and people. These include the quarantine of passengers and the suspension of international commercial flights, international official missions and of granting entry visas. Services are projected to contract as a result of these containment measures. The small GDP growth would be supported by food crops production in agriculture and beverages in industry. Higher government consumption is expected to support growth from the demand side. Public and private investments are projected to be weaker due to economic slowdown and fiscal constraints.

The fiscal deficit is projected to widen to 6.8 percent of GDP in 2020 from 4.9 percent of GDP in 2019, due to a fall in fiscal revenues and higher spending on health. The COVID-19 contingency plan includes actions such as coordination, laboratory, etc. Available data show a nominal decline of 1.2 percent in revenues and 17 percent in spending in 2020 Q1 year on year and a fiscal balance in deficit. As a result, public debt is expected to increase to 63.7 percent of GDP in 2020 from 58.5 percent in 2019. The deficit is mostly financed by borrowing from the banking system, sharply exposing commercial banks to the public sector. Inflation is expected to rise to nearly 8 percent in 2020, mainly due to rising food prices and disruption to imported consumer goods. Nonetheless, the central bank will likely pursue an expansionary monetary policy to finance the fiscal deficit.

The current account deficit (CAD) is projected to remain large in 2020 at 13 percent of GDP. Prices for coffee and tea exports declined by 4.4 percent and 10.4 percent, respectively, by the end of May 2020 compared to end of 2019. Exports declined by 51 percent in 2020Q2, year on year. An overvalued real exchange rate contributes to higher external imbalance and persistence of parallel market. As of March 2020, the parallel market premium averaged 60 percent while the depreciation of the official exchange rate was limited to 3.9 percent year-on-year owing to central bank interventions. International reserves remained low covering 0.9 months of imports.

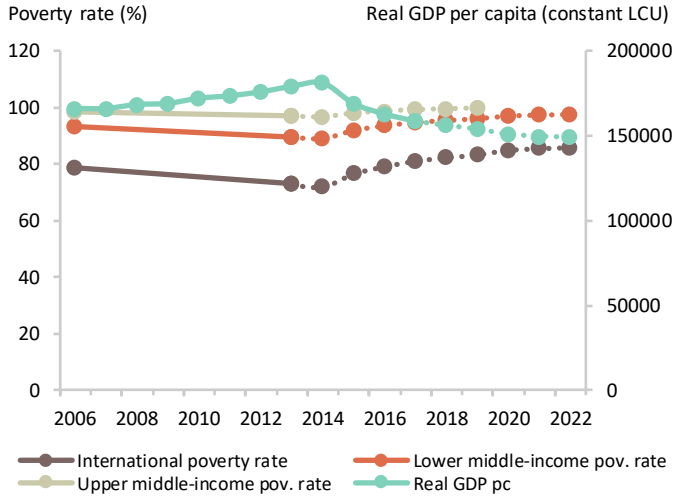
GDP growth per capita remains negative. Poverty incidence has been estimated at 83.4 percent in 2019 (based on an international poverty line of $1.90/capita/ day, in 2011 PPP), up from 72.8 percent in 2013 (last year with data availability). Progress

FIGURE 1 Burundi / Public debt and fiscal deficit



Sources: Official statistics and World Bank calculations.

FIGURE 2 Burundi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

has been made in education and health, yet Burundi's Human Capital Index remains low—with children in Burundi today living up to only 38 percent of their productive potential—compared to the counterfactual if they had enjoyed full health, including adequate nutrition, and education. Literacy rates remain particularly low among women and rural residents. Food insecurity remains alarming, with 56 percent of children under 5 stunted, with malnutrition rates even higher outside of the capital city.

Outlook

Growth is projected to rebound to 2.5 percent in 2022, supported by increased activity in all sectors, assuming the COVID-19 pandemic is brought under control. The fiscal deficit will narrow in 2021 and 2022 to pre-COVID levels, driven by efforts to bolster revenue collection. A sharp increase is expected in mining revenue due to the launch of a new coltan mine. Computerization and other tax administration reforms should also increase tax revenue. The government projects a cut in current spending to favor capital spending. Despite narrower deficits, total public debt is expected to increase to about 72 percent of GDP by 2022 and will remain mostly composed of domestic debt. Inflation is projected at around 6 percent under persistent forex shortages and fiscal deficit monetization. The CAD is expected to remain at around 13 percent of GDP in 2021–22. Real growth in imports is expected to outstrip the projected return of export growth, which should be driven by minerals. The CAD will continue to be primarily financed through external aid, hopefully with a gradual revival in external support in the aftermath of the 2020 elections.

With demographic pressures, environmental shocks and degradation, as well as limited diversification at the backdrop of COVID-19, poverty is expected to continue rising to 85.9 percent in 2022—in line with current growth projections. The full impact of the pandemic is still unknown due to the absence of a high-frequency survey thus far. Yet, indirect effects of COVID-19 are likely to have materialized already into higher unemployment rates, especially in the capital city, as services, hospitality and tourism as well as commercial services (transportation, travel, insurance) are likely to have seen important cutbacks due to aggregate demand shocks and imposed travel restrictions in the country.

Risks and challenges

A much deeper than expected global recession may lower Burundi's exports beyond what is anticipated in the outlook. Internal fiscal risks include even weaker than expected growth and, therefore, less tax revenue. External fiscal risks include a further deterioration in grants revenue. Unanticipated drought or political uncertainty add to the downside risks. On the upside, the recent elections and a new administration could bring about improved donor relations and resumption of aid.

COVID-19 presents additional risks to livelihoods for households across the income distribution, through both direct and indirect effects. Particularly for the poor this may entail long-lasting repercussions on human capital, being forced to adopt harmful coping strategies, such as selling productive assets or reducing expenditures on education and food. This comes on top of other long-standing risks, such as the heavy reliance on rainfed agriculture that keeps Burundi's vulnerability to adverse weather and climate change elevated.

TABLE 2 Burundi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	0.5	1.6	1.8	0.3	2.0	2.5
Private Consumption	0.2	3.5	3.1	0.3	3.0	3.4
Government Consumption	8.8	6.7	8.3	11.6	0.8	1.0
Gross Fixed Capital Investment	-2.5	24.9	32.9	-2.8	12.8	9.8
Exports, Goods and Services	32.2	11.0	-0.5	-4.0	4.6	4.7
Imports, Goods and Services	13.0	19.0	17.1	5.6	6.7	6.0
Real GDP growth, at constant factor prices	0.5	1.7	1.8	0.3	2.0	2.5
Agriculture	0.3	3.0	3.1	2.8	3.1	3.2
Industry	0.7	2.4	2.1	1.8	2.0	2.0
Services	0.6	0.7	0.9	-1.8	1.2	2.1
Inflation (Consumer Price Index)	16.1	-2.6	-0.8	8.1	6.5	6.0
Current Account Balance (% of GDP)	-11.3	-11.9	-13.4	-13.0	-13.2	-13.4
Net Foreign Direct Investment (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.5	-4.9	-4.9	-6.8	-4.9	-4.0
Debt (% of GDP)	44.2	50.9	58.5	63.7	67.9	72.0
Primary Balance (% of GDP)	-3.5	-4.5	-4.3	-6.2	-4.2	-3.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	81.1	82.3	83.4	85.0	85.6	85.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	94.8	95.5	96.1	97.0	97.4	97.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	99.2	99.5	99.7			

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.

(b) Projection using point-to-point elasticity (2006-2013) with pass-through = 1based on GDP per capita in constant LCU.

CABO VERDE

Table 1	2019
Population, million	0.6
GDP, current US$ billion	2.1
GDP per capita, current US$	3738.1
International poverty rate ($1.9)[a]	3.4
Lower middle-income poverty rate ($3.2)[a]	15.4
Upper middle-income poverty rate ($5.5)[a]	41.3
Gini index[a]	42.4
School enrollment, primary (% gross)[b]	104.0
Life expectancy at birth, years[b]	72.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2018).

Growth was robust in 2019, reaching 5.7 percent. Fiscal and external balances strengthened, with surpluses achieved in the primary balance and the current account. The COVID-19 crisis will lead to a projected contraction of 6.8 percent in 2020, with growth gradually picking up over the medium-term as tourism recovers. The outlook is subject to substantial downside risks stemming from the speed of the global recovery and magnitude of the domestic COVID-19 outbreak.

Recent developments

Economic growth accelerated from 4.5 percent in 2018 to 5.7 percent in 2019. Construction, retail, transport, and tourism services contributed to a dynamic economy. Data for the first quarter of 2020 confirmed the strong macroeconomic performance prior to the COVID-19 crisis, with real GDP growth (year-on-year) estimated at 5.8 percent. The pandemic brought tourism to a halt with leading indicators suggesting a large reduction in output in the second quarter, with imports falling by 25.8 percent and exports declining by 45.5 percent.

The external current account deficit decreased from 5.2 percent of GDP in 2018 to a 0.3 percent surplus in 2019 driven by exports of services, notably tourism, and private remittances. The current account was financed largely through Foreign Direct Investment (FDI), which helped international reserves reach 7 months of imports. The external sector felt the initial impacts of the crisis in the first quarter of 2020, with the current account balance deteriorating to a deficit of 0.2 percent of GDP, as exports of services contracted.

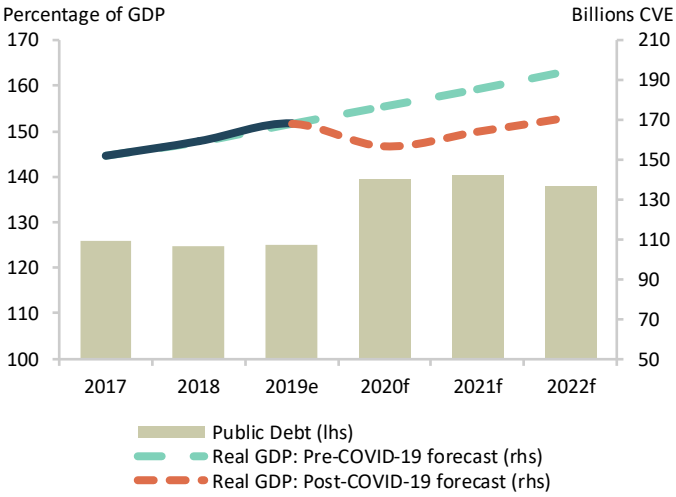
The primary fiscal balance was in surplus for the first time in a decade in 2019, at 0.7 percent of GDP. The overall fiscal deficit narrowed to 1.8 percent of GDP in 2019. Central government fiscal consolidation efforts included reforms of state-owned enterprises (SOEs). The stock of public debt remained stable at 125 percent of GDP in 2019, which is assessed as sustainable, but the risk of external debt distress remains high. The pandemic reduced both revenue and expenditures, mainly due to underperformance in corporate income tax, VAT, and non-tax revenue, while public investments suffered significant delays. The fiscal financing requirement rose to 9.4 percent of GDP.

Cabo Verde's monetary policy is closely aligned with Europe, with the local currency pegged to the Euro. With inflation expectations relatively low and limited pressure on the peg, monetary policy has been accommodative in the face of the crisis. The policy rate was lowered to 0.25 percent in March, along with downward revisions to the minimum reserve requirement, overnight deposit rate, and long-term liquidity support for banks. Inflation remained subdued in 2019 at 1.1 percent in the context of a stable and slightly negative output gap. The unemployment rate reached a nine-year low, standing at 11.3 percent. Despite the persisting effects of a 3-year drought, the share of the population subsisting below the lower middle-income poverty line (US$3.2 a day, 2011 PPP) fell 1.7 percentage points from 9.6 percent in 2018 to 7.9 percent in 2019. As the pandemic reached the country, the government empowered existing social protection systems to support interventions aimed at preserving the livelihoods of the most vulnerable.

Outlook

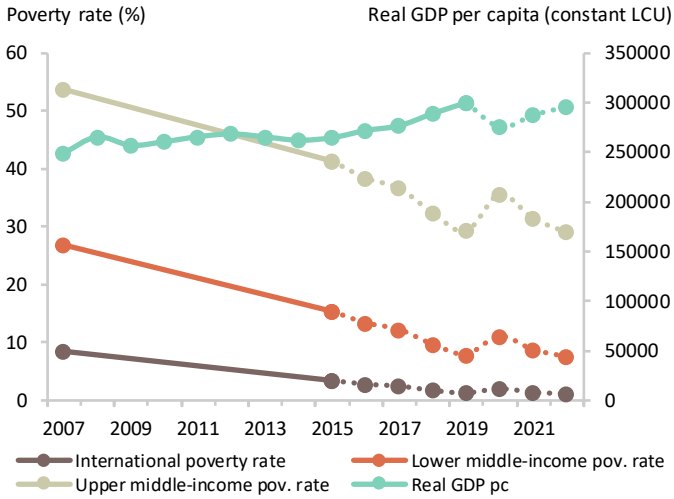
Cabo Verde is very exposed to the economic effects of the COVID-19 pandemic.

FIGURE 1 Cabo Verde / GDP and Debt Outlook



Sources: World Bank and IMF staff estimates. Note: Pre COVID-19 GDP forecast refers to the 2019 Annual Meetings Macro-poverty Outlook.

FIGURE 2 Cabo Verde / Actual and projected poverty rates and GDP per capita



Source: World Bank. Notes: see Table 2

The temporary shutdown of the tourism sector and the associated impact to upstream sectors will impact growth significantly in 2020. The impact of mitigation measures will be compounded by the downturn in FDI inflows. The economy is projected to contract by 6.8 percent in 2020. The unemployment rate is expected to double to 19.2 percent. Over the medium term, private consumption and investment in transport, tourism, energy and ICT linked to planned structural reforms is expected to jumpstart growth, with export of services continuing to be the leading contributor. Inflation is expected to remain contained, benefitting from lower international fuel prices and subdued aggregate demand, reaching 1.4 percent in the medium-term.

The fiscal deficit will be allowed to widen substantially in 2020 to absorb the shock. The overall deficit (including grants) will increase from 1.8 percent in 2019 to 11.3 percent in 2020 owing to a loss of tax revenue, especially from tourism, and a large increase of expenditure in response to the pandemic. Public debt will increase to 140.3 percent of GDP in 2021 before reverting to a gradually declining path in the medium-term as the government resumes a prudent fiscal stance.

The external current account deficit is projected to increase substantially to around 15.2 percent of GDP in 2020. Tourism receipts are expected to decline by approximately 65 percent in 2020. Over the medium-term the current account deficit is expected to decline, underpinned by sustained growth in tourism receipts and remittance inflows.

The country is expected to register an increase in poverty in 2020, with the poverty rate at the US$1.90 a day (2011 PPP) poverty line expected to rise to 2 percent, equivalent to 40,000 additional people falling into poverty. The reduction in tourist arrivals will lead to direct and severe income shocks for households that are active in the sector; through loss of employment, drops in complimentary income, and loss of domestic remittances. The pace of poverty reduction would resume into the medium-term as economic growth gradually returns, consolidating Cabo Verde among the countries projected to meet the objective of eliminating extreme poverty by 2030.

Risks and challenges

The emergence of subsequent waves of the pandemic, particularly in Europe, would deepen the unfolding crisis and increase pressure on external and fiscal balances. Furthermore, the speed of recovery of the tourism sector, and consequentially most of the economy, is directly linked to external factors related to the evolution of the pandemic and its containment. Failure to contain the domestic outbreak would call for additional reprioritization of government expenditure and further revenue mobilization measures, thus impacting public debt. This would increase fiscal unbalances and require stronger adjustment efforts in the medium-term to maintain a downward trajectory for public debt.

Contingent liabilities, particularly in the transportation sector, continue to increase fiscal risks over the short-term given the vulnerability of the sector to the crisis. As such, the resumption of reforms to improve SOE oversight are crucial to enhance governance, transparency, mitigate fiscal risks, and lay the groundwork for a sustained recovery. These key structural reforms could be jeopardized by domestic political and social pressures against further fiscal consolidation in the aftermath of the crisis.

TABLE 2 Cabo Verde / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.7	4.5	5.7	-6.8	4.5	4.8
Private Consumption	7.1	1.5	5.9	-3.0	4.5	5.0
Government Consumption	7.7	2.2	4.8	14.8	-1.5	-3.5
Gross Fixed Capital Investment	12.3	5.8	-4.0	3.3	-3.7	1.1
Exports, Goods and Services	7.5	11.9	8.6	-47.3	23.9	17.5
Imports, Goods and Services	16.4	6.7	0.9	-22.0	6.1	7.1
Real GDP growth, at constant factor prices	2.0	2.4	5.7	-6.8	4.5	4.8
Agriculture	-12.5	-19.0	-7.3	3.0	3.5	3.5
Industry	11.9	8.1	5.0	-5.9	3.0	4.0
Services	1.5	3.4	7.2	-7.9	5.0	5.2
Inflation (Consumer Price Index)	0.8	1.3	1.1	1.0	1.2	1.4
Current Account Balance (% of GDP)	-7.9	-5.2	0.3	-15.2	-10.0	-7.3
Net Foreign Direct Investment (% of GDP)	5.6	4.1	4.1	0.8	2.8	3.7
Fiscal Balance (% of GDP)	-3.0	-2.8	-1.8	-11.3	-9.6	-6.2
Debt (% of GDP)	125.9	124.7	125.0	139.4	140.3	137.9
Primary Balance (% of GDP)	-0.4	-0.3	0.7	-8.6	-6.7	-3.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	2.4	1.7	1.3	2.0	1.4	1.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	12.2	9.6	7.9	11.0	8.7	7.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	36.6	32.4	29.3	35.5	31.5	29.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2007-QUIBB and 2015-IDRF. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using point-to-point elasticity (2007-2015) with pass-through = 0,7 based on GDP per capita in constant LCU.

CAMEROON

Table 1	2019
Population, million	25.3
GDP, current US$ billion	38.8
GDP per capita, current US$	1532.9
International poverty rate ($19)[a]	26.0
Lower middle-income poverty rate ($3.2)[a]	47.0
Upper middle-income poverty rate ($5.5)[a]	71.1
Gini index[a]	46.6
School enrollment, primary (% gross)[b]	103.4
Life expectancy at birth, years[b]	58.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2018).

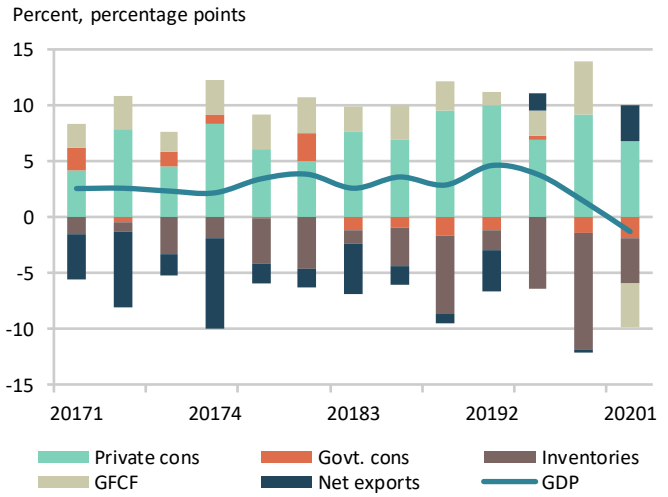
Economic growth decelerated to 3.7 percent in 2019. While the current account deficit widened, fiscal consolidation efforts narrowed the fiscal deficit in 2019. Poverty remains high at 24.4 percent. The COVID-19 pandemic introduced significant uncertainty to the outlook with risks tilted to the downside. Real GDP is projected to contract in 2020 with deteriorating external and fiscal accounts before recovering in the medium term.

Recent developments

Economic growth decelerated to 3.7 percent in 2019 compared to 4.1 percent in 2018. On the supply side, this performance accounts for reduced activity in agribusinesses and the adverse impact of the fire at the national refinery (SONARA) on both industry and services sectors. On the demand side, both lower external demand and investment explain growth developments. Owing to the ongoing anglophone crisis, inflation rose to 2.5 percent from 1.1 percent in 2018 but remained below the CEMAC regional target of 3 percent. The current account deficit slightly increased by 0.1 percentage point to 3.7 percent of GDP in 2019 reflecting higher import volume than export. The new regional regulation to limit capital and to ensure adequate repatriation of export proceeds helped Cameroon's imputed official reserves to reach 5.4 months of imports at the end of 2019 from 5.1 months of imports in 2018. Thanks to sustained efforts towards fiscal consolidation in the context of the three-year plan for 2017–19, the fiscal deficit narrowed from 2.5 percent in 2018 to 2.2 percent of GDP in 2019. The deficit was financed through budget support from donors, domestic financing, and accumulation of domestic arrears. Meanwhile, the risk of debt distress remained high, with the total debt stock increasing from 39.3 percent of GDP in 2018 to 43.0 percent of GDP at the end of 2019. The extreme poverty rate (international poverty line US$1.90 PPP) has remained broadly unchanged between 2018 and 2019, declining by only 0.2 percentage point over the two periods and stood at 24.4 percent in 2019. The contraction in the agriculture and services sectors has exacerbated poverty with stronger negative effects in the North West and Southwest regions where growing insecurity increases the vulnerability of the local population.

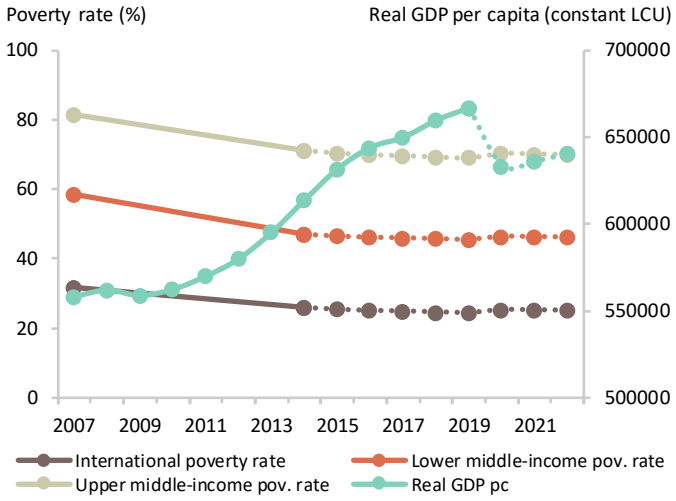
Since early 2020 and despite light containment measures, the COVID-19 pandemic and its spillover effects have negatively affected the country. Economic growth has decelerated in the first quarter as the agriculture and services sectors contracted. Despite inflationary pressures, inflation remained below the CEMAC threshold at 2.5 percent during the first semester of 2020. Meanwhile, the regional central bank (BEAC) has loosened its monetary policy stance to increase liquidity in the region with a package of measures including narrowing its interest rate corridor, increasing its liquidity provision while widening the range of private financial instruments used as collateral. Preliminary data indicate that the trade deficit has narrowed by 36.9 percent in the first semester of 2020, reflecting lower imports volume (-31.6 percent change year-on-year) than exports volume (-3.5 percent change year-on-year) due to lower capital goods imports. On the fiscal side, additional expenditures to mitigate the COVID-19 impact contributed to a budget deficit representing 3.5 percent of GDP in the first quarter of 2020.

FIGURE 1 Cameroon / GDP growth and contribution to GDP growth



Sources: National Authorities, World Bank.

FIGURE 2 Cameroon / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

Outlook

The COVID-19 pandemic has sharply deteriorated the medium-term outlook. Real GDP growth should contract by 2.5 percent in 2020, representing a deviation of 6 percentage points from the Pre-COVID estimates. From the supply side, channels include a slowdown of oil and non-oil sectors, and reduced activity by enterprises and the informal sector, notably in agriculture. From the demand side, disruptions in global value chains, and tighter external financial conditions, transmit the shock through the economy. In the medium-term, real GDP growth would recover and reach 3.4 percent in 2022, sustained by more robust domestic demand and external demand recovery. Despite potential inflationary pressures, inflation would remain below 3 percent in 2020-2022.

The external position is expected to worsen in 2020 before gradually improving from 2021 onward. The current account deficit is projected to widen to 5.5 percent of GDP in 2020, reflecting lower export volumes and terms of trade deterioration. In response to the COVID-19 pandemic, the fiscal deficit is projected to deteriorate, driven by the drop of revenue in combination with additional health and social expenditures. Revenues losses are estimated to 2.5 percentage points of GDP reflecting the combination of lower external demand as well as tax measures to mitigate the impact of the pandemic on businesses and households. Reduced burden from both lower fuel subsidies and staff and other administrative expenditure will only partly offset the combined adverse effect of lower oil prices and the COVID-19 fiscal impact. As a result, the overall fiscal deficit is projected to reach 4.4 percent of GDP in 2020 but would converge to 2.2 percent over the medium-term. The stock of public debt is expected to converge to 45 percent of GDP in the medium term.

The extreme poverty rate is projected to increase to 25.3 percent in 2020 in line with expected negative per capita GDP growth, and remain flat through 2022 (25.1 percent) reflecting the slow recovery over the medium term. However, the combination of slow recovery and population growth may increase poverty. The persistence of conflicts is likely to widen regional disparities and then inequality in the country.

Risks and challenges

A second wave of contagion would lead the economy to contract further by 3.5 percent in 2020, with a more gradual U-shaped recovery than in the baseline. Hence, a major threat to the outlook is a sharper deterioration of the economic activity in the Euro Area and China. Domestically, with the informal sector and small businesses being the hardest hit by the outbreak, the livelihoods of the poor may be hampered due to earning losses. Socioeconomic risks are intensifying across the country as the Covid-19 pandemic increases stress on overstretched national health systems. This is exacerbating preexisting challenges, including the ongoing conflict in the South-West and North-West regions and weak safety nets. With the potential adverse effects of the COVID-19 pandemic and the regional disparities, poverty reduction will require an inclusive growth through structural reforms, increased opportunities in the informal sector, and increased agricultural productivity. Lastly, tighter external financial conditions could also weigh on debt sustainability. On fiscal management, risks associated with contingent liabilities related to state-owned enterprises and infrastructure projects are also potential sources of vulnerabilities. Finally, delays in public financial management reforms could pose risks for fiscal and debt sustainability.

TABLE 2 Cameroon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.5	4.1	3.7	-2.5	3.0	3.4
Private Consumption	3.3	5.7	4.5	2.3	4.2	4.3
Government Consumption	2.5	-0.2	1.8	2.3	2.0	-1.8
Gross Fixed Capital Investment	4.2	7.9	8.1	-3.6	7.0	5.6
Exports, Goods and Services	-1.6	1.8	5.1	-13.2	-0.5	2.6
Imports, Goods and Services	-0.6	8.1	10.5	2.4	7.0	5.0
Real GDP growth, at constant factor prices	3.3	4.1	3.6	-2.5	3.0	3.4
Agriculture	3.2	5.1	2.8	-0.2	4.1	4.2
Industry	1.3	3.1	3.6	-3.6	2.6	3.1
Services	4.3	4.4	3.9	-2.5	3.0	3.3
Inflation (Consumer Price Index)	0.6	1.1	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-2.7	-3.6	-3.7	-5.5	-4.0	-3.0
Fiscal Balance (% of GDP)	-4.9	-2.5	-2.2	-4.4	-3.3	-2.2
Debt (% of GDP)	37.6	39.3	43.0	50.7	47.6	45.1
Primary Balance (% of GDP)	-4.0	-1.6	-1.3	-3.4	-2.1	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	24.9	24.6	24.4	25.3	25.2	25.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	46.1	45.8	45.7	46.4	46.4	46.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	69.7	69.4	69.1	70.3	70.2	70.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-, 2017-, and 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 1based on GDP per capita in constant LCU.

CENTRAL AFRICAN REP.

Table 1	2019
Population, million	4.8
GDP, current US$ billion	2.2
GDP per capita, current US$	451.8
Gini index[a]	56.2
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	52.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2008), 2011PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

The Central African Republic (CAR) economic growth for 2019 is estimated at 3.1 percent but projected to contract by 1.2 percent in 2020 following the COVID-19 pandemic. The outlook remains subject to downside risks arising from more significant socioeconomic impacts of the COVID -19 coupled with uncertainty related to upcoming general elections. The implementation of key structural reforms should remain a key priority focus to consolidate the peacebuilding process and mitigate the adverse impact of COVID-19 on social outcomes.

Key conditions and challenges

With an average growth rate of 4.1 percent since 2015 – the highest five-year growth average since independence – CAR entered 2020 with solid economic growth over the past five years. An improved security situation coupled with enhanced macroeconomic stability, foreign trade, investments, and implementation of structural reforms, supported this good economic performance. As the implementation of the peace agreement is materializing, the security and humanitarian situation is improving gradually. Conflict-related incidents and civilian deaths declined from 1,842 and 721 in 2018 to 1,172 and 339 in 2019, respectively. Access to education, health care facilities, and basic social services remain limited throughout the country and under pressure due to a large number of internally displaced persons. This undermines human capital accumulation and its contribution to economic growth – the Human Capital Index is among the lowest in sub-Saharan African countries at 0.29. The formal private sector is small, constrained by several structural challenges including limited access to finance and infrastructure, low skills, gaps in the legal and regulatory frameworks governing economic activities, and a fragile security environment. CAR's economic diversification is limited, making the country particularly vulnerable to commodity price shocks. The global pandemic is exacerbating an already precarious humanitarian situation, with nearly half of the population requiring humanitarian assistance and food insecurity affecting about 35 percent of the population. These pre-existing structural challenges left CAR especially vulnerable to the COVID-19 outbreak and its socioeconomic impact. Economic activity in 2020 is expected to contract further than anticipated due to the global economic recession and disruption in the supply chains.

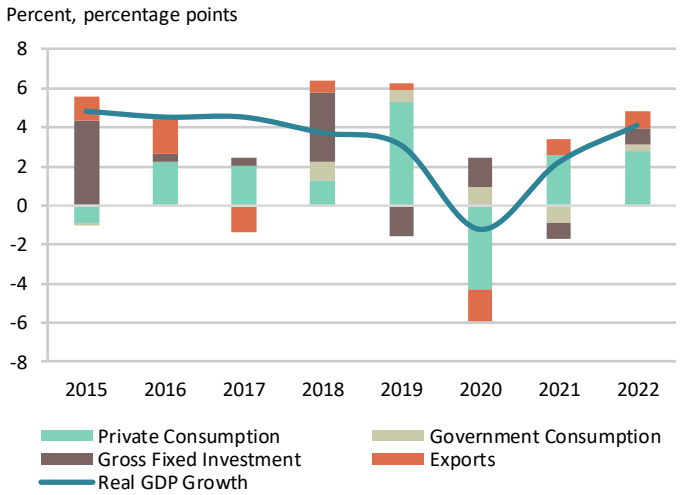
Recent developments

Hindered by a lower-than-expected performance of the coffee and cotton sectors, the pace of economic recovery slowed to 3.1 percent in 2019, down from 3.7 percent in 2018. On the supply side, economic activity was supported by the dynamic agriculture and services sectors. On the demand side, private consumption continues to be the main driver of economic activity. Public investments decreased from 7.4 percent of GDP in 2018 to 5.6 percent of GDP in 2019, while private investments increased slightly by 0.5 percentage points of GDP in 2019 – leading to an overall decline in gross fixed capital investment.

Higher prices for food and manufactured products, reflecting in part inflationary pressures from the blockade of the Bangui -Douala corridor in March 2019 led to an increase in the consumer price index at 2.8 percent in 2019 from 1.6 percent in 2018.

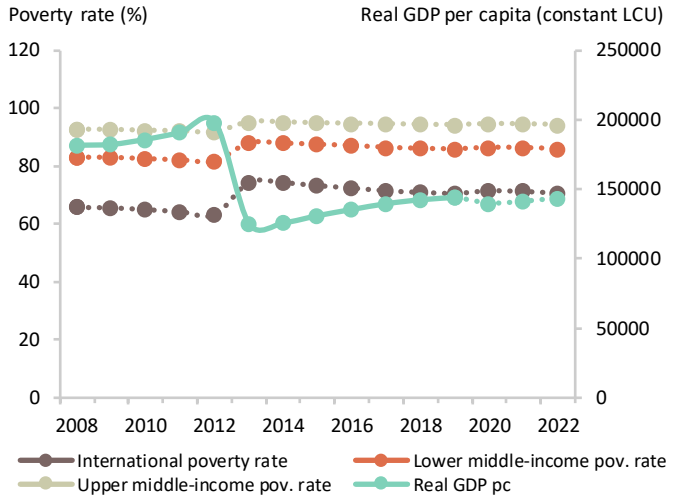
Expenditure rationalization measures combined with efforts to clear domestic

FIGURE 1 Central African Republic / Real GDP growth and contributions to real GDP growth.



Sources: CAR Authorities and World Bank.

FIGURE 2 Central African Republic / Actual and projected poverty rates and real GDP per capita.



Source: World Bank. Notes see table 2.

arrears maintained public debt on a declining path at 47.9 percent of GDP in 2019, although, CAR remains at high risk of debt distress. Delays in the execution of public investments and an increase in official grants following the peace agreement compensated for the decline in tax revenue in 2019. In this context, the overall fiscal balance posted a surplus of 1.7 percent of GDP in 2019.

The current account balance improved significantly from -8 percent of GDP in 2018 to -4.8 percent of GDP in 2019, thanks to an increase in official grants. Trade balance deteriorated further by 4.3 percent as the import bill increased while exports of goods and services declined slightly. Consequently, the balance of payment is estimated to have generated a lower deficit of 0.7 percent of GDP in 2019, contributing to the increase in foreign reserves in the CEMAC region.

The latest household survey was conducted in 2008, and the recent trends in household consumption and poverty are based on projections. In 2008, nearly 66.3 percent of the population lived with less than $1.9 per day, while the latest projections based on GDP per capita growth, put poverty at around 71 percent of the population in 2019, which equates to about 3.4 million people living in extreme poverty.

Outlook

Economic activity is expected to contract further than anticipated, with real GDP growth projected at -1.2 percent in 2020 due to a deeper global economic recession. As the effects of the pandemic dissipate, economic activity is expected to rebound gradually, contingent on a peaceful transition during the upcoming general elections and the restoration of security across the national territory. In the medium term, CAR's economic growth is forecasted to remain about 2.5 percentage points below pre-COVID-19 projections.

With inflationary pressure resulting from disruptions and delays in the supply chains, the consumer price index is expected to increase by 3.5 percent in 2020 but set to fall below the regional convergence criterion of 3 percent in the medium-term.

The fiscal position is expected to deteriorate in 2020 as government revenues decline and pressure mounts from the expenditure side following the COVID-19 pandemic. The external position is projected to worsen in the medium term as a result of a higher trade deficit and lower investment inflows due to COVID-19. Expansion of social protection and essential services are expected to help to contain the impacts of the pandemic, but extreme poverty will remain high and above its pre-COVID-19 level. With limited fiscal space, the economy is likely to enter a deeper recession if the COVID-19 outbreak lingers, such that the Government is prompted to strengthen and maintain its restrictions measures. Thousands of people are likely to lose their jobs while poverty and inequality will rise to unprecedented levels, especially if combined with a deterioration of the security environment. Further violence and insecurity are likely to deteriorate the humanitarian situation, increase the country risk premium, heighten investment uncertainty and delay the pace of reform agenda, critical to leverage domestic resources, strengthen the social contract and mitigate the adverse impact of COVID-19 on social outcomes.

TABLE 2 Central African Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.5	3.7	3.1	-1.2	2.2	4.1
Private Consumption	2.1	1.3	5.7	-4.5	2.8	2.9
Government Consumption	0.2	14.1	7.7	11.4	-10.0	4.4
Gross Fixed Capital Investment	3.0	26.0	-9.6	4.9	0.3	5.8
Exports, Goods and Services	-7.7	3.8	1.9	-10.2	5.7	5.6
Imports, Goods and Services	-1.7	8.0	4.9	-9.1	1.2	2.3
Real GDP growth, at constant factor prices	4.3	3.6	2.6	-1.1	2.2	4.1
Agriculture	3.2	3.4	3.1	4.0	5.1	6.2
Industry	1.7	1.5	2.1	1.0	4.0	4.5
Services	6.0	4.4	2.3	-5.2	-0.5	2.3
Inflation (Consumer Price Index)	4.1	1.6	2.8	3.5	2.5	2.5
Current Account Balance (% of GDP)	-7.7	-8.0	-4.8	-5.1	-5.7	-5.4
Fiscal Balance (% of GDP)	-1.0	-1.0	1.7	-4.0	-2.7	-1.2
Debt (% of GDP)	50.3	50.0	47.9	47.4	45.5	43.6
Primary Balance (% of GDP)	-0.7	-0.6	2.0	-3.7	-2.4	-0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	71.6	71.1	70.7	71.6	71.4	70.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2008) with pass-through = 0.7 based on GDP per capita in constant LCU.

CHAD

Table 1	2019
Population, million	15.8
GDP, current US$ billion	11.3
GDP per capita, current US$	715.5
International poverty rate ($ 19)[a]	38.1
Lower middle-income poverty rate ($3.2)[a]	66.3
Upper middle-income poverty rate ($5.5)[a]	86.2
Gini index[a]	43.3
School enrollment, primary (% gross)[b]	86.8
Life expectancy at birth, years[b]	54.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2011), 2011PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

Chad's gradual macroeconomic recovery started in 2018, but the impacts of the COVID-19 pandemic are likely to result in GDP contracting by 0.8 percent in 2020. The poverty rate may well increase by about 1 percentage point, and the fiscal and current account deficits both widen substantially in 2020. Meanwhile, COVID-19 has highlighted sustainability issues arising from Chad's reliance on the oil sector. The recovery will remain fragile and subject to significant downside risks.

Key Conditions and Challenges

Chad's economic performance has been subpar for most of the 2010s, keeping the country in the bottom part of many development rankings. Notwithstanding an economic recovery during 2018-2019, annual GDP growth averaged negative 0.1 percent over the past five years or about minus 3.1 percent in per capita terms. As a result, living conditions and access to essential services have remained poor. This situation is due in part to exogenous constraints such as climatic shocks to agriculture, and endogenous constraints like the sub-optimal management of volatile oil revenues, underinvestment in human capital, cyclical insecurity and fragility, and poor-quality infrastructure.

The COVID-19 pandemic has highlighted sustainability issues related to oil sector dependency. The combination of the global recession, disruptions in global and domestic supply chains, measures to flatten the contagion curve, financial disruptions, and investment risk aversion have taken a heavy toll on the economy. This combination exacerbates the already fragile situation of the country with weak regional integration, a slow economic transformation, poor quality health care and education, and the lack of access to electricity and digital technology. Regional conflicts may also disrupt bilateral trade and stretch government finances as the flow of refugees from neighboring countries increases. General elections tentatively scheduled for the second quarter of 2021 could increase uncertainty or trigger conflicts.

Recent Developments

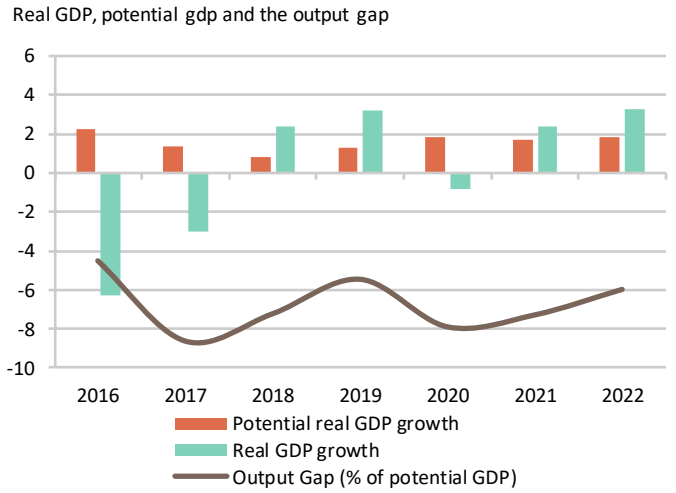
Due to higher oil production and agricultural output, growth recovered to 3.2 percent in 2019. Although the negative output gap narrowed, inflation declined from 4.0 percent in 2018 to -1.0 percent in 2019, reflecting subdued transportation and food prices. Agriculture and the oil sector remained the main driving forces contributing together about two-third of the 2019 growth rate.

The current account deficit widened from 4.7 percent in 2018 to 4.9 percent in 2019, due to an increase in imports needed for oil fields under development. In real terms, export growth reached 6 percent, with imports growing at 4 percent. The deficit was financed by project grants and FDI, which increased to 6.2 percent of GDP in 2019.

Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). In 2019, BEAC maintained a tighter monetary policy to rebuild its reserves and to ensure financial sector stability. The policy interest rate remained at 3.5 percent while regional reserves reached 3.3 months in 2019, up from 2.7 months in 2018.

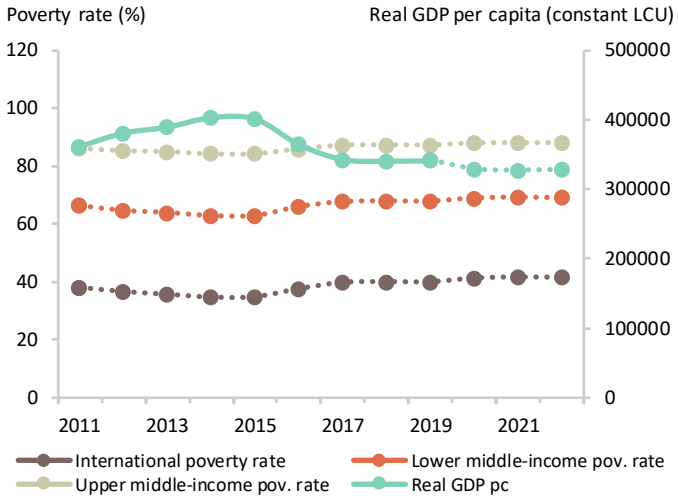
The overall fiscal balance (including grants) deteriorated from a surplus of 1.5 percent of GDP in 2018 to a deficit of 0.6

FIGURE 1 Chad / GDP growth, potential growth and output gap



Source: World Bank

FIGURE 2 Chad / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

percent in 2019. Total revenues did not increase significantly because of a decline in budget support grants and oil revenues. Meanwhile, total expenditure increased by about 2 percent of GDP owing to a 12 percent growth in the wage bill and higher security spending. Chad remains at a high risk of debt distress, although a significant decline in the debt ratio to GDP.

Poverty remains pervasive in Chad with 40.1 percent living below the international poverty line of US$1.90 a day (at 2011 Purchasing Power Parity (PPP)). Although the poverty rate remained stable between 2018 and 2019, the number of poor people increased by about two hundred thousand individuals. In 2019, the number of poor people was estimated at 6.7 million, with a high level of income inequality (measured by a Gini of 43.3).

Outlook

The COVID-19 global pandemic is putting Chad back into a recession, with the economy expected to contract by 0.8 percent in 2020. Border closures and disruptions in the major economies have led to a reduction in private investments and weak exports on the demand side and a sharp contraction in services (mainly transport, hotels, and tourism) on the supply side, in the first three quarters. Over the medium term, growth is projected to average 2.9 percent, thanks to new oil fields production, higher oil prices, and the easing of COVID-19 restrictions. Inflation would remain below 3 percent in line with regional targets as GDP growth converges towards potential.

The current account deficit is expected to widen to 11.2 percent of GDP in 2020 as export growth slows down due to the impact of COVID-19 on trade. The COVID -19 impact is expected to diminish in 2021, with export growth reaching about 8 percent driven by crude oil exports. Also, import growth would increase by 4 percent as private consumption and investment gradually recover. Relative substantial FDI and financial support from donors will help finance this deficit. BEAC regional reserves are projected to remain below 5 months of imports by 2022.

In 2020, the fiscal deficit is expected to increase to 1.7 percent of GDP. Fiscal revenue is expected to increase by about 2.8 percent of GDP-- despite a decline in oil prices and a modest decline in oil production, oil tax is based on the prior year's performance. Public spending is expected to increase by 28.8 percent to account for COVID-19 related expenditures, and the restoration of wages benefits suspended during the 2015-17 crisis. This deficit is projected to widen to 3.5 percent in 2021 due to the lagged nature of oil revenues. Public debt will increase to finance the fiscal deficit and is expected to remain at a high risk of debt distress.

The COVID-19 crisis is hurting economic growth and has significant social impacts. The poverty rate (using the international poverty line) is projected to increase by 1.3 percentage points, reaching 41.4 percent in 2020, adding about 0.4 million people. This negative impact of COVID-19 will remain for several years, with the poverty rate expected to increase to 41.6 percent in 2022 and the number of poor will rise to reach 7.2 million people. Based on the results of the high frequency survey implemented in June-July 2020, two third of Chadian households reported a loss in their total income. In addition, 57 percent of transfer receivers reported a decline in this source of income.

TABLE 2 Chad / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-3.0	2.4	3.2	-0.8	2.4	3.3
Private Consumption	0.2	0.7	1.4	0.5	0.5	2.0
Government Consumption	9.5	-11.8	1.7	10.5	2.7	-1.7
Gross Fixed Capital Investment	-24.7	5.4	6.6	-9.8	-2.0	-3.4
Exports, Goods and Services	1.3	4.6	6.0	1.8	8.0	8.0
Imports, Goods and Services	-1.3	1.4	4.0	2.5	4.0	4.1
Real GDP growth, at constant factor prices	-3.0	2.3	3.3	-0.8	2.4	3.3
Agriculture	3.1	4.0	4.6	2.4	7.2	7.6
Industry	-1.7	0.6	0.9	-0.2	0.8	1.6
Services	-9.7	1.0	2.5	-4.9	-3.4	-2.4
Inflation (Consumer Price Index)	-0.9	4.0	-1.0	2.8	3.0	3.0
Current Account Balance (% of GDP)	-6.6	-4.7	-4.9	-11.2	-10.5	-10.2
Fiscal Balance (% of GDP)	-0.8	1.5	-0.6	-1.7	-3.5	0.1
Debt (% of GDP)	49.8	48.3	44.4	49.1	49.9	48.7
Primary Balance (% of GDP)	0.8	3.0	1.0	0.0	-1.7	1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.9	40.1	40.1	41.4	41.8	41.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	67.7	68.0	67.9	69.0	69.3	69.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.3	87.4	87.4	88.1	88.2	88.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECOSIT-III. Actual data: 2011. Nowcast: 2012-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.

COMOROS

Table 1	2019
Population, million	0.9
GDP, current US$ billion	1.2
GDP per capita, current US$	1354.3
International poverty rate ($ 19)[a]	19.1
Lower middle-income poverty rate ($3.2)[a]	39.7
Upper middle-income poverty rate ($5.5)[a]	64.6
Gini index[a]	45.3
School enrollment, primary (% gross)[b]	99.5
Life expectancy at birth, years[b]	64.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011PPPs.
(b) Most recent WDI value (2018).

Despite a contained spread of COVID-19 in Comoros, the country's fragile landscape is being heavily impacted by the health shock, with severe consequences to firms and households. Limited fiscal space, incipient social safety networks and a weak financial sector limit the Government's capacity to respond to the crisis. Growth is expected to recover over the medium term, in the wake of stronger demand, and the gradual pick-up of remittances and investment. Poverty stands higher compared to its pre-COVID-19 level.

Key conditions and challenges

Recent progress in political stability has not yet taken Comoros out of a stagnant long-term growth trajectory. Per capita GDP growth of less than 1 percent over the last ten years was predominantly consumption-driven, fueled by remittances and tourism receipts flowing in from the diaspora. Poverty reduction has been modest, and inequality has been on the rise, including between rural-urban regions and across islands. A dearth investment, discouraged by institutional fragility, weak financial sector and an onerous business environment, has slowed the accumulation of physical capital. Labor force participation has been remarkably low, especially from female workers, and low quality of education has persistently undermined the contribution of human capital to productivity growth, with overall total factor productivity nearly absent. The monetary agreement with France has contributed to fairly conservative fiscal policy, low inflation rates, and adequate levels of foreign reserves, with no signs of a sustained and/or significant overvaluation of the currency in recent years.

Comoros' longstanding challenges are escalating due to the COVID-19 crisis. Growing financial sector vulnerabilities, including high levels of non-performing loans and solvency issues, could intensify during the pandemic, compromising the stability of the financial system. A worsening of the financial situation of State-Owned Enterprises (SOEs), including of Comores Telecom, a publicly owned telecommunication provider, could intensify risks associated with SOEs' contingent liabilities. Limited fiscal space, incipient social safety networks and a shallow financial sector limit the Government's capacity to respond to the economic and social ramifications of the crisis. Sustained progress towards political stability could be compromised if the Government's relief response to COVID-19 is perceived as insufficient and inequality rises.

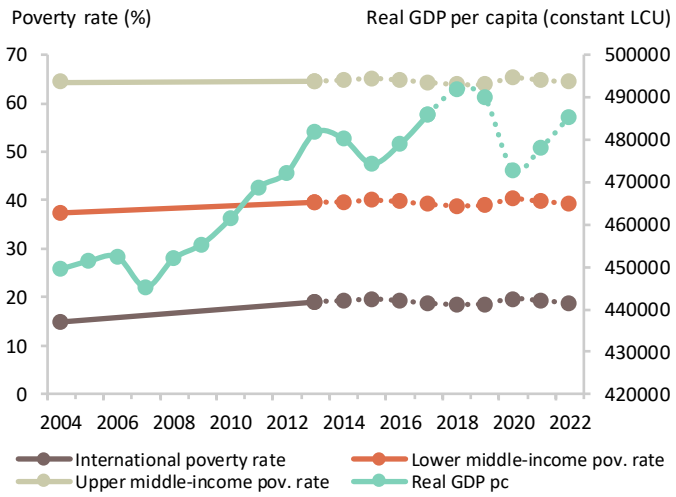
Recent developments

The dampening effect of COVID-19 in Comoros' economy strikes one year after the Cyclone Kenneth (April 2019), which caused substantial damages to the agricultural sector. The positive growth effects expected from the reconstruction efforts and recovery after the cyclone will be more than offset by the negative impact of COVID-19, lowering growth projections to -1.4 percent in 2020 (from 4.4 percent in pre-COVID forecasts). Social distancing measures adopted early on contained the spread of the virus, but decreased labor supply and weakened economic activity. Demand and supply effects related to external trade and the disruption of international travel are hitting Comoros' main earning sectors. The slowdown of remittances from the diaspora (which dropped in the second quarter and expected to have decreased further during

FIGURE 1 Comoros / External Sector

Sources: World Development Indicators and World Bank staff forecasts.

FIGURE 2 Comoros / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

summer) are cutting down domestic demand (Figure 1). Government measures to reduce the price of imported goods at customs have been relatively successful in containing price increases and the inflation rate will remain low in 2020.

Financial sector vulnerabilities have increased. The SNPSF, a public systemic financial institution, is insolvent, although it has recently taken key initial steps in its restructuring process. In May, the BDC and BFC (two commercial banks) were placed under temporal provisional administration of the Central Bank due to liquidity strains. The slowdown of economic activity along with COVID-19-related custom tax cuts are resulting in a large drop in fiscal revenues, while expenditures are on the rise, yet with some restrain (due to limited borrowing capacity), to finance higher spending in health care and other social and economic measures. External budget support from donors and participation to the Debt Service Suspension Initiative will help to contain the deficit of the fiscal account, estimated at 3.9 of GDP. A combination of lower remittances inflows, the drop of tourist arrivals and the slowdown of exports would generate a current account deficit of 3.7 percent of GDP. Disruptions in public services, including health and education, the decline in remittances and consumption, and the reduction of informal jobs, are affecting the poor disproportionally, with extreme poverty (estimated based on $US1.9 PPP per person per day) increasing to 19.6 percent in 2020 (from 18.6 percent in 2019).

Outlook

Despite the significant adverse short-term impact of the pandemic, the medium-term outlook for Comoros' economy remains favorable. Growth is expected to recover in 2021-2022 under the key assumption of the progressive end of the health crisis. A global recovery would bring in higher remittances and tourism receipts. Sustained economic recovery would also be supported by the take-up of delayed investments, including public and private investments related to the cyclone reconstruction, and by the recovery of the agricultural sector. Domestic revenues are projected to progressively recover with the uptake of economic activity and custom tariffs. Fiscal pressures associated with COVID-19 health costs are projected to ease and capital expenditures related to Cyclone Kenneth reconstruction efforts would resume. Measured against the lower-middle-income poverty line of $3.2 a day per capita (2011 PPP), absolute poverty is projected to slowly decrease to 39.3 percent by 2022 (Figure 2).

The projections for the impact of the pandemic are, however, subject to the highly uncertain spread of the disease domestically as well as overseas, with a prolonged COVID-19 outbreak slowing the recovery in 2021. A deeper recession in France (where most Comorian migrants live) would continue to push down remittances, while potential extended travel restrictions would lead to fewer visits from the diaspora, with consequent lower tourism receipts. Fiscal transfers to crisis-hit SOEs would be needed as their vulnerabilities would rise with a prolonged crisis, while intensified struggles in the financial sector could trigger a financial crisis. On the contrary, a faster than expected end of the health crisis would produce a solid global recovery, allowing for a stronger economic recovery domestically.

TABLE 2 Comoros / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.8	3.4	1.9	-1.4	2.6	3.5
Private Consumption	4.2	1.8	2.0	-3.1	2.5	3.6
Government Consumption	5.9	0.0	-7.2	17.0	-2.9	1.5
Gross Fixed Capital Investment	6.9	19.0	11.9	-2.8	3.7	3.0
Exports, Goods and Services	11.8	19.2	0.5	-1.4	4.2	3.2
Imports, Goods and Services	10.8	10.9	5.2	-0.7	1.8	2.4
Real GDP growth, at constant factor prices	3.4	3.0	1.9	-1.4	2.7	3.5
Agriculture	3.8	2.7	-0.9	1.0	1.8	2.0
Industry	-2.7	1.7	1.4	1.8	2.9	2.8
Services	4.5	3.3	3.3	-3.0	3.0	4.3
Inflation (Consumer Price Index)	1.8	1.7	3.3	1.8	2.0	2.0
Current Account Balance (% of GDP)	-2.1	-2.4	-3.9	-3.7	-3.8	-4.0
Fiscal Balance (% of GDP)	0.4	-1.7	-1.9	-3.9	-2.9	-2.1
Debt (% of GDP)	18.4	17.4	23.9	30.3	32.8	33.4
Primary Balance (% of GDP)	0.4	-1.5	-1.7	-3.5	-2.4	-1.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	18.7	18.4	18.6	19.6	19.2	18.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	39.2	38.9	39.0	40.4	39.8	39.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	64.4	63.9	64.0	65.3	64.9	64.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2013-EESIC. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2013) with pass-through = 0.87 based on GDP per capita in constant LCU.

DEMOCRATIC REP. OF CONGO

Table 1	2019
Population, million	86.7
GDP, current US$ billion	48.9
GDP per capita, current US$	564.1
International poverty rate ($19)[a]	77.2
Lower middle-income poverty rate ($3.2)[a]	91.4
Upper middle-income poverty rate ($5.5)[a]	97.9
Gini index[a]	42.1
School enrollment, primary (% gross)[b]	108.0
Life expectancy at birth, years[b]	60.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2018)

Economic activity is expected to contract by 1.7 percent in 2020 due to COVID-19 containment measures. Low revenue collection coupled with exceptional expenditures related to COVID-19 has increased the budget deficit, with monetization by the central bank increasing pressure on both exchange and inflation rates. The medium-term outlook is a slow recovery over 2021–22, but this is subject to downside risks, notably a possibly more prolonged global downturn. Achieving inclusive growth remains a challenge due to high poverty and inequality.

Recent developments

GDP is expected to contract by 1.7 percent in 2020, driven mainly by contractions in private consumption and investment (Figure 1). Measures to contain COVID-19 measures have reduced activity in retail trade, travel, hotels, restaurants, and catering. The non-extractive sector is expected to contract by 2.5 percent by the end of 2020. However, a limited COVID-19 spread and the containment of workers on the mining sites allowed some major mining activities to grow. Copper and cobalt production increased in January–June 2020 by 13.4 and 5.6 percent respectively, compared to the first half of 2019, while diamond and gold production declined by 29.9 and 36.3 percent over the same period. Total mining output is expected to grow by only 0.6 percent in 2020.

The current account deficit (CAD) is expected to deteriorate to 4.8 percent of GDP in 2020. Capital inflows will only partially offset the decline in net exports. Thus, despite increased financing from international institutions, a balance of payments deficit of 0.3 percent of GDP is expected in 2020, leading to a decline in international reserves to about 3.6 weeks of imports, compared to 4.4 weeks at end-2019.

The fiscal deficit is estimated to deteriorate by 0.8 percentage points to 2.1 percent of GDP in 2020 from 1.3 in 2019, given domestic revenue underperformance (delays in reform implementation, temporary relief measures) and persistent relatively high expenditures (estimated at 12.1 percent of GDP in 2020), all associated with the government's response to the pandemic.

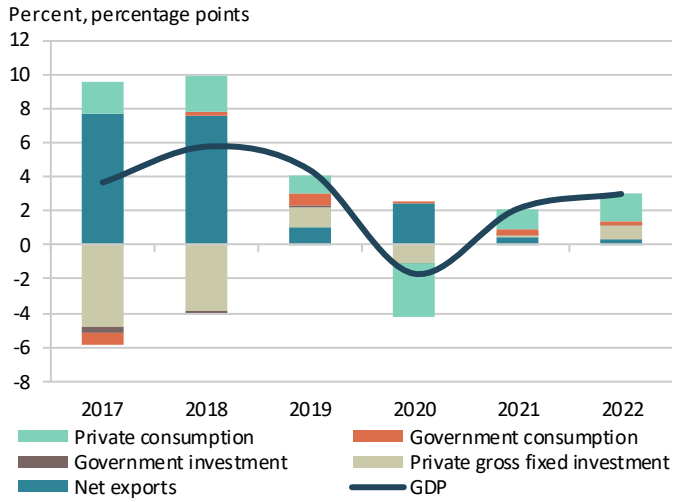
The Banque Centrale du Congo (BCC) has resorted to monetization of the fiscal deficit. It lowered the policy rate by 150 basis points to 7.5 percent in late March 2020, eliminated the reserves requirement ratio (from 2 percent), and set up a special funding facility for commercial banks. Broad money (M2) is estimated to grow by 19.7 percent in end-2020, mainly driven by the increase in net credit to the government. Such important injections of domestic liquidity led to a depreciation in the exchange rate, estimated to reach 18.2 percent by the end of 2020.

Supply shocks have pushed up food and medication prices, adding to inflationary pressure from monetization. Inflation accelerated to 15 percent (year-on-year) in August 2020 and is expected to reach 21 percent in end-2020.

However, the BCC increased its policy rate to 18.5 percent in August, to re-anchor inflation expectations and to maintain positive real interest rates. Also, Treasury bills issuance, launched since late 2019, is expected to reach 1 percent of GDP at the end of 2020, which should attenuate the use of monetization by the BCC.

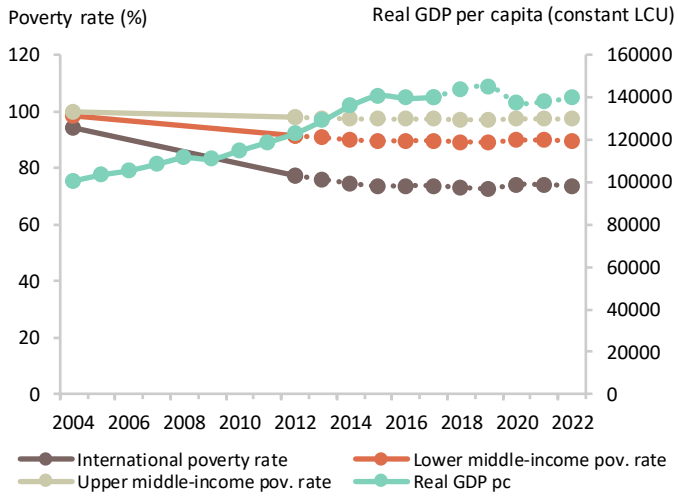
Based on the last (2012) household survey, 77.2 percent of the population lived with less than US$1.90 per day (in 2011 PPP). The latest World Bank projections put poverty at 74.1 percent in 2020, after an

FIGURE 1 Democratic Republic of the Congo / Real GDP growth and contributions to real GDP growth



Sources: Democratic Republic of Congo Statistical Authorities, World Bank.

FIGURE 2 Democratic Republic of the Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

increase of 1.5 percentage points compared to 2019, due to the COVID-19 pandemic. This increase may be underestimated since, according to COVID-19 high-frequency phone surveys in Kinshasa, over 10 percent of households have seen members lose their jobs while 20% have reduced their food consumption due to rising prices. Apart from Nigeria, DRC remains the country with the largest number of extreme poor in sub-Saharan Africa. There are large disparities between provinces, with extreme poverty concentrated in the central and northwestern provinces. There is a strong correlation between poverty and the collapse in mining employment, especially in artisanal mining. Despite some improvement, social and human indicators are weak: in 2019, the infant mortality of 66.1 per 1000 live births is higher than the Sub- Saharan average of 51.7, while the country is ranked 146th out of 157 countries in terms of the Human Capital Index.

Outlook

GDP growth is expected to rebound to 2.1 percent in 2021 and accelerate with 3.0 percent growth in 2022, assuming a gradual recovery in global demand. Favorable commodity prices, particularly for copper and cobalt, would boost both economic output and domestic revenue. Expansion of transportation and other services, along with increased agricultural production, would also support medium-term GDP growth.

The fiscal deficit should decline with the recovery, narrowing to about 0.6 percent of GDP over 2021–22, mainly driven by efforts to improve tax revenue mobilization. Domestic revenues are projected to rise to around 12.0 percent over 2021–22 from 8.7 percent of GDP in 2020.

The CAD is projected to slightly narrow to 3.4 percent of GDP in 2021 and 3.0 percent in 2022. Positive trade inflows, expected by 2022, stemming from increases in prices and volumes of exports and lower prices of imports, would improve the current account balance. Mining FDI inflows and public capital inflows from IFIs will also support the increase of international reserves from 3.6 weeks of imports in 2019 to around 5.9 weeks in 2022.

Given the lasting adverse effect of the COVID-19 and the expected high population growth that is likely to partially offset economic growth, extreme poverty rate is projected to reduce slightly by 0.4 percentage point by 2022.

Risks and challenges

Risks to this outlook stem from uncertainty over commodity prices, the pace of the global COVID-19 pandemic, and GDP growth among DRC's trade partners, especially China. DRC has little scope for fiscal policy to absorb shocks, while an expenditure-led adjustment could further jeopardize long-term growth prospects and pro-poor spending. Following steps taken by the BCC to reduce monetization, a prolonged global downturn brings along the risk of abandoning this restrictive monetary policy which could increase inflationary pressures.

Strengthening the healthcare system remains a key challenge. DRC continues to face both COVID-19 and the 10th and 11th Ebola outbreaks. These could result in behavioral changes by households and firms that may dampen growth prospects, widen inequality, and increase vulnerabilities. Finally, a consensus between political components is crucial to move structural reforms forward.

The medium-term challenge remains to achieve economic diversification in order to reduce the commodity dependence, by improving the business environment and narrowing the infrastructure gap.

TABLE 2 Democratic Republic of the Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.7	5.8	4.4	-1.7	2.1	3.0
Private Consumption	2.4	2.7	1.4	-4.5	1.8	2.3
Government Consumption	-16.4	8.4	20.2	3.8	6.8	5.9
Gross Fixed Capital Investment	-27.2	-29.5	14.4	-10.8	0.6	9.1
Exports, Goods and Services	34.2	25.7	-2.5	2.8	4.6	5.0
Imports, Goods and Services	6.3	5.9	-7.6	-5.3	6.0	7.3
Real GDP growth, at constant factor prices	4.7	5.9	4.3	-1.6	2.0	3.0
Agriculture	1.6	1.5	2.8	3.0	3.2	3.6
Industry	7.7	12.1	6.8	-0.9	1.8	3.3
Services	3.0	1.3	2.1	-4.4	1.7	2.3
Inflation (Consumer Price Index)	35.8	29.3	4.7	15.0	10.5	7.0
Current Account Balance (% of GDP)	-2.9	-3.6	-3.8	-4.8	-3.4	-3.0
Fiscal Balance (% of GDP)	1.4	0.1	-1.3	-2.1	-0.8	-0.4
Debt (% of GDP)	12.2	10.4	10.2	10.8	10.7	9.9
Primary Balance (% of GDP)	1.6	0.4	-1.0	-1.9	-0.6	-0.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	73.6	73.0	72.6	74.1	74.0	73.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.6	89.2	89.1	89.8	89.8	89.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	97.3	97.2	97.1	97.4	97.4	97.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2012-E123. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.

REPUBLIC OF CONGO

Table 1	2019
Population, million	5.1
GDP, current US$ billion	12.3
GDP per capita, current US$	2396.7
International poverty rate ($ 1.9)[a]	38.2
Lower middle-income poverty rate ($ 3.2)[a]	62.6
Upper middle-income poverty rate ($ 5.5)[a]	82.9
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	106.6
Life expectancy at birth, years[b]	64.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2011), 2011 PPPs.
(b) WDI for School enrollment (2012); Life expectancy (2018)

For the fifth consecutive year, the Republic of Congo's economy contracted in 2019 (by 3.5 percent) as public finances are being consolidated. With the ongoing fiscal adjustment, Congo recorded fiscal and current account surpluses, but remained in debt distress. The spread of COVID-19 and the decline in oil prices weigh on the country's economic outlook. Economic contraction is expected to continue and average 3.2 percent over 2020-2022, increasing the poverty rate to 46.8 percent by 2022 (from 43.1 percent in 2020).

Recent developments

The Congolese economy experienced its fifth consecutive year of economic contraction with a negative growth of 3.5 percent in 2019. On the demand side, fiscal consolidation negatively weighed on growth while exports stagnated. On the supply side, the hydrocarbon sector shrank by 8.8 percent because of technical difficulties in some oil fields and the non-hydrocarbon sector grew at a sluggish rate.

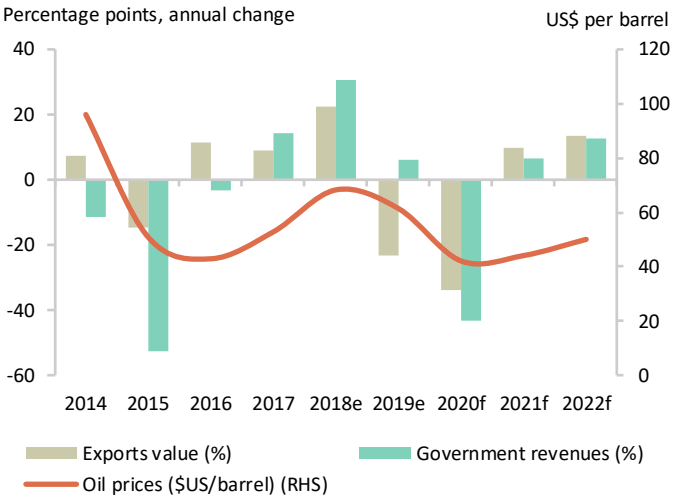
During 2020H1, despite data limitations, it is estimated that the country was significantly affected by the COVID-19 pandemic through lower oil prices and its subsequent losses in government revenues, increased public social expenditures, and the contraction of the non-hydrocarbon sector due to national and international containment measures. For instance, credit to the economy declined by 4.6 percent in 2020H1 while non-performing loans increased by 15.2 percent in 2020Q1 to stand at 29.1 percent of total loans. To cope with this challenging situation, the government prepared an overall response plan totaling US$ 170 million (1.6 percent of GDP in 2020) and adopted measures to ease tax and duty payments for private enterprises. Tax payments have been delayed while the turnover tax for small firms and corporate income tax have been reduced by two percentage points to 5 percent and 28 percent, respectively. To reflect lower government revenue, a revised budget law was adopted in May 2020, implying a wider fiscal deficit in 2020 as capital expenditures are set to increase by 52 percent throughout the year to 9.7 percent of GDP in 2020 (from 3.4 percent in 2019). Despite the moderate attractiveness of government securities, the anticipated fiscal deficit could be partially financed by the domestic market as BEAC, the regional central bank, decreased its policy rate by 25 basis points to 3.25 percent in March 2020 and extended the purchase of government securities through 2020H2.

The economic crisis and the COVID-19 pandemic have affected the poor. In 2011, nearly 38.2 percent of the population lived below the international poverty line of $1.90 PPP per day. According to the latest World Bank projections, after a reduction to 36.4 percent in 2015, this proportion is projected to increase to 43.1 percent in 2020 as a result of the economic crisis, with a worsening of the situation as COVID-19 has spread. Compared to countries with similar income level, the country's social and human indicators appear weak. The Human Capital Index stood at 0.42 in 2020, ranking the country at 140 out of 174 countries. In 2019, infant mortality was 34.9 per 1000 live births compared to 26.8 for the Middle-Income Countries as a whole.

Outlook

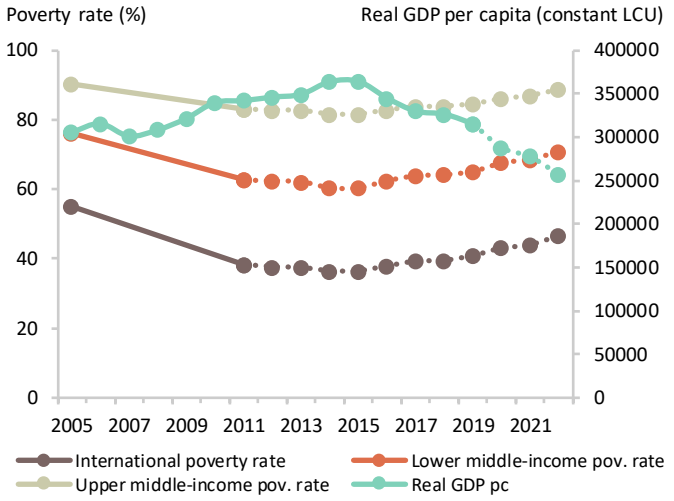
As the country is negatively affected by the spread of COVID-19, containment measures at the international and national levels, the sharp decline in oil prices and

FIGURE 1 Republic of Congo / Major transmission channels of COVID-19 pandemic in the Republic of Congo



Sources: Congolese authorities and World Bank estimates.

FIGURE 2 Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank estimates based on data from national authorities. Notes: see table 2.

the OPEC decision to cut oil production, the GDP is expected to contract by 8.9 percent in 2020. In 2021-2022, growth is projected to contract moderately at an yearly average of 0.4 percent as the increase in the demand for hydrocarbon products could be modest in 2021, the expansion of the non-hydrocarbon sector be negatively affected by the anticipated fiscal consolidation in 2021-2022 and commercial banks continue to be risk averse in light of the significant amount of non-performing loans. The expansion of the non-hydrocarbon sector is not expected to benefit from the partial clearance of domestic public arrears as government revenues are projected to decline significantly in 2020. The successful implementation of reforms and the restoration of business confidence could result into a moderate increase in private investment at end-2022.

The proportion of people living below the international poverty line is expected to increase from 43.1 percent to nearly 47.0 percent in 2022, because growth will be driven by the hydrocarbon sector while the non-hydrocarbon economy is expected to contract.

Under the above-mentioned scenario, the fiscal deficit is projected to reach 13.3 percent of GDP in 2020. With the fall in oil prices, government revenue is expected to decline to 22.9 percent of GDP over 2020-2022, compared to 25.1 percent of GDP in 2017-2019. A strong fiscal consolidation would be needed to ensure commercial and social debt payments and such policy could result in a fiscal deficit of 1.1 percent in 2021-2022. Thus, public debt could fall to 112.6 percent of GDP in 2022 after reaching 126.7 percent in 2020. The financing gap could nevertheless average US$1.2 billion over 2020-2022 (13 percent of GDP), requiring support from development partners.

Driven by a decrease in exports and a collapse in commodities prices, Congo is expected to record a current account deficit averaging 6.6 percent of GDP over 2020-2022 from a surplus of 2.8 percent over 2017-2019. As weaker global demand could have marked impacts on prices, the terms of trade will deteriorate by 20.6 percent in 2020 while a moderate rebound is expected in 2021-2022.

Risks and challenges

The main risks to the country's economic stability stem from the continuous spread of COVID-19 pandemic at the local and international levels that could affect the hydrocarbon and non-hydrocarbon sectors. A decline in oil price below USD 27 per barrel, the price used for the 2020 revised budget law, would particularly weaken the country's fiscal and external positions while a procyclical fiscal stance would exacerbate the negative effects of shocks on growth and poverty outcomes. The occurrence of this external shock emphasizes the need to implement bold reforms that could support macroeconomic stabilization, accelerate the post-COVID19 economic recovery and stimulate economic diversification.

Macroeconomic stabilization would require restoring fiscal sustainability through public debt restructuring, and the implementation of public financial management reforms. In addition, increasing public expenditure efficiency could both support economic recovery and macroeconomic stabilization if the government adopts enhanced procurement practices and revises its public investment management. Improving human capital and the business environment remains critical to diversify the economy as the Republic of Congo ranks 138th out of 189 in the 2019 Human Development Index and 180th out of 190 in the Doing Business 2020. Finally, targeted pro-poor service delivery should help containing the anticipated increase in poverty.

TABLE 2 Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-4.6	-6.2	-3.5	-8.9	-2.0	1.3
Private Consumption	-9.5	3.9	0.0	-2.0	1.9	2.3
Government Consumption	-16.8	-4.7	-9.2	22.1	-22.5	-4.1
Gross Fixed Capital Investment	-49.5	-25.0	-0.1	-12.3	-4.3	-3.9
Exports, Goods and Services	14.4	11.4	0.8	-16.2	7.7	7.5
Imports, Goods and Services	-34.5	5.1	5.6	-10.0	7.4	8.3
Real GDP growth, at constant factor prices	-1.2	-7.7	-3.8	-8.8	-1.9	1.4
Agriculture	8.9	-1.6	2.2	-3.1	0.4	1.4
Industry	4.4	-10.4	-6.2	-10.1	0.4	5.1
Services	-9.7	-5.0	-1.7	-8.5	-5.3	-3.5
Inflation (Consumer Price Index)	0.5	1.2	2.2	2.4	2.6	2.8
Current Account Balance (% of GDP)	-2.7	3.4	7.8	-13.2	-4.8	-1.7
Fiscal Balance (% of GDP)	-6.1	5.7	6.4	-13.3	-2.8	0.0
Debt (% of GDP)	97.6	77.9	84.8	126.7	122.7	112.6
Primary Balance (% of GDP)	-4.2	7.7	8.9	-11.3	-0.9	1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.2	39.5	40.9	43.1	44.1	46.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	63.8	64.1	65.1	67.5	68.6	70.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	83.6	83.8	84.5	86.0	87.0	88.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices; based on data from national authorities.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.

CÔTE D'IVOIRE

Table 1	2019
Population, million	25.5
GDP, current US$ billion	60.2
GDP per capita, current US$	2359.8
International poverty rate ($ 1.9)[a]	29.8
Lower middle-income poverty rate ($ 3.2)[a]	59.1
Upper middle-income poverty rate ($ 5.5)[a]	83.2
Gini index[a]	41.5
School enrollment, primary (% gross)[b]	99.8
Life expectancy at birth, years[b]	57.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2018).

Growth remained strong at 6.9 percent in 2019, supported by private investment and services. Since early 2020, the COVID-19 pandemic has negatively affected economic performance through disruptions in trade and production capacity, as well as reduced foreign financing flows. As a result, fiscal and external balances will deteriorate. Poverty may temporarily rise in 2020. Downside risks predominate, including more severe COVID-19 effects, political uncertainty from the presidential elections, a decline in agricultural commodity prices, and security vulnerabilities.

Recent developments

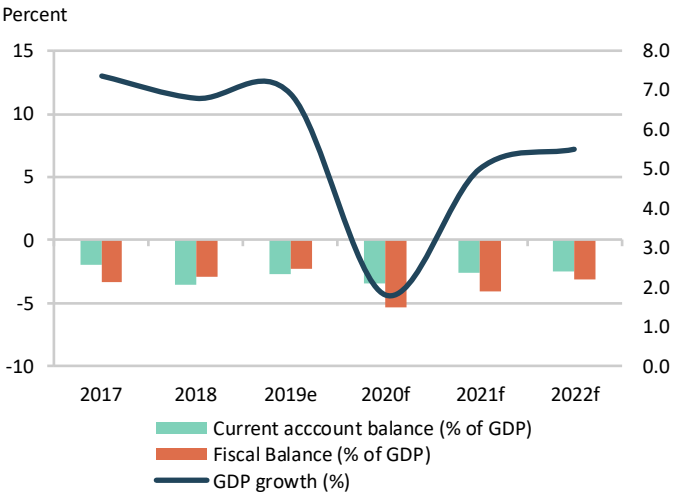
Economic growth remained strong at 6.9 percent in 2019 (4.2 percent in per capita terms). On the supply-side, growth was driven by services, notably telecommunication, trade, and transport services. On the demand side, investment and private consumption contributed to the dynamism of the economy. Private investments in housing supported the construction sector while agro-processing boosted manufacturing activities. In early 2020, activity decelerated due to COVID-19, reflecting lower private consumption and investment as uncertainty affected confidence and confinement measures reduced demand.

The current account deficit narrowed from 3.5 percent of GDP in 2018 to 2.7 percent in 2019, reflecting higher export volumes and improved terms of trade. Higher cocoa prices and strong petroleum product exports contributed to the trade balance. The current account deficit was financed through a combination of Foreign Direct Investment, concessional borrowing, and regional bond issuances. In early 2020, the external sector was affected by lower global demand, which resulted in a 3.5 and 16 percent decline in exports for industrial agriculture and manufacturing products, respectively. Imports contracted by 5.3 percent due to the deceleration of domestic consumption.

The fiscal deficit decreased from 2.9 percent in 2018 to 2.3 percent of GDP in 2019. This was mainly due to a reduction of expenditures which declined from 17.8 percent of GDP in 2018 to 17.3 percent of GDP in 2019. The government policy to limit recruitment in the public sector (except in education and health) helped to lower the wage bill while the under-execution of foreign-financed projects reduced capital expenditure. Tax revenues improved slightly from 12.1 percent of GDP in 2018 to 12.2 percent of GDP in 2019. The improvement was supported by enhanced digitalization of the tax management system, which boosted VAT collection. In Q1-2020, tax revenue declined by 0.2 percent due to COVID-19 mitigation measures. These included tax relief for affected sectors and fast-track customs procedures for essential and medical goods. While the government response plan led to a 1.5 percent of GDP increase in expenditure. The risk of overall and external debt distress remains moderate, with public debt standing at 37.8 percent in 2019.

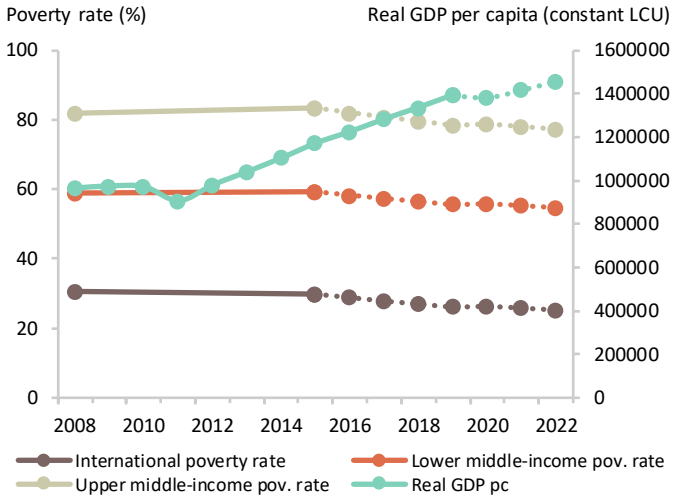
Côte d'Ivoire's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related extra spending, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extended refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

FIGURE 1 Côte d'Ivoire / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Côte d'Ivoire / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The poverty rate slightly increased to an estimated 26.3 percent (international poverty line US$1.90 PPP) in 2020, from an estimated 26.2 percent in 2019. The containment and prevention measures adopted by the government in the wake of the COVID-19, have resulted in income loss for households especially in urban areas. Compared to 2019, 70 percent of informal business owners have recorded a reduction in working hours and a decrease of their turnover.

Outlook

Growth is projected to decline to 1.8 percent in 2020. On the external front, the global recession is projected to reduce demand for exports and negatively affect remittances and tourism. On the domestic front, private consumption is expected to decline as containment measures hit services and household's income. However, by end-May 2020, cashew and cocoa prices were rising again, demand from external markets was recovering and activities were also normalizing following deconfinement. In 2021, as the COVID-19 crisis dissipates, a gradual recovery is expected, driven by a rebound across all sectors. Private consumption and investment should pick up as uncertainty declines, while the government' support to SMEs and the private sector continues, and some FDI returns. Inflation is likely to increase to 1.6 percent in the medium term but remains well below WAEMU's target.

The current account deficit is expected to deteriorate to 3.5 percent of GDP in 2020 but will gradually improve from 2021 onward. In the medium run, the trade balance would benefit from higher exports of transformed primary products and new mining products, and lower imports as growth remains low. WAEMU reserves will drop to about 4.5 months of imports in 2020 as member countries are hit by the COVID-19 crisis.

In 2020, the fiscal deficit is expected to reach 5.3 percent of GDP. As economic activity decelerates, and fiscal relief measures create further revenue shortfalls, fiscal revenue will decrease. At the same time, current expenditure should increase from 12.9 percent of GDP in 2019 to 15.3 percent of GDP in 2020 owing to higher COVID-19-related spending. In the medium terms, spending pressures are projected to ease thanks to economic recovering and fiscal consolidation efforts.

The poverty rate is projected to fall from 27.0 percent in 2018 to 25.8 percent in 2021, based on solid GDP per capita growth (2.4 percent in 2021). Adverse weather conditions observed in August, could curb main crops production including cocoa and cashew. The compounded effect of the coronavirus pandemic and the below average rainfalls recorded could be unfavorable to small cocoa farmers revenue.

Risks and challenges

The outlook is subject to downside risks, mostly arising from the COVID-19 pandemic, potential disruptions around the 2020 presidential elections, and external and security vulnerabilities. A potential second wave of the COVID-19 could have heavy toll on firms, workers and households. Greater political uncertainty as well as security tensions may negatively impact investor confidence. The resulting fiscal pressures will also challenge Côte d'Ivoire's ability to sustain inclusive growth while pursuing a gradual fiscal consolidation. Finally, vulnerability to external shocks including a decline in cocoa prices could also squeeze fiscal revenues and economic growth.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	7.4	6.8	6.9	1.8	5.0	5.5
Private Consumption	7.3	8.0	6.0	1.9	3.0	3.0
Government Consumption	16.3	1.9	4.1	4.5	4.3	3.7
Gross Fixed Capital Investment	5.8	18.2	8.3	4.6	7.2	9.1
Exports, Goods and Services	10.0	5.6	5.7	-4.6	4.6	4.8
Imports, Goods and Services	11.2	2.2	4.4	-0.2	1.5	1.4
Real GDP growth, at constant factor prices	7.4	6.8	6.9	1.8	5.0	5.5
Agriculture	3.3	5.3	1.4	0.7	1.8	1.9
Industry	15.4	10.7	10.1	4.0	5.0	7.0
Services	6.0	5.9	7.2	1.3	5.7	5.8
Inflation (Consumer Price Index)	0.7	0.4	0.8	1.2	1.4	1.6
Current Account Balance (% of GDP)	-2.0	-3.5	-2.7	-3.4	-2.6	-2.5
Net Foreign Direct Investment (% of GDP)	1.4	1.2	1.0	0.2	1.4	1.6
Fiscal Balance (% of GDP)	-3.3	-2.9	-2.3	-5.3	-4.1	-3.1
Debt (% of GDP)	36.8	39.7	37.8	40.8	41.4	41.1
Primary Balance (% of GDP)	-2.1	-1.6	-0.8	-3.2	-2.6	-1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.9	27.0	26.2	26.3	25.8	25.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	57.3	56.5	55.7	55.8	55.4	54.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	80.7	79.6	78.4	78.6	78.0	77.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2008-ENV and 2015-ENV.Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 1based on GDP per capita in constant LCU.

EQUATORIAL GUINEA

Table 1	2019
Population, million	1.4
GDP, current US$ billion	11.0
GDP per capita, current US$	8125.8
School enrollment, primary (% gross)[a]	79.0
Life expectancy at birth, years[b]	58.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) UNESCO for School enrollment (2015).
(b) WDI for Life expectancy (2018).

Equatorial Guinea experienced its fifth consecutive year of economic contraction as lower hydrocarbon exports and fiscal consolidation dampened growth. The country is affected by the COVID-19, its global consequences and the implementation of containment measures. The economy is expected to remain in recession in the medium term. Downside risks include COVID-19, and delays in the implementation of the structural reforms that are needed to improve competitiveness, and the effectiveness of fiscal policy. Such reforms would support the achievement of shared prosperity.

Recent developments

The economy is estimated to have contracted by 5.6 percent in 2019, after contracting by 6.4 percent in 2018, as hydrocarbon output continued to decline on the back of aging oil wells. Lower hydrocarbon exports and public expenditures contributed to the contraction on the demand side. Unemployment is estimated to have increased to 6.4 percent in 2019 and youth unemployment is estimated at 12.3 percent. Due to lower government revenues, large government arrears (25.9 percent of GDP at end-2019) to private construction companies were recorded and resulted in high non-performing bank loans (about 40 percent of total loans in 2019) that weakened financial stability.

The overall fiscal surplus improved from 0.1 percent of GDP in 2018 to 1.6 percent in 2019 as the government rationalized capital expenditures and introduced new taxes. Equatorial Guinea (GNQ) pursued its expenditure-led fiscal consolidation in 2019, completed an IMF Staff Monitored Program in September 2019, and has a three-year IMF Extended Fund Facility (EFF) program (US$ 282.8 million) that was approved in December 2019.

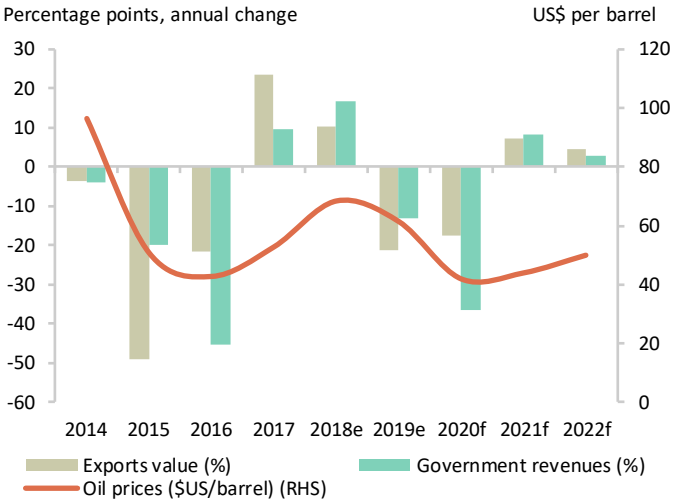
However, in 2020H1, despite data limitations, it is estimated that the country was significantly affected by the COVID-19 pandemic through lower oil prices and its subsequent consequences on government revenues, increased public social expenditures, and the contraction of the non-hydrocarbon sector due to national and international containment measures. For instance, credit to the economy declined by 1.5 percent in 2020H1. To cope with this challenging situation, the government has adopted a broad emergency health spending package (1 percent of the GDP), a social assistance scheme (0.3 percent of GDP) and temporary support to the private sector (0.3 percent of GDP). To contain the fiscal deficit, the government cut non-wage current expenditures and postponed non-priority capital expenditures. The anticipated fiscal deficit could be partially financed by the domestic market as BEAC, the regional central bank, decreased its policy rate by 25 basis points to 3.25 percent in March 2020 and resumed the purchase of government securities during 2020H2.

The prolonged lockdown, collapse of oil prices and disruption of economic activities is likely to have increased losses in jobs and earnings. The proportion of the population living below the poverty line is expected to have increased as Equatorial Guinea has very limited social safety nets, and the tertiary sector, which employs about 38.6 percent of the labor force, has been particularly affected by containment measures. Only formal employees, which make up a small share of the workforce, have pensions or health benefits.

Outlook

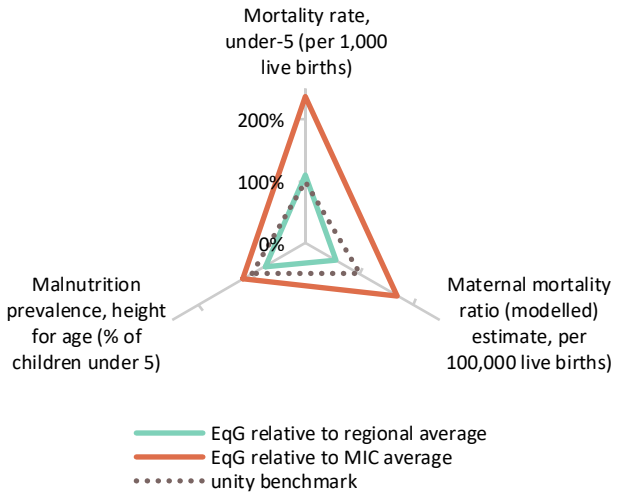
GNQ will continue to be affected by the COVID-19 outbreak through lower oil prices, hydrocarbon exports and government

FIGURE 1 Equatorial Guinea / Major transmission channels of the COVID-19 pandemic in Equatorial Guinea



Sources: World Bank staff estimates and INEGE.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Development Indicators (WDI).

revenues. Output is expected to contract by 9.1 percent in 2020 as hydrocarbon output declines because the country will comply with the OPEC decision to reduce oil production, external demand will decline, and some investment could be delayed. The economy will contract by an average of 2.1 percent in 2021-2022 despite the potential increase in gas production in 2021-2022 that will result from the connection of the Alen gas field to the main gas processing plant (Punta Europa). The current account deficit is projected to widen to 9.1 percent of GDP in 2020 from 5.9 percent of GDP in 2019 as hydrocarbon exports decline.

Consequently, despite the fiscal policy measures announced in 2020Q2, GNQ is expected to record a fiscal deficit of 5.2 percent of GDP in 2020 and public debt will increase to about 55.2 percent of GDP in 2020. The securitization of domestic arrears, planned in 2020, will marginally strengthen the banking system and affect private sector confidence in the non-hydrocarbon sector as the latter was affected by COVID-19 containment measures, and the outlook remains uncertain.

Measures to mobilize non-resource tax revenues and cuts in public expenditures could help contain the fiscal deficit at 1.6 percent of GDP in 2021-2022. The EFF program-supported revenue measures include a full implementation of excise taxes, tax and custom administration reforms, the amendment of the 2017 tax amnesty law and the continued rationalization of tax exemptions. An expenditure review and additional cuts in inefficient capital expenditures could free fiscal space for new pro-poor social spending.

With investment expected to decline and real growth projected to be sluggish in the service sector in 2020, unemployment and poverty are likely to have increased. A Living Standard Measurement Survey (LSMS) is planned for 2021. This survey will help understand challenges faced by low income households and will provide inputs to design the next National Economic and Social Development Plan.

Risks and challenges

A further decline in oil price represents a major external downside risk as the effects of the COVID-19 pandemic weighs on growth prospects in major global economies. A decline in oil price would weaken the country's fiscal and external positions while a procyclical fiscal stance would exacerbate the negative effects of shocks on growth and poverty outcomes.

With the current debt path that assumed external borrowing to finance the expected financing gaps, sustained political support to economic governance reforms and a strong fiscal adjustment would be required to restore fiscal and external sustainability. This effort should not reduce the scope of the social assistance program that was launched amidst this health crisis, and which is expected to be expanded to 15 percent of the population.

Delays in the implementation of tax and public financial management reforms remain a major challenge that could erode the country's capacity to rebuild fiscal and external buffers, and to improve human capital in the medium-term.

Improving human capital and the business environment remains critical to diversify the economy. Implementing the recently adopted business environment roadmap is a major challenge as reforms are needed across sectors. The design of adequate policy actions to improve human capital is critical and will depend on a timely completion of the 2021 household survey.

The timely organization of the LSMS type survey will be essential for the implementation of the interim national development strategy adopted in April 2019 and design of the National Economic and Social Development Plan.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-5.7	-6.4	-5.6	-9.1	-2.9	-1.3
Private Consumption	3.4	6.0	2.5	1.4	2.0	2.8
Government Consumption	0.4	-0.1	-1.9	-11.1	-5.1	-3.0
Gross Fixed Capital Investment	-11.2	16.3	-30.8	-39.1	-20.6	-17.9
Exports, Goods and Services	-3.8	-10.3	-1.5	-8.2	-3.2	-2.8
Imports, Goods and Services	8.3	7.4	1.9	-5.3	-1.8	-1.7
Real GDP growth, at constant factor prices	-5.6	-6.3	-5.7	-9.0	-2.9	-1.3
Agriculture	-2.7	-0.6	-5.6	1.2	0.5	1.4
Industry	-6.6	-11.6	-9.6	-8.7	-5.8	-4.9
Services	-3.5	4.9	1.6	-10.2	1.6	4.0
Inflation (Consumer Price Index)	1.1	1.3	1.2	1.7	1.8	1.3
Current Account Balance (% of GDP)	-5.8	-5.6	-5.9	-9.1	-6.7	-4.2
Net Foreign Direct Investment (% of GDP)	4.4	4.2	3.9	3.8	6.0	5.5
Fiscal Balance (% of GDP)	-7.0	0.1	1.6	-5.2	-2.5	-0.9
Debt (% of GDP)	43.2	44.5	49.6	55.2	57.3	54.4
Primary Balance (% of GDP)	-6.5	0.7	2.3	-3.8	-0.5	1.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices; based on data from national authorities.
Notes: e = estimate, f = forecast.

ERITREA

Table 1	2019
Population, million	3.5
GDP, current US$ billion	2.0
GDP per capita, current US$	566.7
School enrollment, primary (% gross)[a]	68.4
Life expectancy at birth, years[a]	65.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

The pandemic shock is expected to reduce real growth to -0.6 percent in 2020, after an estimated rebound to 3.7 percent the year before. High expenditure rigidity prevented a larger fiscal response to the crisis, and the widening fiscal deficit is financed largely through monetization. The speed of the recovery will depend on delays caused by COVID-19 in finalizing two large mines. Poverty data, like national accounts information, have not been produced over the last decade.

Key conditions and challenges

Eritrea has started emerging from a decade of international isolation, and two decades of mobilization. While UN sanctions have been lifted, transitional political arrangements are still in place and focused on security. Meanwhile, progress has stalled in establishing relations with development and international partners. Moreover, efforts to shift from a centrally planned to a market-led economy have been slow and sporadic, and large SOEs dominate economic activity. Monetary policy is characterized by administrative measures, fiscal dominance, and a fixed exchange rate regime pegged to the US dollar, with foreign exchange reserves hovering around 2 months of imports. The banking system is mostly lending to the government, lacking international correspondence banks, while payment and settlement systems are absent. The country is among the most vulnerable and least adapted to climate change, and frequent weather shocks pose a heavy burden for the economy and rural livelihoods. Agricultural output has barely exceeded 80 percent of annual food requirement even in years of bumper harvest. The mining sector, which started operating in 2011, accounts for over 90 percent of total exports, yet contributions to budget revenues are limited.

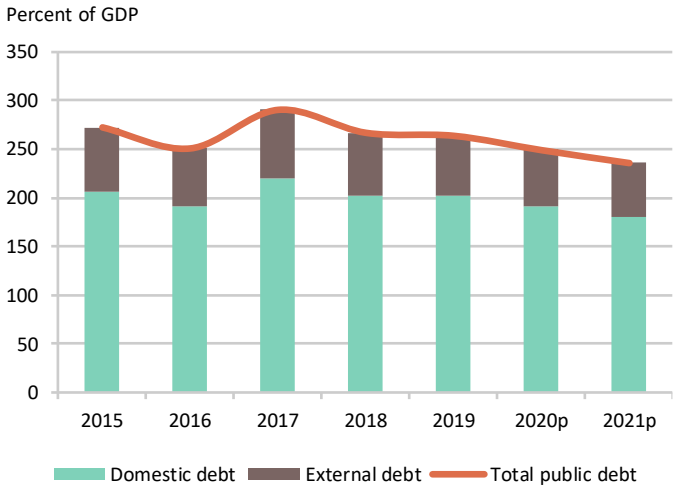
The emergency conditions prevailing in the country over the past decade have led to data production capacity constraints. Specifically, national accounts data are limited to unofficial GDP estimates by the Ministry of Finance, while inflation is estimated only for the capital, Asmara. The last population census in Eritrea took place more than 25 years ago. Little is known about poverty; data from 1996/97, covering only urban areas, suggests that poverty was widespread with around 70 percent of the population living in poverty.

Recent developments

Hit by the COVID-19 crisis, real GDP growth is expected to plummet to -0.6 percent in 2020 from 3.7 percent a year ago. A lockdown that lasted for several months and border closures have adversely affected domestic demand and aggravated the effects of the external shock. Deflationary pressures, aggravated by the temporary opening of borders with Ethiopia in 2019, have eased and inflation is expected to reach 4.5 percent in 2020.

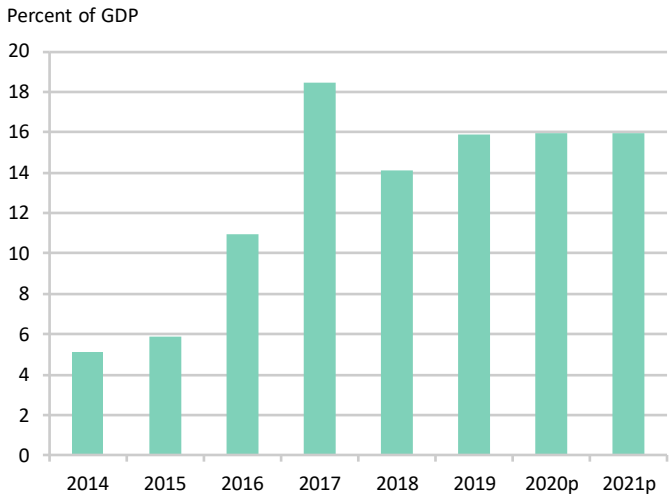
The external current account surplus is set to narrow to 9.5 percent of GDP in 2020 from 12.1 percent last year as the compression in commodity exports exceeds the mild slowdown in imports. Imports are constrained and officially undertaken exclusively by the government, but informal net imports are flourishing. A reduction in inflows of remittances has also contributed to a narrowing of the external surplus. External public borrowing is severely constrained given the build-up of arrears and

FIGURE 1 **Eritrea** / Evolution of total public debt (in percent of GDP)



Source: Ministry of Finance.

FIGURE 2 **Eritrea** / Wage bill (in percent of GDP)



Source: Ministry of Finance.

cannot help building official foreign exchange reserves, which will continue to hover around two months of imports.

Meanwhile, the containment measures reduced fiscal revenues, which is expected to widen the fiscal deficit to 5 percent of GDP in 2020 from 1.5 percent a year ago. Current spending remained broadly unchanged from last year, with the wage bill accounting for half of the outlays. The new salary structure introduced in 2014 for about half of the government employees resulted in the total wage bill more than tripling to 16 percent of GDP by 2020 since 2016. Capital spending remains limited, although some public investment in dams and roads is taking place off-budget, which may represent a contingent liability for the budget. Aided by debt relief provided by the Abu Dhabi Fund, total public debt, including external arrears, is expected to shrink to an estimated 250 percent of GDP in 2020 from 290 percent in 2017. Nevertheless, fiscal and domestic debt outcomes remain uncertain given frequent data revisions due to reporting lags driven by widespread manual processes.

Outlook

The international re-integration of the country could provide for a promising growth outlook, coupled with two new large mines becoming operational over the medium term. Real output growth is projected to rebound to 3.5 percent in 2021 and increase further to 5.5 percent in 2022, with both mines exhibiting sizable output capacity. The government is also taking steps toward ensuring spillover effects from the new potash mine to local fertilizer production. Increased utilization of fertilizer by farmers together with reforms creating more space for the private sector in agriculture could raise agriculture productivity and strengthen output growth. That said, the challenging macroeconomic situation together with the hiatus in engaging with development partners, compounded by climate change and uncertainties regarding the impact of the pandemic on trade and commodity prices, as well as limited opportunities for private sector development under existing policy environment, could dampen growth prospects.

The steady decline in non-tax revenues together with wage-related and other recurrent spending pressures, combined with few opportunities for external borrowing, imply limited options to scale up capital spending in the near term. As accumulated revenues from the Eritrean Petroleum Corporation are depleted, non-tax revenues could decline significantly over the medium term exerting upward pressure on the budget deficit. Efforts to normalize the country's relations with the international community could result in a pathway to reduce significantly external arrears and provide much-needed external financing. The latter would help boost reserves in the shorter term and secure foreign exchange for imports to build infrastructure. In parallel to addressing external arears, the government needs to resolve the massive domestic public debt stock and resuscitate the financial sector. Both are likely to impose a substantial financial burden on the budget.

TABLE 2 Eritrea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-10.0	13.0	3.7	-0.6	3.5	5.5
Private Consumption	-11.2	13.2	5.6	-1.6	5.5	8.8
Government Consumption	9.2	0.8	39.3	16.1	5.5	7.0
Gross Fixed Capital Investment	12.0	-62.8	67.5	151.6	14.2	-8.5
Exports, Goods and Services	29.8	8.9	-5.2	-17.2	6.2	7.1
Imports, Goods and Services	-4.6	18.7	6.8	-11.1	5.1	7.7
Real GDP growth, at constant factor prices	-10.2	12.8	3.7	-0.7	3.6	5.5
Agriculture	-18.2	24.0	27.0	-0.5	5.8	3.1
Industry	-14.4	11.1	13.0	-0.7	1.4	10.2
Services	1.6	4.9	-26.0	-1.0	2.5	4.0
Inflation (Consumer Price Index)	-13.3	-14.4	-16.4	4.5	2.4	2.0
Current Account Balance (% of GDP)	24.0	15.4	12.1	9.5	9.5	8.9
Net Foreign Direct Investment (% of GDP)	2.9	2.9	3.9	3.8	3.5	3.4
Fiscal Balance (% of GDP)	-5.7	4.3	-1.5	-5.0	-4.7	-1.5
Debt (% of GDP)	290.4	267.1	264.0	249.5	236.4	217.6
Primary Balance (% of GDP)	-3.6	5.7	0.2	-3.4	-3.1	0.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

ESWATINI

Table 1	2019
Population, million	1.2
GDP, current US$ billion	5.1
GDP per capita, current US$	4349.2
International poverty rate ($ 19)[a]	29.2
Lower middle-income poverty rate ($3.2)[a]	52.1
Upper middle-income poverty rate ($5.5)[a]	72.0
Gini index[a]	54.6
School enrollment, primary (% gross)[b]	115.2
Life expectancy at birth, years[b]	59.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

The COVID-19 pandemic has exposed Eswatini structural weakness. Real GDP is projected to contract by 3.5 percent in 2020, as COVID-containment measures have disrupted supply chains and depressed demand since March. Lower revenue and rising expenditures (including on COVID-containment measures) are exerting pressure on fiscal accounts. Inflation is rising, although it remains within the target band. Poverty is projected to increase as the pandemic has caused company closures, increased unemployment and restricted activity especially in the informal sector.

Key conditions and challenges

Eswatini economic growth has been slowing, even before the COVID-19 pandemic. Over the past five years Eswatini's growth has averaged 1.8 percent, consistently below the Sub-Saharan Africa average. Economic growth declined to 1.3 percent in 2019 from 2.4 percent in 2018 on the back of a deteriorated fiscal situation and low agricultural output. Expenditure has been rising since 2016, while Southern African Customs Union (SACU) revenues have been declining, contributing to widening fiscal deficits, rising debt and accumulation of domestic expenditure arrears. Delayed clearance of domestic arrears strain banks' balance sheets and undermines lending to the private sector and economic recovery. Declining private investments and weakening external competitiveness have kept growth subdued, hindering the long-term growth prospects of the economy.

The economy is vulnerable to developments in South Africa, as Eswatini is dependent on South Africa for trade, government finances (through the SACU transfers which constitute 40 percent of the revenue), remittances and informal trade. The slowdown in South Africa will adversely affect future SACU revenues, particularly in FY22/23, thus generating additional budget and external financing pressures, and put further pressure on foreign currency reserves.

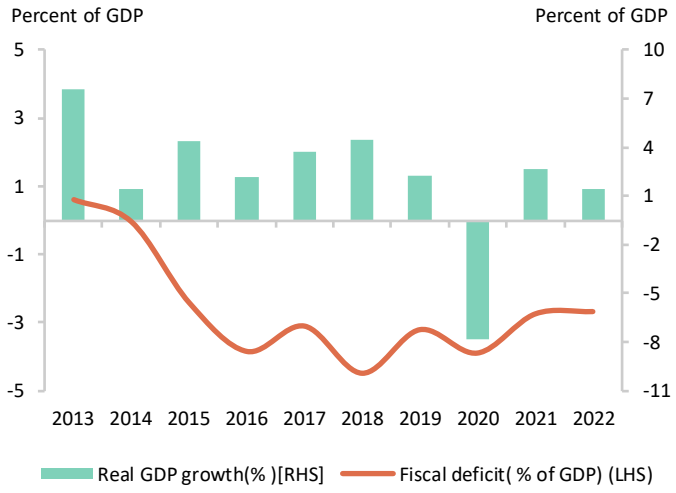
The pandemic is unfolding in a context of high prevalence of HIV/AIDS and a stretched health care system, which increase Eswatini's vulnerability. Poverty levels have historically been high, with close to 30 percent of the population living below the US$1.90/day international poverty line. This, together with high inequality levels – with a consumption per capita Gini index of 54.6 in 2017 – increases vulnerability to the economic shocks. Unemployment has been high even before COVID-19 at 23 percent in 2016 and mostly in the informal sector.

Recent developments

The COVID-19 pandemic is driving Eswatini into its first recession since 1976. COVID-19 containment measures have brought the economy almost to a standstill. Since March 2020, the Government imposed severe mobility restrictions and temporary closure of businesses with person-to-person contact. As a result, almost all economic sectors contracted during the lockdown, except for health and communication. The mobility restrictions and business closures have led to job losses.

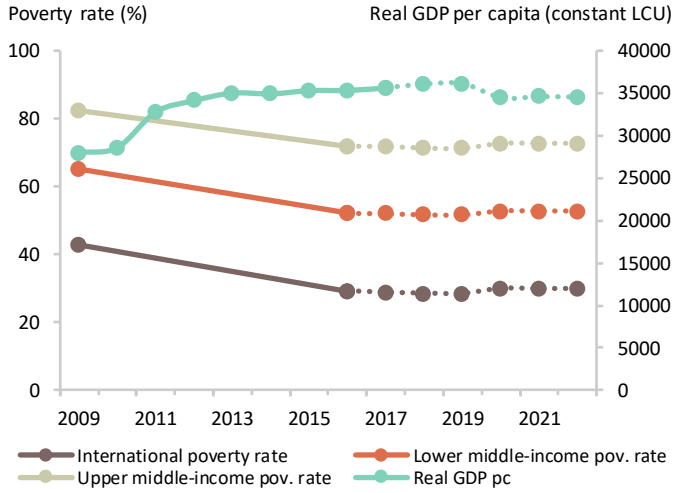
COVID-19 related expenditures have reversed the fiscal consolidation efforts that government had started in 2019, amid declining revenues. Since the beginning of the pandemic, the Government has approved two supplementary budgets, in March 2020 (0.1 percent of GDP) and in June 2020 (1.5 percent of GDP). Inflation year-on year (y/y) has started to pick up in 2020, rising

FIGURE 1 Eswatini / Fiscal deficit and Real GDP



Source: Ministry of Finance.

FIGURE 2 Eswatini / Actual and projected poverty rates and real GDP per capita



Source: World Bank staff calculations.

from 2.7 percent in January 2020 to 3.9 percent July 2020, partly due to COVID-19 induced supply chain disruptions.

As part of its response to minimize the economic fallout from the pandemic, the Central Bank of Eswatini has continued with accommodative monetary policy in 2020 to support economic activity. The Central Bank reduced the repo rate four times (cumulative 275 basis points) since March 2020 leaving the repo rate at 3.75 percent. However, accommodative monetary policy has not stimulated credit demand, as most companies were closed during the lockdown.

The first month of the lockdown saw a sharp adjustment in external trade. With mobility restrictions, exports fell by 40 percent y/y in April 2020, while imports contracted by 45 percent. The trend continued to July, with some recovery thereafter in exports and imports, as South Africa has relaxed the lockdown and Eswatini has allowed companies to restart operations. The trade balance and current account have remained in surplus.

COVID-19 is projected to increase poverty. The $1.90/person/day international poverty rate is projected to increase from 28.4 percent in 2019 to 29.9 percent in 2020. This is largely because COVID-19 related mobility restrictions and market closures have led to income losses, price increases and subsequently consumption losses. Further, the adverse trade impacts of lockdown measures are likely to worsen the situation with disproportionate impacts on women and the rural population.

Outlook

The economy is projected to contract by 3.5 percent in 2020, reflecting the economic impact of the COVID-19 pandemic. The manufacturing and service sectors are particularly hit hard by disruptions in global value chains and travels restrictions respectively. Eswatini's medium term economic recovery hinges on the evolution of the COVID-19 pandemic and the pace of recovery of the global and regional economies, particularly that of South Africa. A weak global recovery would lead to a delayed pick-up in trade, investment, and tourism (due to averseness towards travel). The authorities have approved a three-year Fiscal Adjustment Plan that will constrain demand. Inflation is expected to rise, but remain within the 3-6 percent target band, due to deferment of electricity tariff adjustments to 2021. This subdued economic growth, together with high unemployment, will continue to be associated with high poverty levels, with the 1.90/person/day international poverty rate projected at 29.8 percent in 2021 and 2022.

The fiscal deficit is projected to increase significantly to 8.7 percent of GDP in 2020 (from 7.3 percent in 2019). Domestic revenues are projected to fall due to weak economic activity. Expenditures are projected to increase as the Government spends more on health and support to individuals and businesses to mitigate the impact of the crisis. The pandemic has increased borrowing needs particularly external borrowing given the shallow domestic financial markets. External debt is projected to increase significantly in FY20/21 from 14.9 percent of GDP in 2019 to 24 percent in 2020. The fiscal deficit is projected to narrow over the medium term, as the Government implements its three-year Fiscal Adjustment Plan approved in June 2020.

The surplus on the current account is expected to decline significantly (to 1.0 percent of GDP in 2020 from over 4 percent in 2019) due to low exports and tourism receipts, and reduced remittances in 2020. The surplus is, however, expected to pick up from 2021 onwards as COVID-19-related trade and supply disruptions ease, and fiscal adjustments contain the growth of imports.

TABLE 2 Eswatini / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	2.0	2.4	1.3	-3.5	1.5	0.9
Private Consumption	5.6	2.7	2.6	-3.7	2.6	2.2
Government Consumption	2.9	-4.7	-3.5	-5.4	-3.7	-2.5
Gross Fixed Capital Investment	-1.0	34.3	-2.1	-1.0	1.1	3.1
Exports, Goods and Services	4.6	10.9	8.0	-5.6	4.9	3.7
Imports, Goods and Services	7.9	-8.7	6.0	-6.0	4.1	5.1
Real GDP growth, at constant factor prices	1.8	2.3	1.3	-3.5	1.5	0.9
Agriculture	-4.3	8.0	-4.4	4.8	4.0	5.5
Industry	1.8	-0.2	1.0	-5.3	4.1	1.9
Services	2.9	3.1	2.5	-3.6	-0.6	-0.6
Inflation (Consumer Price Index)	6.2	4.8	2.6	4.1	4.2	4.6
Current Account Balance (% of GDP)	6.2	1.3	4.1	1.0	5.6	4.3
Net Foreign Direct Investment (% of GDP)	2.7	-0.9	-2.1	-0.1	-0.7	-0.7
Fiscal Balance (% of GDP)	-7.0	-9.9	-7.3	-8.7	-6.4	-6.2
Debt (% of GDP)	27.6	24.6	31.1	41.1	44.1	49.6
Primary Balance (% of GDP)	-5.9	-8.8	-5.6	-6.6	-3.7	-3.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	28.8	28.5	28.4	29.9	29.8	29.8
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	52.1	51.8	51.8	52.7	52.7	52.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	71.9	71.5	71.4	72.8	72.8	72.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

ETHIOPIA

Table 1	2019
Population, million	110.1
GDP, current US$ billion	95.7
GDP per capita, current US$	869.0
International poverty rate ($19)[a]	32.6
Lower middle-income poverty rate ($3.2)[a]	70.5
Upper middle-income poverty rate ($5.5)[a]	90.7
Gini index[a]	35.0
School enrollment, primary (% gross)[b]	100.0
Life expectancy at birth, years[b]	66.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) WDI for School enrollment (2015); Life expectancy (2018)

The COVID-19 crisis has hit Ethiopia through both external and internal channels. Merchandise exports growth turned negative when the pandemic started to hit and FDI declined in FY20. In recent surveys, households and firms declared to be facing substantial income losses. Accommodative monetary and fiscal policies have been adopted to help mitigate the impacts, but coverage is limited and the effects of the COVID-19 pandemic on household welfare are expected to be severe. Growth is expected to sharply slowdown in FY20 and FY21.

Key conditions and challenges

Ethiopia has been among the fastest growing countries in the world, with GDP expanding at an average rate of 10.3 percent during 2004-2019. The main driver of growth has been capital accumulation, mostly large-scale public investment in infrastructure. While poverty declined by about 10 percentage points during 2004-2016, gains are modest when compared to other countries, and there is evidence that rural dwellers and the poorest have not benefited from growth in recent years.

The limitations of the state-led development model in Ethiopia have become apparent. Structural transformation remains incipient, and the role of the private sector is constrained by SOE dominance and an uneven playing field. Maturity mismatches in the financing of the large capital investments coupled with a loss in competitiveness caused by an overvalued exchange rate have put the economy at high risk of debt distress. Acknowledging these shortcomings, authorities launched in September 2019 a Homegrown Economic Reform Agenda, aiming at fostering efficiency and introducing competition in key growth-enabling sectors (energy, logistics, telecom), improving the business climate, and addressing macroeconomic imbalances.

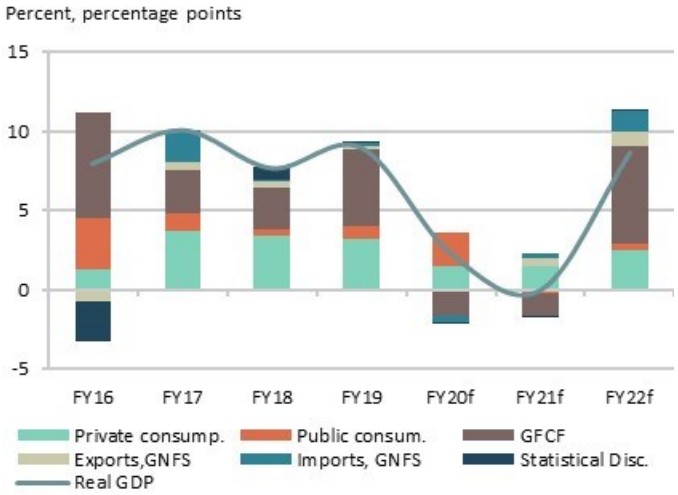
The COVID-19 crisis poses formidable challenges for the people and the economy of Ethiopia. If the number of infections in Ethiopia continues to rise exponentially and a need for additional restrictive containment measures arises, it would further hinder production and have an impact on household consumption. The desert locust invasion could affect crop production in FY21, threatening food security. Progress in poverty reduction is likely to come to a halt, and there is risk that poverty could increase, given the high levels of vulnerability against shocks such as the one induced by COVID-19: between 2012 and 2016, close to half of the population in rural areas and small towns experienced at least one spell of poverty (meaning that they were below the poverty line at some point during this period).

Recent developments

Due to COVID-19 containment measures, as well as the weakening of household income and demand, the growth estimate for FY20 has been reduced to 2.3 percent. While agriculture has held up well, thanks to 6.2 percent growth in main harvest production, industry and services have reportedly been severely affected.

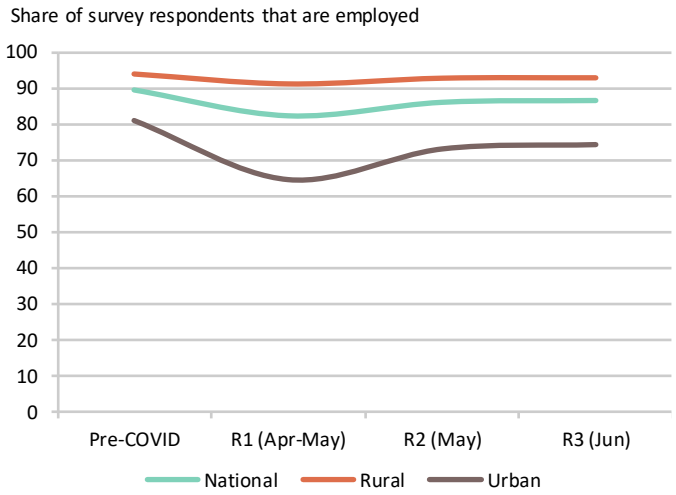
While the current account deficit narrowed due to declining imports, the external shock has affected exports, remittances, and FDI. While merchandise export value grew by 12 percent (yoy) in FY20, this is the result of the pre-COVID-19 performance, as exports of goods have dipped in recent months. Meanwhile, private transfers and FDI declined by 10.2 percent and 19.8 percent during FY20.

FIGURE 1 Ethiopia / Real GDP growth and contributions to real GDP growth



Sources: Ethiopian authorities and WB staff forecasts.

FIGURE 2 Ethiopia / COVID-19 impact on jobs



Source: HFPS-HH.

Driven by food prices, annual inflation continued trending up, reaching 24.6 percent in July 2020 compared to 21.6 percent in June. During FY20 the Birr depreciated by about 20 percent against the dollar (compared to 6 percent in previous years), but the real exchange rate started to appreciate again in January 2020, against the backdrop of high inflation.

Monetary and fiscal policies have relaxed to provide liquidity and finance needed expenses. Reserve money grew by 22.8 percent in FY20, against a pre-COVID-19 target of 12.5. Credit growth eased to 20.3 percent in FY20, compared to 26 percent in FY19.

Tax revenue is estimated to have declined from 10 percent of GDP in FY19 to 8.6 percent of GDP in FY20, as collections of corporate income tax and VAT, among others, falter. Meanwhile, recurrent expenditure increased by more than a percentage point of GDP, driven by the increase in COVID-19 related expenses (including healthcare and food security, which is a challenge in Ethiopia and could be exacerbated by the crisis).

The COVID-19 pandemic has had severe economic impacts, resulting from reduced employment and income. According to recent surveys, more than half of the households reported in April that their incomes were either reduced or had totally disappeared. Employment rates plunged in the early days of the pandemic—with 14 percent of respondents losing their job at the beginning of the outbreak—particularly those who were self-employed or working as casual labor, and in urban areas. The share of respondents who lost their job was highest in the hospitality sector, construction, and wholesale and retail trade sectors.

Outlook

Growth would stall in FY21 as the number of cases continues to accelerate during the first quarter of the year (July-September 2020) and global recovery remains uncertain. Continued import compression and favorable terms of trade are expected to contain the current account deficit in FY21, even as remittances fall further. Exports, remittances and foreign investment are expected to recover over the medium term. Inflation is expected to remain in double figures in FY21 against a backdrop of high food inflation, while trending down in the medium term as a tighter macroeconomic stance is implemented once the pandemic abates. Following an expansion in FY20 due to the COVID-19 response, the deficit is expected to be reduced in FY21.

The effects of the COVID-19 pandemic on livelihoods are expected to be severe. Household incomes, as shown by the high-frequency phone surveys, are impacted through a reduction in aggregate demand with reductions in income disproportionally concentrated among low-income households. While COVID-19-induced layoffs are relatively small in the public sector, the private sector has shed jobs with those working on temporary contracts or casual work particularly affected. Results from the phone survey of firms show that COVID-19 and related containment measures have substantially impacted firms' operations. With formal firms not hiring, a reduction in aggregate demand will also affect the self-employed. Casual laborers and self-employed (44 percent of urban households) are hit particularly hard with an expected downturn of the economy. Moreover, reduced fiscal space will put pressure on the provision of social services during and after the economic downturn, potentially having detrimental long-term effects on the poor.

TABLE 2 Ethiopia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2016/17	2017/18	2018/19	2019/20 e	2020/21 f	2021/22 f
Real GDP growth, at constant market prices	10.1	7.7	9.0	2.3	0.0	8.7
Private Consumption	5.6	5.3	5.1	2.5	2.5	4.0
Government Consumption	8.3	3.6	7.2	17.9	-1.3	2.9
Gross Fixed Capital Investment	6.9	6.8	12.4	-4.1	-4.0	17.2
Exports, Goods and Services	6.1	5.0	3.0	-0.7	7.0	12.0
Imports, Goods and Services	-7.5	0.2	0.6	-2.0	1.7	7.0
Real GDP growth, at constant factor prices	10.2	7.7	9.0	2.3	0.0	8.7
Agriculture	6.7	3.5	3.8	5.0	4.0	4.0
Industry	18.7	12.2	11.5	3.0	3.5	9.0
Services	8.6	8.7	12.0	-0.5	-5.9	13.1
Inflation (Consumer Price Index)	7.3	14.5	12.5	19.9	16.7	8.4
Current Account Balance (% of GDP)	-8.3	-6.2	-5.1	-4.0	-4.2	-3.2
Fiscal Balance (% of GDP)	-3.3	-2.9	-2.5	-3.5	-3.1	-1.9
Debt (% of GDP)	58.9	55.3	52.7	51.1	51.1	49.1
Primary Balance (% of GDP)	-2.8	-2.4	-2.0	-3.0	-2.3	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	30.0	29.0	27.8	27.7	27.5	26.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	67.9	66.9	65.6	65.5	65.2	64.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.4	86.1	84.5	84.3	84.0	82.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2010-HICES and 2015-HICES and fiscal year growth rates. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

GABON

Table 1	2019
Population, million	1.9
GDP, current US$ billion	16.9
GDP per capita, current US$	8980.7
International poverty rate ($ 19)[a]	3.4
Lower middle-income poverty rate ($3.2)[a]	11.2
Upper middle-income poverty rate ($5.5)[a]	32.2
Gini index[a]	38.0
School enrollment, primary (% gross)[b]	139.9
Life expectancy at birth, years[b]	66.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2017), 2011PPPs.
(b) WDI for School enrollment (2011); Life expectancy (2018).

The COVID-19 outbreak is worsening Gabon's short-term outlook, with economic activity now projected to contract by 2.4 percent in 2020. Lower fiscal revenues would lead to a fiscal deficit of 5.4 percent of GDP in 2020, while the current account deficit would widen to 7.6 percent of GDP. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels, leading to a slight increase of poverty to 32.4 percent in 2022.

Recent developments

Growth accelerated to 3.9 percent in 2019 supported by an increase in oil production and dynamic mining and agribusiness sectors, and the fiscal balance (on a commitment basis) shifted from a deficit of 1.3 percent of GDP in 2018 to a surplus of 1.4 percent of GDP in 2019. The gradual clearance of external arrears resulted in a decline of public debt to 59.1 percent of GDP in 2019 but persistent domestic arrears are still weighing on the private and financial sectors. Increased commodity exports, supported by rising commodity prices, narrowed the current account deficit to 0.3 percent of GDP in 2019 while Gabon's imputed reserves at the BEAC increased to 2.5 months of imports in 2019 supported by the new foreign exchange regulation in CEMAC.

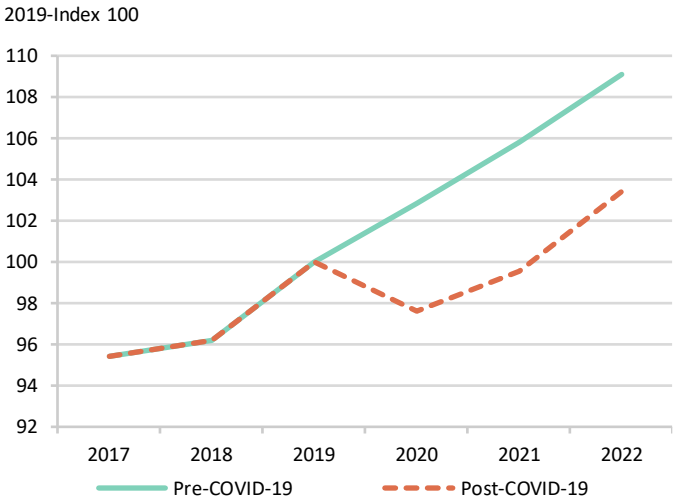
Economic activity decelerated sharply at end-June 2020 due to containment measures and weaker commodity prices and global demand. Oil and oil products exports fell by 1.5 percent and 27.7 percent respectively at end-June 2020 (y/y) and wood exports value decreased by 6.6 percent (y/y). Domestic activity also suffered as illustrated by the decline of services. Total non-oil tax revenues declined cumulatively by 11.0 percent in April 2020 (y/y), reflecting weak non-oil economic activity and constraints to tax collection. Additional COVID-19 spending sharply increased, resulting in a financing gap of US$ 714.5 million (4.4 percent of GDP). The authorities were able to secure about US$ 317.3 million from the IMF and Euro 100 million from the AfDB to cover the additional financing needs. US$ 150 million budget support from the World Bank is under preparation, leaving a US$ 125.6 million (0.8 percent of GDP) financing gap to be covered. About US$ 25.4 million of additional domestic arrears have been accumulated by the end of May 2020.

Poverty and welfare disparities remained high, with the poverty rate ($5.5/day, 2011 PPP) expected to increase to 32.6 percent in 2020 because of job losses and decrease of revenues for self-employed in urban areas caused by the COVID-19 outbreak. Inequality, measured by the Gini coefficient, is at a moderate level, but wide geographic disparities exist in living conditions and access to basic services, especially between urban and rural areas. Gabon's social protection system is inefficient, underfinanced, and covers only a small fraction of the poor, explaining the persistent high level of poverty.

Outlook

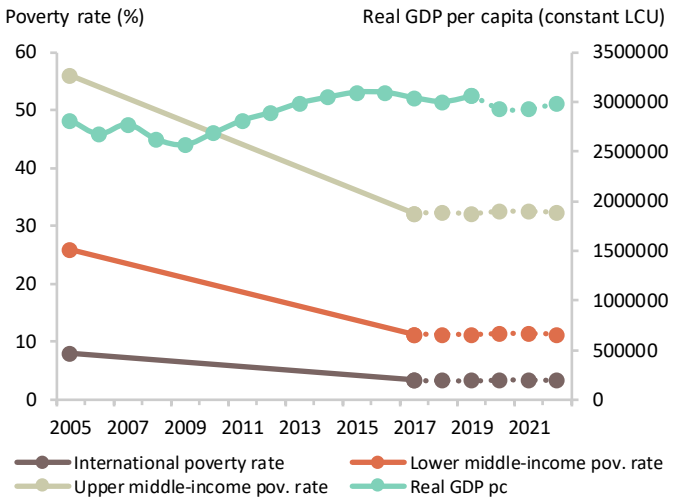
Economic activity is now projected to contract by 2.4 percent in 2020, against an expansion of 3.4 percent anticipated before the COVID-19 pandemic. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels. Growth is projected to reach 2.0 percent in 2021 and 3.9 percent in 2022, supported mainly by sustained private investments in agribusiness, wood and

FIGURE 1 Gabon / Real GDP Projections, pre and post COVID (levels)



Source: World Bank calculations.

FIGURE 2 Gabon / Actual and projected poverty rates and real GDP per capita.



Source: World Bank. Notes: see table 2.

infrastructure thanks to the gradual global recovery.

COVID-19 will, nevertheless, leave lasting economic scars to the economy since output levels are expected to stay below their pre-COVID anticipated levels over the medium term. Inflation is projected to remain below 3 percent in the medium term owing to the projected decline in food prices.

Combined with unanticipated public expenditures, lower fiscal revenues would lead to a fiscal deficit of 5.4 percent of GDP in 2020, against a pre-COVID-19 crisis anticipated surplus of 1.3 percent of GDP. The authorities are expected to revert to the fiscal consolidation path once the fallout from the pandemic subsides, gradually narrowing the fiscal deficit over the medium term. The projected pick-up in tax revenue, combined with efforts to limit tax exemptions and cuts in current spending is expected to offset partly the projected decline in commodity revenues. Public debt is expected to increase sharply to 71.6 percent of GDP in 2020 due to COVID-19 related additional financing needs, before progressively declining to 63.3 percent of GDP in 2022. The current account deficit would widen to 7.6 percent of GDP in 2020, compared to a pre-COVID-19 crisis projected deficit of 2.0 percent of GDP, before gradually narrowing to 2.8 percent of GDP in 2022 supported by higher oil prices and a resumption of investments in wood and agri-business thanks to the expected progressive global economic recovery.

The negative impact of the COVID-19 pandemic on the most vulnerable would be significant because of constrained access to quality healthcare in rural areas. The short-term impact is more registered by the formal sectors (hotels, restaurants, education and retail trade) but long-term impact would be more significant on informal workers. The fact that social protection is underfinanced, combined with tighter fiscal constraints would worsen the situation. Because of the gradual economic recovery expected in 2021 and 2022, the share of households living with less than $5.5/day is not expected to decrease, with poverty rate expected to remain at 32.6 percent in 2021 and at around 32.4 percent in 2022.

Risks and challenges

Projections remain subject to significant uncertainty and to serious downside risks since the economic effects of the pandemic are still unfolding. Because of Gabon's high dependency on oil, a new downward trend in oil and manganese prices would be harmful. This risk is more important today as OPEC is putting pressure on Gabon to lower its oil production to comply with the quotas set by the organization.

A significant upturn in the number of COVID-19 positive cases in the upcoming months in Gabon and the rest of the world is another major risk for Gabon's outlook. This would translate into a longer-than-expected closure of borders between countries, preventing private investment to pick up as expected to support economic recovery. The negative impact would be significant insofar as the capacities of the health structures located inside the country to cope with a large number of patients are limited.

Despite the challenging context, the Government must preserve public investment and maintain efforts to repay domestic arrears while avoiding additional arrears accumulation to lay the ground for a rapid economic recovery and mitigate the negative social impact in the medium term. In addition to the social protection reform, current reforms to support domestic revenue mobilization, reduce the civil service wage bill and improve the transparency of the management of public spending, in particular capital expenditure, need to be completed.

TABLE 2 Gabon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	0.5	0.8	3.9	-2.4	2.0	3.9
Private Consumption	0.4	-0.4	0.9	0.8	0.2	1.3
Government Consumption	-1.3	-18.2	1.9	3.7	-6.0	3.9
Gross Fixed Capital Investment	-11.5	8.0	6.1	-4.1	2.5	4.1
Exports, Goods and Services	3.4	4.2	21.2	-7.3	6.8	5.3
Imports, Goods and Services	-7.3	-0.6	20.5	-4.0	2.8	3.0
Real GDP growth, at constant factor prices	1.5	0.9	4.3	-2.4	2.0	3.9
Agriculture	12.2	9.5	7.9	0.6	0.0	22.7
Industry	-6.6	-0.7	7.4	-4.1	3.0	8.0
Services	5.4	0.7	2.1	-1.8	1.7	-1.3
Inflation (Consumer Price Index)	1.1	6.3	3.0	3.0	3.0	2.8
Current Account Balance (% of GDP)	-7.0	-3.2	-0.3	-7.6	-4.6	-2.8
Fiscal Balance (% of GDP)	-2.6	-1.3	1.4	-5.4	-3.6	-2.8
Debt (% of GDP)	62.9	60.6	59.1	71.6	67.4	63.3
Primary Balance (% of GDP)	-0.1	1.1	3.6	-2.3	-0.8	0.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.4	3.4	3.4	3.5	3.5	3.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	11.2	11.3	11.2	11.3	11.3	11.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	32.2	32.3	32.1	32.6	32.6	32.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2011- and 2017-EGEP. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 1 based on GDP per capita in constant LCU.

THE GAMBIA

Table 1	2019
Population, million	2.4
GDP, current US$ billion	1.8
GDP per capita, current US$	773.8
International poverty rate ($ 19)[a]	10.3
Lower middle-income poverty rate ($3.2)[a]	38.4
Upper middle-income poverty rate ($5.5)[a]	72.7
Gini index[a]	35.9
School enrollment, primary (% gross)[b]	98.0
Life expectancy at birth, years[b]	61.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) Most recent WDI value (2018).

Growth remained robust in 2019, supported by tourism, trade and construction. Fiscal and external deficits improved, while poverty fell. Due to COVID -19, the economy will contract by 1.8 percent in 2020, driven by a fall in tourism and domestic consumption. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is subject to downside risks stemming from the speed of global recovery, the magnitude of the domestic COVID-19 outbreak, and the pace of fiscal reforms.

Recent developments

GDP grew by 6.1 percent in 2019 (2.9 percent in per capita terms), supported by tourism and wholesale and retail trade, while agriculture contracted by 1.3 percent due to delayed rainfall. On the demand side, growth was driven by high public and private investment. In H1 2020, however, tourism came to a standstill, while private consumption has been suppressed by COVID-19 containment measures. Nevertheless, construction activities have increased, partially funded by a 48 percent growth in official net remittances. Furthermore, favorable summer rains bode well for agriculture this year.

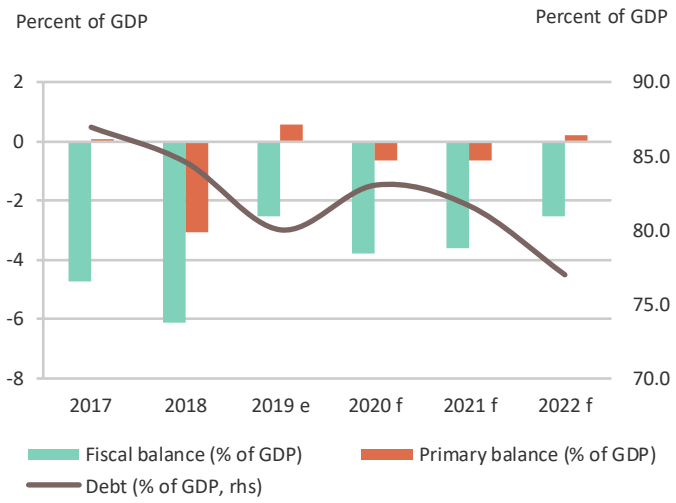
The current account deficit (including grants) declined substantially to 5.3 percent in 2019, driven by strong increases in remittances, tourism and budget grants. FDI (mainly in real estate) financed the deficit, while the exchange rate remained stable and foreign reserves rose. In H1 2020, however, the external sector was hit by the crisis, with the current account deficit already reaching 4.6 percent of GDP, due to falling services exports. However, record high official remittances in H1 2020 have bolstered international reserves.

In 2019 the government registered a primary surplus (including grants) of 0.6 percent of GDP, helping to reduce the fiscal deficit to 2.5 percent of GDP and public debt to 80 percent of GDP. The risk of external debt distress improved from 'in distress' to 'high' following debt service deferrals from external creditors. While the fiscal position remained strong in the first quarter of 2020, it deteriorated in the second, with a 5 percent year-on-year drop in revenues driven entirely by domestic taxes. Nevertheless, the collections for H1 2020 have exceeded revised budget targets. The shortfall in domestic taxes was compensated by higher non-tax revenue due to one-off asset sales authorized by the Janneh Commission. Total expenditure for H1 2020 remained similar to H1 2019. However, the composition of spending was changed to accommodate emergency spending on health (0.5 percent of GDP) and food distribution (0.7 percent of GDP), while capital expenditure lagged.

Inflation increased to 7.1 percent in 2019. Due to a decline in domestic demand following COVID-19, headline inflation decelerated to an annualized rate of 6.5 percent in June 2020, while food inflation was slightly higher at 6.7 percent. Private credit has stagnated throughout H1 2020 since end-2019. To ease liquidity conditions, the central bank cut its policy rate from 12 to 10 percent and the statutory reserve requirement ratio by 200 basis points to 13 percent in May. Broad money continued to grow by 16 percent at end-June 2020, compared to the same period last year.

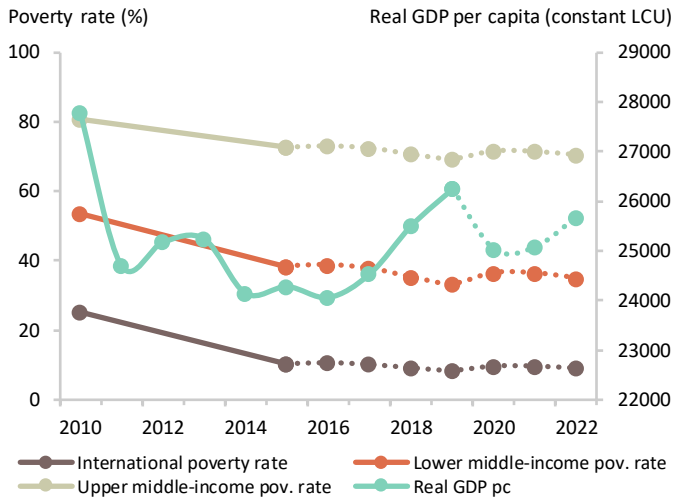
The spread of COVID-19 prompted a health emergency, and social distancing measures reduced economic activities, triggered job losses and decreased labor incomes. In urban areas, declining employment in services and manufacturing and high informality levels have reduced household incomes, and in rural areas, lower private transfers led to an increase

FIGURE 1 The Gambia / Actual and projected fiscal and primary balance



Sources: The Gambian authorities and World Bank estimates.

FIGURE 2 The Gambia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

of poverty. Despite emergency government support, and stable market prices, households have experienced a rapid decline of their incomes and the poverty rate is expected to have increased from 8.4 percent in 2019 to 9.6 percent in 2020.

Outlook

The impact of COVID-19 has worsened the economic outlook. Externally, the impact will continue to come from trade disruptions including tourism. Domestically, private consumption will remain suppressed. GDP is projected to contract by 1.8 percent in 2020, compared to the pre-COVID projection of 6.3 percent. As the global economy starts to recover, growth could gradually rise to 5.3 percent by 2022. Inflation is forecast to steadily drop, reaching 5.5 percent in 2022, close to the Central Bank's target of 5 percent.

The current account deficit is expected to widen, initially due to lower tourism receipts and trade disruptions, and over time due to reduced budget support. The deficit is expected to be financed by FDI. Foreign exchange reserves would remain around 4.7 months of imports, supported by remittances.

For 2020, the fiscal deficit will increase to 3.8 percent of GDP, increasing public debt to 83.1 percent of GDP. Tax revenues will decline due to lower economic activity, while health and social transfers will increase to respond to the crisis. However, participation in the debt service suspension initiative (DSSI) is expected to yield debt relief of US$ 4.14 million (0.23 percent of GDP). As the economy recovers and taxable activity rejuvenates, tax revenues are projected to increase supported by improved revenue administration and a tight tax expenditure monitoring framework. Expenditures will shift towards externally-financed project execution. Subsidies to SOEs and transfers to subvented agencies are expected to fall as government strengthens corporate governance and improves balance sheets of SOEs and rationalizes the agencies. Thus, starting 2021, the deficit will decline, putting public debt-to-GDP back on a downward path.

The COVID-19 crisis has pushed almost 40 thousand people into extreme poverty and will undermine poverty reduction in the near future. In the absence of social safety nets, households will reduce consumption, while labor demand is likely to decline in response to a slow tourist season and insolvencies. The international poverty rate is expected to decline marginally to 9.0 percent in 2022, with significant downside risks associated with an uncertain recovery.

Risks and challenges

The Gambia has limited fiscal policy buffers to respond to a downturn, given the high risk of debt distress. A key risk factor is the duration of the COVID-19 pandemic both locally and globally, particularly in Europe. Erratic rainfall could also impact agricultural output. Slow progress on fiscal reforms, along with shocks from SOEs, could undermine the macroeconomic framework. Limited upside risks originate mainly from a faster recovery from the pandemic and a stronger-than-expected tourism rebound.

COVID-19 threatens livelihoods and undermines drivers of poverty reduction, including job creation and human capital accumulation. Schools and universities are closed, and online learning is not accessible to all or effective, leading to a learning crisis that weakens the productivity of future generations, especially among the poor in remote areas. Furthermore, capacity constraints in the health sector could derail the fight against non-COVID diseases.

TABLE 2 The Gambia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.8	7.2	6.1	-1.8	3.1	5.3
Private Consumption	9.5	9.7	4.1	0.8	2.6	5.1
Government Consumption	-6.1	3.7	14.6	14.8	2.5	1.2
Gross Fixed Capital Investment	-1.2	2.0	25.3	14.8	4.6	9.9
Exports, Goods and Services	9.6	44.2	-1.2	-21.7	16.6	6.1
Imports, Goods and Services	19.1	17.6	3.1	7.0	8.7	8.0
Real GDP growth, at constant factor prices	4.8	7.2	6.1	-1.8	3.1	5.3
Agriculture	-4.4	3.7	-1.3	1.2	2.6	3.3
Industry	-3.5	2.0	14.3	2.1	4.6	5.2
Services	11.7	10.1	6.5	-3.9	2.7	6.0
Inflation (Consumer Price Index)	8.0	6.5	7.1	6.1	6.0	5.5
Current Account Balance (% of GDP)	-7.4	-9.5	-5.3	-8.6	-12.3	-11.7
Fiscal Balance (% of GDP)	-4.8	-6.1	-2.5	-3.8	-3.6	-2.5
Debt (% of GDP)	87.0	84.6	80.0	83.1	81.6	77.0
Primary Balance (% of GDP)	0.1	-3.1	0.6	-0.7	-0.7	0.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	10.1	9.2	8.4	9.6	9.6	9.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	37.7	35.2	33.3	36.5	36.4	34.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	72.4	70.6	69.2	71.5	71.4	70.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-IHS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2015) with pass-through = 0.87 based on GDP per capita in constant LCU.

GHANA

Table 1	2019
Population, million	30.1
GDP, current US$ billion	67.2
GDP per capita, current US$	2233.0
International poverty rate ($19)[a]	13.0
Lower middle-income poverty rate ($3.2)[a]	30.1
Upper middle-income poverty rate ($5.5)[a]	56.3
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	104.8
Life expectancy at birth, years[b]	63.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011PPPs.
(b) WDI for School enrollment (2019); Life expectancy (2018)

The COVID-19 pandemic ended a strong growth episode and a 2-year disinflation process in Ghana. It also halted the fiscal consolidation program, with an estimated fiscal deficit of 14.5 percent of GDP in 2020, as the Government provided support to protect lives and livelihoods. Poverty is expected to increase in 2020. Medium-term growth prospects have weakened with considerable downside risks, including substantial debt rollover risks, increased spending pressures in the run-up to the 2020 elections, and possible permanent job losses.

Recent developments

The COVID-19 pandemic has put an end to Ghana's strong growth episode (2017-19). The 2020 second quarter GDP contracted by 3.2 percent (Y/Y), the first in 38 years, compared to a 5.7 percent expansion in 2019. The slowdown in Q1 was driven by the oil sector, but services and agriculture showed more resilience. In the second quarter, the impact of the lockdown and health measures was felt in the services and industry sectors, which contracted by 2.6 and 5.7 percent, respectively, while the agriculture sector grew by 2.5 percent. The Bank of Ghana's composite index of economic activity (CIEA) suggests some improvements in April and May, including consumption (proxied by VAT collections) and construction activities (proxied by cement sales).

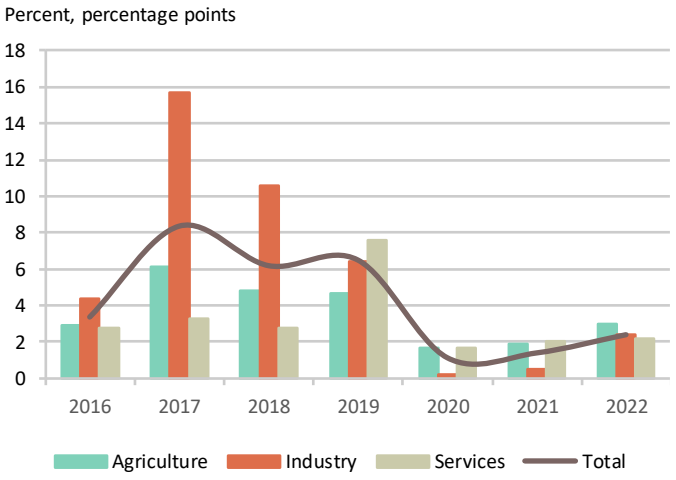
Inflation rose sharply to 11.2 percent in the second quarter of 2020, largely reflecting a 14.4 percent (Y/Y) increase in food prices spurred by panic-buying in April. Inflation had remained in single digits in 2019 and was below 8 percent in the first quarter of 2020, thanks to a tighter monetary policy stance, a moratorium on central bank financing of the fiscal deficit and lower non-food inflation. Although inflation expectations have trended upwards in recent months, in April 2020, the Monetary Policy Committee of the Bank of Ghana (BOG) lowered the policy rate from 16 to 14.5 percent to help mitigate the impact of the crisis on economic activity.

The fiscal deficit (excluding the energy and financial sector costs) widened to 6.3 percent of GDP in June, double what had been programed before the COVID-19 pandemic. This resulted from lower revenues and higher spending in response to the crisis. To close the fiscal gap, total domestic financing reached 5.7 percent of GDP (89.5 percent of the total financing) as the Government turned to the domestic market including the BOG. The June 2020 primary deficit, at 3.3 percent of GDP, was much higher than the 0.01 percent target, indicating adverse debt dynamics going forward.

The COVID crisis weighed on the demand for credit. This prompted the BOG to reduce the Primary Reserve Requirements from 10 percent to 8 percent and the Capital Adequacy Ratio from 13.0 percent to 11.5 percent. Yet, credit to public and private institutions fell in the first five months of 2020 due to the uncertain outlook. As a result, growth in banks' after-tax profits slowed sharply and the ratio of NPLs increased to 15.2 percent in May 2020 from 14.3 percent in December 2019.

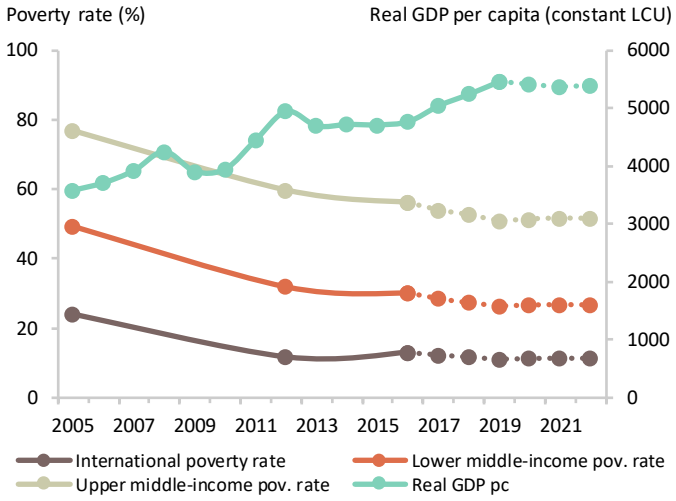
Ghana's current account deficit narrowed to 0.8 percent of GDP (US$556.3 million) for the first half of 2020, slightly lower than the 1 percent (US$661.1 million) recorded for the same period in 2019, mainly due to lower investment income outflows, particularly lower profits and dividends in the extractive sectors. As exports decreased faster than imports, the Trade Balance for January-June 2020 registered a lower surplus (US$963 million) than the US$1,355 surplus recorded in the same

FIGURE 1 Ghana / Real GDP growth and contributions to real GDP growth



Sources: World Bank and Ghana Statistical Service.

FIGURE 2 Ghana / Actual and projected poverty rates and GDP per capita.



Source: World Bank

period in 2019. The COVID-19 crisis adversely affected FDI inflows, especially to the extractive sectors, as well as portfolio investment inflows. Gross International Reserves were equivalent to 4.3 months of imports in June 2020.

Poverty (measured by the international poverty line, US$1.9 PPP) declined from 13.0 percent to 11.1 percent between 2016 and 2019 as a result of strong GDP per capita growth. The pandemic and lockdown resulted in significant job and income losses of 70 percent and 78 percent respectively. Households dependent on non-farm businesses were the most adversely affected, compared to those with incomes from the government, such as pensioners and safety net beneficiaries.

Outlook

The COVID-19 pandemic weighs heavily on Ghana's short-term outlook, with significant uncertainty around the pace of recovery over the medium-term. The crisis is expected to lead to a sharp slowdown from the pre-COVID-19 forecast of 5.8 percent to just 1.1 percent. The short-term negative impact will come through a decline in external demand, lower commodity prices, and lower FDI and tourism receipts.

The economic recovery is likely to be modest as the global economic recession is expected to continue into 2021. Trade, investment, and tourism activities may take longer to recover to pre-crisis levels. Non-oil activities, including agriculture and agribusiness, are likely to be more resilient. Growth is expected to average 1.7 percent over the medium term. To mitigate the impact of the pandemic on households and businesses, the Government is implementing poverty and social programs, including food and utilities subsidies, as well as a business support program for selected industries (e.g., pharmaceutical sector supplying COVID-19 drugs and equipment).

The fiscal deficit (excluding the energy sector and financial sector costs) is expected to widen to 11.4 percent of GDP in 2020. If the energy sector and financial sector costs are included, the fiscal deficit will be as high as 14.5 percent of GDP. In anticipation of the fiscal shock, the Government suspended the fiscal rule, which mandates a fiscal deficit below 5 percent of GDP. Over the medium term, the Government plans to maintain fiscal support for the economy, including infrastructure projects in the health sector, while revenues are only expected to return to pre-COVID-19 levels by 2022. As a result, the fiscal deficit is expected to remain above 5 percent over 2020-2022.

Ghana's medium-term poverty projections indicate a modest increase in poverty with the slowing economy and a prolonged recovery. The poverty rate (as measured by the US$1.9, 2011 PPP) is projected to remain largely unchanged during 2020-2022 (Figure 2).

Risks and challenges

A prolonged COVID-19 pandemic, with lower oil prices and subdued economic activity, poses a major risk to Ghana's macroeconomic outlook and could cause poverty levels to stagnate for a prolonged period, especially if employment does not rebound strongly. Prior to the COVID-19 pandemic, Ghana's public debt faced a substantial rollover risk - especially Eurobonds and short-term domestic debt. This risk has been heightened given higher financing needs in 2020 and the erosion of investors' confidence toward emerging economies. In addition, there is the risk of fiscal slippage due both to the upcoming 2020 elections and the considerable contingent liabilities from the energy sector.

TABLE 2 Ghana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	8.1	6.3	6.5	1.1	1.4	2.4
Private Consumption	1.7	9.4	4.2	-9.7	-0.3	4.1
Government Consumption	-10.8	1.8	5.4	4.2	-10.4	-9.4
Gross Fixed Capital Investment	1.0	13.2	-10.0	30.8	9.0	1.5
Exports, Goods and Services	16.5	10.3	6.7	-2.3	-3.2	1.0
Imports, Goods and Services	7.9	4.6	1.7	-2.3	-3.0	0.4
Real GDP growth, at constant factor prices	8.4	6.2	6.5	1.1	1.4	2.4
Agriculture	6.1	4.8	4.6	1.8	1.9	3.0
Industry	15.7	10.6	6.4	0.2	0.5	2.4
Services	3.3	2.7	7.6	1.6	2.0	2.2
Inflation (Consumer Price Index)	12.4	9.8	7.9	11.5	9.8	9.6
Current Account Balance (% of GDP)	-3.4	-3.1	-2.9	-4.0	-3.8	-3.1
Fiscal Balance (% of GDP)	-4.7	-7.0	-7.6	-14.5	-9.7	-8.3
Debt (% of GDP)	57.3	59.0	63.9	71.6	69.6	68.9
Primary Balance (% of GDP)	0.5	-1.4	-1.9	-7.9	-2.4	-1.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	12.3	11.7	11.1	11.2	11.3	11.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	28.5	27.4	26.5	26.7	26.8	26.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	54.1	52.7	51.0	51.4	51.7	51.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

GUINEA

Table 1	2019
Population, million	13.6
GDP, current US$ billion	13.8
GDP per capita, current US$	1012.5
International poverty rate ($ 19)[a]	36.1
Lower middle-income poverty rate ($3.2)[a]	70.9
Upper middle-income poverty rate ($5.5)[a]	92.5
Gini index[a]	33.7
School enrollment, primary (% gross)[b]	91.5
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

Growth slowed to 5.6 percent in 2019 as the mining boom eased, relatively to 2018, while the fiscal deficit declined due to lower public investment. Growth is projected to decline to 4.2 percent and the fiscal deficit will widen to 3.4 percent of GDP in 2020 due to the COVID-19 outbreak slowing down poverty reduction. Downside risks have risen and include the persistent effects of the COVID-19 outbreak and social instability ahead of presidential elections.

Recent developments

Growth slowed down in 2019 to 5.6 percent (3.0 percent in per capita terms), following reductions in both mining growth due to unexpected bad weather. This is above the estimated potential growth rate of 4.3 percent. In the first half of 2020, economic activity in the services sector decelerated due to the impact of social distancing measures, but mining production increased, particularly artisanal gold due to higher international prices. Inflation had declined to 9.5 percent in 2019, owing to tighter monetary policy, but accelerated to 11.5 percent in the first half of 2020 with higher food prices and an increase in central bank financing to meet the growing fiscal deficit resulting from COVID-19 mitigation measures.

After declining to 13.7 percent of GDP in 2019, the current account deficit is widening in 2020. Mining-related FDI continued to be the main source of external financing and remained unchanged at 12.9 percent of GDP in 2019. International reserves improved to reach 4.8 months of imports in 2019. In the first half of 2020, import volume growth has accelerated, reflecting imports of medicines, sugar, and intermediate and capital goods.

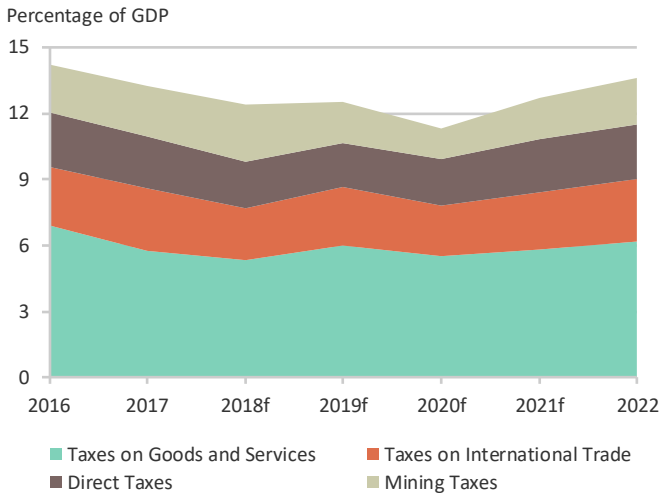
The overall fiscal deficit (including grants) was 0.5 percent of GDP in 2019. Tax revenues barely increased, to 12.5 percent of GDP, in 2019 as mining revenues declined due to tax exemptions. Meanwhile, subsidies to the public electricity utility more than doubled to 1.7 percent of GDP in 2019 reflecting payments for electricity from the Kaleta project. To contain the fiscal deficit, capital expenditures were under executed. The fiscal deficit widened in the first half of 2020 as revenues dropped, and government spending increased due to the crisis to strengthen health infrastructure, expand social protection to vulnerable households, and support for the private sector (1.5 percent of GDP).

Public debt declined to 31.1 percent in 2019, largely owing to delayed implementation of externally financed projects. Although the share of non-concessional borrowing increased, it remained within the ceiling agreed under the IMF ECF program to support debt sustainability. The risk of public debt distress remains moderate.

Guinea has a flexible exchange rate regime. The Real Effective Exchange Rate (REER) appreciated by 9.5 percent in 2019, as inflation did not decline as expected. The IMF estimates that the REER was 16-31 percent over-valued at end-2018.

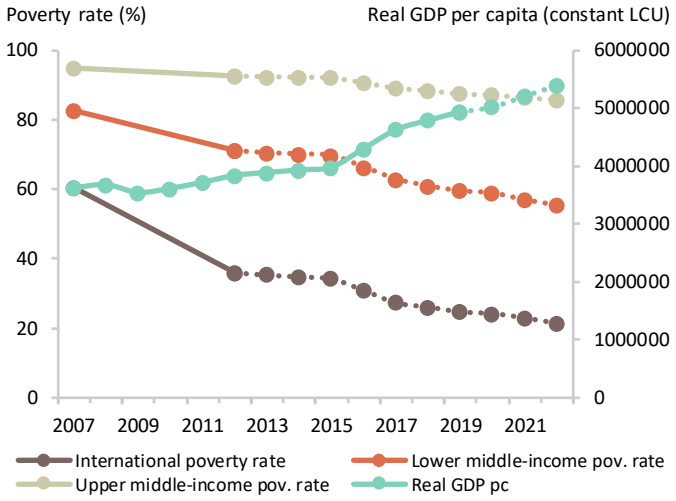
Projections based on GDP per capita growth suggest that the extreme poverty rate (percentage of population living below the international poverty line of US$1.90 per day, 2011 PPP) declined from 26.1 percent in 2018 to 24.7 percent in 2019. Statistics from the COVID-19 household high-frequency survey indicate that almost 9 out of 10 households experienced earning losses due to the COVID-19 pandemic with households receiving transfers and those owning nonfarm enterprises being the most affected. Non-monetary poverty – the Multidimensional Poverty Index – estimated at nearly 66 percent in 2018, remains high.

FIGURE 1 Guinea / Tax Composition



Sources: Guinean authorities and WB/IMF staff estimates and projections

FIGURE 2 Guinea / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Outlook

The COVID-19 pandemic dampened the growth outlook, which is projected to decline to 4.2 percent in 2020. The service sector is expected to contract because of declining hotel, restaurant and transport activities. Strong bauxite and gold production will sustain growth in 2020. Over the medium-term mining-related infrastructure investment would continue to drive growth. Public and private investment for infrastructure (energy and transport) will support the construction sector. Better provisioning of agriculture inputs and infrastructure investments should improve agricultural productivity. The implementation of structural reforms to strengthen governance and business climate, as well as more reliable electricity provision thanks to the completion of the Souapiti hydropower project in 2020, will support private sector development over the medium-term. Inflation is expected to remain high but decline gradually to 7.9 percent in 2022.

The external current account deficit is projected to increase to 18.9 percent of GDP in 2020, reflecting higher imports of health products and, foods and capital goods for infrastructure. The deficit is projected to decline thereafter to 11.1 percent of GDP by 2022, with exports projected to grow faster than imports after completion of the dam. FDI inflows will meet over 70 percent of financing requirements between 2020 and 2022, with long-term loans meeting the rest.

The fiscal deficit (including grants) is expected to average to 3.1 percent of GDP in 2020-2021, to accommodate budgetary pressures due to COVID-19, before declining to 2.2 percent in 2022. Planned implementation of tax policy and administration measures, including minimizing tax exemptions and tax code simplification, could help to sustain tax revenues. Meanwhile, efforts to reduce electricity subsidies should help keep expenditure under control. However, capital expenditures are projected to increase to 4.9 percent of GDP in 2020 and accelerate further in 2021-2022 to fund an ambitious infrastructure program. External borrowing will significantly increase in 2020 (by approximately 10.4 percentage points of GDP) to finance exceptional budgetary needs to respond to the crisis and finance the Souapiti project under a special purpose vehicle that is not part of the central government.

The extreme poverty rate is projected to decrease to 24.2 percent in 2020 aligned with modest expected growth and will further decrease to 21.4 percent by 2022 based on growth projections. However, lower agricultural GDP growth in 2019 and 2020, is likely to offset some of the growth effects on poverty reduction. Food inflation continues to exert downward pressure on household purchasing power, which is increasing during the pandemic. The recovery of the service sector may support earnings and employment in urban areas.

Risks and challenges

Downside risks dominate the economic outlook. Social unrest and political instability in the run-up to the presidential election in October 2020 could weaken near-term growth, fiscal discipline, and delay reform implementation. Increased spending during the upcoming election or in response to protests and union activity poses additional risks. The COVID -19 outbreak will result in health and economic shocks with significant effects on household welfare and the fiscal outlook that are likely to persist into 2021. The informal sector and small businesses may continue to be badly hit by the impacts of COVID-19, seriously undermining the livelihoods of the poor who have limited savings and access to financial services that would offer alternative coping mechanisms.

TABLE 2 Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	10.3	6.2	5.6	4.2	6.3	6.2
Private Consumption	2.9	3.8	5.4	3.5	3.2	1.4
Government Consumption	28.4	-7.2	-6.3	27.1	0.9	12.2
Gross Fixed Capital Investment	-62.3	8.7	-8.4	34.3	30.2	7.5
Exports, Goods and Services	67.5	7.2	-0.6	8.9	6.0	5.6
Imports, Goods and Services	-20.4	3.7	-9.5	26.9	8.6	3.6
Real GDP growth, at constant factor prices	12.5	6.7	6.5	4.2	6.3	6.2
Agriculture	2.5	5.4	4.8	3.1	3.9	4.4
Industry	26.6	6.4	8.0	11.3	8.6	7.8
Services	7.5	7.4	5.9	-0.6	5.2	5.4
Inflation (Consumer Price Index)	8.9	9.8	9.5	10.6	8.0	7.9
Current Account Balance (% of GDP)	-6.7	-18.7	-13.7	-18.9	-15.1	-11.1
Net Foreign Direct Investment (% of GDP)	11.0	11.0	13.0	9.0	8.8	6.7
Fiscal Balance (% of GDP)	-2.0	-1.1	-0.5	-3.4	-2.9	-2.2
Debt (% of GDP)	39.5	37.4	33.1	43.4	45.0	43.5
Primary Balance (% of GDP)	-1.1	-0.3	0.0	-2.8	-2.0	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.3	26.1	24.7	24.2	22.9	21.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	62.9	60.9	59.5	58.8	56.9	55.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	89.1	88.4	87.5	87.2	86.4	85.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2012-ELEP. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.

GUINEA-BISSAU

Table 1	2019
Population, million	2.0
GDP, current US$ billion	1.4
GDP per capita, current US$	738.2
International poverty rate ($ 1.9)[a]	68.4
Lower middle-income poverty rate ($ 3.2)[a]	85.4
Upper middle-income poverty rate ($ 5.5)[a]	93.8
Gini index[a]	50.7
School enrollment, primary (% gross)[b]	118.7
Life expectancy at birth, years[b]	58.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2010), 2011PPPs.
(b) WDI for School enrollment (2010); Life expectancy (2018)

Growth recovered in 2019 supported by higher cashew production. The current account deficit increased owing to a deterioration in the terms-of-trade. The rise in the fiscal deficit was driven by higher recurrent spending. Growth is projected to decline to -2.9 percent in 2020, due to economic disruptions caused by COVID-19 containment measures and global economic shock. Poverty will remain high, but gradually decrease in the medium-term. Risks to the outlook remain significant, including political instability, pandemic effects, and from the volatility of cashew exports.

Recent developments

Growth increased from 3.8 percent in 2018 to an estimated 4.5 percent (2.4 percent in per capita terms) in 2019. The recovery was underpinned by higher cashew output and higher electricity production due to newly installed power generation capacity. Growth will be severely impacted by COVID-19 in 2020. The lockdown imposed to contain the spread of the disease has already lowered consumption and domestic investment, and disrupted trade. Inflation, which remained low at 0.2 percent in 2019, increased sharply in 2020, reaching 3 percent in April. The rise in inflation was driven mainly by higher food prices in the context of the crisis.

The current account deficit is estimated to have increased from 4.3 percent of GDP in 2018 to 5.0 percent in 2019, largely due to a decline in cashew prices. The COVID-19 lockdown delayed the cashew harvest and trade, and the volume of cashew exported is expected to almost halve in 2020. Cashew prices also decreased amid subdued global demand, which combined with higher prices for imported food, will lead to a deterioration in the terms-of-trade.

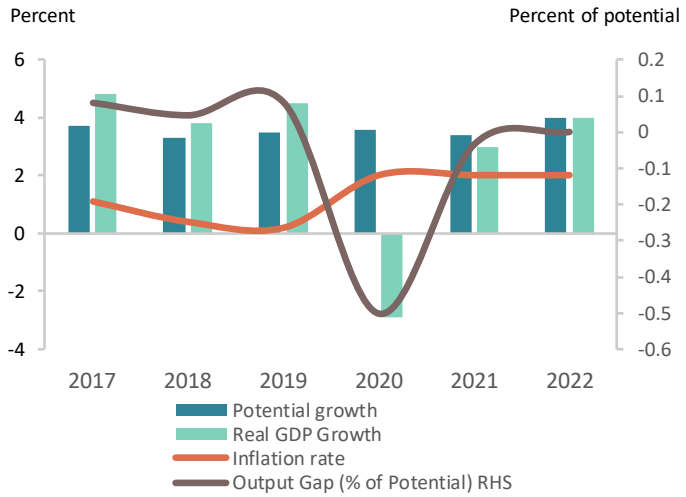
The overall fiscal deficit increased from 4.9 percent of GDP in 2018, to 5.2 percent in 2019, mainly owing to higher recurrent spending in the wage bill, following salary adjustments in 2018, transfers to the public utility company, and interest payments. Tax revenue increased marginally from 9.4 percent of GDP in 2018 to 9.7 percent in 2019, but will decline in 2020 due to the delayed cashew trade and reduced domestic economic activity. Tax revenue during the cashew season, April-September, has fallen well short of the expected CFAF 26.5 billion (3 percent of GDP).

Public debt surged to 67.6 percent of GDP in 2019, from 60.2 percent in 2018, driven by external loans financing public infrastructure projects. The profile of public debt has become riskier in recent years as non-concessional borrowing in domestic currency (notably from the West African Development Bank—BOAD) increased. Fiscal deficits have been the main driver of the increase in domestic debt levels. The government has been resorting to the regional market to support people and firms affected by the COVID crisis, which will further increase overall debt levels. The risk of external debt distress remains moderate, but the risk of overall debt distress is high.

Guinea Bissau's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related extra spending, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extended refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

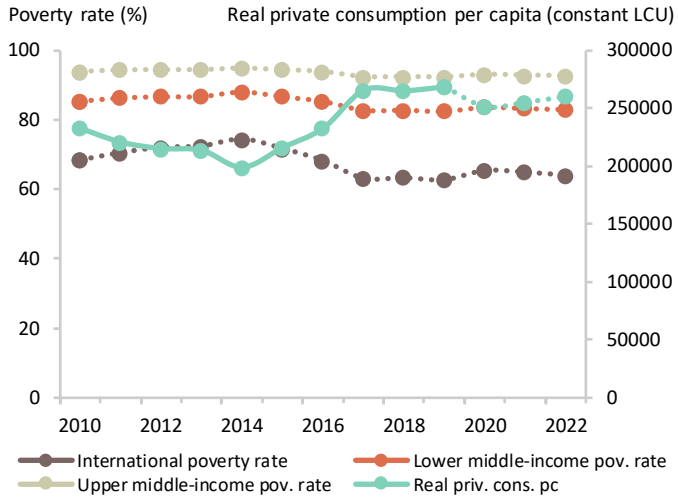
Estimates of poverty (using the $1.90 international poverty line) indicate that

FIGURE 1 Guinea-Bissau / GDP growth, potential growth and Inflation



Sources: Ministry of Finance and World Bank.

FIGURE 2 Guinea-Bissau / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

poverty declined from 63.3 percent to 62.8 percent between 2018 and 2019. However, during this period, the number of poor people increased by around 14,000 people due to faster population growth among the poor. Lower poverty rate was supported by good cashew production, despite lower cashew prices.

Outlook

Growth is projected to decline to -2.9 percent in 2020, below the potential rate of 3.5 percent, reflecting disruptions in economic activity caused by strict measures to contain the spread of the pandemic. The Government has closed air borders and imposed several social distancing measures, including closing schools and banning large public gatherings. These measures will have a negative impact on consumer spending and domestic investment. Growth would recover beginning 2021, supported by higher cashew production. Inflation would rise from 0.2 percent in 2019 to 2 percent in 2020, reflecting higher prices for imported food products.

The current account deficit is expected to rise to 12.2 percent of GDP in 2020, reflecting a sharp decline in exports and higher prices of imported food products. The deficit could decline to 4.2 percent of GDP in 2021 supported by an increase in cashew export volume and donor grants. WAEMU reserves will drop to about 4.5 months of imports in 2020 as member countries are hit by the COVID-19 crisis, increasing fiscal spending while also facing lower capital inflows.

The fiscal deficit is expected to increase to 8.2 percent of GDP in 2020, owing to lower tax revenues and higher COVID-19-related government expenditures. Lower domestic activity and imports are expected to reduce tax and customs revenues. Government spending will increase driven by health-related measures and support for hard-hit sectors. Capital spending is almost entirely financed by donors and is expected to slow down partly reflecting the prioritization of spending toward COVID-19.

The pandemic is expected to increase the poverty rate to 65 percent in 2020, reflecting lower farmer income and social vulnerabilities to the spread of the pandemic. This would push an additional 84,000 people into poverty. Poverty would gradually decline to about 64 percent in 2022, supported by increased cashew income and higher economic growth. However, the number of poor people is projected to remain largely unchanged.

Risks and challenges

The outlook is subject to substantial downside risks. Renewed political instability could cause fiscal slippages and exacerbate the already difficult business environment. A slump in international prices of cashew nuts or quantities exported would further restrict liquidity in the economy and aggravate the impact of the crisis on the private sector. The persistence of the COVID-19 crisis could adversely affect household incomes and increases their risk of falling into poverty. Guinea Bissau has very limited fiscal space to respond counter-cyclically to an economic downturn and needs to reprioritize expenditures toward critical public health services and mobilize donor grants to address adverse economic and social impacts.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.8	3.8	4.5	-2.9	3.0	4.0
Private Consumption	16.7	2.5	3.4	-4.0	4.0	4.5
Government Consumption	4.9	-1.4	4.3	9.1	5.0	5.4
Gross Fixed Capital Investment	-9.5	17.4	13.6	-2.9	5.7	8.5
Exports, Goods and Services	-17.8	13.0	8.1	-32.5	12.5	13.4
Imports, Goods and Services	18.6	-3.1	5.5	-16.2	10.5	10.9
Real GDP growth, at constant factor prices	3.8	2.9	4.5	-2.9	3.0	4.0
Agriculture	-0.3	0.7	3.5	-2.7	2.5	3.0
Industry	11.9	5.0	4.6	-2.4	2.8	3.2
Services	4.8	4.0	5.3	-3.2	3.4	5.0
Inflation (Consumer Price Index)	1.1	0.4	0.2	2.0	2.0	2.0
Current Account Balance (% of GDP)	0.3	-4.3	-5.0	-12.2	-4.2	-4.5
Fiscal Balance (% of GDP)	-1.1	-4.9	-5.2	-8.2	-5.2	-4.0
Debt (% of GDP)	58.1	60.2	67.6	79.8	79.0	77.8
Primary Balance (% of GDP)	-0.6	-3.9	-3.9	-7.9	-4.5	-2.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	63.2	63.3	62.8	65.4	64.9	64.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	82.8	82.8	82.5	83.6	83.3	83.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.3	92.3	92.2	92.9	92.7	92.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2010-ILAP-II. Actual data: 2010. Nowcast: 2011-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2010) with pass-through = 0,87 based on private consumption per capita in constant LCU.

KENYA

Table 1	2019
Population, million	52.2
GDP, current US$ billion	95.5
GDP per capita, current US$	1829.1
International poverty rate ($ 1.9)[a]	37.1
Lower middle-income poverty rate ($ 3.2)[a]	66.5
Upper middle-income poverty rate ($ 5.5)[a]	86.6
Gini index[a]	40.8
School enrollment, primary (% gross)[b]	103.2
Life expectancy at birth, years[b]	66.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

The COVID-19 pandemic has imposed a heavy toll on lives and livelihoods, with a collapse in aggregate demand and rising uncertainty. Nonetheless, ongoing policy responses to the crisis and a gradual reopening of the economy are leading to a recovery in the second half of 2020. Kenya's reduction in poverty has slowed but is expected to return to pre-crisis levels after 2020 and needs to be supported by more inclusive policy responses. More prolonged pandemic, severe global recession, and adverse weather constitute downside risks.

Recent developments

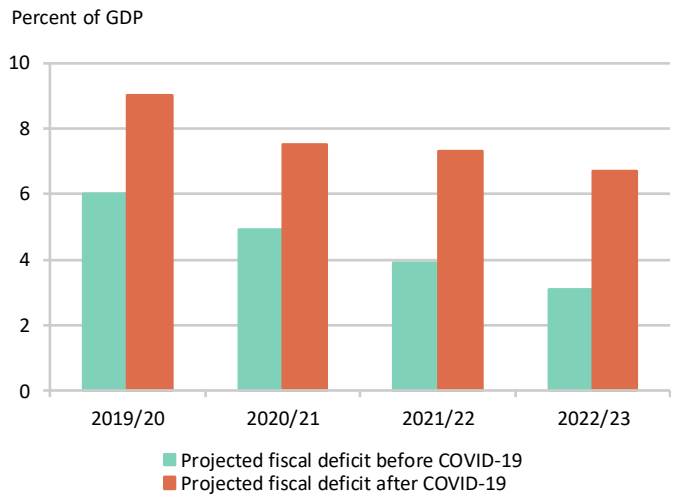
The COVID-19 pandemic has hit the Kenyan economy hard, sharply reducing economic activity and generating uncertainty about future prospects. Real GDP growth moderated to 4.9 percent in Q1 2020 (from 5.5 percent in Q1 2019), before the main impact of the pandemic, and Q2 experienced contractions in industrial output (reductions in electricity and vehicle assembly production) and, especially, services (accommodation and transport sectors). GDP growth for 2020 is projected to dip to 1.5 percent—about 4.3 percentage points less than pre-COVID projections. In response, the government has deployed fiscal and monetary policy measures to support the healthcare system, protect vulnerable households, and support businesses. These policy responses, together with a gradual reopening of the economy are leading to a modest recovery.

Headline inflation has remained within the government target band around 5 percent due to relatively low food and energy prices, providing space for accommodative monetary policy. Furthermore, core inflation (excluding food and energy), decreased to 2.0 percent in H1 2020 from 3.1 percent in H1 2019. This is consistent with an economy where demand pressures are benign, and where there is a large negative output gap. Accordingly, the Central Bank of Kenya has eased the policy rate by 150 basis points, to 7.0 percent in June 2020. Private sector credit growth has picked up modestly, rising 7.6 percent year-on-year (in June 2020), up from very low levels (5.2 percent in June 2019).

The current account deficit narrowed to 4.8 percent of GDP in June 2020, partially due to a decline in imports, which more than offset the decrease in exports. In the year to June 2020, remittance inflows have held broadly steady at 2.9 percent of GDP, while tourism receipts have contracted by about 10 percent due to COVID-19. The current account deficit was financed largely by official government borrowing. Foreign reserves rose to US$9.7 billion in June 2020 (5.9 months of import cover), which continues to provide an adequate buffer against short-term external shocks.

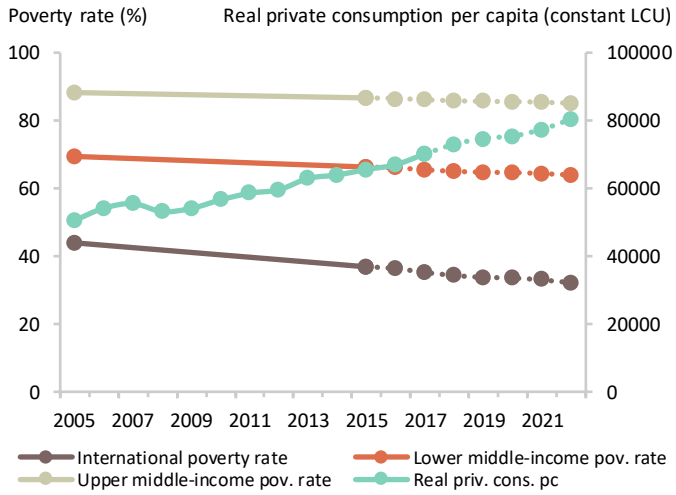
The government deployed fiscal stimulus (of 3 percent of GDP) to address the economic fallout of COVID-19, reversing the previously planned fiscal consolidation. It increased spending to strengthen the capacity of healthcare system, provided cash transfers to households, and supported businesses through expediting VAT refunds and clearing arrears. The slowdown in economic activity and tax cuts to cushion households and businesses led to a 1.3 percent of GDP shortfall in revenue collection. The fiscal deficit in FY2019/20 was 7.8 percent of GDP, compared with the original budget target of 6.0 percent. Government debt has continued to increase, reaching 65.6 percent of GDP at the end of FY2019/20. As Kenya's exports have declined due to shocks from the pandemic, rising public debt increases fiscal pressure associated with debt services obligations. Expenditure on interest payments stood at 4.3 percent of GDP in 2019/20.

FIGURE 1 **Kenya** / Projected fiscal deficit before and after COVID-19



Sources: The National Treasury, Budget Policy Statement 2020; Budget Statement June 2020; and 2020 Budget Review and Outlook Paper.

FIGURE 2 **Kenya** / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

Over one-quarter of wage employees working in January 2020 were laid off in March due to the pandemic, while remaining workers in industry and services sectors face reduced working hours and pay. The national poverty rate decreased to 36.1 percent in 2015/16 from 46.8 percent in 2005/06, mainly due to progress in rural areas. The international poverty rate continued to drop to 34.0 percent in 2019, but only slightly decreased in 2020 to 33.8 percent due to the impact of COVID-19 based on simulations using the empirical relationship between real GDP growth and poverty.

Outlook

Kenya's economy is projected to rebound by 5.2 percent in 2021 and accelerate with GDP growth of 5.7 percent in 2022. This would be supported by improved investor confidence soon after the COVID-19 pandemic is contained. Agricultural output growth of 4.1 percent over the medium term assumes no adverse weather shocks and that recent reforms to improve the use of fertilizers and farm inputs are successful. Industrial growth of 4.0 percent in the base case will be supported by the supply of agricultural inputs, a recovery in domestic consumption, and steady public infrastructural spending. The services sector is projected to grow by 6.5 percent in the medium term as the COVID-19 crisis abates and domestic trade, transport, accommodation, and education activities rebound, supported by accommodative monetary policy and private credit growth. Inflation should remain moderate as supply disruptions associated with pandemic-related travel restrictions ease, and assuming the absence of major weather shocks that could affect food prices. The current account deficit is expected to remain below 5 percent of GDP, assuming the continued resilience of remittance inflows, while exports of Kenya's main products (horticulture and tea) recover to pre-crisis levels.

With a stable population growth, per capita private consumption is projected to increase by less than one percent to Ksh.75,370 in 2020, before a return to pre-crisis growth rates in 2021. The international poverty rate is expected to return to its pre-COVID-19 downward trend, declining by just over half a percentage point in 2021. Accelerating the pace of poverty reduction will require policy interventions to raise agricultural productivity, create jobs, and sustain safety net programs.

Risks and challenges

The risks to the baseline growth outlook are tilted to the downside. A renewed acceleration in community transmission of the virus could disrupt domestic economic activity. Unanticipated droughts could reduce agricultural output and rural incomes, as would a worsening and regional spread of the locust infestation. A more prolonged than anticipated pandemic and global economic recession would weigh on Kenya's export earnings, including from the important tourism sector.

There is a continued role for policies to support firms and households to navigate the ongoing COVID-19 pandemic and lay a strong foundation for a resilient recovery. Following the pause in fiscal consolidation, which was appropriate in view of the need to save lives and support livelihoods, there is now a need to put in place a revised medium-term fiscal consolidation plan, and commit credibly to this, in order to preserve debt sustainability, begin to rebuild Kenya's fiscal buffer, and increase space to increase private sector credit and investment while ensuring that household livelihoods retain space for recovery from COVID-19.

TABLE 2 **Kenya** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.8	6.3	5.4	1.5	5.2	5.7
Private Consumption	7.4	6.5	5.0	3.3	5.1	6.3
Government Consumption	3.9	5.6	4.9	5.7	4.9	3.6
Gross Fixed Capital Investment	8.3	1.3	2.4	0.3	7.2	7.7
Exports, Goods and Services	-6.2	3.9	-0.2	0.1	3.9	4.8
Imports, Goods and Services	8.6	2.5	-2.0	1.2	5.5	7.2
Real GDP growth, at constant factor prices	4.4	6.3	5.5	1.5	5.2	5.7
Agriculture	1.6	6.0	3.6	3.7	3.9	4.2
Industry	3.9	5.5	4.6	1.1	3.3	4.7
Services	5.9	6.7	6.7	0.8	6.4	6.6
Inflation (Consumer Price Index)	8.0	4.7	5.2	5.7	6.0	6.3
Current Account Balance (% of GDP)	-7.2	-5.8	-5.7	-4.5	-4.8	-5.2
Net Foreign Direct Investment (% of GDP)	1.3	1.7	1.1	0.3	0.9	1.6
Fiscal Balance (% of GDP)	-8.2	-7.6	-7.9	-7.8	-6.8	-5.6
Debt (% of GDP)	55.0	60.8	62.7	68.0	71.9	74.4
Primary Balance (% of GDP)	-4.6	-2.9	-3.5	-3.6	-2.7	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	35.4	34.5	34.0	33.8	33.2	32.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.7	65.2	65.0	64.9	64.6	64.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.2	85.9	85.8	85.7	85.5	85.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2005-IHBS and 2015-IHBS. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using annualized elasticity (2005-2015) with pass-through = 1based on private consumption per capita in constant LCU.

LESOTHO

Table 1	2019
Population, million	2.3
GDP, current US$ billion	3.0
GDP per capita, current US$	1305.1
International poverty rate ($19)[a]	27.8
Lower middle-income poverty rate ($3.2)[a]	50.3
Upper middle-income poverty rate ($5.5)[a]	73.7
Gini index[a]	44.9
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	53.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2017), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

Economic growth is expected to contract by 5.3 percent driven by the effects of the COVID-19 pandemic in 2020. This recession is largely caused by the slowdown in mining and manufacturing, on account of weakened external demand facing export-oriented industries such as textiles and apparel, and mining. The slowdown in construction and wholesale/retail will also weigh down growth and contribute to the increase in poverty.

Key conditions and challenges

First, Lesotho's public sector wage bill is one of the highest in the world at 23 percent of GDP and the government sector is the second largest employer after manufacturing. The high public sector wage bill limits fiscal space for social assistance and productive investment, thus leaving elevated poverty and inequality unaddressed. Some efforts have been made to control high public wages; however, political environment has complicated civil service reform.

Second, government spending is highly correlated with SACU revenues. With SACU revenue below historical averages and government expenditure persistently high, the government is facing fiscal challenges. Government domestic arrears estimated at M1.2 billion (approximately 3.3 percent of GDP) emerged as at January 2020. While the arrears have been cleared, the potential for reoccurrence still exists given higher COVID-19 related spending and a lack of proper procurement and expenditure control systems in place.

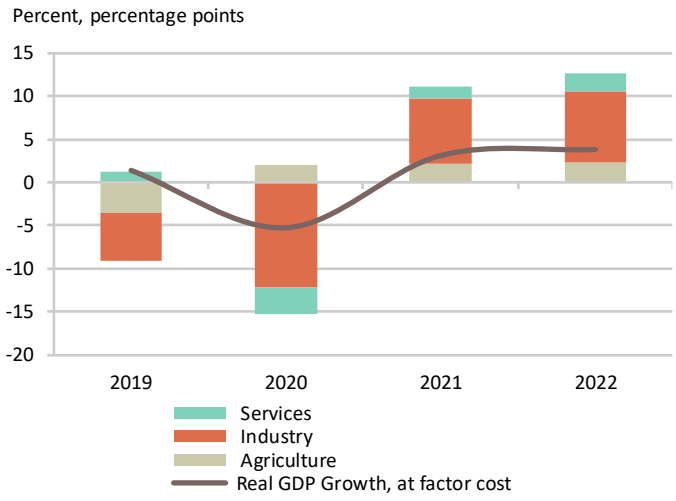
Third, the pandemic is unfolding in a context of high poverty and unemployment. About 30 percent of the population still lives below the international poverty lines (US$1.90/person/day in 2011 PPP terms). Rural communities, which accounts for about three-quarters of the population, are mostly affected partly due to poorer access to electricity, healthcare, and other public goods. The economic vulnerability and food insecurity amongst the poor will be worsened by the pandemic. Job opportunities are scarce, as the private sector faces a challenging business environment. The unemployment rate at 23.9 percent in 2018 (with youth unemployment at 43 percent), is already high and will be negatively impacted by the pandemic.

Recent developments

The economy was already in recession even before the COVID-19 crisis hit. Real GDP contracted by 1.2 percent in 2019, and by 1.8 percent in the first quarter of 2020 before any COVID-19 cases were reported. The nationwide lockdown implemented in late March brought the economy to a standstill as businesses were closed and the movement of people was restricted. All economic sectors, with the exception of agriculture contracted in the first quarter of 2020. For example, mining and manufacturing contracted by 18–21 percent mainly due to weak global demand. On the other hand, the significant rainfalls observed in December 2019-February 2020 contributed to agriculture growth by 1.8 percent.

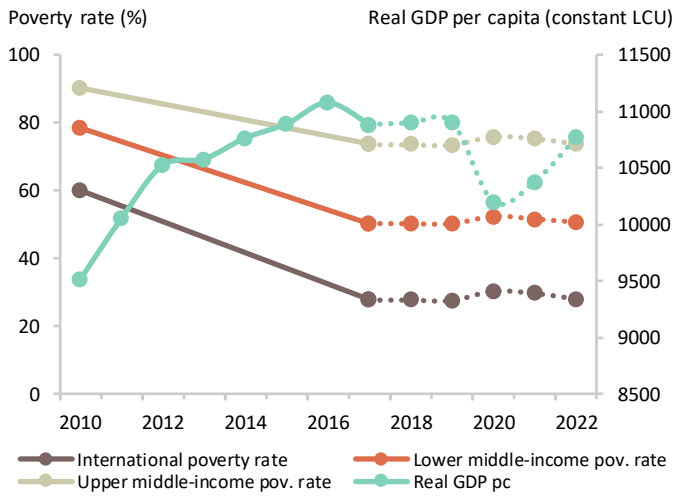
The year-on-year inflation rate increased gradually from 4.1 percent in January to 4.9 percent in June 2020 due to higher food prices, amidst supply-demand challenges imposed by closure of borders and country lockdown. The current account deficit narrowed from 3.9 percent of GDP in the fourth quarter of 2019 to 0.8 percent

FIGURE 1 Lesotho / Growth of real GDP at factor cost and contributions to real GDP growth



Sources: WDI and staff estimates.

FIGURE 2 Lesotho / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

in the first quarter of 2020 due to lower imports of goods and services. The Central Bank of Lesotho (CBL) eased the monetary policy stance by reducing the policy rate from 6.25 percent in March to 3.50 percent in July 2020 to react to the COVID-19 shock.

The poverty rates are estimated to have increased from 27.7 percent in 2019 to 30.5 percent in 2020 (the US$ 1.90, in 2011 PPP terms). COVID-19-related lockdown measures have had a negative shock to the labor market, resulting in job and income losses with the effects concentrated in urban areas. Remittances have also fallen due to the global economic slowdown, especially in South Africa.

Outlook

Uncertainties surrounding the COVID-19 pandemic pose a huge risk to macroeconomic outlook. The recovery of exports and overall economic growth depend on external demand conditions as well as the re-opening of the global economy – both of which remain uncertain. The recession in the neighboring and closely-linked South African economy - which has already contracted by a record 51 percent in the second quarter of 2020 – is expected to dampen Lesotho's growth outlook through various channels, including declining incomes and remittances through migrant job losses.

Economic growth is expected to contract by 5.3 percent in 2020 and recover to 3.1 and 3.8 percent in 2021 and 2020, respectively. Agriculture is expected to grow moderately in the medium term as agricultural subsidies are expected to contribute to crop production. Medicinal cannabis farming is also expected to grow. Mining is also expected to rebound as operations resume in one of Lesotho's biggest mines (Liqhobong diamond mine) which contributes about 50 percent of the sector's output, as well as a recovery in export demand. The construction activities associated with government projects (e.g. the LHWP-II project) are expected to start in the first half of 2021, which will have a positive impact on growth. Manufacturing and services are also expected to recover over the medium term. Despite the improvement in economic activity in the medium term, the output level is expected to remain below the pre-pandemic level.

Inflation is expected to follow developments in the regional food prices due to supply-demand challenges imposed by restricted movements and closure of borders and will accelerate steadily to 5.2 percent by 2022. The fiscal deficit is expected to widen in 2020 and 2021 due to the combination of tax revenues decline and the government's tax deferral program. Health and social-related expenditure are expected to rise in line with mitigation measures. The current account deficit is expected to widen in 2020 as imports of goods and services resume at a faster pace than exports.

Economic recovery will be accompanied by declining poverty rate but will remain higher than in 2019. The poverty rate is at 29.8 percent (US$ 1.90 in 2011 PPP terms) in 2021 and 28.1 percent in 2022. The government is scaling up social assistance programs to limit the adverse impacts of COVID-19.

TABLE 2 Lesotho / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-0.4	1.5	1.4	-5.3	3.1	3.8
Private Consumption	1.1	0.8	5.2	-4.0	3.5	4.2
Government Consumption	0.1	-1.9	7.8	19.7	4.8	1.3
Gross Fixed Capital Investment	-0.6	2.6	34.7	-11.2	9.6	9.1
Exports, Goods and Services	8.2	16.7	-8.5	-15.0	10.0	8.9
Imports, Goods and Services	13.5	3.4	1.4	-1.2	9.0	8.5
Real GDP growth, at constant factor prices	-2.5	-0.2	-1.0	-5.3	3.1	3.8
Agriculture	3.1	-20.0	-3.6	2.0	2.2	2.3
Industry	-3.7	5.2	-5.5	-12.2	7.5	8.2
Services	-2.7	-0.2	1.2	-3.0	1.5	2.2
Inflation (Consumer Price Index)	5.3	4.0	5.2	4.2	4.7	5.2
Current Account Balance (% of GDP)	-4.8	-0.8	-5.1	-11.8	-10.2	-11.1
Net Foreign Direct Investment (% of GDP)	1.7	1.5	1.4	1.1	1.4	1.2
Fiscal Balance (% of GDP)	-0.9	0.1	-1.2	-7.3	-8.9	-7.8
Debt (% of GDP)	36.6	42.5	46.0	60.1	60.8	63.1
Primary Balance (% of GDP)	-0.1	1.1	-0.6	-7.2	-8.4	-7.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	27.8	27.8	27.7	30.5	29.8	28.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	50.3	50.3	50.3	52.4	51.6	50.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	73.7	73.6	73.5	75.9	75.4	73.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2017) with pass-through = 0.87 based on GDP per capita in constant LCU.

LIBERIA

Table 1	2019
Population, million	5.0
GDP, current US$ billion	3.1
GDP per capita, current US$	611.0
International poverty rate ($ 1.9)[a]	44.4
Lower middle-income poverty rate ($ 3.2)[a]	75.6
Upper middle-income poverty rate ($ 5.5)[a]	93.2
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	85.1
Life expectancy at birth, years[b]	63.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

Economic activity in Liberia decelerated during the first half of 2020 amid unprecedented slowdown caused by the COVID-19 pandemic. Real GDP is expected to contract by 2.9 percent in 2020. Inflationary pressures moderated over the first half of 2020 due to lower fuel prices and weaker economic activity, but inflation remained high reaching 20.8 percent (y/y). Poverty rate as measured by international lines are expected to increase in 2020. The outlook is subject to high uncertainty and down-side risks stemming from deteriorating global conditions.

Recent developments

Economic activity in Liberia has decelerated during the first half of 2020 amid unprecedented slowdown in global and domestic activity due to the COVID-19 pandemic and public policies designed to contain it. During the first half of 2020, output declined in multiple sectors of the economy. Rubber output fell by 18.8 percent (y/y) in H1 2020, as operations slowed and employment in the agriculture sector declined; while iron ore output dropped by 15.2 percent (y/y), despite a modest recovery in international prices. Gold output also declined by 33.3 percent (y/y) in H1 2020 despite increase in gold prices. Production of the two most important manufactured goods, cement and beverages, was mixed. Cement output remained at 2019 level between January and June while beverages output dropped by 41.5 percent (y/y) during the same period, reflecting the decline in service-sector output and weakening consumption.

Pressures on inflation eased during the first half of 2020; but headline inflation remained in double digits in H1 2020 at 20.8 percent, compared to 25.5 percent during the same period last year.

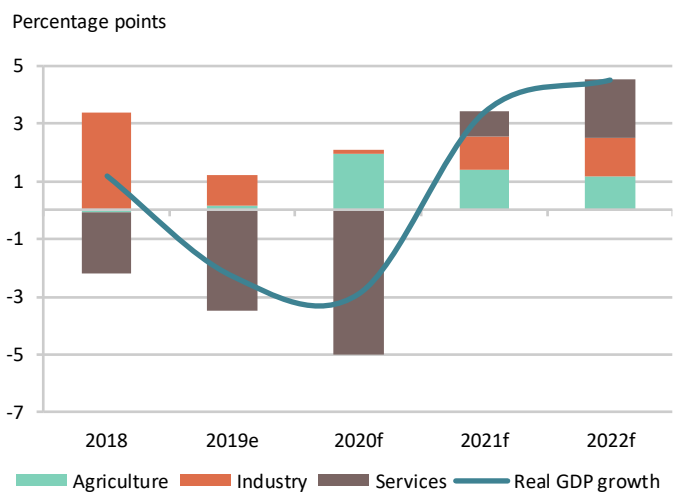
Inflation dynamics were driven by lower fuel prices and weaker economic activity. Domestic food prices rose, however, by 37.3 percent in June 2020, compared to 30.4 percent during the same period a year ago as a result of disruption in domestic food supply induced by stringent containment measures. High food prices have adversely impacted households' welfare with 66.4 percent of households in dire food situation according to the High Frequency Phone Monitoring Survey Report launched in August 2020. In addition, 75.3 percent of households reported job loss and 67.5 percent reported income loss.

The CBL maintained its monetary policy rate at 30 percent during the first five months of the year to help contain inflation but reduced it to 25 percent at end-May 2020 as pressures on inflation eased. Charges on person-to-person fund transfer via internet and mobile banking was suspended intermittently to enhance the use of digital financial services while easing the liquidity pressures. The stock of private sector credit plunged by 4.8 percent as at end-June 2020 while average non-performing loan (NPL) ratio rose to 19.6 percent from 17.2 percent in December 2019, reflecting slowing economic activity and growing vulnerabilities in the banking sector.

The FY2020 budget was revised downward to US$518 million in May 2020 to reflect the adverse impact of COVID-19 on revenues from taxes on income and profits, goods and services, and international trade, offset partially by a surge in donor financing. The fiscal deficit is expected to decline to 3.7 percent of GDP, from 6.1 percent in FY2019.

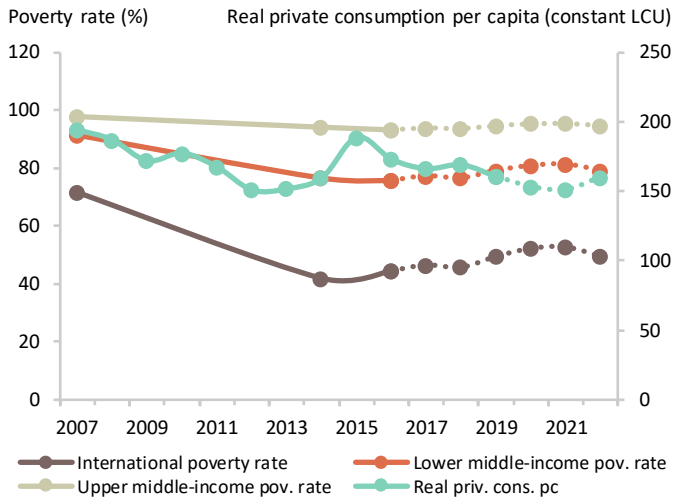
The slowdown in global economic activity has depressed external demand for Liberian exports, muted activity in the manufacturing and services sectors, and disrupted investments in the export-oriented mining, agriculture, and forestry sectors. As a

FIGURE 1 Liberia / Real GDP growth, and sectoral contributions to real GDP growth



Sources: World Bank Staff calculations based on IMF and CBL data.

FIGURE 2 Liberia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

result, exports declined by 8.6 percent (y/y) in H1 2020.
The performance of trade showed, however, a marginal improvement in the trade balance, as decline in imports more than offset the decline in exports.

Outlook

Liberia's real GDP is expected to contract by 2.9 percent in 2020 due to decline in output across multiple sectors, reflecting the adverse impact of the COVID-19 pandemic and related containment measures. The share of households living below the international poverty line of US$1.9/day (2011 PPP) is projected to rise to 52.2 percent in 2020, from 49.4 percent in 2019 due to negative per capita income growth, high food prices, and job loss induced by COVID-19. A recovery in consumption, improvement in business confidence, higher spending on capital, and return to growth in non-mining sector is expected lift the economy to a rebound amid high uncertainty with real GDP projected to rise to an average of 4.0 percent during 2021-22. The inflation rate is expected to moderate to 11 percent by 2022, as CBL maintains a tight monetary policy stance and fiscal consolidation continues.

The overall fiscal deficit is projected to narrow to 3.2 percent of GDP by FY2022, supported by implementation of public sector reforms, including pay reform, revenue mobilization and expenditure management. Liberia's external position is expected to deteriorate in 2020 amid depressed external demand for its exports and lower prices for all its major export commodities except gold.
The current account deficit is projected to widen to 24.3 percent of GDP in 2020, from 22.1 percent in 2019 and remain high over the medium term.
The current-account deficit will be financed by the net use of IMF credit and capital inflows to the agriculture, mining, and infrastructure sectors as the COVID-19 pandemic subsides.

Risks and challenges

The current outlook is surrounded by high level of uncertainty, with risks heavily tilted to the downside. A protracted pandemic, characterized by supply, demand, and terms-of-trade shocks could undermine recovery in various sectors and heighten poverty levels.
A second wave of COVID-19 spread locally could disrupt economic activity further, induce sharper contraction and slow the pace of recovery over the medium term. Government's inability to execute a clear economic recovery plan supported by a credible budget and appropriate fiscal and monetary policy measures could further weaken Liberia's fiscal and external balances, constrain growth, and inhibit poverty reduction. Limited progress on the needed structural reforms to improve the country's business climate, enhance domestic resource mobilization and public investment efficiency could slow the pace of economic recovery and challenge medium-term prospects.

TABLE 2 Liberia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	2.5	1.2	-2.3	-2.9	3.4	4.5
Private Consumption	-1.7	6.0	-2.8	-1.9	1.1	8.6
Government Consumption	1.9	-4.3	4.0	-16.8	-3.0	-7.3
Gross Fixed Capital Investment	-4.1	-13.6	-4.3	2.6	9.1	2.9
Exports, Goods and Services	6.4	-0.3	1.6	-10.2	1.0	1.6
Imports, Goods and Services	-10.9	-13.8	0.4	-7.4	1.3	3.1
Real GDP growth, at constant factor prices	2.5	1.2	-2.3	-2.9	3.4	4.5
Agriculture	-1.1	-0.2	0.4	5.3	3.5	3.0
Industry	16.4	20.0	5.2	0.6	5.2	5.7
Services	1.1	-4.6	-7.9	-12.1	2.2	5.5
Inflation (Consumer Price Index)	13.2	20.4	27.0	17.6	13.5	11.0
Current Account Balance (% of GDP)	-23.4	-23.5	-22.1	-24.3	-24.8	-20.0
Fiscal Balance (% of GDP)	-4.8	-4.8	-6.1	-3.7	-4.1	-3.2
Debt (% of GDP)	34.9	40.3	52.5	57.7	63.0	64.9
Primary Balance (% of GDP)	-4.5	-4.2	-5.4	-2.1	-3.1	-0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	46.5	45.7	49.4	52.2	52.7	49.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	77.3	76.5	79.1	80.8	81.3	79.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.8	93.6	94.6	95.3	95.4	94.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2016) with pass-through = 1 based on private consumption per capita in constant LCU.

MADAGASCAR

Table 1	2019
Population, million	26.4
GDP, current US$ billion	14.5
GDP per capita, current US$	550.7
International poverty rate ($ 19)[a]	77.4
Lower middle-income poverty rate ($ 3.2)[a]	90.9
Upper middle-income poverty rate ($ 5.5)[a]	97.3
Gini index[a]	42.6
School enrollment, primary (% gross)[b]	142.5
Life expectancy at birth, years[b]	66.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011PPPs.
(b) Most recent WDI value (2018).

Economic activity in Madagascar has been severely impacted by the COVID-19 pandemic in 2020, resulting in the first recession since 2009. A rebound in global demand and the lifting of some travel restrictions are expected to lead to a modest recovery in 2021, which would help reverse a poverty rate uptick in 2020. However, the impact of the crisis on activity, employment and public finances will be long-lasting and is exacerbating prior challenges. Downside risks continue to dominate, with the effects of the pandemic potentially compounded by natural disasters, especially during the cyclonic season.

Key conditions and challenges

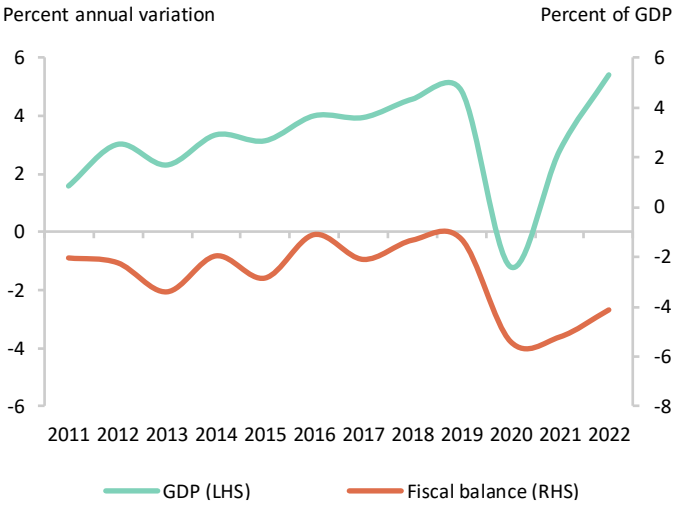
The COVID-19 crisis has stopped an ongoing growth spurt in Madagascar. Following a period of political instability and economic stagnation from 2009 to 2013, growth accelerated to an estimated 4.8 percent in 2019, its fastest pace in over a decade (Figure 1). The return to constitutional order in 2013 was instrumental to this revival, as it contributed to restore investor confidence, access to key export markets, flows of concessional financing, and reform momentum. Positive trends in income per capita and poverty reduction halted at the start of 2020, as the pandemic spread across the globe, triggering a sharp synchronized slowdown. Structural challenges have been exacerbated by the pandemic. The recession hitting Madagascar in 2020 will lead to rising poverty and increased fragility for vulnerable populations, while reducing available fiscal space to address long-standing development challenges associated with low levels of human capital, poor infrastructure and exposure to natural disasters. Growth also remains constrained by a lack of competition, poor public sector governance and the prevalence of high informality and self-subsistence agriculture. The difficulty in creating formal employment and business opportunities will be exacerbated in the post-crisis period, and could be compounded if other risks materialize, including severe cyclones, floods, droughts, and episodes of social unrest amid persistent economic hardship.

Reforms will need to accelerate to rebuild better. Ensuring a sustained economic revival and alleviating extreme poverty in the years ahead will require a mobilization of domestic resources to support priority investments in human capital and infrastructure, while accelerating key reforms to boost productivity in agriculture and enable a more competitive business environment for the private sector. Helping to reinforce bank solvency and address growing non-performing loans after the crisis will also contribute to improve access to finance and the mobilization of private capital for the recovery.

Recent developments

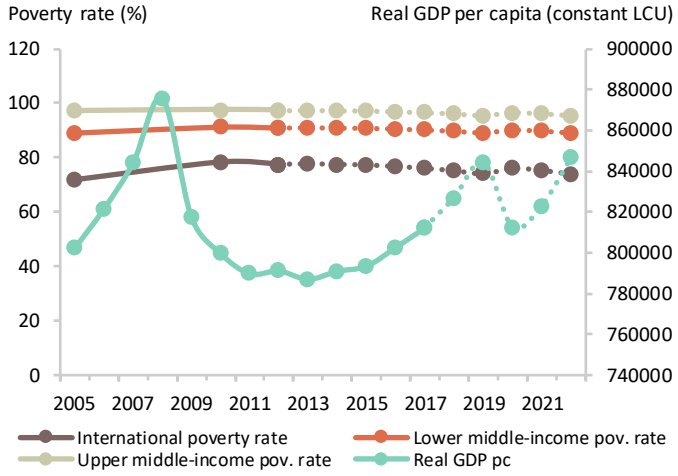
The impact of the COVID-19 crisis on activity and household welfare has been severe. Export-led industries, which anchored the economic recovery during 2013–19, suffered an outsized impact of the crisis, with export revenues dropping 15 percent in the first half of the year. Tourism, apparel, and mining, which are key sources of growth and formal job creation, were particularly affected. Income from informal employment in large urban areas were also severely impacted by lockdowns. A household survey conducted in June 2020 indicates that 10.1

FIGURE 1 Madagascar / GDP growth and fiscal balance



Source: World Bank staff calculations

FIGURE 2 Madagascar / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

percent of households have been affected by job losses since start of the year, corresponding to an estimated 7.7 percent contraction in total employment. 64.4 percent of households reported that overall revenue had decreased. Reducing food consumption was cited among the top three response to lower revenues, threatening long-term health of household members.

Inflow of external concessional financing has contributed in preserving macroeconomic stability. A 16 percent drop in tax revenues up to May 2020 has contributed to rising budget deficits and unexpected fiscal financing needs, which have been filled by emergency budget support operations by donors totaling 3.1 percent of GDP in 2020. The trade balance deteriorated amid weakening export revenues, but currency pressures have remained modest amid significant inflows of concessional financing, causing only limited pressure on foreign exchange reserves and domestic prices. Despite some depreciation of the Ariary and supply chain disruptions due to the impact of lockdowns in some large cities, consumer price inflation remained stable, hovering around 4 percent up to June 2020. This allowed the Central Bank to maintain an accommodative monetary policy stance throughout the crisis.

Outlook

The adverse economic impact of the COVID-19 crisis will persist in 2021. Global trade and travel disruptions as well as domestic containment measures are expected to result in the first recession in Madagascar since the 2009 crisis, with gross domestic product (GDP) predicted to contract by 1.2 percent in 2020, compared to an estimate of 5.2 percent just prior to the outbreak. Economic conditions are expected to stabilize in the second half of the year against the backdrop of an ongoing rebound in global manufacturing activity and the end of strict travel restrictions and confinement measures. In this context, growth is predicted to strengthen in 2021 but only to a modest 2.8 percent (Table 2). This remains about twice lower than pre-crisis expectations, bringing the estimated cost of the crisis at about 9 percentage points of GDP over a two-year period.

Public debt remains on a sustainable course despite widening fiscal deficits. Lower tax revenues collection is expected to widen the fiscal deficit to more than 5 percent of GDP in 2020-21, bringing public debt to a projected 46.9 percent of GDP in 2021, from 38.4 percent 2019. However, public debt remains well below the risk threshold for a medium debt-carrying-capacity country and fiscal deficits continue to be financed predominantly by concessional financing.

The impacts of the crisis will push more households below the poverty line in 2020. In the wake of sustained job and revenue losses across both formal and informal sectors, the poverty rate is expected to increase in 2020 to 76 percent (based on an international poverty line of $1.90/capita/day, in 2011 PPP). Moving forward and assuming a gradual economic recovery from 2021 onwards, poverty is projected to return to a declining trend, reaching 74 percent by 2022 (Figure 2). This scenario heavily depends on the country's ability to stage a sustained growth spurt in coming months. Structural transformation into off-farm employment, improved productivity in agriculture, as well as resilience to climatic and further economic shocks are also key elements to facilitate rapid poverty reduction, particularly in more vulnerable rural areas.

TABLE 2 Madagascar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.9	4.6	4.9	-1.2	2.8	5.4
Private Consumption	1.2	3.0	3.6	1.8	2.2	3.0
Government Consumption	13.9	-6.2	4.1	6.2	2.7	5.2
Gross Fixed Capital Investment	-1.8	-2.3	11.0	-4.6	6.3	12.8
Exports, Goods and Services	45.4	4.6	4.2	-9.6	2.8	6.4
Imports, Goods and Services	23.7	-4.1	5.3	-4.3	3.8	6.6
Real GDP growth, at constant factor prices	3.9	3.7	4.8	-1.2	2.8	5.4
Agriculture	1.3	3.7	3.8	2.2	3.0	3.4
Industry	5.8	8.1	8.6	-1.8	3.1	6.5
Services	4.6	2.4	4.0	-2.6	2.6	6.0
Inflation (Consumer Price Index)	8.3	7.3	5.6	4.8	6.1	6.3
Current Account Balance (% of GDP)	-0.4	0.7	-2.1	-2.8	-3.1	-3.3
Net Foreign Direct Investment (% of GDP)	2.7	2.6	2.6	2.5	2.4	2.3
Fiscal Balance (% of GDP)	-2.1	-1.3	-1.3	-5.4	-5.2	-4.1
Debt (% of GDP)	40.0	39.9	38.4	43.9	46.6	46.9
Primary Balance (% of GDP)	-1.4	-0.6	-0.6	-4.6	-4.3	-3.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	76.1	75.3	74.3	76.0	75.4	74.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	90.2	89.7	89.2	90.2	89.8	89.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	96.6	96.0	95.5	96.5	96.1	95.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2005-EPM and 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

MALAWI

Table 1	2019
Population, million	18.6
GDP, current US$ billion	7.7
GDP per capita, current US$	411.6
International poverty rate ($ 1.9)[a]	70.8
Lower middle-income poverty rate ($ 3.2)[a]	89.6
Gini index[a]	44.7
School enrollment, primary (% gross)[b]	142.5
Life expectancy at birth, years[b]	63.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011PPPs.
(b) Most recent WDI value (2018).

The COVID-19 pandemic disrupted a third year of faster economic growth for Malawi, as global and domestic social distancing behavior and policies disrupted economic activity. Economic growth for 2020 is projected at 1.3 percent, with poor performance in services and industry sectors partially offset by a second consecutive strong agricultural harvest. Economic growth in the medium term is expected to reach towards 4.9 percent, but this will depend on the pace of recovery from the pandemic both in Malawi and the global economy.

Recent developments

The economy is projected to grow by 1.3 percent in 2020, a downward revision from 4.8 percent projected in September 2019, due to the impact of the COVID-19 pandemic. The disruption in global value chains has slowed importation of production inputs, increased trade and logistics costs, cut tourism earnings, and reduced remittances. This has been compounded by social distancing behavior and policies to contain the spread of the virus. However, a second consecutive year of good agriculture harvest, apart from tobacco, helped alleviate some of the negative impact on growth. In addition, the new administration is expected to present a return to political stability for Malawi, following a year-long political impasse after the contested May 2019 Presidential elections, which also negatively impacted economic activity and investment.

Poverty reduction stagnated in Malawi even before the COVID-19 crisis. The share of the population below the international poverty line of $1.90 per day has moderately decreased from 70 percent in 2017 to 69 percent in 2019. Frequent natural disasters affect the rural poor's ability to escape from poverty, and the COVID-19 pandemic poses a new challenge for households. Data from phone surveys collected in July 2020 show that although most respondents kept their job, 9 percent stopped working, with similar effects across rural and urban areas. In the same way, 64 percent of small family-owned and operated businesses reported earning less revenue from sales after March 2020.

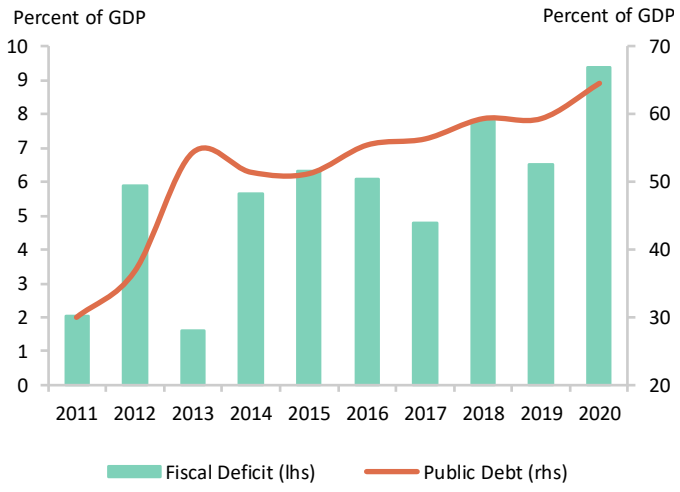
Headline inflation decelerated to 7.6 percent in August 2020, supported by a decline in food prices and reduced global oil prices. Food inflation decelerated to 11.3 percent due to improved food availability following the harvest. Non-food inflation also decelerated to 4.4 percent in August 2020 facilitated by a reduction in global oil prices.

Pressures on the Malawi kwacha (MK) increased in mid-2020, leading to a depreciation of 1.9 percent from July to mid-September 2020 against the United States dollar. Gross official foreign reserves have remained above three months import cover for most of 2020, despite reports of delays in accessing foreign exchange by some parts of the private sector.

The fiscal deficit widened to 9.4 percent of GDP in FY2019/20, a significant increase from 6.5 percent in FY2018/19. Revenues underperformed through the fiscal year and worsened with the onset of the pandemic. This was compounded by recurrent expenditure overruns, particularly in the third quarter, with expenditure pressures in advance of presidential elections in June 2020, as well as rising spending related to the pandemic, including increased allowances and recruitment of medical personnel. The deficit was largely financed by high-cost domestic borrowing, which contributed to an increase in domestic debt to 36.5 percent of GDP and domestic interest costs of 4.3 percent of GDP in 2020.

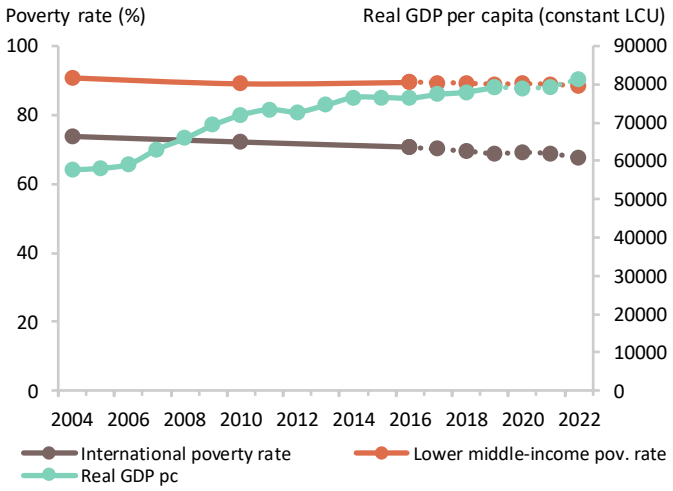
The pandemic is contributing to a widening of the current account deficit, which is expected to reach to 19.6 percent of GDP.

FIGURE 1 Malawi / Fiscal deficit and public debt



Sources: Ministry of Finance, Economic Planning and Development, World Bank.

FIGURE 2 Malawi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Delays in transportation of goods due to mobility restrictions, combined with weaker tobacco production affected the performance of exports. Mobility restrictions in trading partners contributed to declining imports. However, with the relaxation of mobility restrictions in South Africa, Malawi's imports partially rebounded from June.

Outlook

Real GDP growth is projected to pick up to 3.3 percent in 2021, assuming a gradual containment of the COVID-19 pandemic. Growth is expected to be driven by agriculture, owing to the expanded agricultural input subsidy, which should support household incomes in the short term. In addition, activity is expected to rebound in the services sector, which has been heavily hit by the pandemic. As a result of heightened economic and health risk associated with COVID-19, the share of the population below the poverty line in 2020 is projected to stagnate around 69 percent as in 2019. The prospect of faster growth, after economic uncertainties subside and agricultural output improves, will likely decrease poverty to 67 percent by 2022.

The government presented an expansionary FY2020/21 budget proposal in September 2020, with the deficit expected to reach over 12 percent of GDP. This is mainly driven by an expansion of expenditure, largely due to the implementation of the Affordable Input Program (AIP) which has increased beneficiaries from 900,000 previously to more than 4.2 million smallholder farmers. The program is expected to cost around 2.4 percent of GDP. The accumulation of high cost domestic debt combined with increasing interest rates are contributing to increasing interest payments, which are expected to reach around 5.6 percent of GDP. Further, pensions and gratuities are proposed to increase by 18.4 percent (in nominal terms) and wages and salaries by 13.5 percent. Revenue is expected to rebound only gradually as economic activity slowly picks up. Public sector reforms could translate to improved performance of parastatals and reduce their vulnerability to fiscal risks over the medium term. Further, development of the Domestic Resource Mobilization Strategy could increase the efficiency and equity of tax collection and translate to increased resource envelope.

The current account deficit is projected to slightly improve to around 19.2 percent of GDP in the medium term. Malawi should enjoy increased exports and remittance inflows as the global economy recovers from the COVID-19 pandemic. Imports are also expected to increase, particularly in the short term, as the government imports more fertilizer and inputs under the AIP.

Risks and challenges

The impact of the COVID-19 pandemic on the global and Malawian economy continues to increase uncertainty looking forward. A resurgence in COVID-19 cases could depress economic activity, especially in the services sector, and reduce government revenues, while also increasing health expenditure. This would expand the fiscal deficit further and increase the already high domestic debt burden. This comes at a time the government needs to rein in expenditure in order to reduce high cost domestic borrowing, which is increasingly crowding out fiscal space for development expenditure. In addition, Malawi's rain-fed agriculture sector is highly vulnerable to weather shocks, which could weaken growth in the agriculture sector, increase food security, and worsen poverty. This calls for investment and policies to support agricultural diversification and commercialization.

TABLE 2 Malawi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.0	3.5	4.4	1.3	3.3	4.9
Private Consumption	11.4	7.3	3.9	1.8	4.0	3.9
Government Consumption	-2.3	-14.3	3.5	12.7	5.0	0.6
Gross Fixed Capital Investment	-6.0	-2.9	6.0	10.1	0.8	2.9
Exports, Goods and Services	3.7	6.9	3.8	2.7	3.4	4.0
Imports, Goods and Services	-1.5	6.4	3.6	4.7	3.8	2.9
Real GDP growth, at constant factor prices	4.0	2.9	4.4	1.3	3.3	4.9
Agriculture	5.0	2.4	4.3	3.0	4.1	4.0
Industry	2.2	2.2	3.8	1.2	2.8	4.4
Services	4.0	3.4	4.5	0.5	2.9	5.5
Inflation (Consumer Price Index)	11.5	9.2	9.3	9.5	8.8	7.5
Current Account Balance (% of GDP)	-22.4	-20.5	-17.8	-19.6	-19.2	-18.9
Net Foreign Direct Investment (% of GDP)	1.5	1.5	1.4	1.1	1.3	1.8
Fiscal Balance (% of GDP)	-4.8	-7.8	-6.5	-9.4	-12.4	-9.7
Debt (% of GDP)	56.4	59.4	59.4	64.6	72.5	75.2
Primary Balance (% of GDP)	-0.5	-3.9	-2.6	-5.0	-6.7	-3.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	70.2	69.7	68.9	69.3	68.9	67.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.4	89.2	88.9	89.0	88.8	88.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-IHS-IV. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2016) with pass-through = 1 based on GDP per capita in constant LCU.

MALI

Table 1	2019
Population, million	19.7
GDP, current US$ billion	17.2
GDP per capita, current US$	874.8
International poverty rate ($ 19)[a]	50.3
Lower middle-income poverty rate ($3.2)[a]	79.8
Upper middle-income poverty rate ($5.5)[a]	95.0
Gini index[a]	33.0
School enrollment, primary (% gross)[b]	75.6
Life expectancy at birth, years[b]	58.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2009), 2011PPPs.
(b) Most recent WDI value (2018).

Following robust growth in 2019, the economy is expected to contract in 2020 due to the COVID-19 crisis and the August 18, 2020 military coup. The fiscal balance will worsen, and the debt pressures increase, although the external balance may be less impacted due to improved terms of trade. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is tilted to the downside with risks from the political uncertainty, rising insecurity, a sustained COVID-19 outbreak and climatic hazards.

Recent developments

Growth was stable at 5.1 percent in 2019 supported by transportation, telecommunication, construction and agriculture. Public investment and private consumption were the main drivers on the demand side. The COVID-19 crisis and the military coup ended the good performance experienced since 2014 (growth averaged 5.7 percent). Retail sales, and non-financial services were among the most affected sectors by the pandemic and related containment measures. In contrast, industrial production showed resilience during the first quarter (3.3 percent y-o-y) and gold production rebounded in the second quarter (5.0 percent y-o-y). Inflation turned negative in 2019 (-3.0 percent) and the trend persisted till June 2020. Prices however picked up in July (0.9 percent y-o-y) as food prices rose.

The current account deficit narrowed to 4.2 percent of GDP in 2019 due to improved terms of trade and increased official transfers. The current account deficit was mainly financed by Foreign Direct Investment (FDI) and project grants. The financial and capital accounts improved in 2019-early 2020 due to a significant increase in budget support.

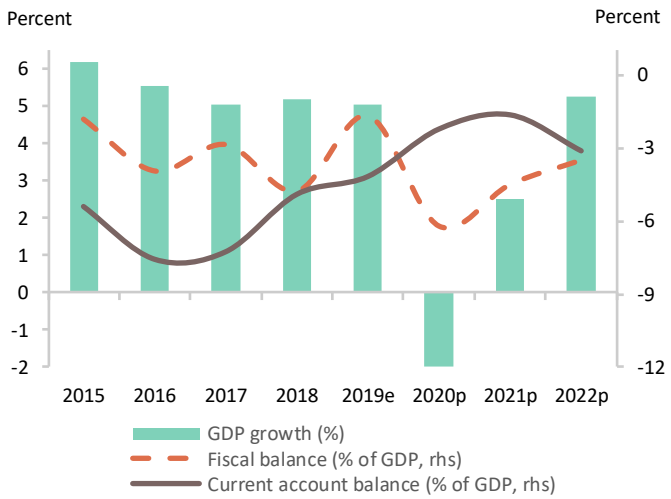
The fiscal deficit decreased to 1.7 percent in 2019 as a result of greater revenue mobilization efforts and spending restraint. As the pandemic took a toll on economic activity, customs duties declined during the first quarter of 2020 (-6.8 percent y-o-y) because of lower oil imports and trade flows. Following a drop over the first four months (-17.2 percent y-o-y), domestic revenue collection rebounded during May-July by 8.5 percent (monthly average, y-o-y).

Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Foreign exchange reserves reached 5.4 months of imports in 2019 due to fiscal consolidation and higher net capital inflows. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of measures since March 2020, including a policy rate cut and extended refinancing operations of 3-month COVID-19 bonds.

The financial sector remains sound. Domestic credits to the private sector increased by 2.2 percent in 2019. The banking sector remains well-capitalized (capital to risk-weighted assets rose from 12.5 percent in 2018 to 13.5 percent in June 2019). Asset quality has improved as the NPL ratio to total loans fell from 13.5 percent in end 2018 to 10.5 percent in end 2019.

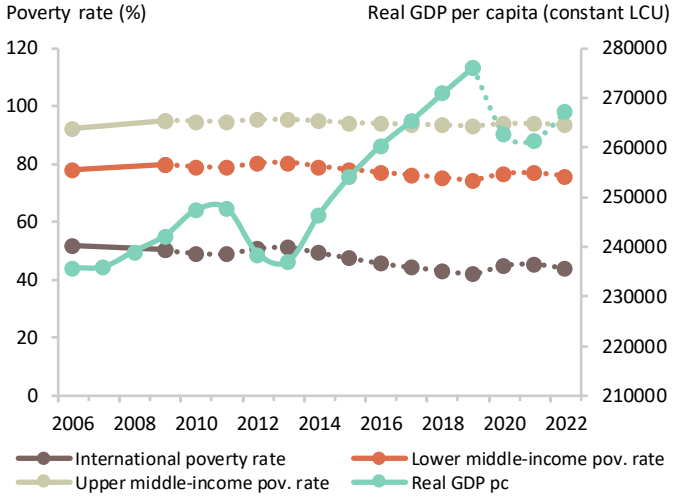
The extreme poverty rate (US$1.9/day PPP) is estimated to have decreased to 42.0 percent in 2019. For non-monetary poverty indicators, the share of households with access to water and electricity increased to 85.7 and 67.7 percent in 2019, respectively. However, the share of households living within 4 km of schools or health centers decreased by 2 percentage points in 2019, as a direct consequence of schools and health clinics closure due to

FIGURE 1 Mali / GDP growth, fiscal and current account balance



Sources: Malian government and the World Bank.

FIGURE 2 Mali / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

security concerns. The Covid-19 pandemic has reversed the progress in poverty reduction in 2020 with a 3 percentage points increase due mainly to market disruptions and price shocks as well as reduction in remittances.

Outlook

Growth in 2020 is expected to contract by 2 percent (-4.9 percent in per capita terms), due to the COVID-19 impact on global demand, domestic containment measures, and the effects of the coup and related economic sanctions. Over the medium-term growth is projected to gradually return to trend as the pandemic wanes and assuming a smooth political transition, based on private consumption and public investment. Inflation will turn positive following resumed consumption and food price increases and reach 2 percent in the medium term.

The current account deficit will slightly narrow in 2020 (2.3 percent of GDP) with continued favorable terms of trade, subdued demand for imports and the impact of economic sanctions. The financial account surplus will shrink as the political situation will depress grants, concessional borrowing, and FDI. Over the medium term, the current account deficit will gradually settle around 4.0 percent of GDP, as oil prices are projected to pick up and gold prices decline from 2021.

The 2020 fiscal deficit will spike to 6.2 percent of GDP. Expenditures will increase while tax revenues underperform due to lower economic activity, collection difficulties and fiscal support for COVID-19 and security policies. The gap is expected to be financed by the debt relief, concessional financing received before the coup and additional bond issuance. The deficit will remain high in 2021-22 due to slow economic recovery. The debt-to-GDP ratio is projected to increase from 40.5 percent in 2019 to above 45 percent (2020-2022), but the risk of debt distress remains moderate.

Preliminary simulations assume negative per capita GDP growth and suggest poverty may further increase to 45.5 percent in 2021 before decreasing to 43.9 percent in 2022.

Risks and challenges

The economic outlook is highly uncertain with substantial downside risks including prolonged pandemic, heightened political uncertainty, increased insecurity and vulnerability to external shocks. A protracted pandemic could reinstall containment measures, and further slowdown the recovery. A prolonged political transition and subsequent economic sanctions would further damage the economy. The already fragile security situation could worsen, and extremist groups take advantage of any power vacuum. In addition, adverse weather shocks would hurt agriculture and increase food insecurity, as the economy remains dependent on commodity exports which are vulnerable to volatile commodity prices. Finally, contingent liabilities related to the energy utility (EDM) constitute a significant fiscal risk that weighs on public finances.

TABLE 2 Mali / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	5.0	5.2	5.1	-2.0	2.5	5.2
Private Consumption	3.4	3.0	5.8	-2.7	7.0	8.3
Government Consumption	4.9	2.0	9.5	48.0	5.8	3.4
Gross Fixed Capital Investment	-3.7	-0.9	-1.4	5.6	-4.0	-4.3
Exports, Goods and Services	13.6	-2.6	-6.3	1.9	11.4	4.0
Imports, Goods and Services	-20.6	-12.3	7.8	12.2	8.4	5.2
Real GDP growth, at constant factor prices	5.5	5.3	5.1	-2.1	2.8	5.2
Agriculture	5.2	5.9	5.1	0.0	-0.6	4.6
Industry	6.8	5.5	4.4	0.2	-0.7	4.9
Services	5.2	4.8	5.3	-4.8	7.5	5.9
Inflation (Consumer Price Index)	1.4	1.9	-3.0	0.5	1.5	2.0
Current Account Balance (% of GDP)	-7.3	-4.9	-4.2	-2.3	-1.7	-3.1
Net Foreign Direct Investment (% of GDP)	3.6	2.8	1.8	0.9	1.8	1.8
Fiscal Balance (% of GDP)	-2.9	-4.8	-1.7	-6.2	-4.5	-3.4
Debt (% of GDP)	36.0	37.7	40.5	46.3	48.1	48.2
Primary Balance (% of GDP)	-2.0	-3.9	-0.7	-5.0	-3.0	-1.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	44.3	43.3	42.0	45.0	45.5	44.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	76.1	75.3	74.5	76.7	76.9	75.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.7	93.5	93.2	93.9	93.9	93.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-ELIM. Actual data: 2009. Nowcast: 2010-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2009) with pass-through = 0.87 based on GDP per capita in constant LCU.

MAURITANIA

Table 1	2019
Population, million	4.5
GDP, current US$ billion	7.6
GDP per capita, current US$	1675.8
International poverty rate ($19)[a]	6.0
Lower middle-income poverty rate ($3.2)[a]	24.1
Upper middle-income poverty rate ($5.5)[a]	58.8
Gini index[a]	32.6
School enrollment, primary (% gross)[b]	99.9
Life expectancy at birth, years[b]	64.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2018).

Following a pick-up in 2019, the economy will contract by 3.2 percent in 2020 due to the COVID-19 crisis, which is affecting the fishing and services. Consequently, the external and fiscal balances will worsen, debt pressures will increase, and poverty will rise. Growth and poverty reduction are expected to gradually recover over the medium term. Risks are tilted to the downside stemming from a sustained COVID-19 outbreak, climatic hazards, delayed structural reforms, and regional insecurity.

Key Conditions and Challenges

Prior to the COVID-19 crisis, Mauritania's long-term growth model suffered from structural constraints that hindered economic transformation and prevented progress on its development agenda. Despite macroeconomic stability and key institutional reforms, particularly on the fiscal front, growth over the past five years was modest at 3.2 percent, and only 0.4 percent in per capita terms. This low growth reflects an unorganized urbanization and over-reliance on extractive resources, which were not efficiently invested to boost competitiveness in non-extractive sectors. This was coupled by financial vulnerabilities and a business environment impaired by limited competition, low human capital, and poor infrastructure. High import tariffs also shield domestic producers from international competition and impede access to cheap imported inputs. The lack of preferential trade agreements further reduces trade connectivity.

The economic and human impact of the COVID-19 pandemic on Mauritania is severe. The combination of the global recession, disruptions in global supply chains, and measures to contain the spread of the virus will cause the first economic contraction in Mauritania since 2006 and reverse years of poverty reduction. The uncertain nature of the depth and duration of the COVID-19 pandemic exacerbates an economic context already vulnerable to several downside risks. These include sustained low oil prices and technical issues that could affect the development of the GTA gas project, and regional insecurity in the Sahel. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output. Domestically, failures to properly implement structural reforms would undermine non-extractive growth prospects while fiscal risks could arise from contingent liabilities associated with inefficient State-Owned Enterprises.

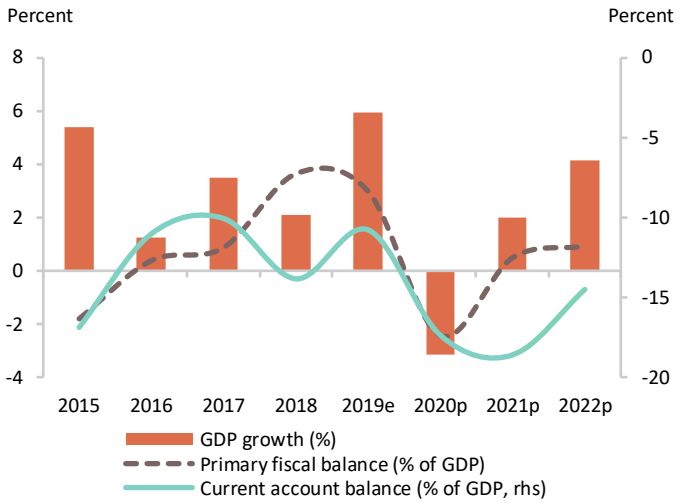
Recent Developments

Following a growth pick-up to 5.9 percent in 2019, economic activity decelerated in early 2020 due to COVID-19. Fishing production dropped in the first half of 2020 due to subdued global demand, and retail and transportation contracted as a result of the lockdown measures. Inflation remained low at 2 percent in July 2020, consistent with a large negative output gap and contained food prices.

After shrinking in 2019, the Current Account Deficit (CAD) widened to 3.8 percent in the first quarter of 2020, up from 3.1 percent in the first quarter of 2019. This deterioration was driven decreased fish exports. As in 2019, the CAD was financed largely by gas related FDI.

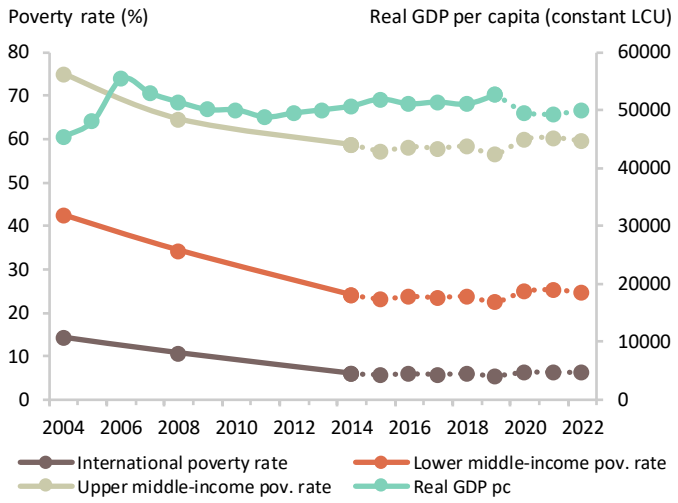
The fiscal balance remained in surplus in 2019 thanks to the maintenance of prudent fiscal policies. The robust fiscal position and high growth reduced the debt-to-GDP

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Sources: Mauritanian authorities and World Bank staff calculations

FIGURE 2 Mauritania / Actual and projected poverty rates and real GDP per capita



Sources: Mauritanian authorities and World Bank staff calculations

ratio from 75.7 percent of GDP in 2018 to 71.8 percent in 2019. The first half of 2020 yielded a primary fiscal surplus as the drop in tax revenues due to the pandemic was offset by higher dividends from state-owned enterprises (reflecting last year's strong profits) and cuts in non-essential spending.

Broad money accelerated by 14 percent (yoy) in May 2020 amidst high demand for cash, while credit growth remained strong at 10 percent despite the crisis. However, the banking sector continues to suffer from structural weaknesses as evident by the high ratio of non-performing loans, which stood at 21.5 percent in 2019.

As a result of the crisis, and the related household income loss, the poverty rate (US$ 1.9/day in 2011 PPP) is anticipated to increase from 5.4 percent in 2019 to 6.3 percent in 2020. This increase will be more pronounced in urban areas where social distancing measures reduce economic activities in service sectors and informality is widespread.

Outlook

COVID-19 has significantly worsened Mauritania´s economic outlook. Despite improved terms of trade, growth is projected to contract by 3.2 percent in 2020 (-5.8 percent per capita terms). This first contraction since 2006 will be driven by a slowdown in almost all sectors of the economy. Notwithstanding the high uncertainty, and the long-lasting effects of the crisis, growth would recover to 4.2 percent by 2022. The gradual recovery assumes a rebound in China and Europe, the resumption of extractive projects, and the roll out of a vaccine during 2021.

The CAD is projected to widen to 17.3 percent in 2020, driven by lower export demand for fish, which will offset the improved terms of trade. It is expected to narrow in 2022 as fish and mining exports recover due to a pick-up in international demand. External financing would be met by extractive related FDI and concessional donor financing. As a result, international reserves would remain steady at about 4 months of imports.

Budgetary pressures will increase particularly in the second half of 2020 due to the slowdown in economic activity affecting indirect taxes, the fall in corporate income tax, and the pick-up in social transfers. As a result, the primary fiscal balance will turn into a deficit of 2.4 percent of GDP in 2020. As the economy recovers, the primary balance will return to a surplus, putting the debt-to-GDP ratio back on a downward trend starting 2022.

The authorities are aiming to have a more flexible exchange rate. In that context, the central bank plans to introduce a system to foreign-currency auctions and establish a technical platform to create an interbank foreign exchange market in 2021. This would help enhance the competitiveness of the non-extractive economy

The COVID-19 crisis will undermine poverty reduction as household income will drop due to lower economic activity and social distancing-triggered job losses. As the recovery in 2021-2022 will be driven by the low-labor intensity extractive sector, the international poverty rate is expected to decline only marginally to 6.2 percent in 2022.

TABLE 2 Mauritania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.5	2.1	5.9	-3.2	2.0	4.2
Private Consumption	2.7	2.7	2.4	-5.6	1.6	2.7
Government Consumption	5.3	4.5	5.0	9.5	2.3	3.7
Gross Fixed Capital Investment	4.0	4.1	5.5	-2.5	4.7	6.5
Exports, Goods and Services	1.6	-4.0	6.0	-3.2	2.5	4.5
Imports, Goods and Services	1.9	0.5	0.7	-1.9	4.1	4.3
Real GDP growth, at constant factor prices	2.9	1.7	5.9	-3.2	2.0	4.2
Agriculture	-2.9	2.1	1.4	0.9	1.5	1.7
Industry	3.3	-8.4	7.2	-1.8	3.9	8.9
Services	5.5	7.7	7.1	-5.4	1.2	2.5
Inflation (Consumer Price Index)	2.3	3.0	2.2	3.4	4.0	3.5
Current Account Balance (% of GDP)	-10.1	-13.8	-10.8	-17.3	-18.6	-14.5
Net Foreign Direct Investment (% of GDP)	8.7	11.0	11.6	7.8	14.9	13.6
Fiscal Balance (% of GDP)	-0.2	2.5	2.1	-3.8	-0.7	-0.2
Debt (% of GDP)	69.6	75.7	71.8	78.8	79.4	77.8
Primary Balance (% of GDP)	0.9	3.7	3.0	-2.4	0.5	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	5.8	5.9	5.4	6.3	6.4	6.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	23.5	23.8	22.5	25.0	25.4	24.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	57.9	58.3	56.6	60.0	60.4	59.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2014-EPCV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

MAURITIUS

Table 1	2019
Population, million	1.3
GDP, current US$ billion	14.0
GDP per capita, current US$	11061.8
Lower middle-income poverty rate ($3.2)[a]	2.2
Upper middle-income poverty rate ($5.5)[a]	12.7
Gini index[a]	36.8
School enrollment, primary (% gross)[b]	101.1
Life expectancy at birth, years[b]	74.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2017), 2011PPPs.
(b) Most recent WDI value (2018).

COVID-19 has led to a steep recession in 2020 and is driving up government debt. While a solid recovery is expected for 2021/22, there are significant downside risks to the forecast, including through a prolonged pandemic and vulnerabilities in the Balance of Payment. Progress in terms of poverty reduction will slow down due to the negative impacts of COVID-19, and wage inequality remains substantial due to mounting skills shortages and lack of inclusiveness in the labor market.

Key conditions and challenges

Based on 2019 data, Mauritius was officially classified as a High Income Country. However, recent growth has been largely driven by consumption at the cost of increasing public debt and eroding external competitiveness. Mauritius faces the challenge of managing its transition to a knowledge-based economy driven by innovation and productivity growth, and there is a need to unlock more productive private sector investment. This will require a concerted effort to remove bottlenecks to new sources of growth, including skills shortages and misaligned incentives. Future inclusive growth is intrinsically linked to the challenge of overcoming constraints in the labor market. This includes activating more youths and women, particularly those with low educational attainments. Over 50,000 youths aged 16 to 29 are neither in education nor in employment, and about 1 out of 3 has obtained at most a certificate of primary education. Similarly, only 1 in 2 women participate in the labor market, and only 1 in 3 among women with low education.

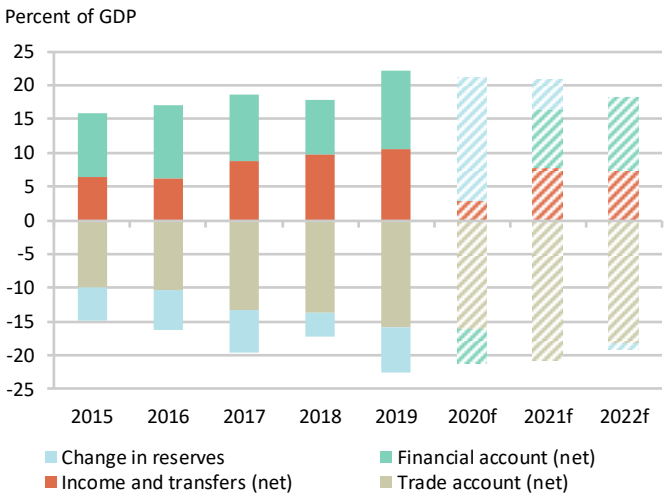
Significant short-term risk results from the combination of pressure on the Balance of Payment and a weakened Central Bank. Pre COVID-19, large trade deficits were financed by financial surpluses linked to Mauritius' offshore sector. Despite large reserves – currently at 14 months of imports – previous IMF recommendations called for further increases to mitigate the risk inherent to the offshore sector, including conduit investment of 40 times Mauritius' GDP and foreign currency deposits of nearly 90 percent of GDP. In 2020, the BoP is exposed to a combination of shocks: Covid-19 has depressed tourism and manufacturing exports, and uncertainty in the global economy and Mauritius' expected listing by the EU for heightened money laundering risk could impact the financial account. At the same time, the Bank of Mauritius' balance sheet has weakened as it has taken on an active role in COVID-19-response, including a non-refundable transfer to government equivalent to 12 percent of GDP.

Recent developments

Mauritius has had a total of 367 cases of COVID-19, including 10 deaths, as of September 23. The last case of community transmission was reported on April 26, and since June 15 all COVID-related restrictions have been lifted, but the border remains closed. Tourist arrivals have dropped to zero since March and downstream industries like restaurants, tour operators, taxis, and shops catering to tourists struggle with low demand. Merchandise exports in the first half of 2020 were 24 percent below the same period in 2019.

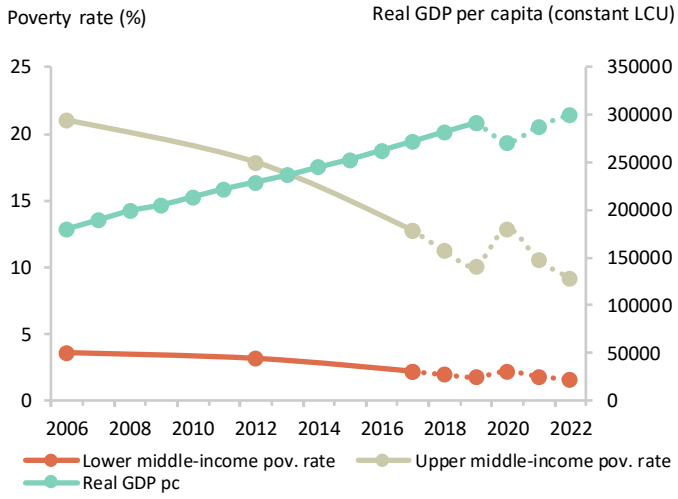
Public debt was on a rising trajectory prior to COVID-19, and in the medium term additional fiscal pressure is building due to excessive spending on the universal non-contributory pension. The combination of

FIGURE 1 Mauritius / Balance of Payment dynamics



Sources: Bank of Mauritius, World Bank staff estimates

FIGURE 2 Mauritius / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

reduced revenue and increased expenditure in response to COVID-19 put an additional strain on public finances and FY 19/20 closed in June with a 13 percent deficit and public debt spiking to 83 percent of GDP.

Since January 2020, the Mauritian Rupee has depreciated by approximately 10 percent against the USD despite FX interventions of close to 3 percent of GDP. Q2 BoP data is not yet available to ascertain movement in portfolio and FDI flows, but registration of new offshore firms fell by ~40 percent during Q2 while foreign currency deposits remained largely stable.

Measured at USD 5.5 per day 2011 PPP line, 17 percent of the population was poor in 2012 and the share declined to 12 percent in 2017. Results from a May 2020 phone survey show that the short-term impact of COVID-19 was significant. 1 in 3 Mauritian households reported a reduction in their income in comparison with the 12 months before the lockdown, and 17 percent had to skip meals since the lockdown started.

Outlook

GDP is expected to contract by 13 percent in 2020 under the baseline scenario, which assumes a gradual re-opening of the border in October 2020 with quarantine requirements that will limit tourist arrivals for the remainder of the year. While manufacturing exports, wholesale trade and construction activity are expected to rebound in the second half of the year, the year-on-year change for 2020 also remains negative.

In the medium term, a strong recovery will be dependent on renewed dynamism in the tourism sector, which is subject to significant downside risks. In addition to the uncertainty of future developments around COVID-19, Mauritius suffered an oil spill from stranded freighter MS Wakashio which affected part of the coastline and caused reputational damage for the tourism industry. The financial sector is expected to rebound in 2022 assuming material progress on AML.

While another double-digit fiscal deficit is expected in FY20/21, the effect on debt is mitigated by a 12 percent of GDP grant from the Central Bank. While this significantly weakens the Bank's balance sheet and creates future fiscal risk, debt is expected to peak at around 90 percent of GDP at the end of 2020 before slowly declining. This strongly depends on government's ability to reign in enhanced spending for COVID-19 support and an effective pension reform.

The current account deficit is expected to reach 13 percent of GDP in 2020 and remain wide in 2021 before gradually narrowing, assuming recovery in tourism and additional efforts to strengthen export competitiveness. The main downside risk is in the financial account, where a reversal of flows related to the offshore sector could quickly dominate the real sector recovery.

Because of the sizeable contraction of GDP, poverty is projected to increase to 13 percent in 2020 and decline more slowly to 9 percent by 2022 when measured against the USD 5.5 per day 2011 PPP line.

TABLE 2 Mauritius / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices[a]	3.8	3.8	3.0	-12.8	6.4	7.1
Private Consumption	3.2	3.2	3.2	-11.1	7.5	4.1
Government Consumption	1.6	4.2	2.0	-1.1	7.2	4.8
Gross Fixed Capital Investment	4.8	10.9	6.2	-26.0	33.6	12.3
Exports, Goods and Services	-1.0	2.7	-4.1	-27.7	30.4	13.5
Imports, Goods and Services	2.2	-0.2	2.5	-19.8	30.5	7.1
Real GDP growth, at constant factor prices	3.6	3.6	3.2	-12.9	6.1	8.2
Agriculture	-0.2	-1.3	4.1	3.5	4.5	4.1
Industry	2.8	2.6	2.4	-7.8	8.6	1.7
Services	4.0	4.1	3.3	-15.1	5.5	10.4
Inflation (Consumer Price Index)	3.7	3.2	0.5	2.8	3.5	3.5
Current Account Balance (% of GDP)	-4.6	-3.9	-5.4	-13.3	-13.2	-10.9
Net Foreign Direct Investment (% of GDP)	189.3	10.3	14.3	8.7	15.1	14.9
Fiscal Balance (% of GDP)[b]	-3.0	-3.3	-12.8	-17.1	-8.8	-6.2
Debt (% of GDP)[b]	66.1	67.6	77.7	90.2	90.9	88.0
Primary Balance (% of GDP)[b]	-0.5	-0.6	-10.0	-14.0	-5.9	-3.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	2.2	2.0	1.8	2.2	1.8	1.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	12.7	11.2	10.1	12.9	10.6	9.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Historical demand-side data is being revised due to a consistency problem.
(a) Fiscal balances are reported in fiscal years (July 1st - June30th).
(c) Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.
(d) Projection using neutral distribution (2017) with pass-through = 1 based on GDP per capita in constant LCU.

MOZAMBIQUE

Table 1	2019
Population, million	29.5
GDP, current US$ billion	15.3
GDP per capita, current US$	518.6
International poverty rate ($ 1.9)[a]	63.7
Lower middle-income poverty rate ($ 3.2)[a]	82.4
Gini index[a]	54.0
School enrollment, primary (% gross)[b]	112.6
Life expectancy at birth, years[b]	60.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) Most recent WDI value (2018).

The economy is projected to contract by 0.4 percent in 2020 due to disruptions caused by COVID-19. The economic fallout from the pandemic has adversely affected firms, employment and households. As a result, the poverty rate is expected to increase to 64 percent in 2020, from 62.5 percent in 2019. While there is great uncertainty about the future course of the pandemic, the economy is expected to gradually recover starting 2021 as LNG investments and extractive production gain momentum.

Key conditions and challenges

COVID-19 reached the shores of Mozambique as it attempted to recover from the economic slowdown triggered by the hidden debt crisis and tropical cyclones in 2019. Growth declined from an average of 8 percent in 2001–2015 to 3 percent in 2016–2019. The aforementioned shocks exacerbated existing vulnerabilities stemming from overreliance on the exports of primary commodities and capital-intensive mega-investments with limited local linkages. Large infrastructure deficit and low labor productivity, especially in rural areas where most of the population resides, pose additional challenges for growth, job creation, and poverty reduction.

Improved macroeconomic stability and liquified natural gas (LNG) investments were expected to support economic recovery in the medium-term, but COVID-19 derailed expectations. The combination of weak global demand, low commodity prices, and strict containment measures constrained trade and domestic economic activities. The crisis also caused a sudden income loss for many households.

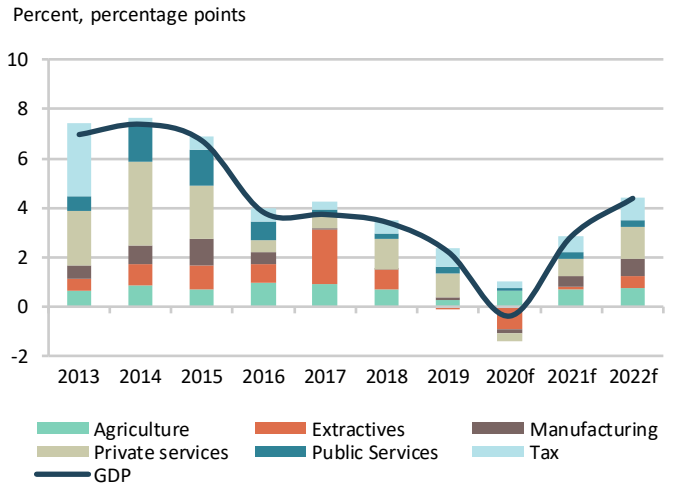
Real GDP is expected to contract by 0.4 percent in 2020. However, downside risks remain given the uncertainty around the course of the pandemic. Projections suggest that debt levels and service remain elevated over the next five years. Moreover, escalating insurgency attacks in regions where most of the poor live create added fiscal pressures and could push more people into poverty due to displacement and limited access to social services.

Mozambique's immediate priority involves protecting lives and livelihoods, while setting the path for recovery. Measures to support households and viable firms affected by COVID-19 need to be strengthened. This should be complemented by awareness campaigns to ensure a safe gradual lifting of the containment measures. In the medium-term, it is critical to ensure that gains from the LNG sector support inclusive growth. This would require, among others, strengthening economic management to prevent adverse effects from the upcoming large foreign currency inflows, and linking the local economy with the LNG industry. Further, vulnerabilities to external shocks and climatic conditions call for diversification, resilience and more inclusive growth.

Recent developments

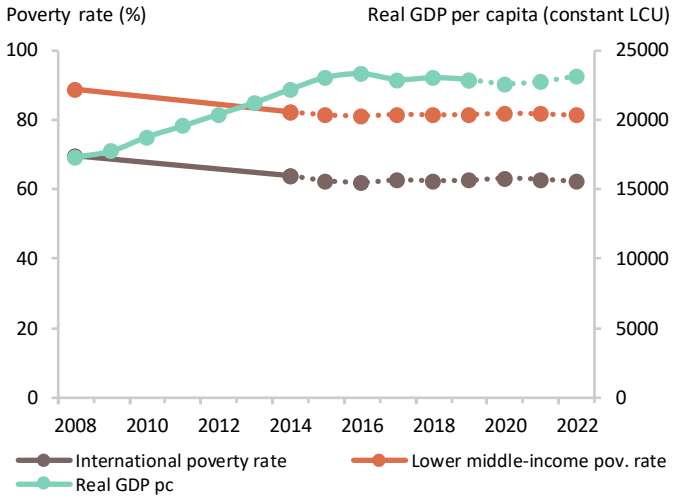
COVID-19 has significantly worsened economic conditions. Real GDP contracted by 3.3 percent in the second quarter of 2020 (year-on-year) owing to a decline in exports and private consumption. Favorable weather conditions led to higher agricultural output while electricity production increased. However, these positive developments were offset by weaker performance in other sectors. Private services contracted by 5 percent, with output in hotels and restaurants dropping by almost 40 percent as a result of travel restrictions.

FIGURE 1 Mozambique / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank Staff Estimates.

FIGURE 2 Mozambique / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Global supply chain disruptions resulted in a decrease in extractive and manufacturing production. The coal industry has been particularly hit, with *Vale-do-Rio-Doce* production in the largest mine being suspended in June. As of June 2020, firms reported losses estimated at 7 percent of GDP. About 120,000 jobs were also lost. Overall inflation was below 3 percent, whereas annual food inflation rose, reaching 7 percent in August 2020. As a result of these pressures, about 852 thousand people are expected to fall into poverty.

The current account deficit (CAD) increased by 17 percent in the first half of 2020 (year-on-year) reflecting the combined effects of a fall in exports and commodity prices. At US$ 700 million, FDI, mostly from LNG megaprojects, financed about 34 percent of the CAD. This, together with private external borrowing, helped to keep half-year gross international reserves at 7 months of imports.

The fiscal situation remains difficult. COVID-19 response measures, estimated to cost an equivalent of 2.2 percent of GDP, would push the primary and overall fiscal deficits to 3.6 and 6.9 percent in 2020, from pre-COVID estimates of 1.1 and 4.6 percent, respectively. Tax relief measures and economic slowdown will likely reduce revenues by a percentage point of GDP. At the same time, escalating insurgency has led to a sharp increase in defense spending, which doubled to 1 percent of GDP in the first semester (year-on-year). As a result, domestic debt rose to 18 percent of GDP in the first half of 2020, from 16 percent in 2019. This would push total public debt to a projected 121 percent in 2020, from 108 percent in 2019.

Outlook

GDP growth would be negative in 2020 for the first time in 28 years. The sharp economic contraction reflects a decline in exports, reduced domestic consumption and delayed implementation of LNG investments. The extractives sector is expected to contract as low prices and muted demand halved coal production. Services output is projected to decrease as social distancing measures curtail private consumption. Household earnings would decline, leading to an increase in the poverty rate from 62.5 percent in 2019 to 64 percent in 2020. Nonetheless, recovery is expected from 2021, with growth reaching 4 percent in 2022, assuming a rebound in global demand, the roll-out of a COVID-19 vaccine in 2021 and additional stimulus to the business environment from LNG projects. The poverty rate is expected to gradually fall to 63 percent by 2022.

The CAD is projected to increase from 20 percent of GDP in 2019 to 61 percent in 2020, driven by higher imports of LNG-related services. An external financing gap of 8 percent of GDP is expected in 2020 which would be financed by donor support, debt service suspension, revenue savings from capital gains, and reserves. The CAD will remain high through mid-2020s and would be financed by FDI and external private debt.

The fiscal outlook remains challenging. Besides COVID-19 spending pressures, Mozambique would continue to grapple with growing wage bill, defense spending, and debt service. Nonetheless, fiscal consolidation is expected to resume in 2021. Efforts to enhance domestic revenue , including from early stages of LNG production, and improve expenditure efficiency are expected to help the country achieve its primary surplus target by 2024. Further, improved debt and fiscal risks management, and debt restructuring would help reduce debt vulnerabilities and enhance debt sustainability.

TABLE 2 Mozambique / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.7	3.4	2.2	-0.4	2.8	4.4
Private Consumption	0.6	3.7	4.0	-1.1	4.3	8.1
Government Consumption	3.2	-5.7	6.1	24.3	-9.3	1.6
Gross Fixed Capital Investment	-5.8	12.4	-8.1	117.7	2.2	32.4
Exports, Goods and Services	3.9	36.5	-5.5	-14.2	19.1	2.5
Imports, Goods and Services	-12.9	43.7	-2.5	43.6	2.8	18.9
Real GDP growth, at constant factor prices	3.8	3.4	2.2	-0.4	2.8	4.4
Agriculture	4.0	3.0	1.2	0.6	2.9	4.8
Industry	9.6	3.9	-0.2	0.0	2.0	2.9
Services	1.6	3.4	3.8	-1.0	3.0	4.9
Inflation (Consumer Price Index)	15.1	3.9	2.8	3.0	3.3	3.6
Current Account Balance (% of GDP)	-19.9	-31.0	-20.4	-61.0	-72.0	-86.7
Net Foreign Direct Investment (% of GDP)	17.4	18.1	14.5	17.9	24.2	30.4
Fiscal Balance (% of GDP)[a]	-3.6	-4.1	0.3	-6.9	-5.4	-3.5
Debt (% of GDP)[b]	106.6	110.1	108.4	120.4	122.0	116.7
Primary Balance (% of GDP)[a]	-0.3	0.3	3.6	-3.5	-2.3	-0.5
International poverty rate ($1.9 in 2011 PPP)[c,d]	62.6	62.4	62.5	63.7	63.7	63.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	81.6	81.5	81.6	82.3	82.4	82.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

(b) Calculations based on 2014-IOF.Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(c) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

NAMIBIA

Table 1	2019
Population, million	2.6
GDP, current US$ billion	12.4
GDP per capita, current US$	4685.8
International poverty rate ($1.9)[a]	13.8
Lower middle-income poverty rate ($3.2)[a]	30.3
Upper middle-income poverty rate ($5.5)[a]	51.0
Gini index[a]	59.1
School enrollment, primary (% gross)[b]	124.2
Life expectancy at birth, years[b]	63.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2018).

COVID-19 has created challenges for an already struggling economy, with depressed global demand, falling commodity prices and movement restrictions adding to an economy characterized by low productivity and growing unemployment. Output will contract by 7.1 percent in 2020, pushing an additional 125,000 people below the US$1.9 international poverty line. The fiscal response has been strong but growing debt levels require urgent attention. A recovery is expected in 2021, although this will be conditioned by the duration and intensity of COVID-19.

Key conditions and challenges

Namibia's economy entered 2020 in an already weakened position. After experiencing average annual growth of 4.4 percent between 1991 and 2015, the economy fell into recession in 2016 and has since struggled to recover. With growth being largely dependent on investments in mineral extraction and government spending, falling commodity prices and the much-needed fiscal consolidation to correct growing imbalances brought the economy to a halt. Severe drought conditions have created an added challenge, especially to the rural population, whilst a growing skills mismatch and uncompetitive business environment have hindered the private sector's ability to spur economic activity. Per capita growth has thus remained negative at a time where absence of productive jobs has led to extremely high unemployment, further exacerbating geographical disparities in economic opportunities and access to services. Globally, Namibia remains one of the most unequal countries.

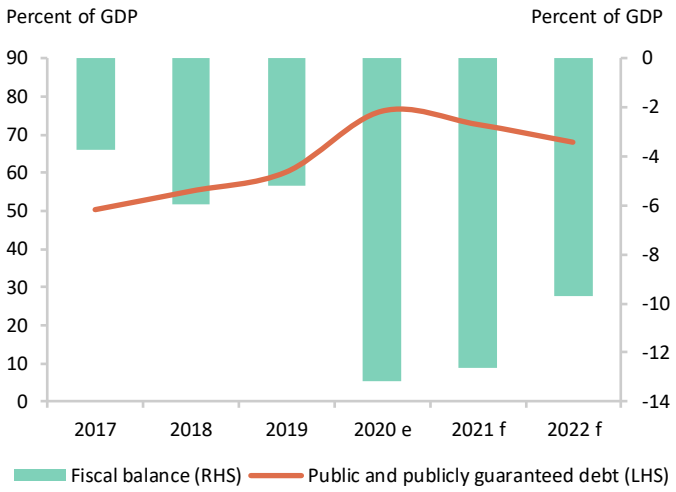
The pandemic is confronting every level of Namibia's economy with an unprecedented challenge. Locally, the uncertainty around the intensity and duration of the outbreak is a key concern, particularly as the recent sharp rise in cases resulted in more restrictive nation-wide measures. Prolonged duration of these could require additional fiscal stimulus, whilst further worsening growth and inequality. The authorities' capacity to effectively implement social protection programs will be key to mitigating COVID-19 impacts on poverty, as will efforts to mitigate the impacts of climate change on agriculture. Regional developments will remain important given the key export market, important SACU transfers and links to supply chains. Globally, persistently low international prices for uranium, which have already squeezed margins of local mines, and volatility in prices of other export commodities present additional risks.

Recent developments

COVID-19 has added challenges for an already struggling economy. Namibia's mineral industry, a key source of forex, has been hit by falling commodity prices and dwindling global demand. Already grappling with insufficient supply of water for uranium production and depleting zinc deposits, COVID-19 has forced a scale-back in mineral production. Declines in diamond, uranium and zinc production put Namibia's overall mining production index at a 12-month low in May. Travel restrictions have severely impacted the hospitality sector: indices for occupancy rates dropped to below 5 in April, while international arrivals fell to near zero. Job losses in the sector have amassed and are likely to continue if restrictions remain in place into 2021. Livestock farming, which struggled with drought conditions in previous years, now faces reduced local and foreign demand.

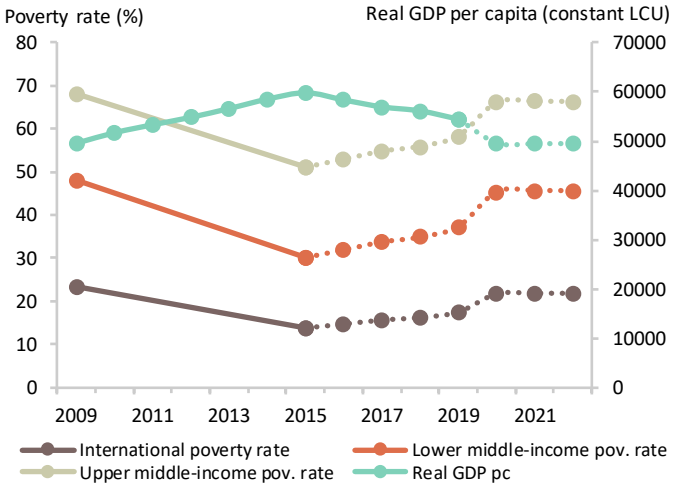
The pandemic has derailed on-going fiscal consolidation efforts. The FY2020/21 budget

FIGURE 1 Namibia / Actual and projected overall fiscal balance and public debt



Sources: Namibia Ministry of Finance and World Bank staff estimates.

FIGURE 2 Namibia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

focusses on mitigating the impact of COVID -19 through additional health spending, a one-off Emergency Income Grant (EIG) for low-income groups, a wage subsidy for severely affected sectors, and guarantees for loan schemes made available to SMEs. This increased spending puts expenditures at 43 percent of GDP (from 38 percent last year) and, combined with lower revenue collection due to fiscal relief measures and muted economic activity, will widen the budget deficit to 13 percent of GDP (from 5.2 last year). Beyond increased domestic borrowing and use of the Contingency Fund savings, Namibia has auctioned fishing quotas to obtain much-needed forex to reduce the financing gap. The authorities have also approached the IMF for support through a Rapid Financing Instrument. Additional financing will push public and publicly guaranteed debt to 76 percent of GDP (from 60 percent in 2019).

Reduced exports of key commodities have further weakened Namibia's external position. Year-on-year exports fell 43 percent in April, reflecting sharp declines in exports of metalliferous ores, mineral manufactures, transport equipment and fish. Whilst increased imports of food items linked to relief packages have been offset by lower fuel prices, these have not been enough to curtail the impact of reduced export earnings, thus increasing financing pressures. Reserves fell US$ 200m between end April and end June, although remaining enough to cover 5.3 months of imports.

Outlook

Accentuated declines in output across key sectors including hospitality, mining, transport, trade and construction will cause the economy to contract by 7.1 percent this year, pushing extreme poverty up to 21.8 percent in 2020 (from 17.6 percent in 2019). Consequently, an additional 125,000 people will fall below the US$1.9/day international poverty line –the "new poor" being male, young workers, those with low educational attainment, and/or those in larger households. With urban households likely to be more severely affected, unemployment is set to rise. Almost 6,000 people have become jobless between April and June. A moderate growth recovery is expected in 2021 as mining production picks up and easing restrictions stimulate trade and transport activities. Recovery in other sectors, especially hospitality, is conditioned on the health crisis being averted, financial recovery and a build-up in confidence. Whilst the coming on-line of the new Debmarine ship in 2022 could provide further impetus for growth, efforts to diversify growth sources will remain critical for a more sustainable recovery. Namibia's poverty rate will remain at a high level over the medium-term.

The fiscal outlook will remain weak, particularly as SACU transfers are set to decline sharply in FY21/22 due to the impact of COVID-19 on regional growth and trade. While the authorities have committed to recalibrating expenditures from the temporary COVID induced peak to stabilize growth in public debt levels, further spending pressures are likely to materialize from the much-needed reforms to address key structural challenges and COVID-19's long-term economic implications. This, along with the international bonds due over the next two years, will create additional challenges for the fiscal consolidation.

The expected global recovery in demand for Namibia's key exports (diamonds, minerals, meat and fish) will help improve the trade balance in 2021, as will the expected recovery in travel for tourism albeit from a lower base given that several instances have had to close. Despite this, the external position is set to remain fragile given lower SACU transfers and, in 2022, the imports related to the Debmarine Vessel. International reserves are thus expected to remain under pressure over the medium term, although efforts to diversify exports and attract foreign investment could lead to an improvement in the external position.

TABLE 2 Namibia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-0.3	0.7	-1.0	-7.1	1.8	2.0
Private Consumption	-5.5	-1.3	4.3	-3.6	1.0	1.5
Government Consumption	-2.1	-0.1	0.4	-0.9	-9.8	-5.9
Gross Fixed Capital Investment	-10.6	3.0	0.6	-25.7	14.7	9.2
Exports, Goods and Services	2.2	16.4	-2.2	-24.0	8.6	8.9
Imports, Goods and Services	-8.6	3.9	3.2	-18.0	3.0	5.0
Real GDP growth, at constant factor prices	0.1	0.7	-0.7	-7.1	1.8	2.0
Agriculture	7.0	-1.9	-2.6	-4.5	1.2	1.3
Industry	-0.4	6.2	-3.1	-13.9	2.6	2.8
Services	-0.5	-1.4	0.6	-4.3	1.5	1.8
Inflation (Consumer Price Index)	6.1	4.3	2.9	2.5	3.2	3.5
Current Account Balance (% of GDP)	-3.3	-2.9	-2.0	-5.2	-6.0	-4.3
Net Foreign Direct Investment (% of GDP)	3.4	0.4	-0.2	-0.8	0.5	1.0
Fiscal Balance (% of GDP)[a]	-3.7	-5.9	-5.2	-13.2	-12.6	-9.7
Debt (% of GDP)[b]	50.4	55.3	60.3	76.2	72.8	68.1
Primary Balance (% of GDP)[a]	-0.5	-1.9	-0.9	-8.3	-7.3	-4.0
International poverty rate ($1.9 in 2011 PPP)[c,d]	15.6	16.2	17.6	21.8	22.0	21.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	33.8	34.9	37.4	45.3	45.6	45.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	54.7	55.9	58.4	66.2	66.4	66.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).

(b) Refers to Public and Publicly Guaranteed debt.

(c) Calculations based on 2009-NHIES and 2015-NHIES.Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(d) Projection using annualized elasticity (2009-2015) with pass-through = 1based on GDP per capita in constant LCU.

NIGER

Table 1	2019
Population, million	23.2
GDP, current US$ billion	12.9
GDP per capita, current US$	556.3
International poverty rate ($19)[a]	45.4
Lower middle-income poverty rate ($3.2)[a]	77.2
Upper middle-income poverty rate ($5.5)[a]	93.6
Gini index[a]	34.3
School enrollment, primary (% gross)[b]	74.7
Life expectancy at birth, years[b]	62.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

After economic growth of 5.9 percent in 2019, the impact of the COVID-19 pandemic is expected to result in growth falling sharply in 2020, to 0.5 percent, and remaining below its pre-crisis trend in the medium-term. Per capita income will fall in 2020 and the poverty rate increase by 1.6 percentage points. COVID-19 and insecurity will continue to be serious risks to economic growth and poverty reduction, exacerbating the ongoing downside risks from commodity price fluctuations and weather shocks

Recent developments

Real growth hit 5.9 percent in 2019 (2.0 percent in per capita terms), in line with the potential of the economy, driven by good harvests and rising artisanal gold production. Strong agriculture performance had positive spillovers on private consumption. Investment was catalyzed by the African Union summit and large donor-financed projects. Inflation was negative due to good harvests, compounded by low global food prices. The authorities took prompt action to contain the COVID-19 outbreak: closing borders; imposing a nightly curfew; and shortening working hours. Restrictions have been gradually lifted since mid-May 2020. In September only the closure of land borders remained in place. Headline inflation during the first half of 2020 reached 5.2 percent y-o-y in July mainly due to the impact of lockdown on food availability.

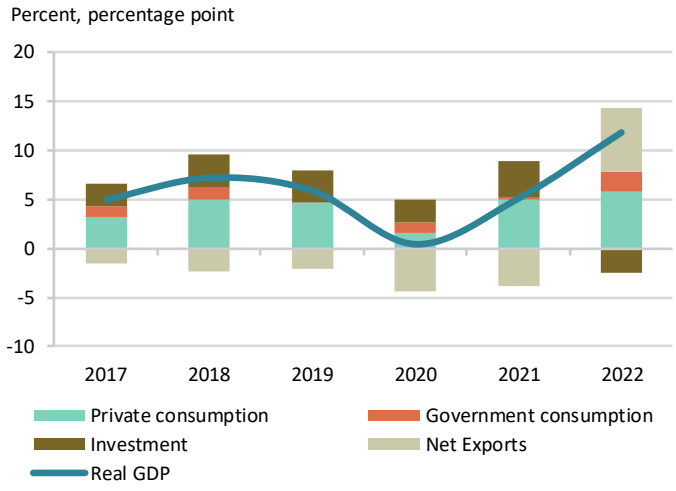
The current account deficit widened slightly to 12.7 percent in 2019. Lower commodity prices, the closure of the border with Nigeria and higher imports for large-scale infrastructure projects affected the trade balance in 2019. The overall external balance turned positive for the first time in many years due to exceptionally high donor support and FDI.

The fiscal deficit widened to 3.6 percent of GDP in 2019, due to lower tax revenue partially reflecting the closure of the border with Nigeria. Higher grants did not offset the rise in health care and social spending to mitigate the effects of the pandemic and the domestic revenue shortfall. Preliminary tax revenue data in the first half of 2020 points to a continued weak fiscal performance exacerbated by the COVID-19 pandemic.

Niger's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extended refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

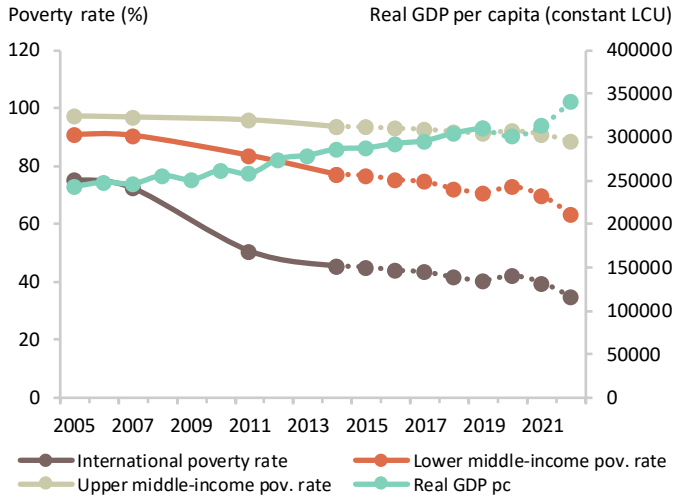
According to household survey data, the share of the population living on less than US$1.90 a day in 2011 Purchasing Power Parity (PPP) decreased from 75.3 percent in 2005 to 45.4 percent in 2014. With continued economic growth, the share of the population living below this international poverty line is estimated to have declined to 40.5 percent by 2019. However, the COVID-19 pandemic and related economic and social distancing measures have reversed some of the recent gains in reducing poverty. The impacts of the COVID-19 pandemic in Niger are expected to be severe, impacting households: (i) in the short and medium term, most households will experience income losses due to job layoffs and lower remittances; and (ii) in the long-term a deterioration of human capital endowment;

FIGURE 1 Niger / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Niger / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2

for example, school closure is expected to increase drop-out rates, especially for girls and the most vulnerable.

Outlook

In 2020, economic activity continues to be constrained by lower exports due to the border closures with Nigeria. Growth is further depressed by the effects of the COVID-19 containment measures on supply and demand, including by delaying the implementation of large foreign projects. Private investment will be affected by the deterioration of domestic security conditions. As a result, real growth is projected to drop to 0.5 percent. Domestic demand will contribute modestly to growth, due to stagnating real incomes. The contribution from net exports will be negative despite a lower demand for imported capital goods.

In 2021, if infrastructure construction restarts and the border with Nigeria reopens, growth it is expected to recover to 5.1 percent, but to remain below previous forecast and below potential. Food shortages would raise consumer price inflation to 4.4 percent in 2020. However, a return to prudent fiscal and monetary policies should keep inflation below the 3 percent WAEMU target over the medium term. GDP per capita is expected to reach 2019 levels only in 2022, as growth will be boosted significantly when crude oil exports to come on stream.

The current account deficit is expected to widen in 2021 with the resumption of the import-intensive projects, before narrowing when several of these phase out and crude oil exports come on stream. FDI inflows and donor financed projects would continue to finance a large share of external financing needs. WAEMU reserves are expected to decline to 4.5 months of imports in 2020 as member countries are hit by the COVID-19 crisis.

The fiscal deficit is projected to increase to close to 5 percent of GDP in 2020 and 2021 partly as a result of increased health spending and stimulus measures to mitigate the impact of COVID-19 crisis and higher security spending. Public debt is projected to peak at 47.2 percent of GDP in 2021 with concessional financing and domestic borrowing from the regional market remaining the main sources of financing. The risk of external and overall debt distress is projected to remain moderate, although the space to accommodate any further shocks has narrowed considerably.

Results from macro-micro simulations suggest that the poverty rate in Niger would increase by about 1.6 percentage point in 2020. However, poverty is expected to decline to 39.6 percent by 2021 as the country recovers from the pandemic and is expected to start exporting crude oil. Beyond the monetary dimension, the COVID-19 crisis is expected to have long-lasting effects on the non-monetary dimensions of wellbeing, such as education, health, and food security.

Risks and challenges

Risks to the outlook are on the downside. The duration and depth of the COVID-19 outbreak present a downside risks to growth and poverty due to a decline in incomes and remittances. The government needs to reprioritize expenditures towards additional health and social protection spending and continue implementing revenue mobilization measures, including donor grants. Other risks stem from adverse weather conditions, as evidenced by widespread flooding in September 2020, further worsening of the security situation, and uncertainty ahead of the Presidential elections in 2021.

TABLE 2 Niger / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	5.0	7.2	5.9	0.5	5.1	11.8
Private Consumption	4.6	7.3	6.7	2.3	7.0	7.9
Government Consumption	6.9	7.2	0.5	7.2	1.7	12.6
Gross Fixed Capital Investment	9.2	11.4	11.4	7.3	11.3	-7.5
Exports, Goods and Services	11.2	-3.9	5.6	-22.0	15.0	54.0
Imports, Goods and Services	11.8	7.1	10.3	7.1	17.5	-4.2
Real GDP growth, at constant factor prices	5.2	6.5	6.4	0.5	5.1	11.8
Agriculture	5.4	7.1	5.1	4.5	5.0	5.5
Industry	6.8	6.0	8.0	0.0	4.5	34.0
Services	4.1	6.4	6.7	-3.1	5.6	6.0
Inflation (Consumer Price Index)	0.2	2.8	-2.5	4.4	1.7	2.0
Current Account Balance (% of GDP)	-11.4	-12.6	-12.7	-16.8	-19.2	-11.6
Net Foreign Direct Investment (% of GDP)	2.8	3.3	3.7	4.8	7.5	3.0
Fiscal Balance (% of GDP)	-4.1	-3.0	-3.6	-4.8	-4.9	-3.3
Debt (% of GDP)	39.6	39.0	42.1	45.8	47.2	44.9
Primary Balance (% of GDP)	-3.4	-2.1	-2.6	-3.7	-3.7	-2.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.4	41.5	40.4	42.0	39.6	34.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	72.2	70.8	72.9	69.8	63.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.7	91.8	91.3	92.1	91.0	88.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECVMA and 2014-ECVMA. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(b) Projection using average elasticity (2011-2014) with pass-through = 1based on GDP per capita in constant LCU.

NIGERIA

Table 1	2019
Population, million	202.0
GDP, current US$ billion	448.1
GDP per capita, current US$	2218.0
International poverty rate ($19)[a]	39.1
Lower middle-income poverty rate ($3.2)[a]	71.0
Upper middle-income poverty rate ($5.5)[a]	92.0
Gini index[a]	35.1
School enrollment, primary (% gross)[b]	84.7
Life expectancy at birth, years[b]	54.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

The COVID-19 pandemic and the oil price collapse are likely to lead Nigeria to its deepest recession in four decades. Given this crisis and natural population growth, the number of people living below the international poverty line is set to rise by 16 million by 2022. While Nigeria faces severe challenges to regaining growth momentum, reforms to enhance exchange rate management, power supply, and the business climate would position the economy on a stronger recovery path.

Key conditions and challenges

At the onset of COVID-19, the Nigerian economy was still recovering from the 2015-2016 oil price shock which swung Nigeria into its first recession in 25 years. The 2020 contraction would follow four years of low growth and rising unemployment, due to various factors including multiple foreign exchange rates, trade restrictions, deficit monetization, combined with long-standing development challenges to mobilize domestic revenues, reduce infrastructure gaps, and strengthen governance. Public revenues were already low at 8 percent of GDP in 2019, with politically constrained tax reforms and inefficiencies in the oil sector. Despite sustained fiscal deficits (around 4 percent of GDP), public spending, marred by energy subsidies, remained at half the level of countries at a comparable level of development. Before the pandemic, Nigeria's poverty reduction efforts already faced major challenges, as population growth (2.6 percent) persistently outpaced GDP growth rates and job creation remained weak. In 2018/2019, 4 in 10 Nigerians were living below the $1.90 per person per day (2011 PPP) poverty line and millions more were vulnerable to falling into poverty.

Nigeria has been hit hard by the COVID-19 outbreak and the oil shock. Its economy and public finances are highly dependent on sales of crude oil. Nonoil industry and services also depend on the inflows from the oil industry. The crisis is providing an opportunity to address longstanding structural challenges.

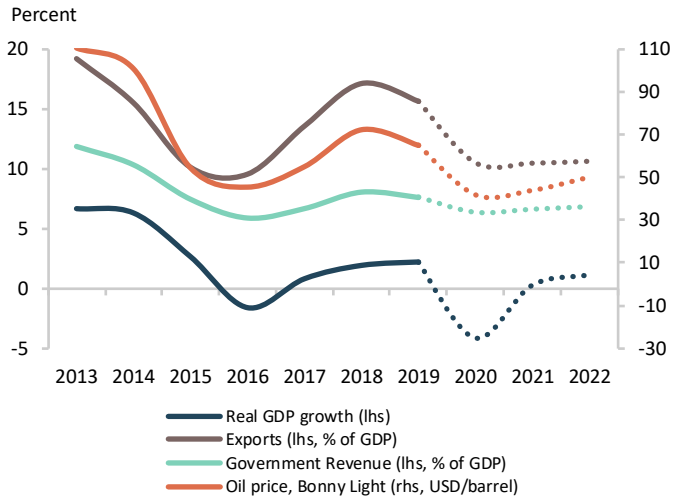
Since April, Nigeria harmonized key exchange rates, increased electricity tariffs to more cost-reflective levels, established a market-based mechanism for gasoline prices, increased oil sector transparency, and adopted a crisis-response budget. A relatively low public debt-to-GDP ratio gives Nigeria borrowing space to partially shield poor households from the effects of COVID-19.

Recent developments

Nigeria's economy contracted by 6 percent (year-on-year) in Q2 2020. The oil sector was hit by tumbling prices and OPEC quotas. Measures to contain the COVID-19 outbreak had an immediate impact on economic activity across the non-oil industry and services sectors. Agriculture growth slowed amidst difficulties in moving inputs and outputs. In services, only telecoms (on the back of higher data demand) and financial services (benefitting from pre-crisis credit growth and shielded by forbearance and stimulus measures from the Central Bank) registered growth. Annual inflation accelerated to 13.2 percent by August, with hikes in food and healthcare prices.

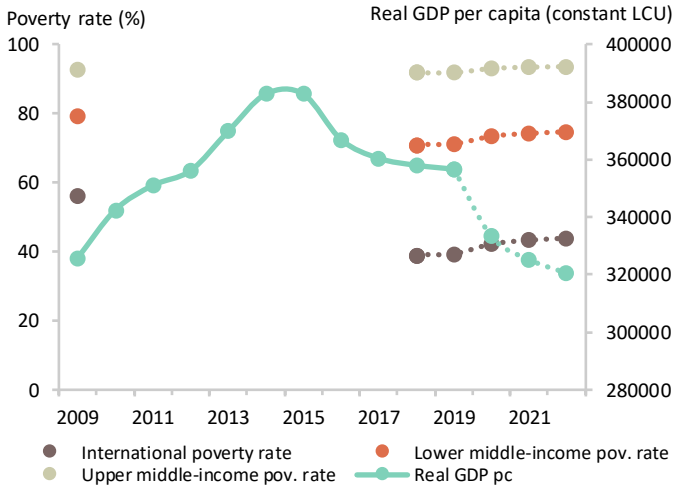
The crisis has severely impacted employment: between mid-March and May, the share of working Nigerians almost halved as Nigeria implemented strict lockdown measures, with service-sector workers hit

FIGURE 1 **Nigeria** / Oil price shock transmission channels



Sources: World Bank and Nigerian authorities.

FIGURE 2 **Nigeria** / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See table 2.

the hardest. Most Nigerians have subsequently returned to work (many entering agriculture), but their incomes remain precarious. Households adopted drastic coping mechanisms with likely negative long-term impacts: 51 percent reduced food consumption and 29 percent drew down savings. Fewer than 2 percent of households are covered by social safety net programs. Despite import contraction (reduced port activities and forex restrictions) mirroring oil-dominated export contraction, the current account deficit hovered around 3 percent of GDP in Q2, aggravated by a sharp (40 percent) drop in remittances.

Capital inflows (concentrated in the financial sector) fell by 78 percent, putting additional pressures on the reserves, spurring the Central Bank to devalue, harmonize multiple nominal exchange rates and commit to gradually moving to a more flexible exchange rate regime. The Government enacted an amended budget for 2020 which reflects the new fiscal situation, reduces nonessential spending, provides a COVID-19 stimulus (across health emergency, public works, food security and support for MSMEs), and revises borrowing limits to protect critical expenditures in a transparent way by minimizing recourse to Central Bank financing.

The Central Bank cut the policy rate and extended subsidized credit to the health sector, MSMEs, and households.

Outlook

Despite moderating oil prices (US$42 in 2020), Nigeria's economy is projected to contract by about 4 percent in 2020, with severe challenges to regaining growth momentum in 2021-2022. Growth will remain constrained by low public and private investment, and lower consumption stemming from precautionary behavior in non-poor households and dwindling savings in poor households. International capital flows are expected to remain limited, with remittances (equivalent 5 percent of GDP) struggling to recover given the slow recovery prospects in key diaspora abodes. International portfolio flows, which propped up the fixed exchange rate before the shock, are unlikely to return before further exchange rate reforms.

Both the depth of the recession and speed of recovery are subject to a high degree of uncertainty and can deteriorate rapidly in the face of further oil price movements, global and domestic pandemic developments, and domestic policy nuances. Deteriorating living standards may lead to resurgence or intensification of violence and conflict. Depending on the frequency and size of these shocks, growth projections in 2020 range between -3 and -8 percent, with similar range of growth rates in the medium term.

In the absence of a robust response to the crisis, the poverty rate is projected to rise even faster than without the COVID-19 shock, to 44 percent by 2022. Households deriving income from informal activities (50 percent of GDP) that rely on close physical proximity and those close to conflict-prone areas are particularly vulnerable.

Fiscal and current account deficits will remain high, as oil revenues and exports will be slow to recover, and the exigencies of COVID-19 require higher borrowing. While the availability of concessional debt may be limited given high demand across countries, Nigeria's relatively low and sustainable debt stock may allow it to return to international capital markets. With little private sector activity, and inflation limited by lack of demand, domestic issuances should also prove a viable instrument.

TABLE 2 Nigeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	0.8	1.9	2.2	-4.1	0.3	1.1
Private Consumption	-1.0	5.2	-2.4	-3.1	0.4	0.9
Government Consumption	-8.0	33.2	15.0	-0.4	-12.1	-0.1
Gross Fixed Capital Investment	-3.0	9.7	11.8	11.6	-23.3	9.6
Exports, Goods and Services	8.7	-1.4	15.0	-25.0	22.5	1.2
Imports, Goods and Services	4.8	49.2	27.3	-28.0	3.1	11.6
Real GDP growth, at constant factor prices	0.8	1.9	2.3	-4.1	0.3	1.1
Agriculture	3.4	2.1	2.4	1.2	1.8	2.1
Industry	2.1	1.9	2.3	-10.3	-2.3	1.3
Services	-0.9	1.8	2.2	-4.1	0.5	0.6
Inflation (Consumer Price Index)	16.5	12.1	11.4	12.9	12.8	12.1
Current Account Balance (% of GDP)	2.8	1.0	-3.8	-1.2	-0.6	-0.5
Net Foreign Direct Investment (% of GDP)	0.6	0.2	0.4	0.3	0.2	0.2
Fiscal Balance (% of GDP)	-4.0	-4.1	-4.6	-5.8	-4.7	-4.6
Debt (% of GDP)	18.9	19.3	21.7	27.1	29.4	31.1
Primary Balance (% of GDP)	-2.3	-2.2	-2.6	-3.9	-2.5	-2.2
International poverty rate ($1.9 in 2011 PPP)[a,b]		39.1	39.3	42.2	43.2	44.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]		71.0	71.1	73.5	74.3	74.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]		92.0	92.1	93.1	93.4	93.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2018-LSS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2018) with pass-through = 0.7 based on GDP per capita in constant LCU.

RWANDA

Table 1	2019
Population, million	12.8
GDP, current US$ billion	10.1
GDP per capita, current US$	789.7
International poverty rate ($ 1.9)[a]	56.5
Lower middle-income poverty rate ($ 3.2)[a]	80.3
Upper middle-income poverty rate ($ 5.5)[a]	91.9
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	133.0
Life expectancy at birth, years[b]	68.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2016), 2011PPPs.
(b) Most recent WDI value (2018).

Growth is expected to slow substantially in 2020, as a result of the COVID-19 pandemic. The crisis is affecting not only Rwanda's priority sectors—tourism and hospitality—also mining activities. The deterioration in both fiscal and external balances means that international assistance was necessary to cover financing needs. The adverse effect of the crisis on services and agricultural activities and the slow recovery of household consumption means that poverty reduction is expected to decelerate between 2020 and 2022.

Recent developments

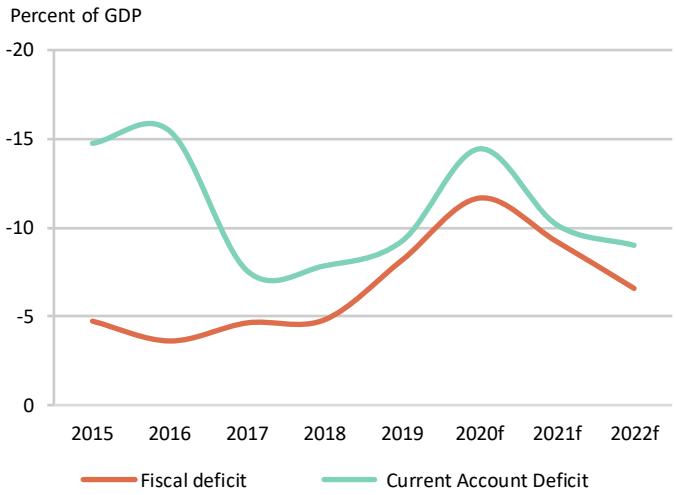
Rwanda's economy has been hit hard by the global COVID-19 crisis. Measures to contain the spread of COVID-19 have suppressed economic activity. After growing by 9.4 percent in 2019, the output contracted by 4.6 percent in the first half of 2020. Hit by COVID-19, the economic contraction was broad-based across sectors. On the production side, the most hit sectors are mining (-40.2 percent), education (-35 percent), hotels and restaurants (-30.4)and transport-related services (-20.5 percent). Construction, which has been the engine of growth in the last two years, saw its output declining by 7.8 percent in H1-2020. On the demand side, the GDP contraction was mainly driven by a 15.8 percent decrease in investment and a widened negative net exports (-15 percent). The recovery is expected to begin by year's end, and GDP growth for 2020 is projected at about 2.0 percent. Given the country's strong reliance on agricultural employment, the projected deceleration of agricultural output growth rate (to 2.3 percent) might result in poverty increases in rural areas.

The collapse of exports is driving a further deterioration of the current account to a projected deficit of 14.5 percent of GDP for 2020. In H1-2020, exports declined by about 35 percent (yoy) due a lower global demand as well as lower prices for Rwanda's main export items (coffee and minerals-tin, coltan and wolfram). Imports declined only by 4.9 percent (yoy) driven by lower purchases of capital (-17.4 percent) and intermediary goods (-2.8 percent) reflecting disrupted global-supply chains and reduced domestic activities due to COVID-19. The government relies heavily on concessional borrowing and grants to cover external financing needs. Nevertheless, official reserves are expected to decline from 5.4 months of imports in 2019 to 3.3 months in 2020.

Declining economic activities in H1-2020 resulted in lower revenue collection, eroding Rwanda's fiscal space. In FY2019/20, revenue performance recorded a 6.1 percent shortfall in domestic revenues compared to the revised budget prior-COVID-19 compared to only 0.5 percent underspending. The fiscal deficit reached 9.4 percent of GDP in FY2019/20, increasing from 5.6 percent in FY2018/19. In 2019, public debt is estimated at 58.5 percent of GDP (from 52.4 percent in 2018). The deterioration in the prospects for Rwanda's output and export growth, coupled with an increase in borrowing needs due to the pandemic, led to a change in the risk rating of debt distress from "low" to "moderate" in the DSA of June 2020.

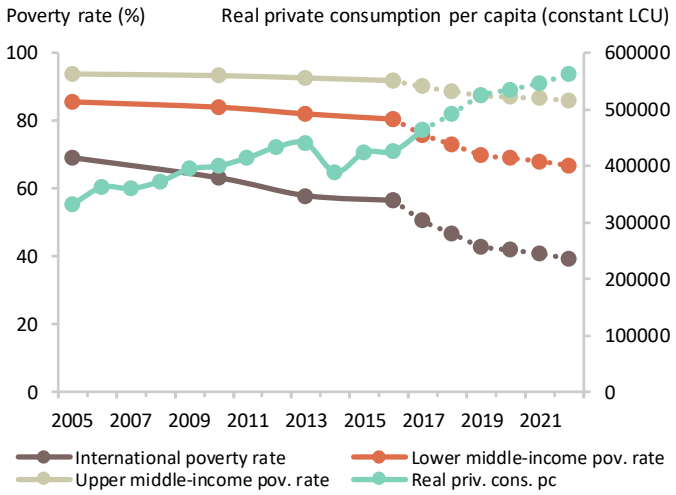
The fiscal deficit is expected to widen to about 11.5 percent of GDP in 2020. The government announced in April a US$900 million economic recovery plan (ERP) to support households, the private sector, and key infrastructure services to boost employment. To protect the poor and vulnerable affected by the pandemic, the government is expanding the coverage of the social protection program, and as part of the ERP is implementing a food distribution program, cash transfers to casual workers, subsidized access to agricultural inputs, and measures to ensure poor households' access to basic health and

FIGURE 1 Rwanda / Twin Fiscal and Current Account deficits



Sources: National Institute of Statistics of Rwanda; World Bank staff estimates.

FIGURE 2 Rwanda / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

education. In March, the central bank responded to the crisis with measures to support liquidity including notably an extended lending facility (0.5 percent of GDP), and a reduction in the reserve requirement ratio from 5 to 4. In April, the central bank cut the policy rate by 50 basis points, to 4.5 percent. Inflation reached 9.2 percent in July 2020, from 7.3 percent in January 2020, driven by rising food and transport prices.

Based on the latest household survey in 2016/17, 55.5 percent of the population lived under the international poverty line of US$1.90 (2011 PPP), down from 62.3 percent in 2010/11. Although growth was broadly shared and inequality fell in the period, growth in household consumption was modest.

Outlook

Rwanda's medium-term outlook has deteriorated due to COVID-19. GDP is now projected to grow by 6.3 percent in 2021—well below the 8.0 percent growth forecast before the crisis—with a gradual recovery to its pre-crisis trajectory by 2022. The current forecast assumes a progressive lifting of the lockdown in Rwanda and complete control of the pandemic by the end of 2020. It also assumes a recovery in global demand, higher prices for Rwanda's export commodities, a resumption in international business travel and leisure tourism, and implementation of the ERP.

Fiscal pressures will persist. The budget deficit is projected to fall slightly to 9.2 percent of GDP in 2021 and remain elevated in the medium-term. Tax revenue is likely to remain below 15 percent of GDP. Meanwhile, total spending will remain at around 30 percent of GDP in 2021, in part due to increased spending on public health and to mitigate the impact of the crisis on vulnerable households. In addition to higher financing requirements, the government will reallocate fiscal resources to priorities as defined in the ERP.

Risks and challenges

Risks are firmly titled to the downside. A major risk is that domestic and global outbreaks are not brought under control as quickly as currently expected. The crisis could be worse than anticipated in case of a second wave with winter, and/or delay in vaccine development or distribution. Deteriorating global conditions resulting from a prolonged pandemic could further weaken Rwanda's fiscal and external imbalances while inhibiting growth and poverty reduction, depressing Rwanda's trade, hospitality and investment activities. As COVID-19 spreads locally, stringent containment measures would disrupt economic activity further and lead to a fall in GDP in 2020, followed by slower recovery in 2021. Weather shocks remain a perennial risk and could adversely affect agricultural output.

With government debt rising sharply, Rwanda has limited fiscal space to both address the pandemic and pursue investment-driven growth in the absence of donor interventions. Public and publicly guaranteed debt is expected to rise to 76.3 percent of GDP by 2022. Failure to back up the implementation of the ERP by a clear fiscal reallocation strategy could further drive up Rwanda's public debt and impede the delivery of critical services for growth and poverty reduction in the long run.

TABLE 2 Rwanda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.0	8.6	9.4	2.0	6.3	7.6
Private Consumption	11.4	8.6	9.0	4.5	4.5	5.4
Government Consumption	7.5	4.5	17.4	3.9	4.6	-6.0
Gross Fixed Capital Investment	-9.9	5.4	30.6	1.8	5.7	21.3
Exports, Goods and Services	29.2	6.8	4.9	-18.0	45.5	12.6
Imports, Goods and Services	35.1	3.0	20.2	-2.7	18.7	10.1
Real GDP growth, at constant factor prices	4.6	8.5	8.9	2.0	6.3	7.6
Agriculture	4.7	6.1	5.0	2.3	5.2	5.5
Industry	1.5	8.7	16.5	4.0	9.4	11.6
Services	5.6	9.7	8.2	1.1	5.7	7.0
Inflation (Consumer Price Index)	4.9	1.4	2.4	6.4	3.7	5.5
Current Account Balance (% of GDP)	-7.6	-7.9	-9.2	-14.5	-10.2	-9.0
Net Fore i999999	2.7	2.9	3.3	1.2	2.4	3.0
Fiscal Balance (% of GDP)	-4.6	-4.8	-8.1	-11.6	-9.2	-6.6
Debt (% of GDP)	48.7	52.4	58.5	68.1	75.4	76.3
Primary Balance (% of GDP)	-3.6	-3.6	-6.8	-10.1	-7.1	-4.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	50.5	46.7	43.0	41.9	40.8	39.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.8	72.9	69.9	68.9	68.0	66.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	90.1	88.8	87.5	87.1	86.7	86.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.

(b) Projection using average elasticity (2010-2016) with pass-through = 0.7 based on private consumption per capita in constant LCU.

SÃO TOMÉ AND PRÍNCIPE

Table 1	2019
Population, million	0.2
GDP, current US$ billion	0.4
GDP per capita, current US$	1995.7
International poverty rate ($19)[a]	35.6
Lower middle-income poverty rate ($3.2)[a]	65.4
Upper middle-income poverty rate ($5.5)[a]	86.4
Gini index[a]	56.3
School enrollment, primary (% gross)[b]	106.8
Life expectancy at birth, years[b]	70.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2017), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

The COVID-19 pandemic has deteriorated São Tomé and Príncipe (STP)'s already-fragile economy. Tourism, one of the main economic activities, has come to a standstill, pushing the country into a deep economic recession. A recovery in 2021 is conditional on a recovery in international travel and expansion of commercial agriculture. Extreme poverty is projected at 39.5 percent in 2020. To promote a sustainable economic recovery, STP needs to implement structural reforms to address macro-fiscal vulnerabilities and develop a competitive private sector.

Key conditions and challenges

Growth in STP has long been driven by an unsustainable reliance on public expenditures, especially grant- and debt-financed public investment. The country's remoteness, lack of competitive exports and low human capital hold back growth.

Its persistent fiscal and current account deficits have led to debt accumulation and present an ongoing threat to the fixed exchange rate regime. Key reforms, including on energy and taxation are critical to maintain stability and create conditions for a private sector-led growth model.

The COVID-19 pandemic hit STP's economy primarily through a near-halt in tourism, which is a large and promising industry in STP (accounting for about 10 percent of GDP, although less than 5 percent of employment). A prolonged COVID-19 outbreak in STP or tourism origin countries could delay the recovery in international travel – and STP's economy. Additional risks stem from the fragile energy sector that needs urgent investment and governance reforms. The ongoing economic and health crisis along with presidential elections expected in 2021, could cause delays to reforms. Risks to the reform agenda are partially mitigated by the IMF program and support from other development partners.

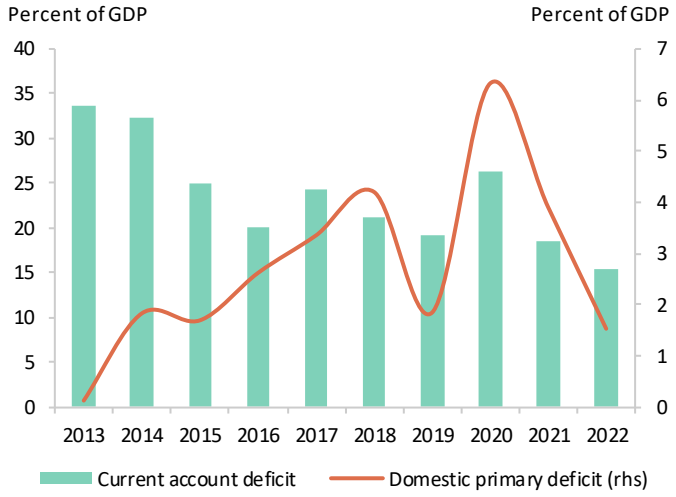
Recent developments

The COVID-19 pandemic has pushed STP into its first recession since 1992. Real GDP is estimated to contract by 6.5 percent in 2020, with the contraction concentrated in services. Industrial output is also expected to contract due to lower public investment and delays in externally financed projects. Supply-chain disruptions are also likely to depress agricultural activity. The pandemic-related uncertainty has also constrained foreign direct investment (FDI). Reduced external and domestic demand, along with scarcity of imported inputs are weighing on the agricultural sector.

The crisis has widened STP's current account deficit. In the first quarter of 2020, a new palm-oil producer started to export, increasing the share of palm-oil exports to almost 46 percent of total goods exports. However, goods exports fell by 5 percent YoY in April 2020 as global conditions deteriorated. Tourist arrivals were initially strong in 2020 but stopped abruptly in early-March and had not yet resumed by early September. Net international reserves increased to US$39 million in May 2020 (equivalent to 3.7 months of imports) from US$32 million at end-2019, bolstered by emergency lending, including from the IMF.

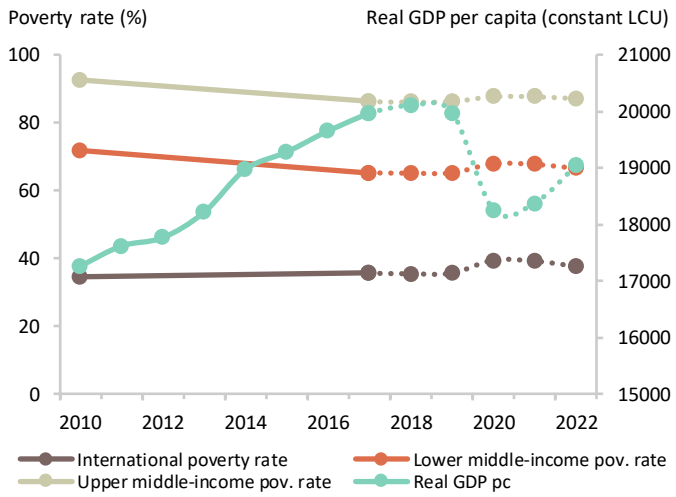
Pandemic restrictions have triggered inflationary pressures, with prices rising 10.1 percent YoY in June 2020 driven by higher food prices. The tight monetary policy stance that had reduced inflation

FIGURE 1 São Tomé and Príncipe / Twin Current Account and Primary Fiscal Deficits



Sources: Government authorities, IMF and World Bank staff estimates and projections.

FIGURE 2 São Tomé and Príncipe / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

to 7.7 percent in 2019 was relaxed to provide emergency liquidity support to the banking sector.

Finally, the pandemic response has widened the budget deficit, reversing the effects of strong fiscal consolidation measures in 2019. Lower domestic revenues and additional health and social protection expenditures to address the pandemic have increased the primary deficit, which is estimated to reach 6.3 percent of GDP in 2020 and push public debt to 105.2 percent of GDP. STP remains in debt distress due to long-standing external arrears under negotiations but remaining debt is deemed sustainable under programmed policies.

Outlook

A partial economic recovery is expected in 2021, with real output reaching its pre-crisis level in 2022. However, this is conditional on the COVID-19 outbreak being controlled and tourists' being willing to return. Agricultural activity is expected to expand due to the recovery of global commodity prices, while higher public investment and implementation of externally financed projects are expected to boost industrial activity.

With a recovery of the tourism sector, the current account deficit (excluding grants) should return to pre-crisis levels of around 17.0 percent of GDP in 2021–22. The trade balance is projected to improve, driven by higher palm oil exports and a slow recovery of imports. FDI, oil-related and other, is expected to increase as global oil prices recover and the government implements structural reforms to attract private investors.

Inflation is projected to decline to 8.0 percent by the end of 2020 as the lifting of the pandemic-related disruptions relieves inflationary pressures. Additionally, fiscal consolidation and tighter monetary policy are expected to reduce inflation in the medium-term. But the planned introduction of VAT in 2021 may create additional inflationary pressures.

Fiscal balances are expected to improve in the medium-term as the government resumes fiscal consolidation, improves tax collection, and adopts measures to reduce losses on the electricity sector. These should contribute to a gradual decline in public debt. Additionally, the authorities are committed to borrow externally only on concessional terms under the IMF program.

Weaker employment opportunities arising from the pandemic and higher food inflation are expected to increase food insecurity and extreme poverty. The share of São Toméans living in extreme poverty ($1.90 per day in 2011 PPP) is expected to increase to 39.5 percent in 2020, from an estimated 35.6 percent in 2019, and gradually decrease to 37.6 percent in 2022. The COVID-19 has revealed the value of STP early investment in a social safety net (SSN) system. The Government quickly adapted its social protection programs to provide timely support. Two support packages were deployed. First, the Government quickly provided immediate support through the delivery of advanced payments to existing SSN beneficiaries for the equivalent of 4 months. Second, a nine-month temporary cash transfer program for 20,000 families has been approved, is under preparation and it is expected to start in 2021.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.8	2.9	1.3	-6.5	3.0	5.5
Real GDP growth, at constant factor prices	4.0	2.1	1.8	-6.5	3.0	5.5
Agriculture	1.6	-3.3	-0.9	-2.1	2.8	3.0
Industry	3.0	0.8	-0.3	-3.2	3.2	2.8
Services	4.6	3.1	2.7	-7.8	3.0	6.5
Inflation (Consumer Price Index)	5.7	7.9	7.8	7.9	8.0	5.9
Current Account Balance (% of GDP)	-13.2	-12.4	-12.4	-17.0	-11.9	-9.3
Fiscal Balance (% of GDP)	-5.1	-2.9	-1.3	-4.6	-3.7	-1.5
Debt (% of GDP)	84.3	96.2	97.7	105.2	105.1	100.3
Primary Balance (% of GDP)	-4.6	-2.5	-0.6	-3.8	-3.2	-1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	35.6	35.5	35.6	39.5	39.2	37.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.4	65.2	65.4	68.0	67.9	66.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	86.4	86.2	86.4	87.8	87.8	87.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2017-IOF. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2017) with pass-through = 0.7 based on GDP per capita in constant LCU.

SENEGAL

Table 1	2019
Population, million	16.7
GDP, current US$ billion	23.6
GDP per capita, current US$	1407.3
International poverty rate ($ 1.9)[a]	38.5
Lower middle-income poverty rate ($ 3.2)[a]	68.4
Upper middle-income poverty rate ($ 5.5)[a]	88.4
Gini index[a]	40.3
School enrollment, primary (% gross)[b]	81.0
Life expectancy at birth, years[b]	67.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2011), 2011 PPPs.
(b) Most recent WDI value (2018).

The COVID-19 outbreak will halt years of strong economic performance, with growth slowing from 5.3 percent in 2019 to -0.7 percent in 2020. The fiscal deficit of 6.2 percent of GDP in 2020 reflects the attempt to accommodate the shock. The current account deficit widens as exports and remittances slow, financed by increased external support. Recovery will be gradual while poverty increases following disruption of labor income, remittances, basic services and food inflation. The key risk is a protracted crisis

Recent developments

The COVID-19 outbreak halted years of strong economic performance. Growth averaged 6.3 percent between 2016-19, despite slowing to 5.3 percent in 2019 (2.5 percent in per capita terms) due to poor agriculture performance. 2020Q1 saw growth decelerate to 1.4 percent compared to 5.7 percent in 2019Q1. Services were not only the largest contributor to growth in 2019, but also took the largest hit in 2020Q1, contracting by 0.9 percent due to weak real estate, hospitality and ICT activity. On the demand side, private consumption and investment, the main drivers of growth, were severely cut in the wake of the pandemic. Inflation was subdued at 1 percent in 2019, consistent with an output gap close to zero, but picked up to 2 percent in June 2020, due to higher food and transport prices.

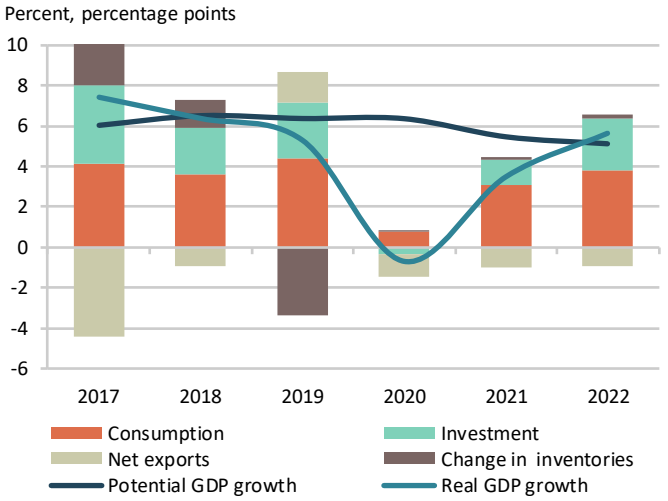
The external current account deficit (CAD) declined from 9.1 percent of GDP in 2018 to 7.7 percent of GDP in 2019 reflecting an improved trade balance. Strong export performance coupled with lower oil-import prices, helped offset the increase in hydrocarbon-related capital imports. However, international supply chain disruptions and weak global demand since March 2020 have weakened exports, notably related to tourism and transport services. While the 2019 CAD was financed by Foreign Direct Investment (FDI) and increased external debt, urgent 2020 Balance of Payments needs are largely met by concessional external financing.

Fiscal pressures increased in 2019 and have been aggravated by the COVID-19 crisis. The fiscal deficit widened to 3.8 percent in 2019, including a one-off debt-financed central government transfer to the electricity utility SENELEC. By May 2020, crisis related expenditures and lower revenues pushed the deficit to 5.9 percent of GDP, compared to 3.9 percent by May 2019. Public debt increased to 63.8 percent in 2019, driven by hydrocarbon investment, below the line operations, and SOE debt. The debt composition has shifted toward external borrowing while the risk of debt distress increased to moderate. Public debt in 2020 will increase to 69.8 percent of GDP, however, Senegal's participation in the global Debt Service Suspension Initiative (DSSI) provides short term liquidity of 0.6 percent of GDP.

Senegal's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and Euro. Its reserves reached 5.4 months of imports in 2019 due to fiscal consolidation and higher net capital inflows. The real effective exchange rate (REER) depreciated by 3.8 percent in 2019, mainly due to inflation differentials between WAEMU and trading partners. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of monetary and macroprudential measures since March 2020, including policy rate cut and extended refinancing operations of 3-month COVID-19 bonds.

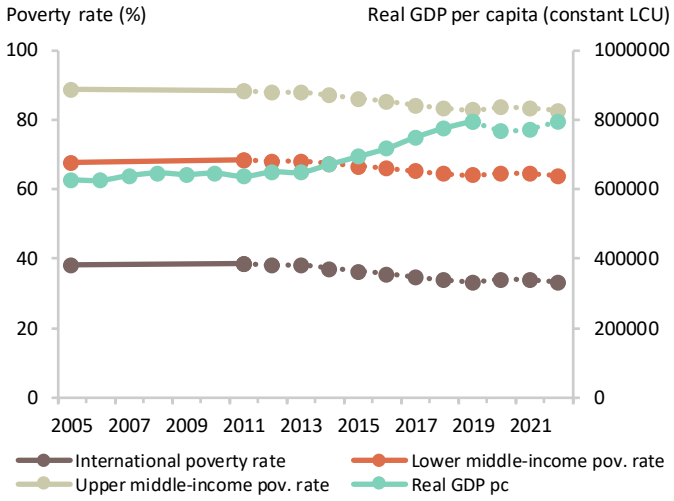
The financial sector remains sound. Deposits continued to increase at 7.9 percent

FIGURE 1 Senegal / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates.

FIGURE 2 Senegal / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2

in 2019 and credit growth increased from 4.7 percent in 2018 to 6.7 percent in 2019. Gross non-Performing Loans (NPLs) as a share of total loans increased from 13.1 percent at end-2018 to 13.9 percent in end-2019. So far, COVID-19 has not significantly reduced bank lending while NPLs decreased to 13.5 percent by end April.

The incidence of extreme poverty, benchmarked against the international poverty line (US$1.90 a day, 2011 PPP), declined from 36.5 percent to 33.4 percent between 2015 and 2019, attributable to agriculture growth, increasing employment in Dakar, access to basic services and low inflation.

Outlook

Growth will be negative at -0.7 percent in 2020 as lower exports and remittances subdue private consumption. GDP per capita will contract by 3.3 percent. As uncertainty affects capital allocation, investment will slow in 2020, but increasingly drive growth in the medium term. Assuming the pandemic recedes by end-2020, growth would gradually recover to 5.6 percent in 2022. The current shock opens a negative output gap. Hydrocarbon production would support economic performance from 2023. Productivity growth, prudent monetary policy and exchange rate stability should keep inflation around 2 percent.

The external current account deficit will widen to 11.4 percent by 2022. Favorable Terms of Trade (for oil and gold) and stronger export performance would begin to offset continued investment-related import growth thereafter. Short-term financing needs may be difficult to satisfy by tight regional markets and subdued FDI, putting the burden on external concessional financing. WAEMU reserves would reach about 4.2 months of imports by 2021 as member countries digest the COVID-19 crisis, increasing fiscal spending and facing lower capital inflows.

The fiscal deficit is expected to peak at 6.2 percent of GDP in 2020 but return to the WAEMU target of 3 percent of GDP after 2022. After revenue shortfalls in 2020, tax revenue mobilization – supported by a medium-term revenue strategy –coupled with prudent current spending - would create fiscal space to gradually increase investment and social expenditures. Fiscal vulnerabilities will be contained while reform and investment implementation would increasingly crowd in the private sector. Total public debt would start to gradually decrease from 2023.

COVID-19 impacts household welfare significantly. Instead of falling by an additional 2.7 ppts. between 2019 and 2022, extreme poverty incidence is projected to increase by almost 1 ppt. in 2020. Indeed, short-run simulations using the latest survey (2018/19) suggest the shock may have pushed an additional 600,000 people near or into poverty during 2020Q2. Impacts are uneven across the welfare distribution and last, depending on socio-economic and demographic characteristics, while gender gaps may be exacerbated.

Risks and challenges

Downside risks are high. A protracted or recurring Coronavirus outbreak would raise fiscal pressures and economic losses into 2021, delaying recovery and increasing poverty. Weaker revenue mobilization, uncertainty around hydrocarbon production, and slower progress on investment climate reforms could negatively weigh on investment, exports, and fiscal revenues. A protracted crisis coupled with weather shocks could curb agricultural growth while lower social spending and disruptions in basic services could affect households' capacity to invest and protect human capital.

TABLE 2 Senegal / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	7.4	6.4	5.3	-0.7	3.5	5.6
Private Consumption	4.9	4.3	4.8	-0.3	3.6	4.6
Government Consumption	4.0	3.8	8.1	7.1	4.3	3.7
Gross Fixed Capital Investment	15.4	8.4	10.0	-1.2	4.2	8.9
Exports, Goods and Services	8.2	9.6	9.9	4.1	6.4	7.2
Imports, Goods and Services	16.7	7.6	1.8	5.4	6.2	6.6
Real GDP growth, at constant factor prices	7.0	6.3	5.0	-0.7	3.5	5.6
Agriculture	11.5	7.9	2.9	3.0	4.3	6.9
Industry	7.1	7.5	5.8	1.1	3.8	4.7
Services	5.8	5.3	5.2	-2.6	3.2	5.7
Inflation (Consumer Price Index)	1.3	0.5	1.0	2.0	2.0	1.9
Current Account Balance (% of GDP)	-7.4	-9.1	-7.7	-9.0	-10.5	-11.4
Fiscal Balance (% of GDP)	-3.0	-3.9	-3.8	-6.2	-4.6	-3.1
Debt (% of GDP)	61.0	62.1	63.8	69.8	72.5	72.8
Primary Balance (% of GDP)	-1.1	-1.9	-1.9	-4.0	-2.6	-0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	34.7	33.9	33.4	34.1	33.9	33.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	65.2	64.6	64.1	64.7	64.6	64.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	84.3	83.5	82.9	83.7	83.5	82.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2005-ESPS-I and 2011-ESPS-II. Actual data: 2011. Nowcast: 2012-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

SEYCHELLES

Table 1	2019
Population, million	0.1
GDP, current US$ billion	1.6
GDP per capita, current US$	16752.4
Lower middle-income poverty rate ($3.2)[a]	3.1
Upper middle-income poverty rate ($5.5)[a]	7.0
Gini index[a]	46.8
School enrollment, primary (% gross)[b]	100.4
Life expectancy at birth, years[b]	72.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011PPPs.
(b) Most recent WDI value (2018).

Real GDP in Seychelles is projected to decline by double digits in 2020 due to COVID-19 and the reliance of the country on tourism. In the medium-term, economic growth is expected to rebound, but the fiscal burden attached to the government's response package is expected to linger and substantially delay the country's ability to reach its debt target. Poverty is expected to increase in 2020 due to the impact of COVID-19.

Key conditions and challenges

Seychelles continues to grapple with the impact of COVID-19 on its economy as the implementation of strict measures to contain the spread of the virus causes spillovers in the travel industry. The Government of Seychelles responded to the effect of COVID-19 on the economy with measures to mitigate the economic fallout on businesses and households. In addition, the government requested emergency financing from the IMF (US$31.5 million), African Development Bank (US$ 10 million) and the World Bank (US$15 million) which were approved on May 8, 2020, June 23, 2020 and June 25, 2020, respectively.

Absolute poverty in Seychelles is low (at 7 percent in 2013) when measured against the high-income poverty line of USD 5.5 a day per capita. Inequality, however, is significant with a Gini coefficient of 0.47. The country's very generous social protection system is not addressing inequality in a cost-efficient manner and has shortcomings in setting incentives for formal labor market participation, while rapidly spreading drug use is imposing an increasing human and economic cost. Rising labor demand has been met by a surge in expatriate workers in recent years as labor force participation of Seychellois at 65 percent in Q3 remains rather low and is declining (70 percent in 2014).

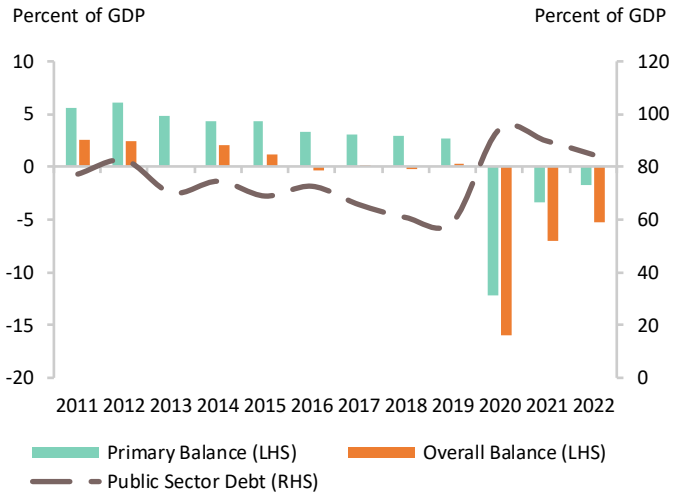
Contingent liability poses significant risks. State-owned enterprises in Seychelles have substantial debt, amounting to approximately 13 percent of GDP (IMF PCI 2019), including non-guaranteed debt to state-owned enterprises. The weak financial position of Air Seychelles has been exacerbated by COVID-19. Air Seychelles has requested US $15 million from the government to pay its debt incurred from two bonds procured by Etihad Airline. The airline has already received assistance of R109 million to guarantee its employees' salaries until December 2020 and planned annual budget transfers over the next five years account for US$6 million (0.4% of GDP).

Recent developments

Economic growth in 2020 is expected to decline to -15.9 percent as tourist arrivals are projected to decline by more than 60 percent. The fall in tourism activities will have a domino effect on other sectors. To improve short run liquidity, the Central Bank of Seychelles loosened the monetary policy rate in Q3 2020 from 4.0 percent to 3.0 percent. The inflation rate for 2020 is projected at 3.9 percent due primarily to the depreciation of the domestic currency (30.7 percent since January 2020). The current account deficit is expected to reach 28.3 percent of GDP in 2020 and gross international reserves (GIR) are estimated to decline from US$500 (6.0 months of imports) to around US$339 million by end-2020, equivalent to only 2.7 months of imports.

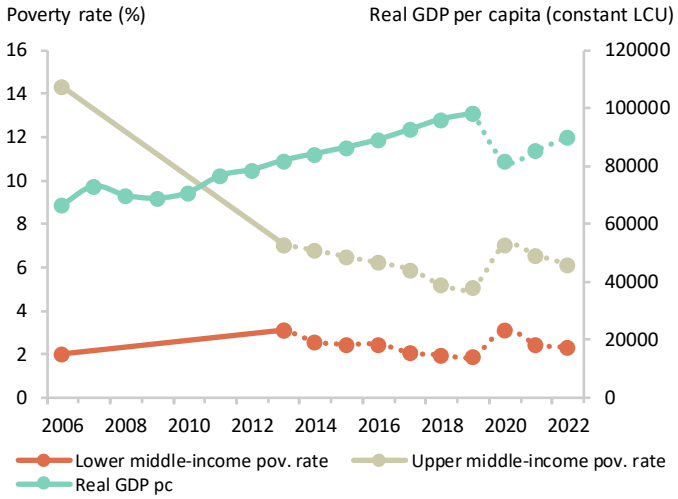
As at July 2020 (January to July), total revenue collection underperformed the budgeted revenue collection by 16 percent.

FIGURE 1 Seychelles / Fiscal balance and public sector debt



Sources: WDI and staff estimates

FIGURE 2 Seychelles / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Expenditures are expected to increase drastically due to higher spending associated with the government's COVID-19 response package. Consequently, the fiscal deficit is expected to increase to -16.0 percent of GDP in 2020. Seychelles' debt to GDP ratio is expected to increase to 94.3 percent of GDP in 2020 due to the shocks (GDP and exchange rate) of the pandemic.

Negative growth in 2020 is expected to take a toll on poverty reduction in Seychelles. Vulnerable households linked to economic sectors affected by COVID-19 face a substantially elevated risk of falling into poverty, at least in the short-run. While the full impact of COVID-19 on poverty in 2020 is not yet known, poverty is projected to rise to 7 percent in 2020. The unemployment rate in Seychelles jumped to 4.8 percent in the first quarter of 2020, from 2.3 percent in the last quarter of 2019. In the second quarter of 2020, the unemployment rate is expected to increase. However, job loss is expected to be mitigated by the financial assistance for job retention program implemented by the government of Seychelles.

Outlook

Economic growth is expected to remain subdued in the medium-term as global tourism remains on a standstill and consumption remains subdued. A recovery of the domestic economy to pre-COVID-19 levels is conditional on a rebound of the global economy and a revival of the travel industry. As such, the reduction in economic activity is expected to persist in the short to medium term.

The fiscal deficit is expected to contract over the medium-term, as the increase in spending associated with COVID-19 subsides and revenue collection rebounds. The increase in revenue collection will be driven by a resumption of economic activities, although generous loss-carry forward provisions and gradual recovery in tourism will likely continue to suppress VAT and business tax collection below pre-crisis levels for several years to come. This recovery in revenue is below the pre-COVID projections and revenue will not reach pre-COVID 2019 levels until 2025, in line with the recovery path of the tourism sector. Meanwhile, expenditure is projected to remain higher than pre-crisis levels in 2021 due to increase capital spending (this might not materialize due to execution constraints). The debt to GDP ratio would remain above the debt target <50 percent of GDP in the medium-term (that was to be reached by 2021), by several years.

Poverty is projected to slowly continue to decline to 5 percent by 2022 ($5.5 a day per capita line), following an increase to 7 percent in 2020 due to COVID-19. Inequality is expected to increase due to COVID-19 and continue to increase in the medium-term if underlying challenges are not addressed. The 2018 household budget survey is expected to deliver a much-needed update on the most recent trends in poverty and inequality.

TABLE 2 Seychelles / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.3	4.1	2.0	-15.9	3.1	3.8
Private Consumption	14.8	3.3	4.8	-13.6	9.1	5.0
Government Consumption	6.3	8.8	-0.2	3.9	0.2	-3.2
Gross Fixed Capital Investment	-2.2	3.8	-2.7	-37.9	29.0	9.7
Exports, Goods and Services	9.6	2.9	2.0	-40.8	31.5	7.2
Imports, Goods and Services	11.6	4.0	0.9	-38.2	38.2	6.5
Real GDP growth, at constant factor prices	3.9	4.1	1.8	-15.9	3.1	3.8
Agriculture	3.3	0.9	1.1	0.7	0.9	1.3
Industry	-2.2	2.4	2.1	1.8	1.7	2.5
Services	4.8	4.4	1.7	-18.5	3.4	4.0
Inflation (Consumer Price Index)	3.5	3.7	2.0	3.9	2.9	2.9
Current Account Balance (% of GDP)	-20.7	-19.6	-18.8	-28.4	-28.1	-28.2
Net Foreign Direct Investment (% of GDP)	18.2	17.2	17.7	4.2	14.7	16.6
Fiscal Balance (% of GDP)	0.0	-0.2	1.0	-16.0	-7.2	-5.3
Debt (% of GDP)	63.9	59.7	58.7	94.3	91.6	87.8
Primary Balance (% of GDP)	3.1	2.9	3.6	-12.2	-3.2	-1.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	2.1	2.0	1.9	3.1	2.5	2.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	5.9	5.2	5.1	7.0	6.6	6.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2013-HBS. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2013) with pass-through = 1 based on GDP per capita in constant LCU.

SIERRA LEONE

Table 1	2019
Population, million	7.9
GDP, current US$ billion	3.7
GDP per capita, current US$	471.1
International poverty rate ($19)[a]	43.0
Lower middle-income poverty rate ($3.2)[a]	76.0
Upper middle-income poverty rate ($5.5)[a]	92.7
Gini index[a]	35.7
School enrollment, primary (%gross)[b]	112.8
Life expectancy at birth, years[b]	54.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011PPPs.
(b) Most recent WDI value (2018).

Sierra Leone's economy is expected to contract by 3.1 percent in 2020 with the collapse in services sector output. On the demand-side, the contraction will be driven by the decline in investment and net exports. Growth is expected to rebound to 2.7 percent in 2021 and further to 4.2 percent in 2022 driven by the recovery in agriculture, mining and services. Downside risks to this outlook include a more severe COVID-19 outbreak, higher-than-expected inflation, financial sector weakness, growing unemployment and poverty.

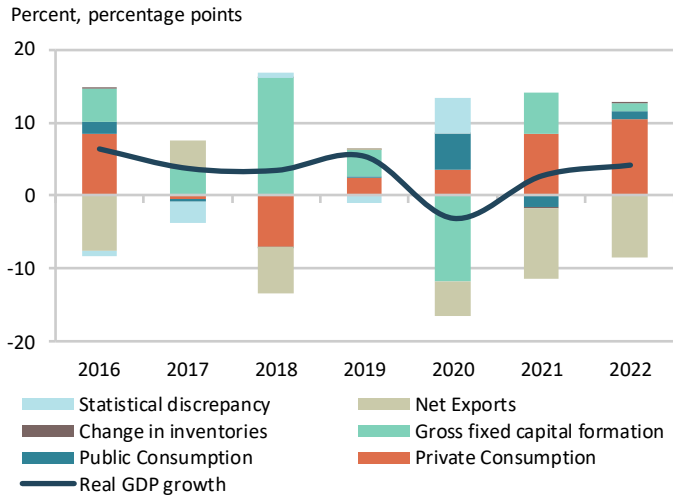
Recent developments

After growing by 5.4 percent in 2019, Sierra Leone's economy is projected to contract by 3.1 percent in 2020 due to a sharp contraction in the services sector, reflecting suspension of international flights, closure of land borders and lumas (weekly open-air markets in rural areas) and business closures, especially in the hospitality sector. Growth in agriculture is expected to slow with disruptions in labor supply due to the lockdown and delivery of key inputs such as seeds and fertilizers. Nearly two-thirds of rural households reported planting less rice this season, forewarning increasing food insecurity and lower agricultural production (COVID-19, Impact Monitoring Survey in Sierra Leone (CIMS), July 2020). On the demand side, the contraction of the economy is explained by lower investment and net exports, reflecting COVID-19 related uncertainties and global trade disruptions. Nonetheless, public and private consumption will remain strong with increased spending on health, support to vulnerable households (through social safety nets programs) and businesses and demand for essential commodities, including food. The proportion of households below the international poverty line is projected to increase to 44.2 in 2020 due to reduced income from self-employment activities and lower agricultural production.

Headline inflation is projected to reach 15.6 percent by end-2020 from 14.8 in 2019, reflecting food supply constraints as lockdowns and border closures disrupted domestic and international food supply chains. Food inflation (year-on-year), which had declined to 5.4 percent by end-December 2019, reached 17.3 percent at end-July 2020. Four months into the pandemic, 8 out of 10 households reported having difficulty getting enough food compared to a year ago, due mainly to a decline in income and increased prices. Nonfood inflation declined sharply from 21.1 percent to 10.2 percent at end-July 2020, reflecting lower prices for transportation, hotels and restaurant and goods and services. The Bank of Sierra Leone (BSL) lowered its policy rate by 150 basis points, to 15 percent, and rolled out a Le500 billion Special Credit Facility to ease supply chain constraints. Consequently, money supply (M3) grew by 20.4 percent by end-June 2020 from 14.5 percent in December 2019 due to increased credit. The Leone depreciated by 5.1 percent against the US dollar in the first half of 2020, reflecting lower-than-expected export receipts. The current account deficit (CAD) is expected to widen to 15.5 percent of GDP in 2020 from 14.0 percent in 2019, due largely to the widening of the trade deficit as exports fall while imports increased. The BSL's regular foreign exchange auctions provided liquidity to facilitate imports of food and fuel. The current account deficit will be financed by an increase in external reserves through budgetary and balance of payments supports from development partners.

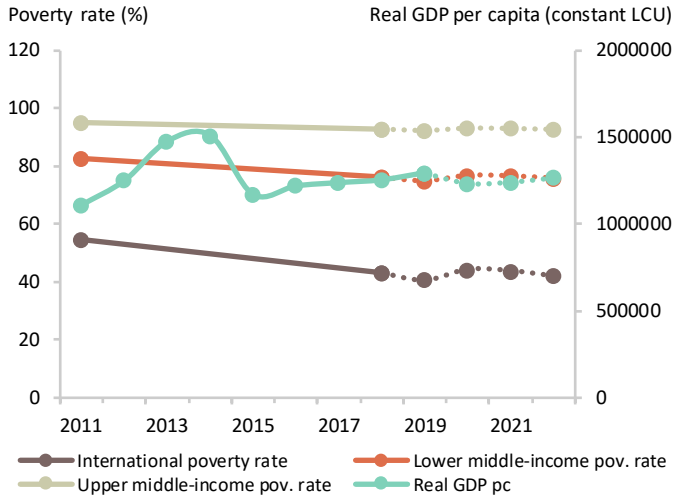
Depressed economic activity is expected to reduce domestic revenues, from a budgeted 14.8 percent of GDP to an estimated 13.0 percent of GDP. The revenue shortfall could be offset by increased

FIGURE 1 Sierra Leone / Real GDP growth and contributions to real GDP growth



Sources: Sierra Leonean authorities and World Bank staff estimates and projections.

FIGURE 2 Sierra Leone / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

budget support grants from development partners. Total expenditure is projected increase to 26.1 percent of GDP from 20.6 percent of GDP in 2019 with increased spending to implement public health measures and mitigate the impact of the crisis on households and businesses. To address emerging fiscal crisis, the Government submitted a supplementary budget to parliament on July 24, 2020, with proposed cuts to nonessential expenditures and funding for its COVID-19 response. The overall fiscal deficit is projected to increase to 5.8 percent of GDP compared to an original projection of 3.3 percent of GDP. The deficit will be financed from both foreign (0.5 percent of GDP) and domestic sources (5.3 percent of GDP). Total public debt is projected at 79.4 percent of GDP in 2020 (up from 71.7 percent of GDP in 2019), largely reflecting the larger fiscal deficit. Both external and overall risk of debt distress remained "high".

Outlook

The poverty and economic outlook for 2021–22 critically depends on the evolution of the COVID-19 pandemic. Under the assumption of a mild global second wave and the local spread ending by close of 2020, economic growth is projected to rebound to 2.7 percent in 2021 and further to 4.2 percent in 2022 as activities in agriculture, mining, construction and services recover and markets for Sierra Leone's exports reopen. However, in the absence of a robust macro-fiscal response the recovery is likely to be slower. Poverty is expected to slowly decrease in 2021-22 but remain above pre-COVID-19 levels of 40.6 in 2019, as the current economic shock makes it even harder for small businesses and agricultural activities to climb out of a low-productivity trap. Inflation is expected to moderate to 10.2 percent by 2022, supported by increased domestic food production as agriculture and fisheries recover. Post-COVID-19 fiscal consolidation efforts are expected to reduce the budget deficit to 4.2 percent of GDP by 2022, reflecting vigorous revenue mobilization and prudent expenditure management and control especially for payroll and public investment. The CAD is projected to narrow to 12.0 percent of GDP in 2022, driven mainly by increased exports and remittance inflows.

Risks and challenges

Large domestic arrears, weaker demand for Sierra Leone's exports, lower than anticipated FDI inflows, higher than anticipated inflation and financial sector weaknesses represent the main risks to the outlook. First, the large stock of domestic arrears, estimated at Le 2.8 trillion or 7.7 percent of GDP in June 2020, continue to weigh heavily on public finances and could impede post-COVID-19 fiscal consolidation efforts as well as continued expansion of anti-poverty programs. Second, weaker demand for the country's exports due to COVID-19 could worsen the terms of trade, resulting in lower than expected exports. Third, lower than anticipated FDI inflows especially in the mining sector could cause a drag on economic growth and reduce reserves to finance the current account deficit, putting further pressure on the exchange rate. Fourth, the rapid money supply growth supported by various monetary and fiscal stimuli could make it difficult to reduce inflation over the medium term. Fifth, given the preexisting weaknesses in the banking system, COVID-19 is likely to increase uncertainty in the banking sector and increase the risks of loan defaults. Finally, with the closure of about 15 percent of businesses, job losses could become permanent.

TABLE 2 Sierra Leone / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.8	3.5	5.4	-3.1	2.7	4.2
Private Consumption	-0.4	-7.0	2.7	4.0	9.0	10.5
Government Consumption	-4.8	-1.3	2.7	58.3	-11.8	9.5
Gross Fixed Capital Investment	16.2	63.4	9.0	-28.4	18.8	3.1
Exports, Goods and Services	23.3	-34.9	19.2	-4.2	3.0	19.7
Imports, Goods and Services	6.3	-11.5	8.1	5.4	15.8	18.6
Real GDP growth, at constant factor prices	3.7	3.4	5.2	-3.1	2.7	4.2
Agriculture	4.5	3.9	5.6	3.1	3.6	3.9
Industry	-5.3	-2.5	10.2	1.1	7.1	4.6
Services	5.3	4.3	3.2	-13.1	-0.3	4.6
Inflation (Consumer Price Index)	18.2	16.0	14.8	15.6	12.8	10.2
Current Account Balance (% of GDP)	-21.1	-18.8	-14.0	-15.5	-14.3	-12.0
Fiscal Balance (% of GDP)	-8.8	-5.9	-2.8	-5.8	-6.3	-4.2
Debt (% of GDP)	57.8	60.5	71.7	79.4	82.1	78.7
Primary Balance (% of GDP)	-6.6	-4.7	-1.4	0.4	1.0	3.0
International poverty rate ($1.9 in 2011 PPP)[a,b]		43.0	40.6	44.2	43.7	42.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]		76.0	74.8	76.6	76.5	75.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]		92.7	92.1	93.1	93.0	92.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2018) with pass-through = 0.87 based on GDP per capita in constant LCU.

SOMALIA

Table 1	2019
Population, million[a]	15.0
GDP, current US$ billion	4.9
GDP per capita, current US$	327.0
International poverty rate ($19)[b]	69.0
Gini coefficient[b]	34.0
School enrollment, primary (% gross)[b]	33.0
Life expectancy at birth, years[b]	57.1

Sources: World Development Indicators (WDI), IMF & World
Notes:
(a) Estimates based on 2013 population estimates by UNFPA and assumes an average annual population growth of
(b) Somali Poverty and Vulnerability Assessment Report (World Bank, 2019); Life expectancy for 2018 from WDI.

As Somalia faces headwinds from the triple crisis of the COVID-19 pandemic, desert locusts and drought, the economy has contracted by an estimated 1.5 percent in 2020. Poor households and small businesses have received lower remittances and sales revenues, while livelihoods generated from the service sector and agricultural production are under threat. While the economy is showing signs of resilience, both the urban and rural poor are expected to increase, with a heightened sense of vulnerability.

Recent developments

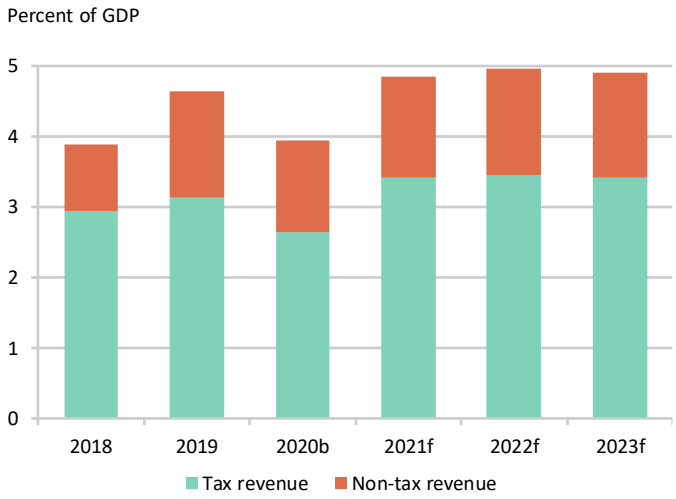
Somalia is facing a "triple crisis" of the COVID-19 pandemic, the locust infestation and floods that has ended several years of modest economic growth. The economy is expected to contract by 1.5 percent in 2020, compared with the pre-crisis forecast of 3.2 percent. COVID-19 containment measures have lowered consumption, particularly in urban areas, and reduced demand for services. As the services sector is the largest employer, accounting for close to 75 percent of employment for youth and women, this has resulted in job losses in both formal and informal segments of the economy. The global downturn curtailed remittances from Somalia's large diaspora in the first half of 2020 compared with the previous year. Small and medium enterprises were particularly affected, as remittances fell by over 17 percent in the second quarter. Meanwhile the floods and desert locusts continue to threaten agricultural production and exacerbate displacement especially among the rural poor. Approximately 3.5 million people are estimated to be food insecure and in need of urgent humanitarian assistance, while close to 0.5 million were displaced by floods by the third quarter of 2020.

Despite the challenging context, the economy is showing signs of strengthening resilience. Prices in Somalia have remained relatively stable, as volatility has been contained by a largely dollarized economy, with notable reductions in fuel prices in line with falling global oil prices. As Somalia has limited manufacturing and productive capacity, the country remains reliant on imports for necessities, including food items. Total imports increased by 3 percent in the first half in 2020 (year on year) as firms adjusted their trading routes amidst disruptions to global supply chains. However, food imports declined by 15 percent, raising concerns over food insecurity. Exports fell by 25 percent in the first half of 2020, largely due to dwindling demand for Somali agricultural products, with adverse consequences for households engaged in livestock.

The triple crisis has put new pressure on public finances. It interrupted the trend of steadily improving tax collection. Revenue collected by the federal government during January–July 2020 was 5 percent lower than in the same period of 2019 and 12 percent below the 2020 target set in January, due mainly to effects of COVID containment but also in part to tax relief measures. The federal government's 2020 supplemental budget, passed in August, appropriated a substantial expansion of cash transfers to households hurt by drought and locusts, along with other new social spending, and increased grants to subnational governments to help them adjust to the crisis.

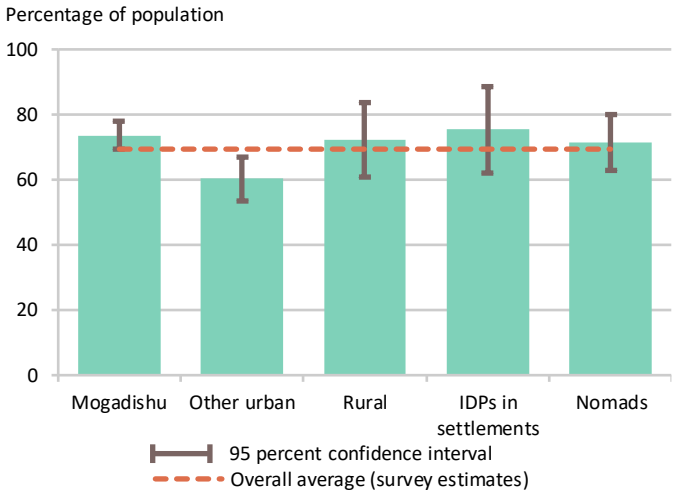
The triple shocks have exacerbated already dire poverty and social conditions. The combined effect of these shocks has had negative impacts on household welfare and food security, particularly affecting the 69 percent of Somali households that live below the poverty line and the 10

FIGURE 1 Somalia / Domestic revenue sources



Sources: Federal Government of Somalia (FGS), World Bank & IMF.

FIGURE 2 Somalia / Actual poverty rates by population group



Source: World Bank.

percent of households that hover slightly above. Transmission channels include reduced incomes, poor agricultural harvest, and lower access to remittances and family assistance that would normally buffer the shocks. Without the needed health capacity to manage a public health emergency, social protection systems to cope with crises, and family assistance to ease the financial stresses, many Somali households face a desperate situation.

Outlook

The economy is expected to rebound during the last quarter of 2020, grow by 2.9 percent in 2021 with the easing of the global pandemic, and enjoy a modest growth acceleration as policy reforms take root. Economic activities have already shown signs of resurging, following the lifting of containment measures. Remittances inflows are projected to remain at over 30 percent of GDP. Meanwhile, lower prices of fuel are projected to continue providing a boost to households and businesses, who face one of the highest prices of electricity in the world.

Fiscal reforms are likely to strengthen Somalia's public finances. Tax and customs administration reforms should enable domestic revenue to regain an upward trajectory in 2021. Stronger financial management controls should enable the government to create fiscal space for investments. The increase in fiscal transfers in the 2020 supplemental budget could improve intergovernmental cooperation and potentially increase political stability.

Already existing widespread poverty and vulnerability are likely to deteriorate due to the multiple shocks. The COVID-19 crisis is likely to affect the urban poor and those working in the informal sector and livestock value chain, while the floods and desert locusts will affect the rural poor and nomadic households. While the number of people living below the poverty line is likely to increase, rapid action has been taken to expand social safety nets.

Risks and challenges

As Somalia prepares for elections, currently slated for early 2021, there is a risk that heightened political tensions over the electoral model (which does not provide for direct elections in its present form) could provide an opportunity for insurgents to increase their foothold. On the upside, a continued commitment to electoral processes complemented by dialogue with the Federal Member States could enhance stability, particularly if discussions surrounding the Provisional Constitution progress.

Further waves of Covid-19 and accompanying mitigation measures could result in a more prolonged than expected economic slump, which could reduce remittance inflows, depressing household consumption and activities of smaller enterprises. Somalia's exposure to climatic shocks remains a source of vulnerability, particularly in rural areas, as ongoing efforts to strengthen water management are only likely to bear fruit in the medium-to-long-term.

Desert locusts continue to pose a risk to the *Gu* season cereal and livestock production and may also pose a threat to the October–December *Deyr* season production, increasing the risks for livelihood insecurity and agricultural production deficits in many parts of the country. In urban areas, there is a greater risk of rising informality and job losses as demand for services falls. Any slowdown in implementation modalities for the safety net expansion could risk exacerbating the situation. Responding to these challenges, the government is creating a unified social registry to build a national database of the poor and vulnerable alongside the expansion of cash transfers.

TABLE 2 Somalia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020e	2021f	2022f	2023f
Real GDP growth, at constant market prices	1.4	2.8	2.9	-1.5	2.9	3.2	3.4
CPI Inflation, annual percentage change	6.1	3.2	3.1	3.0	2.5	2.2	2.2
Current account balance, % of GDP	-9.8	-7.5	-10.5	-12.8	-12.9	-12.9	-13.2
Trade balance, % of GDP	-86.7	-84.8	-83.0	-91.4	-86.8	-88.2	-85.0
Private remittances, % of GDP	31.6	31.4	31.9	31.4	31.0	31.4	30.8
Official grants, % of GDP	46.1	46.6	41.3	47.9	43.7	44.6	41.6
Fiscal balance, % of GDP[a]	0.1	0.1	0.5	0.0	0.7	1.1	0.6
Domestic revenue, % of GDP	3.2	3.9	4.6	4.1	4.6	5.0	5.6
External grants, % of GDP	2.8	1.8	2.2	8.3	6.1	7.4	8.0
Total expenditure, % of GDP	5.9	5.7	6.3	12.4	10.1	11.3	12.9
Compensation of employees, % of GDP	2.8	3.0	3.3	4.7	4.8	5.1	5.5

Source: World Bank (2020) and IMF (2020).

Notes: e = estimate, f = forecast, (a) Federal Government of Somalia (FGS).

SOUTH AFRICA

Table 1	2019
Population, million	58.6
GDP, current US$ billion	351.4
GDP per capita, current US$	5997.6
International poverty rate ($19)[a]	18.7
Lower middle-income poverty rate ($3.2)[a]	37.3
Upper middle-income poverty rate ($5.5)[a]	56.9
Gini index[a]	63.0
School enrollment, primary (% gross)[b]	100.9
Life expectancy at birth, years[b]	63.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

With the most cases in Africa and a very strict lockdown that brought the economy to a standstill, South Africa has been hard hit by COVID-19. Growth is projected to contract by 7.2 percent this year and to rebound moderately in 2021 as pre-existing structural constraints – such as electricity shortages - become binding again. Public debt is expected to reach 82.3 percent in 2020, raising concerns over debt sustainability. Poverty is expected to rise in 2020.

Key conditions and challenges

The COVID-19 crisis hit South Africa when its economy was already weak. GDP growth averaged 1.7 percent annually over 2010-19, 2 percentage points below the previous decade's average. Per capita real GDP growth has been contracting since 2014. Business confidence is low and manufacturing and mining activities have been hard-hit by electricity shortages as Eskom faces protracted supply challenges. Fiscal balances have deteriorated as a result of rising expenditures, especially transfers to public corporations, public sector wage bill, and debt service payments. At the same time, high and stable revenue collection has suffered from weak economic growth. On the background of deteriorating macroeconomic indicators, South Africa lost its last investment grade rating last March. Nonetheless, the country benefits from large and deep domestic financial markets. Most of the public-sector debt is Rand-denominated.

There is high uncertainty around the outlook. A longer global health crisis and economic downturn, long-lasting disruptions in global supply chains, or longer and deeper COVID-19 pandemic in South Africa could prolong the recession and delay and weaken the recovery.

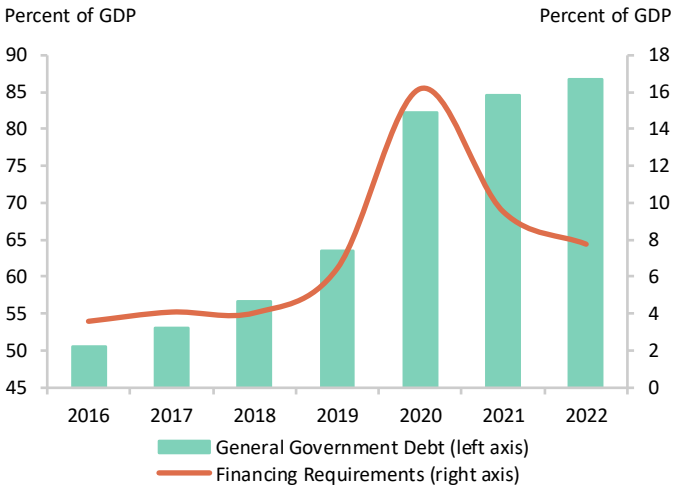
Delivering on structural reforms to restart the economy and put growth on a higher trajectory than pre-COVID-19 and reducing unproductive expenditures is critical to restore debt sustainability and improve confidence. A worsening of investors' sentiment could raise South Africa's borrowing costs, putting additional pressure on the budget and the domestic banking sector to fund a growing share of the large borrowing requirements.

Persistently depressed economic growth combined with low job creation could revert past progress towards poverty reduction and widen inequalities, already among the highest in the world.

Recent developments

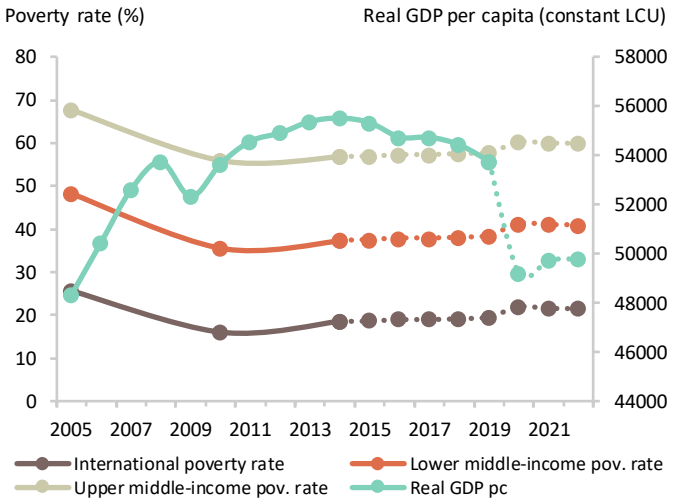
GDP growth entered a technical recession in Q4 2019. As domestic COVID-19 cases rose, a strict lockdown in place from end-March to end-April brought activity to a standstill. GDP contracted by 8.7 percent y-o-y over January-June driven by mining (-19.8 percent y-o-y), manufacturing (-18.3 percent y-o-y) and retail and wholesale trade, hotels and restaurants (-12.7 percent y-o-y). On the demand side, households' consumption fell by 7.5 percent y-o-y, gross capital formation plunged by 28.7 percent y-o-y. The external sector contributed positively to GDP growth (by 0.8 percent) as imports contracted more than exports. Inflation decelerated, hovering around the lower bound of the Reserve Bank's target band (3-6 percent) at 3.4 percent on average up to July. The current account deficit decreased from 3 percent of GDP in 2019 to 0.9 percent of GDP over H1. Amid global and domestic uncertainty, South Africa experienced significant

FIGURE 1 South Africa / Public debt and financing requirements



Sources: National Treasury and World Bank staff.

FIGURE 2 South Africa / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

portfolio outflows that resulted in the rand depreciating by close to 20 percent since the beginning of 2020. Government 10-year bond yields increased to 13.1% in end-March before stabilizing around pre-COVID-19 levels since June. The banking sector remains stable but bank-sovereign nexus risks are rising, especially for banks exposed to financially-weak SOEs.

The South African authorities reacted decisively to the COVID-19 shock. The Central Bank eased the monetary policy stance, reducing the repo rate by a cumulative 300 basis points since January. It also took measures to provide market liquidity, including government bonds purchases on the secondary market. It purchased Rand 21.6 billion over April-May (US$ 1.3 billion) and subsequently lowered its purchases to Rand 7.6 billion over June-July (US$ 460 million) as market stress subsided. The government launched a stimulus package of 10 percent of GDP to support the health sector, vulnerable households and small businesses.

The economic and social impact of the pandemic is high. The unemployment rate, which stood at 29 percent before COVID-19 is expected to have increased significantly in 2020. Households' survey results suggest that up to a third of income earners may have lost their income source between February and April, with a disproportionate impact on the poorest, translating into heightened vulnerabilities, notably to hunger.

Outlook

The impact of the COVID-19 pandemic will translate into a significant economic downturn in 2020. As some activities remain constrained into H2 (such as tourism), the economic impact of COVID-19 will be long, and the recovery moderate during the second half of 2020. As economic activity restarts, pre-existing structural constraints are becoming binding again, such as electricity shortages . GDP growth is expected to contract by 7.2% in 2020 and to rebound to 2.6% in 2021.

The fiscal situation has weakened further. The deficit is expected to more than double – to 16.2 percent of GDP in 2020/21 – and public debt is projected to reach 82.3 percent of GDP. Debt service is estimated to rise to 5.1 percent of GDP in 2020/21, the fastest growing budget expenditure, crowding-out poverty-reducing and growth-enhancing public spending. The government is committed to restoring fiscal sustainability and to reach a primary surplus by 2023/24. Specific reforms to achieve this outcome are expected to be announced in the Medium-Term Budget Policy Statement in October. In the face of rising gross borrowing requirements, the authorities have contracted about US$ 5.6 billion in external financing from IFIs. Further support may be needed to fill the financing needs over the coming years.

The COVID-19 crisis is likely to increase poverty. Unemployment is expected to increase significantly. Vulnerable people such as workers in the informal sector and those with low levels of education are more likely to be unemployed as they disproportionately work in sectors that will remain affected by containment measures (e.g. hospitality, retail trade). About 2 million South Africans could fall into poverty, bringing the poverty rate - measured at the upper-middle-income country poverty line ($5.5/person/day in 2011PPP) - to 60.2 percent in 2020.

TABLE 2 South Africa / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	1.4	0.8	0.2	-7.2	2.6	1.5
Private Consumption	2.1	1.8	1.0	-13.4	3.8	2.3
Government Consumption	0.2	1.9	1.5	3.5	-1.5	1.0
Gross Fixed Capital Investment	1.0	-1.4	-0.9	-8.5	6.1	1.5
Exports, Goods and Services	-0.7	2.6	-2.5	-10.5	11.6	0.9
Imports, Goods and Services	1.0	3.3	-0.5	-16.4	13.4	2.2
Real GDP growth, at constant factor prices	1.5	0.7	0.2	-7.2	2.6	1.5
Agriculture	21.1	-4.8	-6.9	-1.0	3.3	3.0
Industry	1.1	-0.1	-1.5	-7.1	2.5	2.0
Services	1.0	1.3	1.2	-7.4	2.6	1.2
Inflation (Consumer Price Index)	5.2	4.5	4.1	3.0	3.9	4.3
Current Account Balance (% of GDP)	-2.5	-3.5	-3.0	-1.8	-2.1	-2.5
Net Foreign Direct Investment (% of GDP)	-1.5	0.4	0.4	0.0	0.1	0.2
Fiscal Balance (% of GDP)	-4.1	-4.0	-6.4	-16.2	-9.5	-7.7
Debt (% of GDP)	53.0	56.7	63.5	82.3	84.6	86.7
Primary Balance (% of GDP)	-0.4	-0.1	-2.3	-11.1	-4.1	-2.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	19.1	19.3	19.7	21.9	21.6	21.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	37.9	38.1	38.5	41.3	41.0	41.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	57.3	57.6	57.8	60.2	60.0	60.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

SOUTH SUDAN

Table 1	2019
Population, million	13.0
GDP, current US$ billion	4.9
GDP per capita, current US$	375.2
School enrollment, primary (% gross)[a]	73.0
Life expectancy at birth, years[a]	57.6

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2015); Life expectancy (2018).

South Sudan has suffered multiple shocks with the COVID-19 pandemic, low oil prices, floods, and locust infestation drastically changing the economic outlook. Currency depreciation and rising prices are of particular concern. Moreover, an increase in intercommunal violence has driven a new wave of internal displacement, exacerbating an already dire humanitarian situation with 7 million food insecure and 1.6 million internally displaced people. Recovery beyond FY21 depends on developments in the oil sector, resolution of violence, and resilience to agricultural shocks.

Key conditions and challenges

South Sudan's development has been undermined by years of conflict and neglect that can be traced to the pre-independence era. After two protracted civil wars that preceded the 2005 Comprehensive Peace Agreement which laid the groundwork for independence in 2011, there was hope that peace would finally prevail. However, the country descended into conflict in December 2013 and again in 2016 as a 2015 peace deal collapsed. A revitalized peace agreement signed in September 2018 led to the formation of a transitional government in February 2020. However, intercommunal violence persists and has been a leading cause of displacement in recent months.

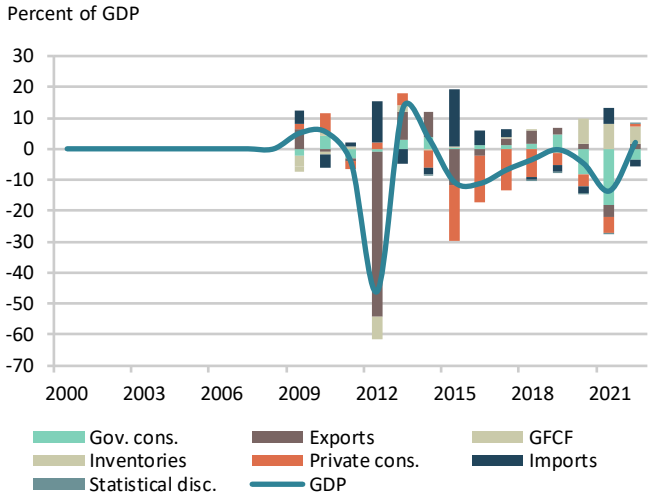
To date, the lingering impact of the prolonged conflict, which resulted in a major economic crisis, is critically affecting livelihoods, constraining food availability, and access to basic services for large segments of the population. It is estimated that about 1.6 million people remain internally displaced and 2.3 million South Sudanese refugees are still residing in neighboring countries. Legacy of economic mismanagement and resistance to reform have resulted in a distorted macroeconomic environment. Financing of the fiscal deficit led to soaring inflation, adding to an economic crisis with output contacting and widening exchange rate premium.

COVID-19 effects have been transmitted through lower oil prices, an increase of the prices of basic commodities due to trade disruptions, lower remittances receipts, and restrictions on humanitarian operations on the ground. Parts of the country have been affected by an infestation of locusts and floods, with FAO estimates indicating substantial losses in affected areas. In addition to destroying assets, crops, and pasturelands, floods have led to an increase in waterborne and malarial diseases. The economy is projected to contract in FY20 and FY21. Even if oil prices will recover in the future, past experiences indicate a disconnect between oil revenues and living standards.

Recent developments

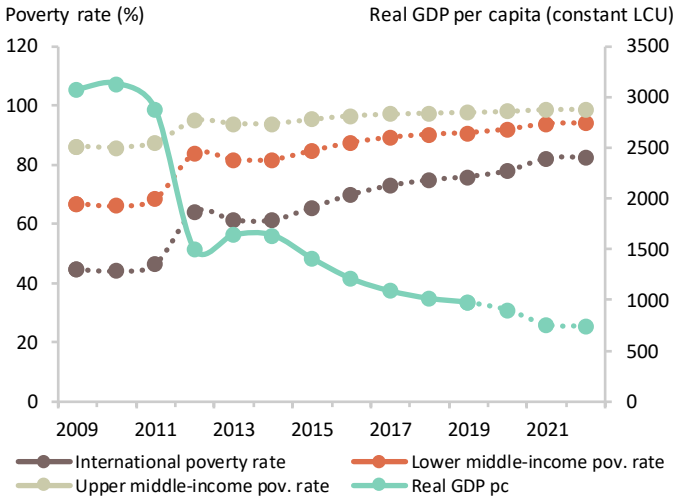
Real GDP is estimated to have contracted by -4.8% during FY20 as oil prices plummeted and private consumption slumped. The FY20 fiscal deficit widened to 6.8% of GDP as both commodity and tax revenues underperformed. Monetization of the fiscal deficit as well as supply chain disruptions led to an increase in inflation. Food prices increased in the range 25 – 105% year-on-year by April as COVID-19 restrictions affected the flow of trade and access to markets. The average rate of inflation is estimated to have increased to 72.2% during FY20 from 63.6% during FY19. Imports from Uganda declined 9.3% year-on-year over a three-month period March – May 2020.

FIGURE 1 South Sudan / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates.

FIGURE 2 South Sudan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The South Sudan Pound depreciated 35% during June – August 2020 and the parallel market premium increased to 150% by end of August 2020 from 105% at the end of June 2020.

Recent phone surveys show significant COVID-19 impacts on households. Lower purchasing power and a multitude of shocks will likely increase poverty and vulnerability as 52% of respondents reported losing either some or all their income from their main income source post-COVID. In addition, 46% were unable to buy their main staple foods due to lack of money (44%) or higher food prices (11%) and 42% of domestic remittance -receiving households reported a decline, with 16 % reporting a cessation of this income source.

Government's response to COVID-19 included reduction of both the Central Bank Rate (15% to 13%) and Reserve Requirement Ratio (20% to 18%) by 2 percentage points in April 2020. Additional measures reduced the Central Bank Rate by a further 3 percentage points, down to 10%, and suspended the regulation of higher minimum paid-up capital for commercial banks. In addition, South Sudan has created two special committees to oversee critical economic and PFM reforms in response to COVID-19.

Outlook

The FY21 budget process has been delayed, government resources have shrunk, and the fiscal deficit is expected to rise to 8.2% of GDP in 2021. Oil revenues are expected to decline to 13.5% of GDP in FY21 from 18% in FY20, while tax revenues are expected to shrink to 1.3% of GDP in FY21 from 2.5% of GDP in FY20. South Sudan authorities are looking to the international community for support.

South Sudan's oil sector has continued to be the primary driver of growth, but further expansion will depend on higher oil investments. Recently, oil revenue has been heavily impacted by lower oil prices and OPEC+ production cuts, with South Sudan's oil production down 20,000bpd to an estimated 175,000bpd. Due to COVID-19, the government has postponed plans for an oil licensing round until FY22.

The current account is expected to deteriorate sharply in FY21 with lower oil exports. Private consumption will continue to decline impacted by inflation, a depreciating local currency, expected lower crop harvest due to floods, reduced remittance inflows, and conflict. Looking forward, real GDP is projected to contract by -13.6% in FY21, driven by declining exports and private consumption. Recovery in FY22 is predicated on the assumption of a rebound in the global economy (higher oil prices and remittances) and resolution of conflict.

Given the reduction in household and business income, fall in wages and remittances as measured by the recent COVID-impact phone surveys, poverty at $1.90 per person per day is projected to increase to 82% in FY21 from 76% in FY19. Resilience to natural disasters and communal conflict is key to reducing vulnerability, especially among the displaced populations. Going forward, there is an urgent need for a nationally representative household survey to estimate poverty and monitor changes in welfare of the South Sudanese population.

TABLE 2 South Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	-6.9	-3.5	-0.3	-4.8	-13.6	2.1
Private Consumption	-21.9	-17.8	-8.6	-9.7	-13.5	1.6
Government Consumption	3.0	4.0	10.1	-15.7	-38.4	-10.9
Gross Fixed Capital Investment	3.0	4.0	-8.1	47.6	32.4	14.5
Exports, Goods and Services	18.4	27.9	10.7	8.2	-15.9	7.0
Imports, Goods and Services	-10.0	3.2	6.9	6.9	-14.9	6.5
Real GDP growth, at constant factor prices	-6.9	-3.5	-0.3	-4.8	-13.6	2.1
Agriculture	-16.0	-2.5	9.9	3.8	2.9	3.2
Industry	-3.5	15.0	8.0	8.2	-13.9	7.1
Services	-7.2	-14.6	-8.7	-18.9	-17.6	-4.9
Inflation (Consumer Price Index)	384.8	121.6	63.6	72.2	32.2	24.4
Current Account Balance (% of GDP)	-0.7	-3.7	-2.6	-4.0	-11.1	-1.4
Net Foreign Direct Investment (% of GDP)	-0.2	0.3	-0.5	-0.2	0.1	0.1
Fiscal Balance (% of GDP)	-0.3	-3.3	0.0	-6.8	-8.2	-6.0
Debt (% of GDP)	85.3	59.7	37.2	31.5	37.0	36.0
Primary Balance (% of GDP)	-0.2	-3.0	0.4	-6.7	-8.0	-5.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	72.9	74.8	75.9	77.8	82.1	82.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.2	90.3	90.8	92.0	93.8	94.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	97.2	97.6	97.8	98.1	98.8	98.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-NBHS. Actual data: 2009. Nowcast: 2010-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2009) with pass-through = 0.7 based on GDP per capita in constant LCU.

SUDAN

Table 1	2019
Population, million	42.5
GDP, current US$ billion	30.5
GDP per capita, current US$	717.4
International poverty rate ($ 19)[a]	12.2
Lower middle-income poverty rate ($3.2)[a]	44.0
Upper middle-income poverty rate ($5.5)[a]	79.3
Gini index[a]	34.2
School enrollment, primary (% gross)[b]	76.8
Life expectancy at birth, years[b]	65.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

The COVID-19 and other shocks will depress growth significantly, with GDP growth estimated at -8.4 percent. Fiscal pressures remain acute despite efforts for consolidation. Severe economic challenges will remain in the near term. However, a broad macroeconomic stabilization and reform program is being supported by an IMF Staff Monitored Program (SMP). The ongoing economic crisis, exacerbated by COVID-19, is expected to lead to higher poverty rates.

Key conditions and challenges

The economic situation in Sudan continues to deteriorate at a rapid pace. Sudan's economy has been in recession since 2018, and real GDP contracted by 2.5 percent in 2019. The recession in 2018-2019 reflected a disruption in economic activities due to social turmoil and the acceleration in inflation that sharply reduced real incomes for a large part of the population. With the COVID-19 emergency and lockdown and multiple natural disasters, GDP is projected to contract by 8.4 percent in 2020. In this context, fiscal pressures have become more acute, leading to a steeper deficit in the first half of 2020, accelerated monetary expansion, and resulting higher inflation.

Risks to Sudan's outlook remain on the downside. Growth and poverty reduction prospects may be further delayed due to a more prolonged COVID-19 crisis in the world or a more severe epidemic in Sudan. While Sudan achieved a major internal peace agreement at the end of August, flare ups of regional unrest remain possible. The population in Sudan has become increasing frustrated with the continued economic deterioration, and civil unrest is on the rise throughout the country. If political resistance prevents the realization of key reforms to correct the enormous macroeconomic imbalances in Sudan, the year 2021 could bring further destabilization and associated high risks. Restoring debt sustainability and access to external finance will require successful performance by Sudan under the IMF SMP, followed by clearance of arrears to IFIs and HIPC debt relief. The process should also involve the removal of Sudan the from the U.S. State Sponsors of Terrorism List.

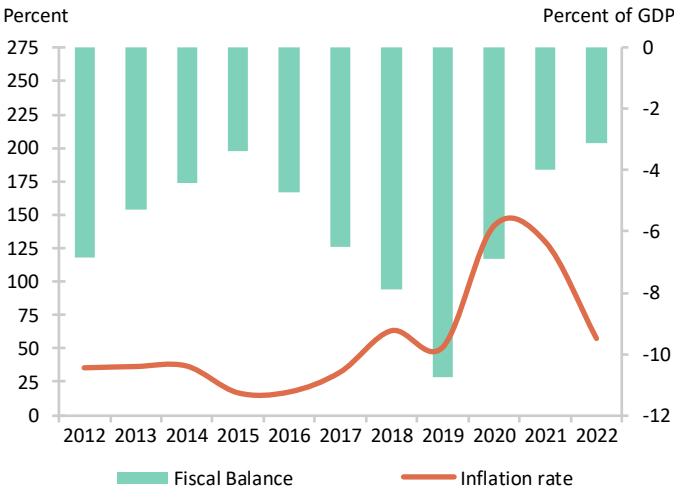
Recent developments

Growth in 2020 is projected to decline by 8.4 percent in the context of the COVID-19 pandemic. The recession reflects reductions in both public and private consumption and investment, which were negatively impacted by the COVID-19 lockdown, sharp declines in real income from inflation, a locust infestation in agriculture, and massive flooding.

The government continues to struggle with a large fiscal imbalance. In the first quarter of 2020, federal budgetary receipts were more than 40 percent less than anticipated in the planned budget. Despite the lower-than-expected fiscal performance and (monetized) fiscal deficit in the first half of 2020, a budgetary consolidation in the order of 3.6 percent is nevertheless now expected for the year of 2020. This reflects major savings on the expenditure side of the budget due to a sharp reduction in spending on fuel subsidies. It also reflects significant external support on the revenue + grants side of the budget, all of which is expected in the second half of the year.

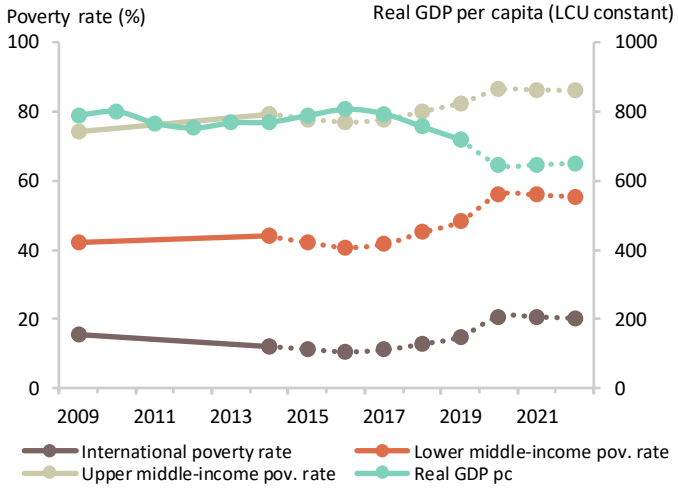
Public debt is expected to reach 259.5 percent of GDP in 2020, the vast majority of which is external debt in arrears. Arrears

FIGURE 1 Sudan / Fiscal Balance and Inflation Rate



Sources: WDI, IMF and World Bank staff estimates.

FIGURE 2 Sudan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

on repayment of prior lending from IFIs, including US$ 1.05 billion now owed to the International Development Association (IDA), continue to bar it from access to significant external financing usually available to developing countries.

The exchange rate on the parallel market depreciated from 70 to 240 SDG per USD in the first nine months of 2020 along with the monetary expansion and inflationary pressures. Sudan will begin a major exchange rate reform in Q4 2020 that unifies official rates and begins liberalization. The pace of annual CPI inflation reached 167 percent in August 2020. The current account deficit is projected to decrease from 10.5 percent of GDP in 2019 to an estimated 8.4 percent of GDP in 2020, partly due to the strengthening of export prices on the country's primary export: gold. Gross international reserves are currently believed to be around only one month of imports.

The current poverty level for Sudan is unknown because data from the latest household survey (2014/15) do not reflect the impact of the recent economic decline, high inflation, and the impact of COVID-19 in Sudan. Assuming a neutral distribution based on GDP estimates, poverty rates may have increased consistently in recent years, to reach in 2019 an estimated 14.9 percent at $1.90/day PPP and 48.3 percent at $3.20/day PPP. A new household survey is urgently needed to provide a more accurate estimate of the poverty situation in current times.

Outlook

Sudan is expected to engage in deep reforms in the second half of 2020, supported an IMF SMP and significant mobilized external support. This has to the potential to put Sudan on a course toward stabilization and the revival of growth. GDP growth is expected to pick up to 2.5 and 3.1 percent, respectively, in 2021 and 2022 due to recovery from the covid-19 pandemic and progress in stabilization. The pace of inflation is also expected to moderate.

The fiscal deficit should narrow in the near term in the context of much lower spending on commodity subsidies, post-COVID improvements in revenue performance, and higher revenues from import tariffs following exchange rate liberalization. Sudan's ambitious economic and social revival program includes exchange rate policy, subsidy removal, social mitigation measures, greater fiscal transparency, tax reform and anti-corruption, while setting a series of benchmarks to guide macroeconomic policy toward economic stabilization that is conditional on external financial commitments from the international community.

The Sudan poverty outlook remains negative. Poverty rates are projected by 2022 to increase to 20.1 percent at $1.90/day PPP, and 55.4 percent at $3.20/day PPP. Poverty projection for 2020 is yet to be finalized as the situation remains fluid and the full impact of COVID-19 remains unknown. The rising level of inflation, shortage of fuel and other basic commodities and COVID-19 are expected to continue having negative effects on living conditions. For example, according to the Bank's ongoing high frequency survey on COVID-19, about 40 percent respondents reported either a reduction or total loss in income due to COVID-19. Many people had to stop working because of lockdown measures imposed to contain the pandemic. The impending economic stabilization reforms are expected to take time to deliver positive results on poverty.

of lockdown measures imposed to contain the pandemic. The impending economic stabilization reforms are expected to take time to deliver positive results on poverty.

TABLE 2 Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	0.8	-2.3	-2.5	-8.4	2.5	3.1
Private Consumption	-1.0	-3.2	-2.5	-7.9	2.4	2.9
Government Consumption	15.5	-1.1	-9.8	1.0	2.6	1.9
Gross Fixed Capital Investment	0.7	-2.7	-1.0	-11.3	3.3	3.7
Exports, Goods and Services	1.5	0.8	2.3	-9.6	2.4	3.2
Imports, Goods and Services	2.0	-0.4	1.6	-2.7	3.2	2.1
Real GDP growth, at constant factor prices	0.4	-2.3	-2.5	-8.4	2.5	3.1
Agriculture	2.5	-1.5	-1.0	-5.5	3.1	3.3
Industry	4.5	-1.7	-0.7	-10.7	2.7	3.2
Services	-3.5	-3.2	-4.8	-8.9	2.0	2.9
Inflation (Consumer Price Index)	32.4	63.3	51.0	141.6	129.7	57.5
Current Account Balance (% of GDP)	-7.2	-8.7	-10.5	-8.4	-4.8	-5.8
Net Foreign Direct Investment (% of GDP)	0.8	1.5	3.5	6.1	7.4	6.5
Fiscal Balance (% of GDP)	-6.5	-7.9	-10.8	-6.9	-4.0	-3.1
Debt (% of GDP)[a]	159.6	185.6	200.3	259.4	250.0	220.5
Primary Balance (% of GDP)	-6.0	-7.7	-10.5	-6.9	-4.0	-3.1
International poverty rate ($1.9 in 2011 PPP)[b,c]	11.1	12.8	14.9	20.7	20.6	20.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	41.7	45.1	48.3	56.0	55.9	55.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	77.5	79.9	82.4	86.3	86.3	86.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Debt projections do not include any restructuring achieved during the HIPC process.

(b) Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(c) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.

TANZANIA

Table 1	2019
Population, million	58.0
GDP, current US$ billion	60.4
GDP per capita, current US$	1041.4
International poverty rate ($19)[a]	49.4
Lower middle-income poverty rate ($3.2)[a]	76.8
Upper middle-income poverty rate ($5.5)[a]	91.8
Gini index[a]	40.5
School enrollment, primary (%gross)[b]	94.2
Life expectancy at birth, years[b]	65.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011PPPs.
(b) Most recent WDI value (2018).

Tanzania's solid macroeconomic performance during the past six years is being put to the test by the COVID-19 pandemic. GDP growth is projected to decelerate from an estimated 5.8 percent in 2019 to 2.5 percent in 2020 with an expected rebound near 6 percent over the medium-term. Estimates using the international poverty line show the poverty rate increasing from 49.6 percent in 2019 to 50.5 percent in 2020, with modest reduction in poverty incidence expected over the medium term.

Recent developments

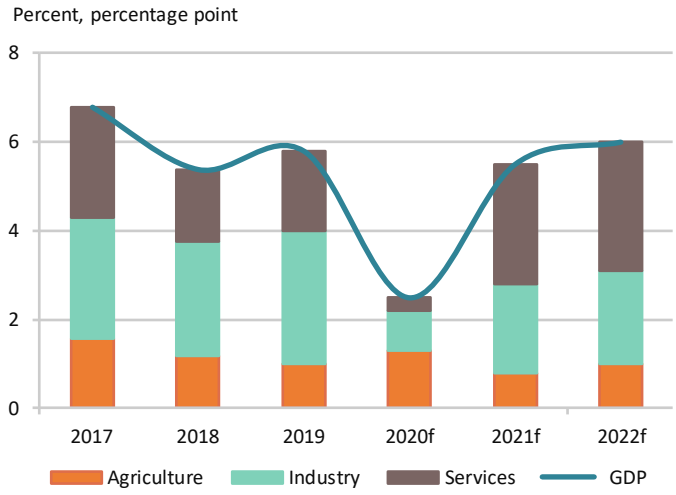
Tanzania has experienced only 509 cases of COVID-19 as of May 11 (latest data) but the country has not been immune to the global pandemic. GDP growth is expected to slow to 2.5 percent in 2020. Tourism, a major contributor to GDP growth, has declined significantly despite the country reopening for tourism in June and is expected to underperform during the peak season of July–October. Leading indicators of private domestic demand show a deceleration. Domestic credit growth has slowed to 6.9 percent in January–June 2020 from 8.9 percent in the first half of 2019. Imports of capital goods, a major component of private investment, declined by about 24 percent y/y in the second quarter of 2020. Business expectations for sales and employment for the next six months are pessimistic. Political uncertainty surrounding general elections may also be contributing to a delay private investment this year.

The pandemic's disruption of global markets is having offsetting effects on Tanzania's balance of payments, with the net effect being an expected narrowing of current account deficit to 2.3 percent of GDP. Exports of travel services plunged to US$46.2 million during the second quarter of 2020 from US$511.5 million a year earlier. Higher gold prices have alleviated the loss in exports of manufactured goods and services, and the decline in oil prices has reduced the import bill. Meanwhile, problems at the borders are reducing both transit trade and Tanzania's imports and exports of goods to neighboring countries. International reserves have remained at relatively high levels of US$5.2 billion as of June 2020 (covering 6 months of projected imports).

The government ended 2019/20 with overall fiscal deficit estimated at 1.5 percent of GDP. This is a significant improvement over 2018/19, although fiscal management continues to suffer from a high level of domestic arrears and under-execution of capital budget. Although the pandemic contributed to lower tax collection in April and May—targets were missed by 17 and 25 percent, respectively—the strong performance during the previous quarters have fully attenuated this decline. Public investment has remained high, at 6.4 percent of GDP in 2019/20 due to the development of flagship projects although capital budget was under-executed by 25 percent. Public spending is expected to continue growing strongly in the remainder of calendar year 2020 as the election nears. To provide support to business during the pandemic, Government has accelerated clearance of domestic payment and VAT refund arrears. Public debt remains under 40 percent of GDP, and the risk of debt distress remains low.

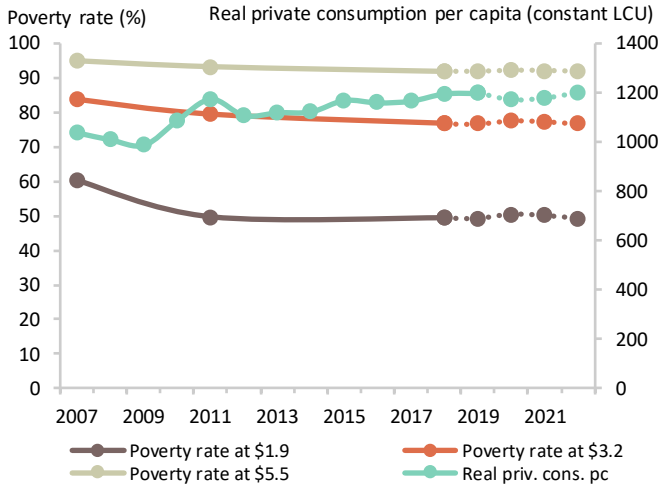
Inflation has been low and stable and reached 3.2 percent in June 2020. The Bank of Tanzania (BoT) has pursued an accommodative monetary policy to boost liquidity in the financial sector. BoT reduced the discount rate by 200 basis points in May 2020 and the minimum reserve requirement ratio, and it has encouraged financial institutions to consider loans restructuring.

FIGURE 1 Tanzania / Real GDP growth and contributions to real GDP growth



Sources: The source is National Bureau of Statistics and World Bank staff estimates.

FIGURE 2 Tanzania / Actual and projected poverty along international poverty lines and real private consumption per capita



Source: World Bank. Notes: see Table 2.

In consequence, commercial interest lending rates have declined from 16.9 percent on average in 2019 to 16.5 percent as of June 2020.

Estimates suggest poverty barely changed as GDP growth mainly benefits the non-poor. Based on the national poverty line of PPP US$1.35/capita, poverty dropped by 0.2 percentage points to 26.2 percent in 2019. As population size continues to increase, the number of poor is expected to have risen by about 300,000 between 2018 and 2019.

A phone survey conducted in July 2020 among 1000 small and medium sized firms suggests that around 8 percent of workers have lost their job. With one quarter of the poor relying on the non-farm sector for their income, poverty is likely to increase by 1–2 percent in 2020.

Outlook

Over the medium term, GDP growth is expected to rebound to 5.5 percent in 2021 and converge to 6 percent thereafter, assuming a vaccine becomes available in 2021 and health systems in most countries are adequately resourced, and the global economy starts recovering, albeit sluggishly. The main sources of the recovery are a rebound in exports, in particular of services such as a tourism, higher private investment and accelerated public spending in flagship projects. The current account deficit is expected to widen to 4 percent of GDP over the medium term as the growth in capital imports for infrastructure investment outpaces export growth. An overall fiscal deficit is projected to widen to 2.6 percent of GDP in 2020/21 and to over 3 percent of GDP over the medium term as capital expenditures continue rising and recurrent expenditures remaining controlled.

In 2020, an additional 1.6 million people are expected to live below the international poverty line of PPP US$ 1.9 per day, compared to 2019. The international poverty rate is expected to rise to 50.4 percent in 2020 and is projected to drop marginally over the medium-term, with the number of poor increasing by around 600,000 per year.

Risks and challenges

The current outlook is highly uncertain, and risks are tilted to the downside. A protracted global health crisis that continues in 2021 could undermine global demand and thus the Tanzanian economy. Even if the global health crisis is contained, additional trade and logistics restrictions could continue disrupting global trade during the recovery. Moreover, the absence of a sequential program to support the recovery phase could delay the expected rebound of the economy, affecting investors and consumers expectations, and thus hindering new investment projects. A full recovery in 2021–2022 requires government attention to reforms to improve the business environment as a key input to bolster recovery of the private sector.

Unless growth per capita is substantial and benefits poor population groups, the poverty rate will remain unchanged and the number of poor people will rise due to high population growth. Increase in agricultural output benefiting smallholders, as well as improved coverage and targeting of existing social productive transfer programs will be important to substantially reduce poverty. Support to small enterprises affected by the economic downturn is needed to maintain and expand livelihoods that depend on them.

TABLE 2 Tanzania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	6.8	5.4	5.8	2.5	5.5	6.0
Private Consumption	3.7	5.6	3.1	1.1	4.0	5.2
Government Consumption	1.1	2.0	2.3	9.7	6.3	8.3
Gross Fixed Capital Investment	15.8	7.7	8.0	3.0	7.9	6.7
Exports, Goods and Services	-4.1	-1.7	19.0	-10.5	7.0	6.0
Imports, Goods and Services	-7.1	16.7	-1.4	-8.0	8.5	7.0
Real GDP growth, at constant factor prices	7.0	5.4	5.8	2.5	5.5	6.0
Agriculture	5.9	3.4	3.5	3.4	3.7	3.8
Industry	10.6	9.7	10.3	4.5	9.1	9.5
Services	5.3	3.8	4.2	0.5	3.8	4.6
Inflation (Consumer Price Index)	5.3	3.5	3.5	3.5	3.5	3.5
Current Account Balance (% of GDP)	-3.4	-3.3	-1.9	-2.2	-1.1	-1.1
Net Foreign Direct Investment (% of GDP)	1.8	1.7	1.6	0.7	1.2	1.5
Fiscal Balance (% of GDP)	-1.3	-2.5	-2.5	-1.5	-2.5	-2.1
Debt (% of GDP)	28.3	28.0	27.3	25.4	25.4	25.5
Primary Balance (% of GDP)	0.2	-0.9	-0.6	0.1	-0.8	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]		49.4	49.3	50.4	50.1	49.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]		76.8	76.8	77.5	77.3	76.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]		91.8	91.8	92.1	92.1	91.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2018) with pass-through = 0.87 based on private consumption per capita in constant LCU.

TOGO

Table 1	2019
Population, million	8.2
GDP, current US$ billion	5.5
GDP per capita, current US$	666.3
International poverty rate ($ 1.9)[a]	51.1
Lower middle-income poverty rate ($ 3.2)[a]	74.2
Upper middle-income poverty rate ($ 5.5)[a]	90.8
Gini index[a]	43.1
School enrollment, primary (% gross)[b]	123.8
Life expectancy at birth, years[b]	60.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011 PPPs.
(b) Most recent WDI value (2018).

Following a pick-up in 2019 there is expected to be zero growth in 2020, because of COVID-19, with declines in private consumption and services. In 2020, external and fiscal balances will worsen, and poverty will rise. Growth and poverty reduction are expected to gradually recover over the medium term. Downside risks to the outlook include larger-than-expected COVID-19 effects, political uncertainty, heightened insecurity in neighboring countries, and banking sector vulnerability.

Recent developments

Following a growth pick-up from 4.9 percent in 2018 to 5.3 percent in 2019 (2.7 in per capita terms), economic activity decelerated in early 2020 because of COVID-19. On the supply side, all sectors have slowed, especially services, because of the negative impacts of travel restrictions and border closings on transportation and tourism and disruptions to retail supply chains. On the demand side, private consumption has dropped substantially as incomes fell as a result of containment measures. Inflation, which averaged 0.7 percent in 2019, accelerated in the first half of 2020, reaching 1.5 percent (y-o-y) in July, driven by an increase in food prices related to supply disruptions.

The current account deficit rose from 3.5 percent in 2018 to 4.3 percent of GDP in 2019, with an increase in capital goods imports and a slight fall in phosphate and coffee exports because of a decline in production during the last quarter. The current account deficit was financed through external concessional borrowing.

The tight fiscal stance continued to loosen in 2019. The deficit increased from 0.8 percent of GDP in 2018 to 1.2 percent of GDP in 2019, reflecting an increase in public investment and a slight decrease in government revenues. Public debt declined from 75.4 percent of GDP in 2018 to 70.9 percent in 2019, driven by the clearing of domestic arrears and nominal GDP growth. In the first half of 2020, as the Government fought the spread of the COVID-19 pandemic, public expenditures increased by 20 percent, while revenues declined by 15 percent as the economy contracted.

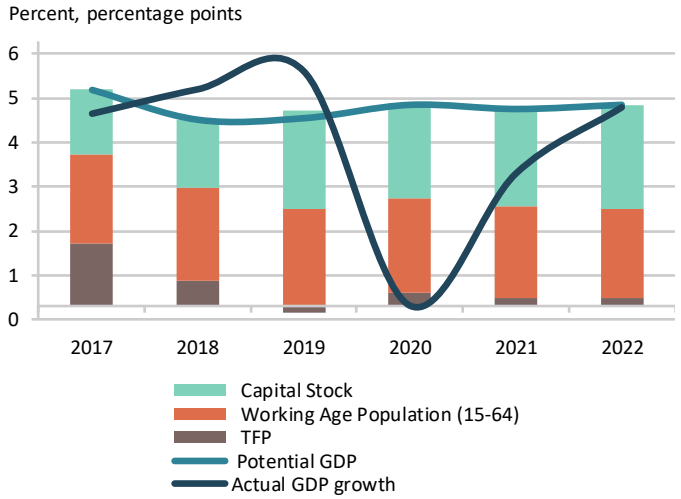
Togo's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related extra spending, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extending refinancing operations of 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

The 2018-19 WAEMU households survey confirms that poverty and vulnerability remain high and geographically concentrated in rural and remote areas. Although poverty has declined in recent years, more than two fifth of the population still live in poverty. The poverty rate (using the national poverty line of 743.2 CFAF per day) was 45.5 percent in 2018-19, suggesting a continued decrease. The extreme poverty rate (at US$1.9 PPP per day) is estimated to have declined to 45.3 percent in 2019 compared to 46.4 percent in 2018.

Outlook

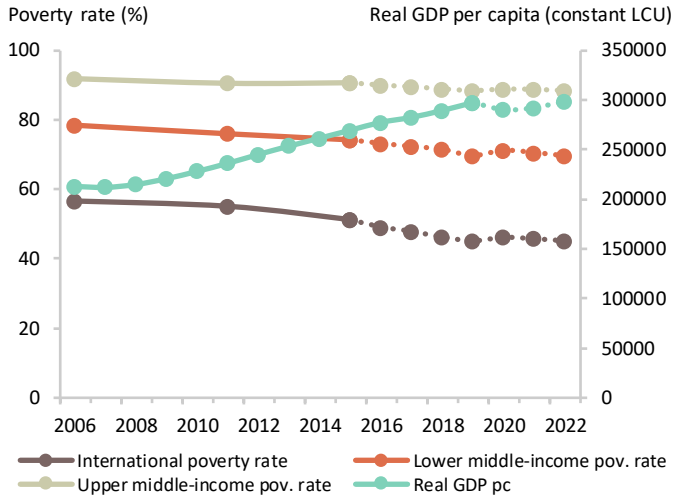
COVID-19 has significantly deteriorated Togo´s economic outlook, lowering exports

FIGURE 1 Togo / Real GDP and potential output growth, with a decomposition of contributions to potential output growth



Sources: INSEED and World Bank staff estimates.

FIGURE 2 Togo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

and producing domestic supply and demand shortfalls. As a result, growth is currently projected to decline to 0 percent in 2020 (-2.4 percent in per capita terms). Assuming a temporary shock with limited delayed effects, growth is expected to recover to 3.0 percent in 2021, as exports and domestic activities increase and infrastructure projects (mainly in the transport and energy sectors) gradually resume. In the medium-term, growth is expected to recover and reach 4.5 percent in 2022, driven by the continuous upgrading of public infrastructure and improvements to the business climate.

The current account deficit is projected to increase to 6.3 percent of GDP in 2020, reflecting a substantial drop in exports as economic growth declines for key trading partners. The deficit is expected to stabilize at around 4.5 percent of GDP in the medium-term, following a slight recovery of both exports and imports as containment measures are lifted globally. The current account deficit will remain financed by grants and concessional loans. WAEMU reserves are expected to decline to 4.5 months of imports in 2020 as deficits in member countries increase as they respond to the COVID-19 crisis.

The fiscal deficit is expected to increase to 7.1 percent of GDP in 2020, driven by higher current spending and lower tax and non-tax revenues. Tax revenues will fall, reflecting a significant decline in customs revenues and VAT receipts as economic activity contracts. At the same time, current expenditures are forecast to rise, driven by an increase in health expenditures to curb the spread of the virus and increased transfers to protect households and firms. Public debt as a percent of GDP is expected to increase from 70.9 percent of GDP in 2019 to 73.6 percent of GDP in 2020, but to decline over the medium-term as the fiscal deficit is gradually reduced. The risk of external debt distress will remain moderate, while the overall risk of debt distress will remain high.

Extreme poverty is projected to rise to 46.2 percent in 2020 as a result of price increases for basic goods and services and lower incomes for the poorest and most vulnerable, particularly those working in agriculture and tourism. Government programs, such as cash transfers to the poorest and most vulnerable, are expected to slow the rise in poverty and to help maintain poverty reduction over the medium-term, with extreme poverty expected to decline to 45.3 percent in 2022.

Risks and challenges

Though economic prospects in the medium term remain positive, both external and domestic risks are tilted to the downside and depend on the depth and duration of the COVID-19 pandemic. A protracted and deeper crisis could cause real GDP to shrink by 1.5 percent in 2020, as lower external and domestic demand and supply chain disruptions further reduce economic activity. In addition, rising security risks in neighboring countries could weigh on investment, trade, and public finances. Internally, unfavorable weather conditions and the unavailability of inputs could negatively affect agricultural productivity, while the relative weakness of administrative capacity could limit the implementation of reforms and private investment. Finally, contingent liabilities associated with a delay in restructuring two state-owned banks could pose a risk to financial stability and fiscal sustainability.

TABLE 2 Togo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.4	4.9	5.3	0.0	3.0	4.5
Private Consumption	-5.9	7.6	3.4	-1.0	1.8	3.6
Government Consumption	17.7	13.7	-6.5	-12.4	18.6	-1.5
Gross Fixed Capital Investment	-19.1	7.1	28.7	23.2	-6.4	11.8
Exports, Goods and Services	-2.2	0.8	3.4	-10.1	7.3	8.9
Imports, Goods and Services	-15.5	4.9	5.1	-1.9	4.7	7.7
Real GDP growth, at constant factor prices	4.9	6.7	4.4	0.0	3.0	4.5
Agriculture	3.4	3.4	5.2	1.2	3.3	5.9
Industry	-4.4	1.7	4.2	0.6	2.2	4.6
Services	9.4	9.9	4.1	-0.6	3.1	3.9
Inflation (Consumer Price Index)	-0.2	0.9	0.7	1.4	1.5	2.2
Current Account Balance (% of GDP)	-2.0	-3.5	-4.3	-6.3	-4.4	-4.6
Fiscal Balance (% of GDP)	-0.3	-0.8	-1.2	-7.1	-3.5	-3.0
Debt (% of GDP)	75.6	75.4	70.9	73.6	71.1	68.9
Primary Balance (% of GDP)	1.5	1.7	1.6	-4.1	-1.1	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	47.9	46.4	45.3	46.2	45.9	45.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	72.3	71.5	69.6	71.1	70.5	69.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	89.5	88.8	88.3	88.8	88.7	88.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2015-QUIBB. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2015) with pass-through = 1 based on GDP per capita in constant LCU.

UGANDA

Table 1	2019
Population, million	45.7
GDP, current US$ billion	33.8
GDP per capita, current US$	738.4
School enrollment, primary (% gross)[a]	102.7
Life expectancy at birth, years[a]	63.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2017); Life expectancy (2018).

Hit by COVID-19, GDP growth more than halved to 3.1 percent in FY20, disrupting Uganda's steady structural transformation. The fiscal response was limited, especially for social transfers, while monetary policy has been loosened further, despite inflationary pressures. The recovery is expected to be gradual, with growth averaging 4.3 percent during FY21–22, driven by an acceleration after the 2021 elections. Extreme poverty has risen, especially among urban informal workers, but was limited by the resilience of food crop output.

Key conditions and challenges

Prior to the COVID-19 outbreak, structural transformation was driving a decline in poverty, despite a slowdown in average economic growth over the last decade. The transformation was characterized by a reduction in the total workforce employed in agriculture and a take-off in industrial production, largely in agro-processing. Notwithstanding shifts to higher productivity jobs, per capita real GDP growth decelerated to 1.3 percent in the five years prior to the COVID-19 crisis, from 2.2 percent between 2010 and 2015, as population growth climbed further to 3.7 percent per year. As a result, total factor productivity growth remains negative. Furthermore, the poor remain highly vulnerable to shocks, as seen in the temporary rise in poverty following the 2016/17 drought.

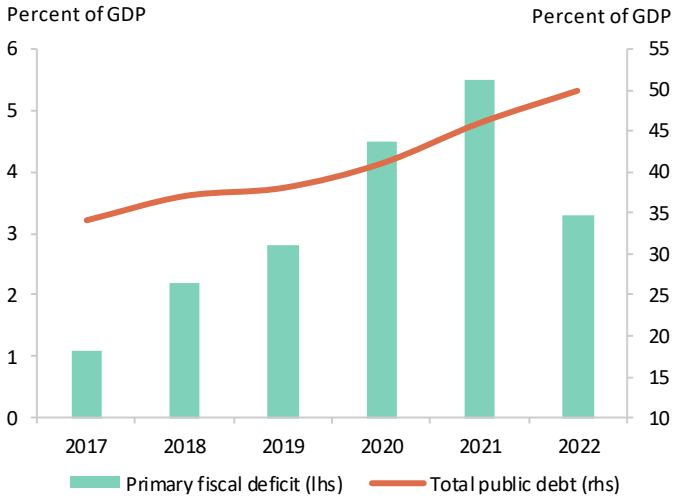
COVID-19 is threatening to reverse the declining poverty trend from the past decade, with widespread closure of firms, permanent layoffs in industry and services, and a rapid slowdown of economic activity for particularly the urban informal sector. These losses will be further aggravated by weak growth in FY21, which is expected at about 3 percent due to substantially reduced tourism revenues, and smaller remittances and FDI inflows that will dampen private consumption and investment. In addition, credit is likely to be restricted considering the deteriorating asset quality in the banking sector, marked by an almost doubling of non-performing loans to 6 percent within three months of the COVID-19 crisis hitting Uganda. Furthermore, the impact of the pandemic appears to be deepening, with community infections accelerating in the first quarter of FY21 (July–September 2020). It is unclear how the government will respond to increasing infections due to the runup to presidential elections.

Recent developments

Hit by the COVID-19 crisis, real GDP growth more than halved to 3.1 percent in FY20 from 6.8 percent in FY19. A lockdown that lasted for several months and border closures instituted in March 2020 have dampened domestic demand and aggravated the effects of the external shock. Consequently, output contracted by 3.2 percent in the fourth quarter of FY20, driven by a deceleration in private consumption, fall in exports and drop in externally financed public investments. The decline in real private consumption per capita has also increased poverty.

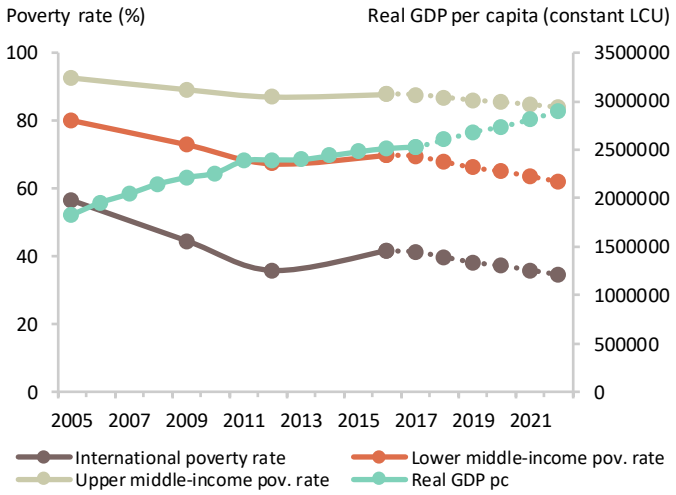
Despite inflationary pressures, the central bank reduced the policy rate to 7 percent in June to counteract the economic shock. The increase in prices of imported consumer goods, from higher taxes to encourage import substitution, led to a more than doubling of annual core inflation to 5.8 percent in July from 2.5 percent in March, which is above the 5 percent core inflation target. However, the decline in

FIGURE 1 Uganda / Evolution of primary fiscal deficit and public debt



Sources: Ministry of Finance, Planning and Economic Development.

FIGURE 2 Uganda / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

crop prices and deceleration in energy price increases, together with subdued demand, have limited the overall price increase.

The economic slowdown has likely narrowed the current account deficit to 7.5 percent of GDP in FY20 from 7.8 percent in FY19. While the contraction in imports outpaced the slowdown in exports, the financing of the external shortfall changed. Net FDI inflows declined 30 percent in FY20 compared to FY19 and the government borrowed from IFIs US$800 million and drew down foreign reserves by US$200 million, which were at 5 months of imports in July 2020.

With revenues plummeting due to the economic slowdown and deferred tax payments to support businesses, the fiscal deficit widened to 7.2 percent of GDP in FY20. The budget for FY21 has not enhanced the protection of the poor but maintains physical infrastructure as the priority for government spending.

Outlook

The pandemic is expected to slow the recovery. Real GDP growth set to average 4.3 percent over the next two years, moderated further by pre-election uncertainty. An expected rebound to 5.9 percent in FY22 is insufficient to close the output gap and is predicated on an acceleration in private consumption and investments and supported by higher growth in exports as the global economy stabilizes. The latter is assumed to benefit from the rollout of a vaccine in 2021. Inflation is expected to reach 6 percent by early 2021—exceeding the inflation target of 5 percent—but decelerate thereafter to within the target.

The government has budgeted a deficit of almost 10 percent of GDP in FY21, driven by capital spending. Nevertheless, a shortfall of close to 8 percent is expected given limited financing options. While assessed at low risk of external debt distress, vulnerabilities worsened with public debt projected at around 50 percent of GDP by 2022, with some public debt liquidity indicators corresponding to countries at high risk. Risks may deteriorate due to non-concessional borrowing from foreign commercial banks and more reliance on the domestic market, where 1-year treasury bill yields have been between 12–13 percent since January 2020.

The rebound in imports and delayed recovery in exports will see a gradual expansion of the current account deficit to around 8 percent of GDP over the next two years. The hovering of oil prices around US$40–45/barrel—three-fourths of the estimated breakeven price in Uganda—could further delay a final investment decision and thus shift oil exports beyond 2025.

The key transmission channel for the negative impact of COVID-19 on households is through the labor market. Work stoppages in June and reduced labor income during March-June 2020 were more pronounced in urban areas and among those employed in non-farm activities. As a result, extreme poverty is projected to increase. The size of the increase is, however, uncertain given that the full impact of the pandemic is still unknown.

TABLE 2 Uganda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.8	6.2	6.8	3.1	2.8	5.9
Private Consumption	1.2	6.0	6.3	2.7	1.9	4.6
Government Consumption	12.9	11.6	6.9	0.9	15.9	2.1
Gross Fixed Capital Investment	5.1	5.5	9.9	2.8	3.3	8.9
Exports, Goods and Services	31.0	9.3	11.2	-7.5	6.2	14.6
Imports, Goods and Services	4.7	8.8	12.1	-7.8	8.3	10.2
Real GDP growth, at constant factor prices	3.8	6.2	6.8	3.1	2.8	5.9
Agriculture	2.8	4.4	5.3	4.4	3.5	4.1
Industry	6.8	6.5	10.1	2.3	3.0	6.9
Services	2.6	7.1	5.6	2.9	2.3	6.2
Inflation (Consumer Price Index)	5.7	3.4	3.1	2.9	5.0	5.0
Current Account Balance (% of GDP)	-3.3	-5.6	-7.9	-7.5	-7.8	-8.5
Net Foreign Direct Investment (% of GDP)	2.3	2.8	3.5	2.6	2.4	3.0
Fiscal Balance (% of GDP)	-3.3	-4.1	-4.9	-7.2	-7.8	-5.5
Debt (% of GDP)	33.0	36.2	37.3	40.2	46.2	49.9
Primary Balance (% of GDP)	-1.2	-2.2	-2.8	-4.5	-5.5	-3.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

ZAMBIA

Table 1	2019
Population, million	18.1
GDP, current US$ billion	23.0
GDP per capita, current US$	1266.8
International poverty rate ($ 19)[a]	58.7
Lower middle-income poverty rate ($3.2)[a]	75.4
Upper middle-income poverty rate ($5.5)[a]	88.1
Gini index[a]	57.1
School enrollment, primary (% gross)[b]	98.7
Life expectancy at birth, years[b]	63.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

The COVID-19 crisis has exacerbated Zambia's fragile macroeconomic situation and increased poverty and vulnerability. After growing by 1.4 percent in 2019, the economy is projected to contract by 4.5 percent in 2020, reflecting declines in all sectors except agriculture. With limited fiscal space to respond to the crisis, the authorities have largely relied on monetary policy easing to prop up domestic demand. A weak rebound is expected in 2021, but risks are heavily tilted to the downside.

Recent developments

The COVID-19 pandemic has pushed into contraction an economy that was already weakened by persistent drought and unsustainable fiscal policies. GDP contracted by 0.3 percent in the first quarter of 2020 and is projected to contract by 4.5 percent for the year, following a year when GDP growth had slowed to the lowest rate in two decades. With the first case of COVID-19 confirmed in mid-March, the authorities instituted early on measures to control the spread of the virus and established a National COVID-19 Preparedness and Response Plan. Mining and services have suffered from lower global demand and price outlook and social distancing measures. The impact of social distancing is amplified by the presence of a large informal sector, which usually lacks insurance, savings, or access to formal financial services. Meanwhile, a collapse in investment is driving the contraction of aggregate demand.

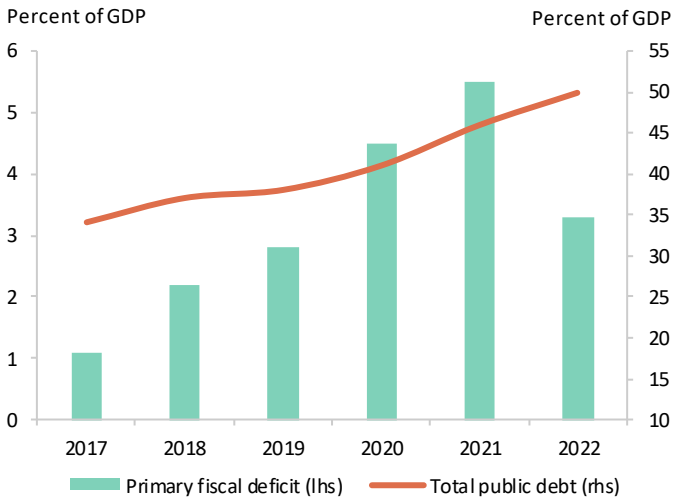
Because of chronically high deficits and rising debt, the authorities currently have little fiscal space to respond to the COVID -19 crisis. They are revising the 2020 budget to reflect lower revenues caused by the economic slowdown and to respond to the COVID-19 pandemic with increased health and social spending. Domestic revenue remained broadly in line with the budget in the first half of the year, at 48 percent of planned revenue, but the authorities expect a decline in domestic revenue of more than 15 percent and more than double the fiscal deficit compared to the 2020 budget.

Zambia's debt vulnerabilities have significantly heightened since 2019. The 2019 Debt Sustainability Assessment concluded that Zambia remained at high risk of debt distress and that its debt was unsustainable. All indicators of debt carrying capacity have since worsened since then--including lower GDP growth, lower export earnings and fiscal revenues and a weaker exchange rate. The authorities recently hired debt advisors to help them with a comprehensive and orderly debt restructuring. The country's participation in the Debt Service Suspension Initiative (DSSI) will also help it free up resources for the COVID-19 response.

The Bank of Zambia has eased monetary policy in response to the COVID-19 crisis, despite growing inflationary pressures. Rapidly falling aggregate demand and financial sector stability concerns due to the COVID-19 pandemic encouraged the authorities to reduce the policy rate by a cumulative 350 basis points, to 8.0 percent. Combined with the introduction of a Medium-Term Refinancing Facility in April, the monetary easing is expected to support private sector liquidity and prop up aggregate demand.

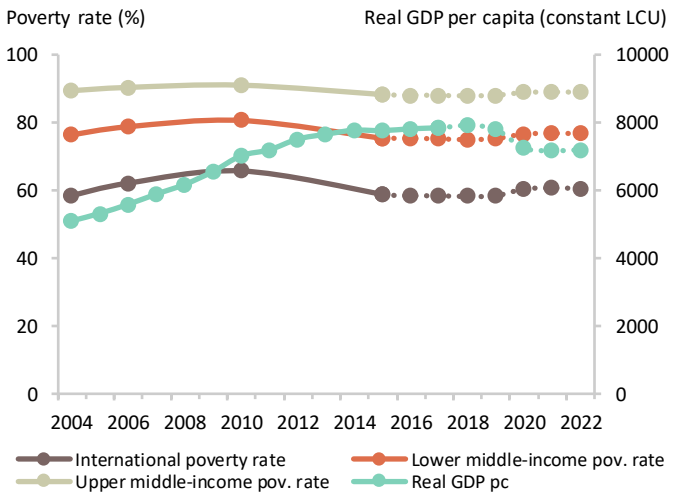
External stability has weakened further in the face of low exports and debt service pressures. The current account is expected to record a deficit of 2.3 percent of GDP in 2020 after registering a surplus of 1.1 percent of GDP in 2019. Exports in January–July 2020 are 11.8 percent lower than in the same period of 2019, although this has

FIGURE 1 Zambia / Interest payment to domestic revenue ratio



Sources: Zambia Ministry of Finance and World Bank estimates.

FIGURE 2 Zambia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

been tempered by import compression of 29.1 percent over the same period. Higher debt service and low capital inflows have put pressure on foreign exchange reserves, which were $1.4 billion in June 2020. Depreciation of the kwacha by 40 percent since the end of 2019 further weakens external sustainability.

There has been a considerable fall in household income since the start of the pandemic. A World Bank household monitoring phone survey found that 4 in 5 households reported a drop-in income from nonfarm business, and that 1 in 3 reported a reduction or disappearance of wages. There has been a considerable reduction in employment in both urban and rural areas. Job losses have been particularly severe in the tourism, manufacturing and services sectors. There has been a concerning impact on the food security of vulnerable households, with a high proportion of respondents reporting skipping meals or running out of food since the onset of the pandemic. These results are consistent across urban and rural parts of Zambia.

Outlook

A gradual recovery is expected in Zambia. Marginal GDP growth of 1.9 percent is projected for 2021 and real output should reach its pre-crisis rate in 2022. The current account deficit is projected to worsen to 3.1 percent of GDP in 2021, and lower copper export earnings and capital inflows will likely put pressure on reserves. Given the unsustainable debt position, the authorities intend to start fiscal consolidation in 2021, with the FY21 budget targeting a fiscal deficit of 9.3 percent of GDP.

Poverty is projected to increase. Simulations of the impact of the COVID-19 pandemic show that the national poverty headcount rate is expected to increase by around 2 percentage points in 2020. This is largely driven by increases in poverty in urban areas, and among those relying on employment income from the informal sector, in particular. Core recurrent spending, especially social cash transfers, has suffered in recent years. Only 7.4 percent of the budgeted social cash transfers in FY 20 has been disbursed through June. This could be further affected by the increasing fiscal pressures due to the crisis, with a substantial impact on the most vulnerable households in the population. Absent decisive policy interventions, poverty is expected to rise by more than a percentage point from 58.3 percent in 2018 to 60.5 percent and 60.7 percent in 2020 and 2021, respectively.

Risks and challenges

Risks to the macroeconomic outlook are tilted to the downside. Domestically, an increase in the number of COVID-19 cases and related social distancing measures could overwhelm the health system, resulting in massive business and job losses, especially in the urban informal sector. A slower than expected global recovery would depress exports, deepen exchange rate pressures, and further weaken the base on which the Zambian economy is expected to recover. It could also lengthen the time for Zambia to start a full macroeconomic adjustment program to restore debt sustainability. Moreover, the upcoming 2021 general elections could limit the political will to undertake key reforms to stabilize the economy.

TABLE 2 Zambia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.4	4.2	1.4	-4.5	1.9	3.4
Private Consumption	12.5	1.2	2.3	3.1	3.6	4.5
Government Consumption	-8.6	-14.9	-10.1	11.2	-5.3	-7.5
Gross Fixed Capital Investment	10.2	9.9	-14.3	-21.2	2.1	-1.3
Exports, Goods and Services	-3.8	8.7	-7.2	7.1	5.2	10.4
Imports, Goods and Services	10.9	4.9	-13.7	5.4	7.0	7.2
Real GDP growth, at constant factor prices	3.5	4.0	1.5	-4.5	1.9	3.4
Agriculture	9.8	-21.2	7.7	3.7	5.0	4.0
Industry	5.4	4.6	-3.3	-5.7	1.8	4.5
Services	1.7	7.3	3.5	-4.7	1.6	2.7
Inflation (Consumer Price Index)	6.6	7.5	9.1	12.9	11.5	10.0
Current Account Balance (% of GDP)	-1.7	-1.3	1.1	-2.3	-3.1	-1.4
Net Foreign Direct Investment (% of GDP)	4.6	1.4	-1.0	2.1	2.2	3.4
Fiscal Balance (% of GDP)	-9.8	-10.1	-9.8	-12.4	-10.8	-6.4
Debt (% of GDP)	65.5	77.8	88.4	95.0	94.0	93.1
Primary Balance (% of GDP)	-5.8	-5.5	-5.9	-8.2	-5.3	-1.7
International poverty rate ($1.9 in 2011 PPP)[a,b]	58.5	58.3	58.6	60.5	60.7	60.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	75.2	74.9	75.3	76.7	76.9	76.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.0	87.8	88.0	89.0	89.2	89.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-LCMS-VII. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

ZIMBABWE

Table 1	2019
Population, million	17.3
GDP, current US$ billion	13.0
GDP per capita, current US$	749.0
School enrollment, primary (% gross)[a]	109.9
Life expectancy at birth, years[a]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2013); Life expectancy (2018)

The COVID-19 pandemic has further exacerbated underlying weaknesses with the economy projected to contract by 10 percent in 2020. Pandemic containment measures have adversely affected economic activity with services impacted the most. Inflationary pressures have intensified, fueled by excessive growth in money supply. Poverty levels have increased, as both inflation and food shortages have intensified.

Recent developments

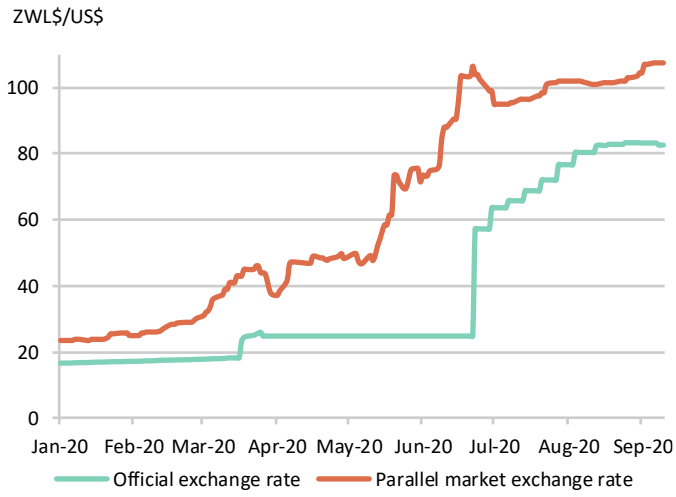
The global COVID-19 pandemic is pushing Zimbabwe deeper into recession, with GDP expected to contract by 10 percent in 2020 following a decline of 8.1 percent in 2019. Strict pandemic containment measures in place since April 2020 resulted in almost 90 percent of formal firms closed for nearly two months. Loss of sales was significant and broad-based, especially for domestic small and medium firms. The services sector, particularly tourism during the lockdown, came to a complete halt, while transport and trade have been constrained by restrictions on travel and border crossings. In July 2020, manufacturing sales were only half of their level a year earlier as a result of restricted mobility and reduced work hours, a sharp fall in demand and continued weakening of the domestic currency. Agriculture performance remained weak as drought conditions persisted and key inputs remained out of reach due to triple-digit inflation.

Inflation surged to 761 percent year-on-year in August 2020, with food prices increasing by 865 percent, resulting in a severe loss of purchasing power for the poor. Inflation was fueled by a rapid exchange rate depreciation, and intensified cash shortages amid disruptions of local and global markets. Relaxation of de-dollarization measures, reserve money targeting, and introduction of a forex trading auction have stabilized the parallel market exchange rate and reduced the differential with the official exchange rate, since end-June 2020. However, continued quasi-fiscal activities, in part related to COVID response, have undermined full currency stability and the local currency lost almost 80 percent of its value in the first eight months of the year.

Domestic challenges and global market disruptions caused by the pandemic have depressed imports more than exports, widening the current account surplus to 6.4 percent of GDP in 2020. In the first three months of the lockdown up to June, imports contracted by one-quarter, year-on-year, as fuel supplies fell drastically and imports were restricted to necessities (food, electricity, and medicines). Cumulatively, imports declined by 5.7 percent year-on-year in the first half of 2020. The impact of the pandemic on exports was less pronounced as exports are dominated by minerals which saw their prices increasing by double-digits. Migrant remittance inflows are still high, reflecting the use of official channels due to travel restrictions and border closures. Nevertheless, official reserves remained low, providing a cover of less than one month of imports.

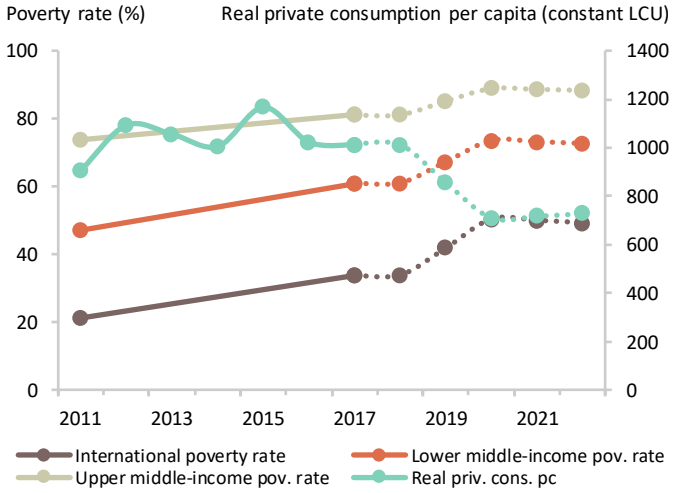
Despite weakening revenues and growing needs to protect lives and livelihoods, fiscal deficit is likely to be contained at 1.2 percent of GDP in 2020. Tax revenues fell with weakening domestic demand, increased use of US dollars as cash, and a lower excise rate on fuel and COVID-related inputs. Wage adjustments were kept limited in the first half of 2020 despite the continuing rise in prices. In July, however, salaries were raised by 50 percent and all civil servants

FIGURE 1 Zimbabwe / Exchange rates



Sources: Reserve Bank of Zimbabwe and World Bank Staff estimates.

FIGURE 2 Zimbabwe / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

and government pensioners were awarded a flat allowance in US dollars to prevent further erosion of purchasing power. Basic service delivery remained underfunded and implementation challenges delayed payment of scaled up social assistance to urban beneficiaries. Fiscal space to mitigate the impact of the pandemic and support the post-COVID recovery is constrained, with limited or no recourse to concessional external financing because of debt arrears.

The COVID-19 pandemic has exacerbated poverty. Extreme poverty levels—using the national poverty line of PPP US$ 1.8 per day—are projected to have risen to 50 percent or 8 million in 2020, up from 42 percent or 6.6 million in 2019. In July 2020, 20 percent of those in urban areas that were working for pay before the COVID-19 pandemic had lost their jobs as some businesses closed. In rural areas, this was 10 percent, according to the high frequency household phone survey conducted in July 2020. Thirty percent of household businesses no longer had any revenue.

Outlook

The outlook is gloomy as domestic vulnerabilities are likely to persist, even if the global pandemic recedes in 2021. The negative effects of the pandemic and domestic challenges are expected to linger in 2021, and Zimbabwe's economic recovery is likely to be slow. GDP is projected to grow by 2.9 percent in 2021 as the adverse impacts of the drought subside and business activity starts to recover, but real GDP is not expected to reach its pre-COVID level until after 2022.

The current account surplus is projected to narrow to 4.3 percent of GDP in 2021, as rebound of domestic demand pushes up import spending. Improved global demand will support modest export growth.

The overall fiscal deficit is projected to average around 3 percent of GDP in 2021–22, as domestic revenues remain low and fall short of high social needs. The government plans to continue with the fiscal adjustment and a conservative monetary policy will help ensure stabilization of the economy.

Poverty levels will remain high at 50.0 and 49.2 percent in 2021 and 2022 respectively as the short-term rebound in economic growth is insufficient to make a dent on poverty. Given continued population growth (1.4 percent), this is insufficient to reduce the number of extreme poor. With many competing spending priorities, high reliance on donor financing for social assistance programs, and weak capacity to reach out to the extreme poor, especially in urban areas, more than half of the poorest risk being left without any social assistance.

Risks and challenges

A longer and deeper global recession combined with a severe and lengthy local outbreak in Zimbabwe could lead to a much larger contraction of the economy and a sharper rise in poverty. Further, inflationary pressures might constrain agriculture recovery, as few farmers will afford the inputs. Stability of the economy hinges on the effectiveness of monetary policy measures to contain money supply growth and discontinue quasi-fiscal activities. The shortage of foreign currency may put pressure on prices and wages with a high possibility of entering a wage-price spiral. Risks of social tension remain if the macroeconomic instability continues and external financing is not available.

TABLE 2 Zimbabwe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	4.7	3.4	-8.1	-10.0	2.9	3.1
Private Consumption	1.4	2.1	-13.4	-13.7	3.0	2.9
Government Consumption	14.5	9.2	-28.1	-29.1	-8.1	3.5
Gross Fixed Capital Investment	23.0	4.5	-5.2	-1.5	9.4	0.9
Exports, Goods and Services	4.7	4.1	-5.1	-2.7	3.5	4.5
Imports, Goods and Services	3.2	7.7	-21.0	-15.0	1.9	3.4
Real GDP growth, at constant factor prices	4.8	3.1	-8.1	-11.4	2.8	3.1
Agriculture	10.0	18.3	-18.3	-5.3	4.9	4.9
Industry	2.5	2.1	-6.8	-6.8	3.8	2.3
Services	5.1	1.3	-6.9	-14.2	2.0	3.1
Inflation (Consumer Price Index)	0.9	10.6	255.1	654.9	80.0	20.0
Current Account Balance (% of GDP)	-1.4	-3.7	6.3	6.4	4.3	2.2
Net Foreign Direct Investment (% of GDP)	-1.8	-5.1	-3.2	-3.9	-3.5	-3.2
Fiscal Balance (% of GDP)	-9.8	-5.9	0.3	-1.2	-3.1	-2.8
Debt (% of GDP)	63.8	61.4	53.8	63.1	64.9	66.1
Primary Balance (% of GDP)	-8.8	-4.6	1.2	-0.6	-2.5	-2.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	33.9	34.0	41.9	50.4	50.0	49.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	61.0	61.0	67.3	73.5	73.2	72.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	81.3	81.3	85.3	88.9	88.7	88.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2017-PICES. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2017) with pass-through = 0.87 based on private consumption per capita in constant LCU.

Macro Poverty Outlook

10/
2020

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